

The 34th International Small Business Congress
“Synergizing International Entrepreneurial Opportunities for SMEs”

November 11 – 14, 2007

Queen Sirikit National Convention Center, Bangkok, Thailand

Conference Summary:

Monday, Nov 12, 2007

Opening of the Congress

Mr. Chakramon Phasukavanich, Permanent Secretary, Ministry of Industry, Thailand provided a report to the Congress.

Mr. Chakramon said the 34th ISBC would provide great opportunities for government offices and representatives from private sector organizations and financial institutions to meet and exchanged knowledge on policies, measures and tools to promote and support SMEs.

He also said the conference would offer opportunities for network building among public organizations and financial institutions relevant to SME work. He added that he believed the lessons learned from SME promotion projects of all the member countries would prove particularly beneficial, and help to build new linkages among SME organizations around the world.

Prof. Tsugio IDE, Graduate School of Business, Nihon University, Co-Chairman of the 34th ISBC, and Honorary Secretary of the ISBC Steering Committee, Japan provided another report to the Congress.

Mr. Ide said it was ten years since the Asian Financial Crisis had emerged – spreading all over East Asia – and halting economic growth in a region previously seen as the “East Asia Miracle”. However, despite this huge economic setback East Asian countries had experienced an unexpectedly quick recovery.

He said that lessons learned from the Asia Crisis had been studied and implemented in various international cooperation schemes. Examples included the establishment of the Chiang Mai Initiative and the Asia Bond Market, as well as discussions about an Asian Currency Unit.

He said it would be difficult for a country to enjoy healthy economic growth without having innovative and competitive SMEs – representing a majority of a country’s GDP,

industrial shipment, and total employment. As a result, he said it seemed quite natural that SME activities had been receiving greater attention among national economies, and SME policy had been attributed more importance in public policy.

In the EU, he said they were attempting to develop SME policies as common policy with the SME Charter in 2000. Furthermore, China had enacted its SME Promotion Law in 2003, while the OECD and APEC had also created opportunities to discuss SME matters at Ministerial level.

In Thailand he said the importance of SME policy from the perspective of creating new markets and employment, improving the balance of payments, and developing regional economies was becoming widely acknowledged.

With all this SME progress, Mr. Ide said the common problems faced by all countries in the 21 century was how to achieve sustainable development. He said everyone's success for this objective depended upon achieving sustainable development with the SME sector.

Mr. Kosit Panpiemras, Deputy Prime Minister and Minister of Industry, Thailand delivered a welcoming address and a keynote speech.

Mr. Kosit told delegates at the 34th ISBC that small businesses provided economies with a solid foundation to resist the negative impacts of global economic turmoil. He said the Thai government was utilizing the "Sufficiency Economy Philosophy" of His Majesty King Bhumibol Adulyadej to help develop small businesses in a knowledgeable and stable manner.

He said that in order to strengthen a country's economy to withstand these global economic storms, it was critical to build a solid foundation. Small businesses were the key to that foundation, he said.

The conference, he said, was an important resource in the economic development of all countries because SME development was a critical foundation for the world's economy.

He added that by working together delegates could more effectively seek ways to deal with economic crises and take advantage of economic opportunities. This conference would help build a base of cooperation to watch out for signs of economic dangers that can strike at any time.

Thailand, he said, had applied His Majesty the King's sufficiency economy philosophy as a balanced, ethical and knowledge-based approach to national development.

The approach emphasized stable growth, reasonable macroeconomic discipline, equitable sharing of economic benefits, good governance, improved long-term productivity and careful risk management.

"The aim is not an overheated boom that is often followed by a bust that destroys capital and harms people's lives – as we in this region experienced in 1997. The goal of the sufficiency economy philosophy is steady, equitable development that can be sustained for long-term improvements in the quality of life of the Thai people," Mr. Kosit said.

He noted Thailand's readiness to receive direct investment from other countries and urged delegates to visit Thai businesses and meet with world-standard Thai managers and workers.

Special Keynote Addresses

Mr. Piyabutr Cholvijarn, Deputy Minister of Industry, Thailand delivered a speech on "Policy Innovations for SMEs."

Mr. Piyabutr said the Thai government had laid a firm foundation for long-term development of small business and greater integration into the global economy based on the Thai King's "sufficiency economy"

During the one year period of this administration, he said the government had established a policy of addressing the immediate problems of SMEs while laying a firm foundation for the long-term strengthening of Thai entrepreneurs.

He said Thailand's policies had provided support for companies at the grass root level, without neglecting the small, but sophisticated companies that have high export capability.

He said small businesses were particularly important to the Thai economy because of their "flexibility in adapting to the fast changing business environment, their ability in efficiently serving niche markets, their skills in beautifully expressing Thailand's cultural heritage in their goods and services, and their dedication in providing excellent service."

Mr. Piyabutr highlighted the following government policies:

- Promoting investment in targeted high-potential industries.
- Building public-private collaboration on developing and applying more knowledge in science, technology, business management, and especially intellectual property to strengthen SMEs.
- Improving the quality of Thai tourism products and service, with a special focus on raising safety measures to international standards and the expression of Thai culture and the conservation of our natural attractions.
- Increasing energy efficiency and productivity while promoting the development and utilization of alternative sources of energy.
- Recognizing the importance of intellectual infrastructure enhancement and improving the management of all aspects of this infrastructure – technology, human resources, laws and regulations, motivation, culture and ethics.

Mr. Piyabutr said the Thai government would “help entrepreneurs build their internal strength so their management and production efficiency can be improved. This will result in productivity increases and cost reductions.”

He said the government supported SMEs in creating more knowledge-based businesses that meet market demand, especially at the medium to high end.

Public-private network building and linkage strengthening were the key policy tools that the government uses to help small businesses, he said.

The Minister said that the Office of SMEs Promotion (OSMEP) set the government's strategies for small business development. He said the OSMEP's five year plan sets out a national vision for SME promotion to support balanced and sustainable growth that will enable Thai SMEs “to become dynamic knowledge-based enterprises.”

He said OSMEP had integrated the Sufficiency Economy Philosophy into its strategies, and that this philosophy, put forward by Thailand's King Bhumibol Adulyadej, entailed the use of morality in regulating economic development in a free market system.

He said the Sufficiency Economy Philosophy provides for moderation and rationality in business investment; timely awareness of change, the improvement of internal efficiency, and the ability to adapt properly to changes. It depends on the ability of entrepreneurs to acquire the knowledge to manage business successfully while working ethically and transparently.

Mr. Piyabutr gave the following information about small businesses in Thailand:

In 2006, he said Thailand had about 2.3 million SMEs, accounting for 99.5% of all business enterprises. About 40% of these SMEs are in the trading and service sector.

Thai SMEs have created about 8.86 million jobs, accounting for more than three quarters of total employment in the country. Approximately 40% of those jobs are in manufacturing.

SMEs generated about three thousand billion baht or 39% of overall Thai GDP in 2006. Nearly one-third of SME products came from the service sector, with slightly less coming from manufacturing SMEs and 29% from SMEs in trade and maintenance. So, Thai SMEs are roughly equally divided among service, manufacturing and trade.

Thai SMEs are not confined to the domestic market. They are increasingly active and successful in international trade. In 2006, SMEs accounted for 29.1% of Thailand's total exports of 4,900 billion baht, up 9.3% from the year before. On imports, SMEs played slightly larger role, bringing in 32.7% of total imports worth nearly 4,900 billion baht, up 3% from the preceding year.

Despite this strong international involvement, only 47% of SMEs' revenue came from exports, compared to 63% for the economy as a whole. So, as might be expected, smaller companies are relatively more focused on the domestic market than larger companies, but not by a wide margin. Mr. Piyabutr said he believed this showed that Thai SMEs are already competing successfully in regional and global markets and can expect to do even more in the future.

Mr. Takao Suzuki, Chairman, Organization for Small & Medium Enterprises and Regional Innovation (SMRJ), Japan delivered a speech on “Global Trends in SME Support Policy – Universality and Diversity.”

Mr. Suzuki said that in any country or region, SMEs are the driving force behind economic and social development. However, SMEs have to deal with the issue of having fewer management resources – people, equipment, finances, technology, and information – than large enterprises.

Accordingly, to rectify the gap between large enterprises and SMEs, every country must place importance on SME support policy, said Mr. Suzuki. At the same time, however, when it comes to the actual and specific measures, he said they were diverse, because of the differences in the specific countries and regions.

Mr. Suzuki said that generally three criteria are often used when defining SMEs: (1) the number of employees, (2) equity or capital, and (3) yearly sales turnover. However, the exact usage differs from country to country. What is important to know is that the different definitions reflect the differences in the social and economic conditions.

Mr. Suzuki said the main objective of Japanese business law was to rectify the gap between large enterprises and SMEs, and to protect SMEs.

He said there had been three significant turning points in Japan's SME policy. The first of these was the establishment of the Small and Medium Enterprise Agency in 1948, during Japan's period of postwar recovery. The second was the enactment of the Small and Medium Enterprise Basic Law in 1963, during the nation's period of high economic growth. The third was the reform of the SME Basic Law in 1999, as the nation entered a path of stable economic growth.

The former SME Basic Law positioned SMEs as vulnerable entities and focused on rectifying the gap between SMEs and large enterprises. Revised in 1999, the current concept is to develop a wide range of independent SMEs for greater economic vitality.

Mr. Suzuki said that SME support policies in Japan had not been carried out by SMRJ alone. Policies were also implemented by the national government, local governments, and the private sector.

Mr. Suzuki finished by saying that Japan and Thailand had enjoyed close and friendly relations for years. He then introduced some of the joint projects as examples of international cooperative activities: Developing managers in SMEs through the SME *Shindanshi* Consultant System and developing engineers at the Thai-Nichi Institute of Technology.

Mr. Ki-Mun Kim, Chairman, Korea Federation of Small & Medium Businesses, Republic of Korea delivered a keynote speech on the topic "The Globalization of Korean SMEs"

Mr. Kim began by talking about changes in the world economic order and how it was effecting SMEs. He said that in the 21st century, with the advancement of telecommunications, countries were becoming more unified both economically and culturally.

He said the world was in an era in which global outsourcing was creating unprecedented competition. In addition there was an expansion of networking among companies, since more and more countries had entered into free trade agreements and regionalism had expanded.

As a result, Mr. Kim said companies would have to increase their competitiveness and governments needed to work to create opportunities for SMEs on the global market.

Mr. Kim then talked about the current status of globalization in Korea. Through innovation in management and technology development, he said SMEs were creating employment, thus forming the core of the Korean economy.

However, he said that due to the recent rise in oil prices, the devaluation of the US dollar, and a sharp rise in the price of raw materials, the profitability of Korean SMEs was falling – even while maintaining an increase in exports.

Mr. Kim said Korean SMEs comprised 99% of the business in the entire country – three million two thousand businesses out of a total of three million six thousand. He said the number of employees was 88.1%, 11 million out of 12 million.

Mr. Kim then touched on the Korean Federation of Small and Medium Businesses (Kbiz) and its international activities. He said Kbiz was an economic organization representing three million Korean SMEs.

Since its establishment in 1962, Mr. Kim said Kbiz had developed policies appropriate for SMEs, and had assisted in the growth of SMEs through cooperatives. Currently, he said Kbiz was encouraging mutual cooperation between large enterprises and SMEs.

Mr. Kim then went on to say that Korean SMEs needed to strengthen their “spirit of entrepreneurship” in order to enhance their international competitiveness. He said the difference in productivity between large enterprises and SMEs was closely related to the “capacity” of their CEOs.

In addition, he said Korean SMEs needed to utilize the world’s best Internet technology in expanding their e-business and strengthening networking with overseas companies.

Most of all, he said SMEs needed to strengthen their marketing efforts, as well as develop their brands, designs, and establish global networks.

The Korean government, he said, also needed to develop professional marketing personnel for SMEs and provide information on overseas markets – as well as other means of support.

Plenary Session 1: “Positioning SMEs toward Globalization”

Moderator: **Mr. Benne van Popta**, Deputy Secretary General, MKB Nederland, and Co-chairman of the 34th ISBC, The Netherlands.

Mr. Do-Sung, Na, Deputy Administrator of the Small and Medium Business Administration (SMBA), Republic of Korea gave a speech on the “Spread of FTAs and Response of SMEs.”

He said regional expansion and government assistance is necessary for small businesses trying to survive the stiff global competition created by FTAs, or free trade agreements.

With the gradual expansion of FTAs, the world economy is witnessing cutthroat competition, Mr. Na told the congress. Small and medium-sized enterprises (SMEs) are playing a leading role in national industries and are now faced with many opportunities for increasing their overseas markets as well as the challenges posed by a downturn in domestic markets.

Small businesses have comparative disadvantages against large firms in terms of finance, manpower, technology and overseas marketing, he said. “Therefore, overcoming the challenges of FTAs requires appropriate support from the government and the self-rescue efforts of SME themselves.”

Governments, therefore, should assist SMEs with expanding into regional markets, not simply rescuing them with direct support after they get into trouble. What they need to do is map out “systematic, effective SME stabilization measures”.

These measures should:

1. Foster innovative businesses with their own niche markets.
2. Increase financial assistance according to the growth potential of the company
3. Establish a systematic training system, improving the conditions of workforce demand and supply
4. Create demand for new technology products to expand the market and facilitate economic growth

Above all, it is important for the entrepreneurs themselves to restructure their businesses in the spirit of global entrepreneurship based on market principles, and that regional expansionism is necessary for SMEs

In Korea, Mr. Na said:

1. The government has helped SMEs by providing a one-stop information center to save time and ensure the free flow of information and that SMEs have access to the latest business news and policies.
2. The government has implemented a customized marketing supporting program to boost the profile of SMEs
3. The government's promotion of technological cooperation for research and development has assisted SMEs in gaining access to the latest technological trends, which is crucial for them to compete both at home and abroad.

Mr. Yoichi Kato, President of Japan External Trade Organization (JETRO) Bangkok addressed the subject of "Facilitating SME Internationalization: Identifying Required Infrastructure."

His organization, the Japan External Trade Organization (JETRO) is a government-related organization that provides comprehensive information services to support the international business development of Japanese companies, especially SMEs. They also provide information to facilitate the promotion of foreign companies' investments in Japan, as well as projects to promote trade between Japan and developing countries. All told, they have 73 offices in 54 different countries.

Mr. Kato said the fusion of three factors is crucial for SMEs: the fusion of markets, with an internal and external coalition to a business field; having a firm business platform; forming a sound base to pursue profitability

Regardless of company size, the business field or the capital origin, the motivations for international development by Japanese SMEs are changing from cost reduction and requests by their parent companies or clients to cultivating new customers in overseas markets.

Many Thai companies are losing out on this expansion because of very basic management factors known as QCD: quality improvement, cost reduction and delivery on time. On the other hand, it means that if they improve these management factors, they have a chance to build up their businesses.

Also important is the fusing of fundamental policies that take into consideration the characteristics of SMEs – such as integrating regional promotion policies in tandem with promoting industries, and the linking of both domestic and international policies.

In looking at some basic statistics, he noted:

1. SMEs in Japan represent 99.8 of the number of companies; 70% of employees and 50% of the total value of shipments from the manufacturing industry.
2. In Thailand they represent 40 percent of the GDP.

SMEs have the advantage of flexibility and mobility to make decisions quickly, and the creativity to develop their own technology.

In Japan, since the SME Agency was established in 1948, he said, the country has made significant efforts to promote the development of SMEs as a driving force of the nation's economic development. These measures include the implementation of various policies such as building infrastructure to improve competitiveness and productivity, providing technical assistance, management information and know-how, supporting human resources development, and providing financial assistance for SMEs who have limited resources in terms of personnel, equipment and capital.

Recently, however, Japan has shifted from a bottom-up to a support policy, from reducing the gap between large-sized and small SMEs to encouraging SMEs as creators of new businesses and new industries, focusing on their individual vitality.

In order to further assist the development of SMEs across East and Southeast Asia, Japan's Ministry of Economy, Trade and Industry has proposed the need to establish an East Asian version of an organization like the OECD to integrate the economies of these nations in a financially fruitful way. The first step was taken at the East Asia Summit in January, 2007, as leaders agreed to establish the Economic Research Institute for East Asia (ERIA). To achieve sustainable development, he said, we need to deal with various common issues in the region such as the development of human resources, the enhancement of infrastructure, environment and energy, and reducing economic disparities.

ERIA's mission is to contribute intellectually to the economic efforts in East Asia, based on ASEAN, through survey analysis and recommendations for policy formation. In this framework, the promotion of SMEs is considered an important theme.

Plenary Session 2: “Internationalization of Micro-enterprises: Local Links-Global Reach”

Moderator: **Prof. Ken O’Neill**, Professor of Entrepreneurship and Small Business Development, University of Ulster, Northern Ireland and ISBC Steering Committee.

Mr. Jun Wang, China Financial Sector Coordinator, the World Bank opened the second session with a speech on “Commercial Micro and Small Lending in China.” Highlights of his speech follow:

In China, despite fast economic growth, small companies were suffering from difficulties in accessing bank financing. The Chinese economy has enjoyed near double-digit growth in the past decade, yet banks are still reluctant to lend to Micro and Small Enterprises (MSEs). This is due to the fact that MSEs are often perceived by banks as risky due to costly lending and are often self-financed or set-up with money from family, friends and informal money lenders.

The World Bank was providing consultants to Chinese banks to develop their abilities to assess small businesses and provide them with appropriate lending. Though similar issues had been noted in India, Thailand had fewer problems with bank lending to small companies due to government attention to SME finance needs.

There were two key issues regarding the plans for International Project Consultants (IPCs) to advise the China Development Bank (CDB) and Partner Financial Institutions (PFIs) in capacity building and lending technology.

1. Selecting the right PFIs is crucial in aiding the CDB in becoming a center of excellence
2. PFIs should have clear, corrective action plans and exit mechanisms, which work as safeguards against social and environmental impacts

The pilot phase used in China so far includes a standardized credit technology, which has been suitably adapted to the country’s environment to achieve profitability.

Large, unmet demands of SMEs remain in China and India, but this problem is less significant in Thailand where there is greater government attention given to SME financial needs. Rural SMEs in Thailand, India and China have received much attention due to the tendency for these areas to be neglected.

China: Objectives of SMEs and MSEs

1. SMEs form the vast majority of enterprises in the world and are the main contributors to GDP, the biggest employers, and a stabilizing force for any society.
2. SMEs must be sustainable over many years. It is vital to reach out to as many SMEs as possible as this will lead to growth and further success. This is not easy but can be achieved through well-governed financial institutions.
3. In China, banks tend to pursue corporate customers, regardless of their capacity. Ever-changing business environments make the management of SMEs by banks in China difficult. As such, public policies are often upheld as the source of blame when SMEs fail.
4. Banks tend to view SMEs as risky investments but this is not the case for all SMEs. In some cases, lending to SMEs can be safer than a concentration of loans from large organizations. However, asking SMEs to provide balance or cash flow statements is often meaningless as SMEs struggle to provide this kind of collateral. SMEs need quick, reliable and long lasting plans.
5. All MSEs or SMEs are not a homogenous group. Therefore, faster growing MSEs will have greater access to capital markets and bank lending.
6. The CDB aims to serve as a center of excellence and support other banks with knowledge about the lending technology.

Question and Answer:

Q) How do you choose between companies when making decisions about lending?

A) Long-lasting support has to be seen to be available; otherwise confidence in the SME is lost. Borrowers must feel positive and confident about the program. Collateral may be required but this is not insisted upon. Borrowers must show both willingness and the ability to repay. This is used to determine the SMEs borrowing capacity. Intensive training programs that last for 1-2 weeks are given. The program incorporates a methodology, which assesses the ability and willingness of the SME in terms of repayment.

Dr. Chukka Kondaiah, Principal Director, National Institute of Micro, Small and Medium Enterprises (NIMSME), India presented a speech entitled “Enhancing the Role of Micro and Small Enterprises in Global Value Chains: India’s Initiatives.” A synopsis of his speech follows:

Globalization has impacted the micro and small enterprises (MSEs) of the developing countries in different ways. In India, small businesses that quickly adjust to global markets are succeeding while those resisting globalization are suffering.

MSEs that are able to convert challenges and threats into opportunities and strengths have a greater chance of success. Through adapting to change MSEs are breaking new ground and carving out a place for their products in the global value chains.

Cluster Development Strategy:

The cluster development strategy involves businesses and related organizations in a particular area working closely together to improve competitiveness. These clusters provide easy access to finance, business consultancy and training and are a workable solution for helping small Indian businesses link into global value chains.

Key Points

Key policy recommendations for some 4,000 business clusters in India included:

- Encouraging public-private partnerships and focusing on stabilization.
- The growth of small business has been greatly assisted by the economic reforms that India has implemented over the past decade and by the strong GDP growth that has resulted.
- The Small and Medium Enterprises Development (MSMED) Act 2006 provides small businesses with easy access to finance and capacity building through information dissemination, training and counseling, mentoring and monitoring and the provision of business development services.
- Other government efforts such as the “Visionary Leaders for Manufacturing Program” and the National Commission for Enterprises in the Unorganized Micro Sector have also had a positive impact on Indian MSEs.

Prof. George Abonyi, visiting professor at the department of Public Administration and Executive Education Program, Maxwell School, Syracuse University in the United States presented a speech on “Linking Greater Mekong Sub-region SMEs to International Markets: The Role of Global Value Chains and their Implications for GMS Co-operation.” He has worked for more than 20 years in the region. Highlights from his speech follow:

Small businesses in the Greater Mekong Sub-region (GMS) can succeed by taking advantage of new opportunities offered by global supply chains. Similarly, global value chains and production networks are creating an international economy increasingly characterized by fragmented and specialized production dispersed across borders. This can provide opportunities for smaller enterprises to enter into large-scale exports and build new competitive capabilities by concentrating on a few core activities.

Economic cooperation in the GMS was aimed at increasing linkages among the participating countries, and between the GMS and the global economy. The GMS includes Myanmar, Thailand, Laos, Cambodia, Vietnam and two provinces in southern China.

Although individual SMEs may face significant constraints and risks in responding to such opportunities, cooperation through enterprise clusters could provide a potentially effective mechanism to achieve collective efficiencies through joint action, and support the participation of GMS enterprises in global value chains.

Cooperation should build on existing GMS cooperation in areas such as transport and trade facilitation to address specific cross-border opportunities and constraints in selected industry value chains of shared interest. This can significantly expand the benefits of development through cooperation in the GMS, within the framework of an evolving regional and global economy.

Global Value Chains: obstacles and benefits

A key challenge was overcoming local obstacles to linking SMEs to international markets. "Value chain mapping" is a useful technique in providing essential information about particular obstacles.

Dr. Abonyi cited the example of a denim jeans factory in Cambodia that was facing higher costs due to import and export regulations and delays. Mapping the company's value chain helped identify the constraints. However, unless this information is dealt with at a senior level, then value chain mapping amounts to little more than a paper exercise and is not helpful for SMEs.

This can provide opportunities for smaller enterprises to enter into large-scale exports and build new competitive capabilities by concentrating on a few core activities; or to focus on specialized outputs for niche markets that may be regional or even global in scale.

Problems relating to security measures of cross-border linkages will be dealt with in research planned for next year.

Mr. Ekoko Mukete, Chairman, TECHNINET Africa Governing Council and Vice President, Cameroon Chambers of Commerce and Industry, Mines and Crafts, Cameroon. A summary of Mr. Mukete's speech on "Showcasing Internationalized Micro-enterprises" follows:

In Africa, a US government trade preference scheme and hands-on-assistance from the local chamber of commerce helped a small garment company in Cameroon achieve success.

Brodwell, a limited company was set up with initial capital of only 2,000 USD and 15 employees to manufacture swimwear and lingerie. The manager of the company, Ms. Caroline Kendem, decided to take advantage of the African Growth and Opportunity Act, a unilateral Trade Preference Scheme offered to Sub-Saharan African countries by the U.S Government. This act allows for duty-free and quota-free exports of over 6,500 products to the U.S.

Ms. Kendem soon realized that she needed to increase production capacity and the size of her factory in order to compete. Even though she invested some more funds into the company, the results weren't good enough, so she decided to offer equity in her company to new investors. She attracted four partners who enabled her to raise total equity to 1 million USD and expand the size of her factory and acquire additional equipment.

A shift from swimwear production to work clothes, along with a move to a free trade zone enabled Ms. Kendem to get assistance from the Cameroon Chamber of Commerce under a program of "business hand-holding" services.

With the arrival of new shareholders, the company changed its name to Ken Atlantic and rapidly boosted exports to the US market.

In 2007, Ms. Kendem's experience and knowledge of the US market attracted the attention of the 2nd largest work clothes producer in Europe who decided to join her in a joint venture project.

Today Ken Atlantic's capital has risen to 2 million USD and the company employs 180 workers. The company provides a good example of the international and domestic assistance and the international business linkages needed to help SMEs succeed in global markets.

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Parallel Session 1.1: “Dynamic Changes of SMEs in Asia”

Moderator: **Dr. Hank Lim**, Singapore Institute of International Affairs, Singapore.

Dr. Tulus Tahi Hamonangan, Center for Industry and SME Studies, University of Trisakti, Indonesia spoke on “Recent SME Development in Indonesia.”

Dr. Hamonangan said in Indonesia, SMEs had historically been the main players in domestic economic activities, especially as large providers of employment opportunities, hence a generator of primary or secondary sources of income for many households.

“Typically, SMEs in Indonesia account for more than 90% of all firms outside the agricultural sector, and thus they are the biggest sources of employment, providing livelihoods for over 90% of the country’s workforce, especially women and the young,” Dr. Hamonangan said.

However, he also pointed out that rural SMEs faced a multitude of problems in terms of infrastructure, workforce and low wages and that they were mostly traditional enterprises, generally with low levels of productivity, poor quality products, and serving small, localized markets.

He said the majority of rural enterprises eked out a bare subsistence, and while some of them were economically viable over the long term, a large portion of them were not.

Dr. Hamonangan said that the unit structure of SMEs by sector in Indonesia indicated that the majority of enterprises in all sectors are almost 100 percent in agriculture. This is followed by trade, hotel and restaurants as the second and manufacturing industry as the third largest sector. In this latter sector, they are involved mainly in simple traditional manufacturing activities such as wood products, including furniture, textiles, garments, footwear, and food and beverages.

Only a small portion of total SMEs are engaged in production of machinery, production tools and automotive components. This is generally carried out through subcontracting systems with several multinational car companies such as Toyota and Honda.

This structure of industry reflects the current technological capability of Indonesian SMEs, which are not yet as strong in producing sophisticated technology-embodied products as their counterparts in other countries such as South Korea, Japan, and Taiwan.

Dr. Keshab Das, Visiting Research Fellow, Institute of Developing Economies, IDE-JETRO, Chiba, Japan, and Associate Professor, Gujarat Institute of Development Research, Ahmedabad, India presented on “SME Development in India: Issues and Policy Concerns.”

Dr. Das said that in India, SMEs are important due to the effects they have on employment and income, as well as their importance in tackling the problems of regional disparities.

Since 1991, India has been keenly pursuing SME policies that emphasize the importance of internationalization, trade and inter-dependence in the spheres of innovation, learning, market and business strategies.

Dr. Das said the major issues being examined among SMEs in India include policy bias towards relatively larger units, unimpressive performance, the composition of exports, and the widespread efforts of SME cluster promotion without a sound regional development perspective.

He said that despite an elaborate and dynamic policy framework, the progress of Indian SMEs continue to be hindered by basic constraints such as poor credit availability, low levels of technology (hence, low product quality and limited exportability) and inadequate or no basic infrastructure – both physical and economic.

Dr. Das said the complexity in intervening effectively in this sector was highlighted by the manner in which the small enterprises are defined officially – impinged upon by changing macroeconomic, sectoral and locational policies.

A rethinking of strategies and government policy was crucial, said Dr. Das, if India intended to strengthen the positions of SME networks throughout the country.

Dr. Rafaelita M. Aldaba, Philippine Institute for Development Studies presented a speech on “SMEs in the Philippine Manufacturing Industry and Globalization.”

Dr. Aldaba’s presentation looked at the current state of SMEs in the Philippine manufacturing industry and how they are gearing up to face globalization and economic integration in East Asia.

She focused on the emergence of global production networks or GPN industries in the electronics and automotive industries. While the Philippines is a small exporter by regional standards, its exports of high-technology goods, mostly electronics, have grown at a rapid pace.

Dr. Aldaba said a critical mass had been created with the presence of Intel, Texas Instruments, Philips, Sony, Toshiba, Hitachi, Fujitsu, Samsung, Goldstar, and Acer. She said the GNP industry association had been actively involved in networking and linkage development activities.

She said it had also established the “Advanced Research & Competency Development Institute” in cooperation with academe, research institutions, and some government leaders to provide world-class training, advanced research, development and engineering.

In another GPN industry – automotive – Dr. Aldaba said the government and the industry were pursuing the “Big Enterprise Small Enterprise Program” to strengthen the industry’s parts suppliers. Toyota is the most active auto participant under the Program, it is implementing a cluster development training program to improve SME productivity and competitiveness.

Dr. Aldaba said that in taking advantage of globalization playing – an important role in GPN industries – there was a need to develop the local suppliers and parts industry. She said this was the only way to increase the local value of multinational corporations and make them stay and expand their operations in the country.

She said the government needed to design a complete package for technical assistance, training, access & availability of finance. Equally important, the government should improve all aspects of competitiveness crucial to linkage creation, and participate more actively in the development of GPN industries.

Parallel Session 1.2: “Franchising and Beyond as New Business Creation Tools”

Moderator: **Mr. Hanns-Eberhard Schleyer**, Zentralverband des Deutschen Handwerks (ZDH), and ISBC Steering Committee, Germany.

Mr. Jean-Paul Dorier, the Directorate for Trade, Handicraft, Services and Liberal Professions in France spoke on “Franchising: Government’s roles.”

The main thrust of his argument was that franchising requires a liberal economy where market rules are respected and that the government must support and regulate but not dictate the economy.

He pointed out that 99.8 % of all French enterprises are SMEs and that France was the first country to adopt the franchising concept in Europe and has led the way ever since.

Franchising has expanded rapidly in recent years, with new signs and concepts proliferating. A main driver of globalization is the master franchise system, which has been growing fast since the mid-1990s. In this system, the franchisor signs a master franchise contract with a foreign operator authorizing him to open and own units and to franchise the concept within a specified territory for a given period. Thus, the master franchisee is both the franchisee and the franchisor.

The master franchise is used in France both by foreign networks moving into the country and by French networks now expanding abroad. Franchising dynamism in France and elsewhere stems also from the modernization of this type of retailing. In France, more than 150 new concepts are created each year, more than half of which are developed through franchising. The networks are continuously adapting their products and services, segmenting their offer to target different demographics, diversifying the nature of their services (i.e. from self-service to a more personalized service), and adapting to new lifestyles.

Franchising is going to have to deal with the growth in e-commerce, leveraging it as a source of fresh dynamism by facilitating the customers' needs through bookings, on-line orders and being able to get a detailed look at different products and services and by using the Internet as a complementary distribution channel.

In Europe, there are now more than 5,500 franchise networks and 266,000 stores, more than in either America or Asia, which have around 4,000 networks each. Franchise networks have expanded in all European countries with the exception of Belgium and Hungary and the number of networks in Spain and Portugal more than doubled from 1998-2004.

Mr. Matthew Shay, President, International Franchise Association (IFA), USA discussed "Franchising: Global and Regional Trends."

The IFA was established in 1960. At least 95% of its member companies are headquartered in the USA. Altogether, they represent 200 franchisors, from very large brand names like McDonald's to smaller companies with even two or three franchises. The IFA is rare in that it represents both franchisees and franchisors, rare among organizations like this.

He believes franchising is the single most important way of developing SMEs. There are a number of reasons for this.

The advantages of franchising he listed as:

- These financial ventures are a safer investment both for the entrepreneur and the franchisee.
- The brand and business plan are already in place, as well as the technological know-how.
- Franchising is the most efficient way of developing capital.
- Franchises have the advantage of being able to adapt themselves to market conditions and new trends like medical technology and dating services. So they are the best way to capitalize on emerging markets.

The major disadvantage for franchisees is that they have very little independence.

To put global franchising into perspective, he recited some recent statistics. Today, there are more than 16,000 franchise companies operating around the world. Among them are more than 1.5 million franchisee-owner-operators, who, collectively, generate an estimate two trillion dollars in sales each year. These franchises employ nearly 20 million people.

Another survey by IFA Association Member Companies revealed that significant numbers are conducting business operation outside the United States. Some are operating in more than 120 different countries. Asia, in particular, is a popular region among IFA members these days.

These companies approach their expansion into other nations from a strategic standpoint. This is crucial in view of the constant improvement in communications technology, the ease of travel, and the real-time exchange of business ideas. It signifies that franchises are more acutely aware of the importance of serving customers of all locations, cultures and languages. Today's successful franchises fully understand the importance of addressing these differences when planning to enter a country and establish operations for the first time.

In studying the ability of franchises to adapt, it was found that two-thirds of the franchise systems that made the decision to establish operation in other countries did so mainly because of a request made from a prospective franchisee. Careful evaluations are needed to determine where such a move is beneficial in reaping greater profits, gaining a greater market share and improving their company's brand or name recognition.

Risk is also a key factor that a franchise system must consider. Their initial concern when expanding outside their country of origin is whether they will have ample control over their business concept.

One of the world's largest and most successful franchises – McDonald's – enjoys success largely because it listens closely to its franchisees who serve as the eyes and ears of customers – and adapts its operations quickly in response. For example, he said that McDonald's most famous sandwich – the Big Mac remains one of its most popular items. But the idea for the Big Mac did not originate at headquarters. It was an idea that began with a franchisee who paid careful attention to his customers and then shared that information with the parent company.

Mr. Jose A. Minana, Vice President and Head of Jollibee Foods Corporation in the Philippines discussed "Firm Strategies for Franchising."

The head of the fast-food chain stressed the necessity of making sure your products and services are stable enough so that they can be managed by other people. Products need to be consistent. To do this systems and procedures must be properly documented, so that they can maintain quality and consistency over great distances.

He also asked a pertinent question. Who do you franchise your business to? Mr. Minana answered it by saying that you want someone with common values, who shares your vision and who knows the territory better. In addition, they must have a good reputation in the community that will add value and help them build up the business faster in that area than you could.

To expand farther also involves answering some key quandaries. One thing is ownership ration. It's necessary to retain some company-owned stores to introduce new products. Jollibee, for example, has a 50% ownership ratio. Then there's the subject of the franchise grant. Should it be for a retail trade area or an entire state or province?

How do you sustain the relationship?

1. Many fail in franchising business because they fail to communicate with franchisees. This is why the company formed their own Jollibee Franchisees Association.
2. Training programs with franchisees are necessary for introducing performance standards.
3. These performance standards are maintained by rewarding franchisees who do well.

Jollibee is the number one fast-food chain in the Philippines, with franchises in Vietnam, America, Hong Kong, Brunei, and soon China. Now they have more than 600 outlets with an annual turnover of US\$600 million and some 600 outlets, though it was originally opened as an ice-cream parlor in 1975 by a young university student.

Mr. Pravit Chitnarapong, President and CEO, Black Canyon Co. Ltd., Thailand and **Mr. Sumet Granchangnetara**, Consultant and Business Advisor to Black Canyon Co. Ltd. spoke about “Micro-franchising.”

Established in 1993 as a coffee shop with Thai, Western and fusion dishes and a cozy atmosphere that targets mid-market consumers, Black Canyon’s success is based on correct market positioning. There are now 160 Black Canyon outlets in Thailand, 25 in Singapore, Malaysia, Myanmar, Dubai and Cambodia. Through these outlets, the company serves some 4 million cups of coffee every day of the year. In 2007, they won the “Prime Minister’s Export Award” in the category of “Best Services Provider” in Thailand.

One of the new trends in this line of business sector is micro-franchising: copying the same principles of a franchised business but aiming at more of a lower-income target market at a grassroots levels. It is still at a developing stage, especially in Asian countries.

Their power-point presentation quoted the old proverb: “Give a person five fishes and he can eat for one day, but teach him how to fish and he will be able to fend for himself for the rest of his life.”

Micro-franchising builds on the micro-credit concepts of the 2006 Nobel Laureate Dr. Yunus in Bangladesh about helping the poor set up cottage industries and combines it with the American model of cloning an already successful business concept. Often it involves the sale of basic goods and services that a community normally needs. By doing so, micro-franchising helps to alleviate poverty, poor health standards, and social unrest, so it’s useful to introduce them into poor areas and provides dual socio-economic benefits.

Micro-franchising makes available to those living in poor villages and small communities in developing economies the minimal required start-up financing through a government funding initiative or NGO funding organizations.

Examples of micro-franchising given:

1. Vodaphone village phone services and Internet access in Africa and Bangladesh

2. SCOJO Vision's inexpensive eyeglasses sold by traveling vendors or at kiosks in India, Bangladesh and Mexico.
3. In Thailand, there are already noodle vendors, coffee kiosks, and the Five Star roast chicken vendors, using micro-franchising ideas.

However, Mr. Sumet said, much more needs to be done throughout all the ASEAN countries at village and community levels in order to create a win-win socio-economic solution for everyone. This can be achieved by more concerted efforts between existing governments and NGOs and SMEs.

Parallel Session 1.3: “Commercialization of Research and Development for SMEs”

Moderator: **Dr. Rungruang Limchoopatipa**, Advisor, Office of Small and Medium Enterprises Promotion, Thailand.

Mr. James Tomecko, Director, Business and Financial Services Component, German Technical Cooperation (GTZ), Canada. A synopsis of his speech follows:

Mr. Tomecko has been working for the last 35 years with GTZ, UNIDO, ILO, World Bank and others in the field of enterprise development mainly in Asia and Africa. He has undertaken short- and long-term assignments in India, Bangladesh, Nepal, Laos, Vietnam, Thailand, Afghanistan, Yemen, Kenya, Tanzania, Zambia, Malawi, Swaziland and Botswana.

The current global focus on climate change has given impetus to the urgent need to change the process of economic growth from being “resource intensive” to being “innovation driven.”

Innovation is becoming more important than labor and capital. Ideas are quickly replacing resources as the drivers of wealth. Therefore, small companies need better institutional infrastructure to support the link with Research and Development (R&D) institutes.

Focus on Asia

- Currently this link in Asia is relatively weak and companies are forced to depend on internal sources of innovation. Japan and South Korea are moving quickly to build needed relationships and increase funding research, but other countries are lagging. In the United States, for example, commercialization of ideas born in research universities and research institutes, accounted for more than 2.6% of GDP while in Thailand they amounted to only 0.2%.

- Asian universities tend to focus on mass education rather than innovation and it is necessary to remove some of the institutional constraints that prevent such links, especially academic suspicions of the private sector.
- Not all SMEs can be innovative, but rapid growth may come from the relatively small proportion of innovative companies, that Mr. Tomecko called “gazelles” rather than either “mice” – tiny, traditional companies, or “elephants” the large companies that are slow to innovate.
- Research and development are key focus areas for Asian SMEs interested in growth.
- Currently in Asia, Japan and Korea have the highest expenditure budgets for R&D. Other Asian countries should seek to increase their expenditure targets accordingly.
- Positively introduce entrepreneurship as viable and respectable option for students at an early age. This may help to redress the balance and encourage more people to move into the market.

Question and Answer:

Q) On a list of global R&D statistics, Thailand ranks 54th from a list of 61 countries. What can the Thai government do about this?

A) Focus on enterprise education in universities. Positively introduce entrepreneurship as viable and respectable option for students at an early age. This may help to redress the balance and encourage more people to move into the market.

Mr. Jonathan Kirkpatrick, CEO, Auckland University of Technology (AUT), New Zealand presented a speech on “Technology Incubation”. Key elements to successful business incubation were discussed and the highlights were as follows:

Business incubation is a powerful economic development tool that can be applied equally to both small and successful companies.

High quality “value chains of expertise” are needed to grow small businesses into large ones. These value chains include the entrepreneur, the business model, the market opportunity, and most significantly – the quality of the incubator and its management team. Incubator managers need to be highly skilled both in growing companies and nurturing people.

AUT believes that company survival will take care of itself when company growth is managed well. Incubators that focus simply on company survival rather than rapid growth are likely to be less effective than those which focus on high growth goals – “aim high and achieve high rather than aim low and achieve less; aim for high growth and company survival will take care of itself”.

Though the term “Incubation” may have negative connotations for some, this model is not applied to weak or dying companies that can’t quickly be turned around.

Companies that are well suited to business incubation include SMEs who may not have started to trade and those with innovative technology that can become product. There is a huge gulf between raw technology and saleable items in the market.

Businesses that implement incubation gain positives such as risk management, consultants, and IT tools. Hands-on business expertise that enables entrepreneurs to raise capital and produce more products is very important.

The ability to access the capital necessary for high growth is crucial and finding offshore markets and developing professional networks is also of great importance.

Commercial networks and advisory boards are crucial. An incubator should have a wide range of networks, as well as people who can act as mentors to offer high quality advice.

A company is more than one product and also needs more than one product to be successful. The best technology enters into markets as quickly as possible to maximize returns.

Many product life-cycle patterns tend to follow the pattern of early rapid growth, a plateau and a tail off. Business incubation can be useful in helping companies realize that they are more than just the product. For example, cell phones are the perfect example of a successful product. To remain current, the market continues to re-purchase the product and technology due to well-protected intellectual property and licensed technology.

Business incubators are successful in both quantitative and qualitative performance measures. It is important to gain feedback and constructive criticism from both clients and stakeholders.

Questions and Answers:

Q.1) How can we improve growth in Thailand?

A) When money is invested in incubation, this is an investment and companies expect to see a return on it. Spending of public money will be called to account at some point. In my country, incubation is not much older than Thailand. New Zealand has colonial history. We learned from England, the mother country about incubation and adapted international models accordingly.

Q.2) How do you protect and capitalize on information that is already in the public domain?

A) As researchers are paid and rewarded for their work immediately, it's very difficult to protect this information and generate additional financial gains.

Mr. Reuben Jessop, Senior Advisor, German Technical Cooperation (GTZ), USA presented a speech on "Financing R&D Commercialization: Typologies." The highlights were as follows:

Mr. Jessop cited a survey of current initiatives in various parts of the world that highlighted the types of financial measures that governments undertake to encourage initial R&D efforts by companies and to commercialize the results of those efforts.

In Thailand, 0.3% of GDP or a little over half a billion USD was spent on R&D. The Ratio of private versus public-funded R&D is 2/3 and 1/3 in many companies and currently this is the reverse in Thailand. However, the "big fish often eat the little fish" in regards to private R&D investment.

R&D is a necessary expense for all companies and finance is crucial to R&D commercialization. How to translate new knowledge into a new product or service is essential for all SMEs to learn.

Key points for governments and SMES

- Tax considerations and the costs of different types of capital must be considered. Large enterprises tend to fund R&D from internal funding (revenues, retained earnings) but remain cautious in R&D goals. SMEs don't have sufficient internal financing sources to fund R&D, but retain ambitious R&D goals. Therefore, large companies and SMEs are at opposite ends of the spectrum.

- As start-up enterprises or SMEs often have no internal finance they often rely on the “three F’s – friends, families and fools”, or charities and other donors for equity. SMEs greatly need government equity and debt and tax assistance.
- Government initiatives are particularly important, especially for small companies, because company level R&D is viewed as having high risks and uncertain returns for financial institutions.
- Governments have a key role to play in funding and lowering the cost of capital for R&D investments to help attract further equity. This greatly helps SMEs in their early years, as during this stage SMEs often don’t pay taxes and mainly burn equity.
- SMEs experience difficulties in finding financing and many firms minimize their R&D expenditures even though this puts their long-term sustainability at risk.
- Governments should be open to growth of the R&D market and inject grants, start-up and seed capital, loans and funds. These are fundamental tools in a competitive business environment. For example, the first funding for the Internet came from DARPA (Defense Advanced Research Projects) in USA. 2.6% was initially invested in the Internet for its use as a safety system. Nowadays, the Internet is a great example of a product that received intensive investment and has become a necessity in the lives of everyone.
- Governments also need to be more open-minded towards foreign investment and develop fair financial infrastructures with regard to contract and property rights. Good human capital infrastructures and open immigration policies enable countries to attract the brightest and best talent available.

Question and Answer:

Q) How do you evaluate R&D value?

A) This is difficult. R&D often equals an intangible value, but market timing can play a crucial role here.

Mr. Ryuji Ichikawa, CEO, National Federation of Small Business Associations (NFSBA) presented a speech on “Industry-Academia Collaboration Involving Small Business Associations.” A synopsis of his speech follows:

Business associations can play an important role in facilitating the relationship of small companies with research institutions.

In Japan a large number of industry-academia collaborations involve tie-ups between small business associations and public research institutes. Such arrangements give small businesses a chance to benefit from research that they might not have on their own. This also allows many more SMEs to benefit from R&D grants.

Mr. Ichikawa presented examples of two Japanese companies in different prefectures, which highlighted the positives that may be achieved when strong links between academia and business cooperatives are developed. New products are developed when the two successfully combine, as well as a wider range of knowledge, technology, and innovation.

A key benefit for small companies is the opportunity for their personnel to interact with top researchers and collaborate on projects. However, such interactions are not simple and generally require a coordinator to guide the industry-academia collaboration. The role of such coordinators is likely to become more and more important in the future as they bring together specialist knowledge.

There has been much growth of SMEs re-engaging in collaborations but this also creates new problems that must be overcome and there are still only a limited number of SMEs projects when compared with the resources, finance and technology on offer.

The promotion of joint research projects between SMEs and research industries is especially useful. Joint production and joint training is the best collaboration model.

Problem areas for SMEs

- SMEs desire tangible results in short periods of time.
- SMEs are not independent in terms of business execution.
- SMEs are often too vague in requests they make to universities with regard to what they need.
- SMEs lack independence and are often not accustomed to handling contracts and/or intellectual property.
- The R&D pace is slow and hard for SMEs to offer up advice on a business footing and universities can often act in ambiguous ways towards small companies.

However, the gap between SMEs and business on academic and commercial level can be filled with a strong R&D plan. SMEs need good business plans to attract investors for R&D.

Question and Answer:

The moderator, Dr. Rungruang Limchoopatipa, commented that Thailand often produces lots of paper reports, while Japan tends to produce results that have a more tangible effect. We can learn a lot from Japan.

Q) How can we fill the gap between SMEs and business on both academic and commercial levels?

A) You can achieve this when you focus on the research cycle and develop a strong R&D plan. SMEs need good business plans to attract investors for R&D.

Parallel Session 1.4: “Market Cultivation: Roles of Entrepreneurs”

Moderator: **Mr. Roscher Ping-Pin Lin**, Chairman, NASME, Chinese Taipei and ISBC Steering Committee. Mr. Lin welcomed the audience.

Mr. Michele Perini, President, Fiera Milano S.p.A. and SAGSA Office Furniture S.p.A., Italy.

Mr. Perini said that in Italy, 95% of companies are small and medium sized with less than 100 employees. “The global market is a challenge for SMEs and managing the complexity is now an ordinary administration. When my father started his company many decades ago, it was less complicating to manage than it is today.” Technology has created opportunities in the market, as well as added to the complications. The media has cut decision time for businesses. The speed of economy moves at different time. If you don’t catch the wave between the frequencies, you cannot keep up. If you decide too late, it can be dangerous for the business. But the global market is a very good opportunity for SMEs as well.

Competitive businesses fall under three categories. These companies are competitive because they have:

1. Strong brands, for instance, Prada, Coca-Cola, Apple, Mont Blanc, Porsche, Nike, etc. These companies invest in brand awareness, emphasizing location, exposure and sponsorship.
2. Heritage brand, such as Citterio, Pirelli Piaggio, Borsalino, and Fiera Milano. These companies use the brand and the history to distinguish themselves in the market.
3. Low price brands, such as Wal-Mart or Tesco. These brands are always competitive in their essence. They search for cheapest resources and are always ready to expatriate and outsource. The key to their low prices is their investment in commercial networks and technical documentations (i.e. supply chain, logistics, etc.).

The role of the entrepreneur is to scout the market and ask himself/herself which of the three models I belong to or want to pursue. Entrepreneurs should believe in their business plan and stick to it. Some companies change their business plan after they have been in the business for some time.

One of the best enemies of SMEs is bureaucracy. Moreover, as an entrepreneur, one is often alone, especially in decision-making.

One opportunity for entrepreneurs to increase their exposure is through exhibitions. Exhibitions allow the entrepreneur to meet other companies in the same sector and start cooperating. "Exhibition venues should not only be a window, but an integrated marketing tool and sales promotion for the company."

Mr. Perini then talks about his business *Fiera Milano S.p.A.* Fiera Milano is a state-of-the-art exhibition venue that hosts more than 75 exhibitions per year. Fiera Milano also offers a range of other services such as conference organization. Milan is a candidate city for World Expo in 2015.

Mr. Perini closes with remarks about the role of family capitalism. He said, "Family run businesses represent an important part of the world economy." It is the family that usually supports the start of economic activity.

Mr. Anthony M. Zola, President, MIDAS Agronomics Co. Ltd. – Mekong International Development, U.S.A. He discussed "Synergizing International Entrepreneurial Opportunities for Agribusiness SMEs."

Mr. Zola began with a review of the key trends in global agribusiness. Today, there is higher consolidation, vertical and horizontal integration, concentration in retail and food processing and higher demand for natural and organic foods. Consolidation of agribusiness multinationals creates large agro industrial operations that pay less for production inputs and have more control of the market. For instance, in 2004, Tyson, Cargill, Swift & Co. and National Beef Packing Co. controlled 83% of all beef packing industry. Likewise, greater horizontal concentration leads to fewer agribusiness firms controlling more of the food market while vertical integration leads to more control of the value chain and processing from the field to the consumer. Kroger Co., for example, uses vertical integration model whereby it buys beef only from Cargill and Monsanto, and distribute the beef through their own retail stores.

Moreover, there is higher retail concentration of food and other dry goods. Data on retail concentration is very difficult to obtain because many firms do not like to share this data. However, it is estimated that 7-8% of grocery retailing in Asia is controlled by four Japanese firms. In the world, five firms in food retailing (Wal-Mart Stores, Kroger Co., Albertsons, Inc., Safeway, Inc., and Ahold USA, Inc.) control 46% of the food retailing market.

“Global value chains are impacting the world market prices,” said Mr. Zola. Fewer, larger firms have more power and can influence prices of produce charged to consumers. As a result, SMEs cannot compete on prices. Unless SMEs in rural areas modernize quickly, they are going to be left out of the retail revolution.”

For SMEs, finding a niche is the key to survival and success in the globalized market. It is through niche markets where SMEs should concentrate and improve their product quality for the niche. According to Mr. Zola, SMEs have to think about what the country with money in each region is looking for. He concludes that they are looking for natural products.

Mr. Zola cited organic products as one of the market niches that SMEs should tap. The organic vegetable market is growing at 15-30% per year in Europe, the U.S. and Japan. SMES can be involved as producers, traders, processor, transport and storage, or marketing to wholesalers and retailers. Likewise, he said that many countries are looking for non-forest timber products in order to extract essential oils and natural product for spas and cosmetics. This is another market niche for SMEs.

Mr. Zola closed with some recommendations. He said, “SMEs need to study the value chain and build the business plan around the value chain.” Moreover, he said that SMEs should go for the modern products and study the preferences of Generation X (25-40 years old), Generation Y (18-24 years old) and Generation Next (less than 18 years old) because these are the people who will set trends in the future. Furthermore, he said that SMEs should look at measures, new business models and practices to manage market risks in the globalized world. These new practices/models include carbon offset and climate change, corporate social responsibility, triple bottom line and social entrepreneurship.

Mr. Effandi Haji Salleh, Entrepreneurial Development Center, Ministry of Industry and Primary Resources, Brunei Darussalam.

Mr. Salleh began with an overview of SMEs in Brunei Darussalam. In Brunei, SMEs are defined as those having less than 100 employees. Sectoral distribution reveals that

more than 40% of SMEs in Brunei are involved in construction and wholesale and retail. More than 11% are involved in community, social and personal services while more than 10% are involved in agriculture, forestry, and fisheries. SMEs are very important to the economy because they create employment, supplement consumer supply efficiency, provide training and skill development to the population, help to distribute income, enable productive use of savings, create competition, change labor and social relations, substitute imports, use local raw materials (instead of imported materials), and offer flexibility.

Mr. Salleh presented a study highlighting factors which restrict or promote the development of SMEs and the importance of SMEs in Brunei Darussalam. The survey was conducted on 110 SMEs. It found that the major problems faced by SMEs include market access and finance. Other challenges include government policies, business sites and premises, human resource development, and raw materials and equipment. Generally, SMEs underperformed in product design and quality. Furthermore, the SME owners lacked knowledge in marketing, market information, and product advertising and promotion.

To develop the market, the survey recommends the creation of institution to enhance product quality, provision of incentives to SMEs in domestic and international trade fairs, adoption of franchising models, capacity upgrading and networking, provision of better market information, assistance through trade promotion, utilization of e-commerce, and expansion of services such as subcontracting, micro-business development, joint trade and investment, promotion mission, and mission matching.

The second study, conducted in 2006, focused on market assessment and marketing services, demand, and provision. The objective of the research was to conduct a strategic assessment of the industries, sectors, products and services that potentially offer profit opportunities for SMEs, including any advice or support on improving existing and/or introducing new business development services for SMEs.

The survey focused on four primary resource sectors namely agriculture, fisheries, tourism and manufacturing. Initially 250 active SMEs were targeted but only 119 responded. Of the respondents, 47% were involved in manufacturing while 26% were involved in agriculture. Generally, no SME owners surveyed had a university degree, but the majority had obtained secondary or college education. Furthermore, majority of SMEs surveyed were owned by males.

The study identified the main problem facing SMEs is marketing. Other general problems include finance/capital, government policies, human resources/skills, location, and sourcing of raw materials. This study is aligned with the findings of the first study.

Critical marketing problems faced by SMEs include size of market. The domestic market in Brunei Darussalam is quite small so it is difficult for SMEs to market their product in an increasingly competitive market. They have to compete with other small companies as well as large multinational companies for a very small market size. Other problems include market information, market development and promotion, and trade and market barriers.

The Brunei government is looking to diversify industries. Growth prospects for priority sectors include agri-processing sector, tourism value chain and manufacturing. The institutional development of government sector, private sector, chambers of commerce and academic sector will help SMEs.

The study closes with recommendation on policy changes in budgetary support and the establishment of the SME Council, an independent Marketing Services Unit, and an integrated Marketing Services Steering Committee. Furthermore, the strategic focus must be adjusted to facilitate SMEs in the AgriFood, tourism, fisheries, manufacturing, and service sectors to effect better domestic market penetration and integrate into existing export-led value chain and into the new value-added activities profitably. The Marketing Services Unit should have a profit-sharing scheme to encourage staff to target potential SMEs. Finally, marketing services and capacity should be strengthened.

Questions and Answers:

Q.1) From a representative of the ISBC Steering Committee Japan – Can the three models be distinguished, as many brands in the world together seem to all merge elements of each?

Mr. Perini: For companies that do not have well known brand, they can use the heritage model to join the other big brands. In Italy, when the entrepreneur starts the business, they fall into one of the three categories. However, when they grow, they may become a mix of heritage or strong brand. For example, there are Italian wineries that are distributed in Wal-Mart, other low cost retail points. This is because the business finds a niche in the distribution chain.

Q.2) What will be developed from the policy in Brunei?

Mr. Salleh: The Commonwealth Secretariat has developed an action plan to attract foreign direct investment. It is increasing investment in information technology by

establishing I-Centers where export market companies are listed. Furthermore, the Secretariat will improve financing and human resource capacity development for SMEs.

Tuesday, November 13, 2007

Plenary Session 3: “Logistic Innovation for SMEs”

Moderator: **Dr. Kitti Limskul**, Director, Economic Modeling & Forecasting Program, Faculty of Economics, Chulalongkorn University, Thailand.

Prof. Jay Mitra, School of Entrepreneurship and Business, University of Essex, UK presented a speech on “Global Sourcing: Logistic Implications for SMEs.” A synopsis of his speech follows:

The effective planning and organization of supplies, sourcing of goods, services, and resources in a highly competitive global economy attracts the interests of both practitioners and researchers. SMEs need to create learning platforms with universities and policy makers to address their logistics problems.

Governments need to move from what is taken for granted to what needs to be done proactively for SMEs’ logistics needs. Governments and academia should work to create networked economies in the private and public sector to aid SMEs in boosting their logistics efficiency.

The special characteristics of SMEs as both planners and users of logistics meant that governments could improve efficiency by addressing those needs.

Though SMEs can be great sources of innovation in logistics they tend to lack long-term strategic planning and suffer shortages of management capability. SMEs face great challenges in regard to their poverty of resources and lack of critical mass.

The rising importance of fast deliveries, coupled with the uncertainties in globalized markets, makes it difficult for SMEs to put in place effective logistics management.

Global outsourcing is providing the necessary fast growth for developing countries like China, India, Eastern Europe and Brazil to improve their logistics systems to avoid the risk of losing customers.

Logistics, supply chain management and demand chain management require full involvement of the customer. It is difficult for SMEs to provide the management skills to

avoid significant losses because they have limited resources to deal with a host of issues. Fast-changing technologies, cross border change and unplanned development all create logistics problems.

Mr. Johnathan Sutton, Category Technical Manager – Fresh Produce – Thailand & Malaysia, Tesco Lotus, UK presented a speech on “Logistic Innovation in the Food Supply Chain.” The highlights from his speech were as follows:

The food supply chain has undergone a massive transformation in recent years driven by changes in consumer demand for quality products.

Producers, suppliers and retailers have developed and invested in their systems to meet these demands using both high level specialist equipment and also using some simple, low-cost options.

The issue between suppliers investing in innovation and consumers seeking lower prices will be a constant debate for many businesses for many years.

Tesco Lotus has invested heavily in understanding how to satisfy customer demands for fresh produce, so that quality products can be available 24 hours a day, seven days a week around the year.

Increasing consumer demands for fresh food is driving rapid change in food logistics, but small companies must make sure logistics innovations add customer value.

Asian food supply chains needed to catch up with the field-to-store logistics increasingly used in Western markets. However, these improvements need to be made without adding new layers of cost.

Innovation doesn't have to mean expense. In Asia, simple plastic sleeves and Styrofoam boxes can keep food fresh and safe from contamination for days. Though these are not eco- or user-friendly options for the environment, achieving change must be done in a way that works for both business and the environment.

The typical Asian market supply chain involves massive movements from farms to distribution centers and involves many layers, creating delays that hurt the shelf life of fresh products. However, there are some very simple methods of improving the supply chain and driving the quality standards for food, in line with modern consumer needs.

Logistics Chain Innovation: Adding Value

- Quicker product movement, no temperature leaks, and packaging that provides increased shelf life improve quality and provide access to new markets.
- In some cases, sophisticated technology is required, but simple methods of improving the supply chain and driving the quality standards for food can be successful.
- Keep a clear focus on costs and measure the benefits. This ensures intact and efficient global value chains.
- The supply chain must keep food fresh and reduce contamination and microorganisms.
- Quality control should start at the point of harvest.

Dr. Lai, Sun-Quae, Director General, Small and Medium Enterprise Administration, Ministry of Economic Affairs, Chinese Taipei presented a speech on “Logistic Requirements for B2B.” A synopsis of his speech follows:

Facing the challenge of globalization, SMEs are experiencing revolutionary change in the distribution systems and delivery of products.

SMEs play a key role in industries but sorely need government help to both grow and survive.

SMEs should receive financial and technical assistance, as well as government help. If governments can also provide match funding to help with innovation initiatives for SMEs, then this is an even greater help.

Governments can help to support SMEs with regard to financial risks by supporting their investment culture (as investing in SMEs help to protect them) and ensuring that interest rates remain lower than market rates.

It is an essential trend today for multinational enterprises to build up production lines and distribution systems at their overseas bases. This, however, forces enterprises around the world to develop global logistics management.

Governments should assist with global logistic management planning, including design, production, marketing, after-sales services and inventory management.

Implementing logistics can create effects to the cost effective flow, which shifts from domestic to international. Obstacles that interfere with the cost effective flow include lack of information, slow adaptation to new technology, and lack of connection between logistic firms.

Free Trade Zones could play a key role in helping small companies develop better global logistics management. This information is critical for SMEs and could help in areas such as exemption from business tax, commodity tax and other related fees.

The promotion of e-commerce and e-logistics will provide a better exchange of product information. It helps to strengthen the competitiveness of SMEs in securing global orders. Introducing the global supply chain protocol known as the RosettaNet, would help to link the local e-business environment to the global markets.

Question and Answer:

Q) How will governments support SMEs in regard to financial risks?

A) Three tools governments can use to support SMEs are:

1. A better investment culture. Governments can invest in SMEs to help protect them. For example, new SMEs that are emerging with biotechnology.
2. Offering lower interest rates than the market rate can help SMEs to grow. Governments should provide credit therapy and other special funds.
3. Governments should offer match funding to help with innovation initiatives.

Dr. Krizz Chantjiraporn, President, Thai Logistics and Production Society, Thailand presented a speech on “Promotion of Enabling Logistics Technologies for SMEs.” The highlights were as follows:

Dr. Krizz cautioned against providing logistics systems that were too complex for small companies to manage.

SMEs need to use simple models that best convey the benefits for each particular company. IT for SMEs – electronic data interchange (EDI) – this is the way forward.

Some companies can deal with such systems in-house, but others may need to outsource their logistics management. The development of independent logistics providers focused on the needs of SMEs is highly positive.

New transportation corridors, such as the “East – West Economic Corridor” in Southeast Asia are efficiently linking countries to new markets and investment. This relocation is essential for survival.

Greater Mekong Sub-region (GMS) countries such as Vietnam, Thailand, Burma, Laos, Cambodia and China, are linking for the first time in ways that provide small companies with new business opportunities, so long as they are able to manage logistics challenges.

Key areas for SME growth and change in the GMS region include:

- New innovation of product delivery
- Better Human Resources (HR) competency surrounding the delivery process, sourcing and suppliers.

The K-Model

The K-Model, known as “Poo Chana Sip Tit” in Thai, outlines components that SMEs need in order to deal with logistic challenges. These needs are:

- More integrated thinking and management.
- Innovative strategic business thinking.
- Pragmatic approaches to the acquisition and deployment of Information Systems.
- A greater focus on customer expectations.
- Greater capabilities in terms of serving the customers’ needs.
- To work in partnership with consultants.

These logistic management techniques should be extended to all SMEs, even to farmers.

SMEs need clear business strategies. Many SMEs focus on survival, sufficiency, growth, relocation and an exit plan. However, the strategy for large companies is more centered on cost leadership, product differentiation and cost differentiation.

Plenary Session 4: “Service SMEs: Challenges and New Opportunities”

Moderator: **Dr. Saisawan Vadhanapanich**, Director, Better Business practices Division, Kenan Institute Asia, Thailand.

Professor Jay Mitra, from the School of Entrepreneurship and Business at the University of Essex in the UK addressed the subject of “Globalization and the Roles of Service SMEs.”

The professor said companies and governments need to work together to develop small service companies that can integrate staff and customer abilities to create effective global delivery models (GDMs). He believes that GDMs capable of integrating in-house talent with customer capabilities and embedding frameworks for service delivery will be at the forefront of change in services.

But policy development is needed at the level of both the firm and governments for encouraging better-networked, technology-enabled services that will provide sustainable economic growth activity.

He noted that multi-factor productivity growth in the United States was directly linked to increased use of information technology and this was driving overall economic growth.

In terms of employment growth, services now account for almost all of it. He urged labor market reforms to create new employment opportunities in services, particularly to provide new jobs for women. To ensure this employment growth continues there must be more innovations concentrated in knowledge-based services. And this requires a growth in end-user R&D activities. This means building up and harnessing information from consumers to come up with better services.

The growth in such databases and constant technological advancements brings with it another problem that he believes is the biggest one facing SMEs: processing and purchasing and absorbing all the information that is now required.

Prof. Mitra said SMEs needed to promote their development through networks and links with larger firms and end-users. He said SMEs play critical roles in information and communication technology services, media and professional services in the global environment because they were capable of linking customers and providers of knowledge and products and functions.

Dr. G.U.K. Rao, the Director of the School of Enterprise Development at the National Institute of Micro, Small and Medium Enterprises (NIMSME) in India spoke about the “Growth and Challenges vis-à-vis Service SMEs in the Indian Economy and the Role of State.”

First he sought to broadly define the rapidly changing term “services” by noting that they exist outside of the agricultural and industrial sectors, but can include construction, trade, finance, real estate, government and transportation, tourism and health, culture, sports and recreation.

This shift has brought about new values in the workplace from employees once being considered as simply workers to being partners in every sense of the word. Other new values are more customer care; that management is a trustee of the shareholders; and more businesses are conducted to the letter of the law.

The importance of services is that they support the entire goods production process by providing value-added inputs for competitive industrial development. Thanks to foreign direct investment (FDI), services have grown to encompass about 36% of world trade. They also contribute to 90% of new jobs around the world.

The role of the state in service SMEs should be to:

1. Provide education, training and technical assistance
2. Provide access to a diversity of capital networks of support and an enabling culture
3. To provide supportive policies that foster growth

In the internationalization of services, developed countries are dominating and now account for about 68% of their gross national product. Currently, on a global level, the service sector is growing quicker than products. And he predicts that an increasing proportion of people's expenditures will shift from commodities to services.

When speaking of his homeland he said that India offers many advantages for service-based SMEs, such low manpower costs, good English skills, well-developed base industries, a large untapped market, and an urban population expected to rise to 40% by 2020.

These advantages are offset, however, by supply constraints, poor record keeping, an undeveloped infrastructure and an absence of accountability.

In concluding his speech, he recommended the setting up of export promotion councils other than for computer software and minimizing trade barriers. Dr. Rao said that more consultancy and R&D services will improve the sector. Policy measures announced to promote service exports will also be of benefit, along with proper synergies between economic policies and trade strategies. For sustained growth a constructive partnership between the private and public sectors needs to be established.

Dr. Youn-Suk Park of the Korea Small Business Institute, Republic of Korea delivered a speech on the "Characteristics of High-growth Service SMEs in Korea."

She said the Korean economy is increasingly services-oriented. In 2005, the knowledge-based service sector of Korea made up some 23.1% of total employment

and 26.1% of the total value added. Among the country's SMEs, some 1,033 firms are experiencing growth while 104 firms have been growing at a very high rate of 10% or more.

High-growth firms are significantly concentrated in IT and other forms of computer-related technology. Her institute has broken down IT into five sub-sectors. Software leads the pack with 82.6%. But other areas of growth are concentrated in computer system design and consultancy, data processing and computer facilities management, as well as database and on-line information provisions. Another aspect these high-growth firms, such as "financial intermediation," and "professional, scientific and technical services," share is that as of the year 2000, more than 90% of them had fewer than 50 employees.

Over the last five years, innovative technology, such as the development of new products and services, has expanded by 73.8 % among these high-growth firms. During the same time frame R&D activities have grown by almost 64%.

The conclusions her institute has drawn from these statistics are:

1. Small firms and the high-tech service sector are driving economic growth
2. R&D activities for the development of new products/services are the catalysts for an increase in revenue.
3. Staff training is given great importance in high-growth firms and almost 66% percent of SMEs have increased their staff training efforts in the last five years.
4. Corporate profits are a significant source for financing growth.
5. The previous career experience of the entrepreneur in a relevant business has played a pivotal part in the firm's success
6. Government support in technological R&D is of the utmost importance.

Mr. Douglas Wright, Chairman of the WorldCom Group of Australia addressed the topic of "Alliance Formation for Exporting Services."

He said that SMEs can meet the challenges imposed by globalization and multinational competitors through formal alliances and that the world opens up to SMEs who attack global markets. But in forming such formal alliances, you must look for partners who have well-respected services, time-tested internal processes, and significant financial assets.

In the financial year 2006/07, he said Australia's export of services grew by 10.5%. And in the country's largest state, New South Wales, services now account for about 81% of the economy.

The pros of selling services over goods he said are no delivery charges, no support staff needed overseas, no quarantines and that distances can be covered electronically. The cons, however, include getting paid, protecting intellectual property rights and currency fluctuations.

WorldCom now has 104 partners in 39 countries, making it the largest network of independent public relations consultancies in the world. Started in 1988, it now boasts an annual turnover of US\$190 million.

Part of its success is owing to the fact that all partners are equal and pay equal dues; they must meet the same standards; and they must attend three meetings every two years is mandatory so that everyone comes face to face. A successful formal alliance, he said, means accountability to its members and that members must meet the agreed performance indicators.

Other important factors in maintaining such alliances include:

1. All alliances need to be reviewed constantly
2. People and economic conditions change regularly
3. The issues facing any country or economy also fluctuate
4. Socio-political environments change
5. Each partner's internal business focus changes
6. Practice groups evolve

But in defining the exporting of services, Mr. Wright said that formal alliances are only one such route to take. Other ways to achieve this are by selling directly to buyers in other countries or to an overseas buyer visiting you. It's also possible for a company's personnel working overseas to sell services or to use a branch office established by the parent company.

Combining local expertise in a multitude of markets enables SME service providers to compete with the multi-nationals and to win business collectively and individually, he said.

Parallel Session 2.1: “Roles of Trading Firms in SME Trade: Strengths and Limitations”

Moderator: **Mr. Fumihiko Adachi** from Kinjogakuin University, Japan.

Mr. Shigeru Ueda, President, CEO and COO, Shikoku Kakoki Co., Ltd., Japan presented a speech on “The Growth of SMEs in Japan and the Role of Trading Companies.” A speech synopsis follows:

Mr. Ueda discussed various Asian countries with regard to the role these countries can play in the development of internalization in the Asian Market. Shikoku Kakoki believes Thailand has great potential for future development. The company views Thailand as having the technical capabilities to establish a trading company to provide maintenance for their machines and plans to increase business developments further here. India has greatly improved in terms of infrastructure and Shikoku Kakoki currently plans to engage in new business with specific, prospective customers, rather than the whole market in the Philippines. In short, Shikoku Kakoki believes that Asian countries and companies will be at the forefront of the 21st-century.

Shikoku Kakoki is one of Japan's leading medium-sized enterprises. It has three business divisions, which focus on machinery, packaging materials and food and had a turnover of 303 million USD in 2003.

Machinery is the company's core business, for example, machines that fill cartons and cups with milk or juice. Though this is a niche market, the company occupies a large share of the Japanese market, around 70% and exports to more than 40 countries. Other Shikoku Kakoki business includes purchasing from outside suppliers, links to dairy plants worldwide and operating as one of the biggest tofu manufacturers in Japan.

Shikoku Kakoki chose a medium-sized trading company rather than a major trading company as its representative because:

1. The ease and ability of direct communication between top-level management tiers.
2. High motivation for mutual growth.
3. Close relationships between work forces.
4. Medium-sized trading companies can provide specific services and are less cumbersome or difficult to work with due to their more manageable size.
5. Access to the trading company's network and overseas market.
6. Ease of coordination with overseas distributors, while the trading company also manages complicated export procedures and ensures collection of payment.

Some of the demerits, which arise from using a trading company, were:

1. Trading companies gain personnel with international business skills.
2. Trading companies acquire credit management and risk management skills that can be used to determine the needs of overseas markets on their own.

Mr. Ueda discussed changes in the trading company's role, as the scale of the business grows from the time of founding, to the establishment of an overseas presence and a secured position as an international company.

Shikoku Kakoki strengthened its foundation in Japan and received support to implement a computer system. The trading company proved to be a great help through covering the costs for internal structure development and employee training. As such, trading companies obtain credit, which aids smooth business with major enterprises.

In summation, Mr. Ueda believed that trading companies played a key and positive role in SMEs' efforts toward becoming a leading medium-sized enterprise or international enterprise.

Mr. Teng Theng Dar, CEO, Intraco, Singapore presented a speech on "The Roles of Trading Firms in SME Trade: Strengths and Limitations." The highlights of his speech were:

Within ASEAN and APEC Region, SMEs are the majority of establishments that contribute to economic growth, forming the critical backbone of sustained job creation and technological breakthrough in their respective economies. For example, China and Singapore have 60% and 50% GDP, respectively, due to SMEs.

For the last 10-20 years, free trade has only occurred within Multi-National Corporations (MNC), which is detrimental to SMEs. Therefore, SMEs face great challenges and need to be proactive in building global trading clusters in order to effectively compete.

Intraco is a seafood business. Our products are sourced in Europe, packaged via Chinese, Vietnamese and Singaporean supermarkets, and finally shipped back to Europe and the USA. This is a cost effective example of a global supply and demand chain.

Intraco has gained SME partnerships in Indonesia, China and the USA, which has helped develop clusters, built trading eco systems and ensured our ability to compete more efficiently on the open market place.

Benefits of MNC compared with SMEs:

- MNCs enjoy the benefits of free trade but SMEs are not yet able to do so due to branding and branded goods sell.

- Branding ensures you get the best talent and experience from the best of the global pool.
- MNCs work 24 hours, seven days a week but SMEs cannot.
- The cost of money, such as treasure and finance costs, hits SMEs harder.
- MNCs receive constant intelligence and innovation ensuring their ability to minimize risks and maximize opportunities.
- MNCs have better business and distribution networks. SMEs must give greater thought to how they can market their products beyond shorelines and countries in order to keep up with market changes.
- SMEs find it difficult to compete with MNCs with regard to production issues like volume and unit costs.
- MNCs have evolved into global powerhouses with immense technology, finance, system, production, and marketing and distribution power. SMEs, however, are still at the starting point with limited resources and domestic-orientated markets.
- MNCs development phases include partnerships with clusters of companies that include assembly and production. This helps to strengthen global intellectual capacity and supply chains.

The bipolarization of MNCs and SMEs is bad for the expansion of free trade, job creation and the distribution of wealth.

A network of transparent partnerships between SMEs is vital. Markets change rapidly so it is crucial to swap and share intelligence and information. SMEs should engage collectively in more cross border-trading.

Currently, Japan has the best global trading cluster model worldwide and could help other Asian countries with model development through sharing information on best practice. This would help other Asian countries to secure global trading clusters and shore up the SME platform.

Asia currently has 1.3-1.5 billion farmers and the most fundamental food chain. Taiwan and Japan successfully bring the food chain to the next level. Other Asian countries can do likewise without necessarily impacting on the farmers. However, farmers will not support free trade movements if they remain poor.

International trading companies can use their global trading networks, resources and supply chain to link and integrate progressive and compatible SMEs. This all works towards enabling the business growth of SMEs, injects new technology and reduces poverty.

Ms. Duangporn Hemvijitraphan, Consultant, Thailand Management Association (TMA), and Managing Director, I-MIT Co., Ltd., Thailand presented a “Feasibility Study for the Establishment of the ASEAN Trading Firms Network for SMEs.” The highlights were as follows:

In regards to the food processing industry and global and regional trade, there has currently been a shift in consumption from cereals to meat. New restrictions regarding the food trade and safety and environmental grounds have greatly affected SMEs.

ASEAN SMEs need to focus on their ability to increase price competitiveness in order to continue being active players in the global market. To increase the ASEAN market share, SMEs need to align their target and appeal more closely with those of international buyers. For example, food and products in the Northern Thailand region are not standardized. Manufacturers need to focus on standardization as overseas markets expect this and so, SMEs must meet these needs.

Ideally, the establishment of Regional Trading House (RTH), with the aim to increase the share of ASEAN SMEs in regional and international trade, should help in bringing SMEs manufacturers, producers and traditional suppliers much closer to international buyers; and also assist in reducing marketing cost and thus increase the price competitiveness of SMEs products.

Issues such as standardized product specifications; no or reduced tariffs; national treatment for non-host ASEAN companies in tenders for government procurement in other ASEAN countries; and harmonization of customs procedures, all have a role to play in the enhancement of trading firms and networks in regional and global food processing value chains.

Management methods and models learnt from the dissemination of best practices trade business in Japan, such as ITOCHU, Marubeni and Mitsubishi Corporation, point to the need for trading firms to focus on current drivers affecting the world food situation such as:

- Aid and Global Policy
- Global Trade Policy
- National and Regional Policy Initiatives
- Changes to the Corporate Food System, which is capable of integration, coordination, and global business development.

Trading firms interviewed in Thailand, Vietnam and Singapore reported that SMEs should contribute to domestic supplies or help with the exporting of specialized products.

Agriculture will remain important for most ASEAN economies in terms of outputs, exports and job creation.

The promotion of the networks and extension of links via existing facilities amongst ASEAN trading firms for SMEs helps to increase the SMEs share in intra-ASEAN trade and in international trade.

Key Areas for SMEs:

- Enhance SMEs access to export credit and encourage regional account-trade.
- Regional assistance in meeting the requirements of product standards, quality and testing, which are now varied worldwide.
- The ratio of cost for international marketing and market penetration to turnover is much higher for SMEs than large companies.
- SMEs that can afford to invest capital in international marketing still encounter problems, such as less experienced staff and personnel in comparison to those working for large companies.
- Trading blocks and structure weaknesses cap the share of ASEAN SMEs in international trade at about 30-40%, despite the fact that SMEs comprise of approximately 98% of all enterprises.
- A market intelligence database, which can be shared regionally, may help to increase opportunities for ASEAN SMEs producers through diversifying the export items of ASEAN SMEs and ASEAN economies.

The role of SMEs in Asian countries, particularly in ASEAN, is growing more significant. The SME sector constitutes a large majority of all industrial firms, providing a main source of employment and economic growth, as well as social stability for ASEAN member states. As such, SMEs remain the backbone of virtually every economy in this region.

Regionally, a large number of cooperative projects have been put forward to promote SMEs trade through ASEAN cooperation. Yet, these projects focus mainly on e-commerce and business matching and have not benefited the majority of ASEAN SMEs, due to limited funding. Across the ASEAN economies, SMEs still suffer immensely from limited access to traditional trading credit, credit guarantee and credit information exchange.

Parallel Session 2.2: “Searching for Global Outsourcing Opportunities”

Moderator: **Mr. Vissut Sethaput**, Advisor of Human Resource, SMEs Sector Analysis and Early Warning Project, and Knowledge Enhancement and Development Project, Office of Small and Medium Enterprises Promotion, Thailand.

Mr. Sirisak Koshpasharin, Chief Operating Officer, Imagimax Co, Ltd., Thailand.

Mr. Sirisak talked about the experiences of his company Imagimax – a leading Thai animation and design studio, and a pioneer of the rapidly evolving Computer-Generated Imagery (CGI) industry in Thailand.

Founded in 1998, he said Imagimax had maintained a single-minded focus on creating the high quality CGI while supporting the production standards. He said that in terms of outsourcing, it had been important for his company to pursue a diversity of work. The company, he said, had accumulated experience in a variety of different creative fields with a wide range of clients. As a result Mr. Sirisak said Imagimax had been able to participate both in domestic and international projects ranging from pre-production to final completion.

He ended by saying that the key to success in any outsourcing business was not quality but reliability, and in this area, Imagimax had proven itself to be one of the most reliable animation and design studios in the business – offering a full creative digital content process from concept design, illustration, storyboard development and character design, to modeling & texturing, animation and lighting, composition and editing.

Mr. Ravishankar Ananthkrishnan, CoOptions Technologies Limited, India discussed the topic “Searching for Global Outsourcing Opportunities Lessons and Learning from India.”

Mr. Ananthkrishnan said that India had emerged as a global outsourcing hub and continued to grow at an exponential rate. Over the last decade the number of people employed in outsourcing had grown from 23,000 to over a million, while revenue has risen from US\$10 million per annum to over US\$45 billion. By 2010 we expect that figure to have reached US\$70 billion, he said.

Mr. Ananthkrishnan also said that India had emerged as the largest market for new outsourcing deals in the Asia Pacific region in the first half of 2007. Deals of over US\$1.68 billion, which account for 30% of the total deals emerging from the Asian Pacific region, have also been struck by Indian telecom companies – outpacing traditional players such as Japan (1.24 billion or 22%) and Australia (1.1 billion or 20%).

He said key segments which have generated revenue in India are back office operations, medical transcriptions, insurance claims and processing, the banking and financial services industry, telecom and Hi-Tech, among others.

India's IT outsourcing market is also undergoing a radical transformation with specialized software development services moving entire IT infrastructure to offshore locations, said Mr. Ananthakrishnan.

Dato' Hafsah Hashim, CEO Small and Medium Industries Development Corporation (SMIDEC) presented on the topic "Searching for Global Outsourcing Opportunities: Malaysian Perspective."

Ms. Hashim agreed that while India remained the world's most favored outsourcing destination, Malaysia was among the top five key outsourcing locations for finance, logistics and energy.

The global electronics industry, she said, had played a key role in SME development with the emergence of Malaysian-owned electronics manufacturing services (EMS) companies.

She said Malaysian home-grown companies had established a niche position within the EMS industry and it was also one of the preferred locations for the establishment and expansion of foreign EMS companies.

She added that Malaysian EMS companies provided vital support to the semiconductor, consumer electronics, computer peripherals, communications and data storage industries.

Ms. Hashim said Malaysia's auto industry was also providing opportunities for local supporting industries in the development and supply of related products for electronics, metals, plastics, rubber chemicals and textiles. She said there was currently about 590 automotive manufacturers supplying parts and components for Malaysia's 14 motor vehicle manufacturers and assemblers.

Malaysia is also taking advantage of the growing IT-enabled shared services and business process outsourcing (BPO) activities. Exports in IT-enabled shared services and BPO are currently valued at US\$300 million, Ms. Hashim said.

Parallel Session 2.3: “Young Entrepreneurs”

Moderator: **Mr. Kriengkrai Thiennukul**, President, Thai Printing Association and executive board of director of OSMEP. Mr. Thiennukul opened the parallel session with remarks that young entrepreneurs are one of the most dynamic business forces.

Ms. Anna Czechowicz, Vice Director, Small Business Chamber, Poland delivered a speech on “Young and Successful in Poland.”

Ms. Czechowicz talked about the challenges facing Polish young entrepreneurs and provided a case study of a young entrepreneur in starting a business. The Small Business Chamber (SBC) is a non-governmental organization based in Warsaw, Poland. There are three and a half million companies in Poland. About 4,000 are large in size while the rest are micro, small and medium sizes. Only 62% of new registered companies in Poland survive after the first year. New registered companies are generally in the industry, trade promotion, trade, transport, hotel and restaurant, and real estate sector. Ms. Czechowicz identified many challenges facing young entrepreneurs in Poland, including:

1. The Polish education system does not teach students how to run a company. In secondary school, students do not take business courses while at the university level, only theoretical knowledge is given. There are no practical exercises. This is different in other countries. In Holland, for example, university students majoring in business must already run their own companies. In Norway, students who study business must also run their own companies, but the companies they run are under the patronage of the school. Unfortunately, no school in Poland provides such hand-on training. After finishing business courses, only 20% of Polish students decide to run their own businesses while in the US, 70% run their own businesses.
2. High cost of social insurance. Not only do employers have to pay wages, but also insure their staff, which can become a very high cost for the business. Small entrepreneurs cannot afford to pay for these cost, therefore, they may sometimes employ people illegally by paying only the wages and not the insurance. Some small businesses are hiding their employees.
3. High taxes for business owners.
4. Difficulties accessing financial support. It is difficult for young people to obtain financing to start a business, especially if that person does not possess anything that can be used as collateral. Most young entrepreneurs have to use their own savings or borrow from family members.
5. High cost of advisory services. Young entrepreneurs need technical advice to improve their businesses. Unfortunately, specialized consulting companies

that can offer the advice charge very expensive fees. As a result, the entrepreneur may seek the less expensive advisory services provided by governments and NGOs, but the advice they receive are usually general in nature. Young entrepreneurs usually have to learn about accounting and tax regulations and legal procedures by themselves. Moreover, the network of SMEs does not offer very high level of service to meet the needs of their businesses.

According to Ms. Czechowicz, entrepreneurs in the U.S. receive more support. Well-developed business infrastructure such as the Small Business Administration helps to protect the interest of small businesses. The Small Business Administration also has a program for teens where the teen can get tips on how to write a business plan. Moreover, the approach of banks is different in the U.S. and Poland. In Poland, young entrepreneurs cannot speak to banks. But banks in the U.S. encourage people to run their own businesses and are willing to provide loans.

What can be done? In general, education should be improved. In some colleges and universities, the curriculum teaches business theories alongside case studies. Students have the opportunity to learn how to run a business. Moreover, in other countries, there are programs and competitions organized by businesses. For instance, Shell not only operates petrol stations, it also has a program "Live Wire" which helps people ages 16-30 to start their own businesses. There are also competitions organized by government or companies whereby an entrepreneur can submit a business plan and compete for seed funding to set up his or her company. There is also a network of nonprofit organizations all over Europe that helps entrepreneurs. In the EU, there are special centers to advise entrepreneurs on how s/he can start a company in other countries. Poland can adapt models from Germany, Japan, and UK to improve the business environment for young entrepreneurs.

Finally, Ms. Czechowicz provided case studies of HardWork Communications, a Polish company founded by a 25-year-old entrepreneur in 2002. The entrepreneur worked for five years while he was studying at the university level. He had learned enough from working in companies and wanted to begin running his own business. In partnership with his friend, the two started a company focusing on the integration of employees through teambuilding. He named his company after a popular lake in Poland, Saling Mazury, from his passion in sailing. At the beginning there were difficulties with bookkeeping, reports to the tax office, no financing, no team of employees. Later on, the business partners decided to split.

Since 2003, the young entrepreneur started to develop new strategies and activities on PR, incentive, and below the line (print advertising). He hired people with technical capabilities and numerous professional contacts. In 2007, his company had 11 full time employees. The new company focused on event promotion. Ms. Czechowicz highlighted three projects:

1. Play Project: Play is a mobile phone company and sells mobile phones. Before 2006, there were only three mobile companies. In 2007, Play came into the market. The project promoted the company. The main objective was to encourage 20,000 customers to try the new cell phone company.
2. Bols Club: Bols is a trendy club with jazz music located in Poland. The project focused on promoting the club.
3. Winiary: Winiary, a producer of instant soups, wanted to expand sales and product recognition. Its target consumer group is busy individuals looking for a tasty and convenient lunch. This project provided free samples of the soup in four Polish cities. The campaigners dressed in vegetable costumes and offered products to passer-bys. The campaign raised product awareness of the soup and was very successful.

Mr. Son, Seungpyo (Brian Son), from the Korean Minjok Leadership Academy, Republic of Korea gave a presentation on “Business Model Study: Business Plan Development by Utilizing Brand Value.”

Mr. Son, a 17-year-old, 10th grade student, stressed the importance of brand value. Through his research, he found that today’s consumers have started to judge products according to the brand and not always the price. Even if two products use the same inputs, the price can differ significantly according to the brand value. According to Mr. Son, “Brand value is both the tangible and intangible asset held solely by particular companies compared to that of the competitors.” High brand value companies are worth 90% more than companies with similar products but no brand value. For luxury items, 70% of value is in the brand.

In the past, faster product development and more production lines were very important in building business competitiveness. Today, information is becoming very important. Because the market is more specific, the brand needs to be more diversified.

During the consumer purchasing stage, brand value can play a key role in determining how the consumer will assess and compare their options. There are many methods to evaluate brand value. In traditional settings, advertising and marketing is the only way to increase brand value. Having Michael Jordan, a basketball star to endorse the shoe is no longer enough. Nowadays, companies must be more global. They have to contribute to the local community. Moreover, companies must develop and enhance the product consistently.

Then, Mr. Son presented his case study of the KMLA gift shop. KMLA is an elite and accelerated high school in Korea. The KMLA trademark has a strong brand value to high school students and their parents because it is considered one of the most prestigious schools in the nation. To qualify for admission, students must rank in the top 1-5% of their class. As a result, there is high affection and pride among KMLA alumni.

Building on the popularity and brand of the school, Mr. Son saw a good opportunity to start a gift shop. To date, Mr. Son said that no Korean high schools have ever started a gift shop. By utilizing KMLA brand value through the gift shop, KMLA can diversify its revenue. Moreover, revenue from the gift shop can be contributed to improve the local community through a scholarship program. Taking the student-run gift shop model from other elite universities in the US and UK, the KMLA gift shop will also be student-run.

Mr. Rakchai Rengsomboon, Managing Director, Lamoon International Co., Ltd. presented on “The Survival of Small Explorers in the World Competition.”

Mr. Rakchai shared his experience on the success and failures of his export business. He started his company, Lamoon International Co., Ltd. 10 years ago, when he was only 19 years old. He saw that in the provinces, many people had high handicraft skills but no jobs. At the beginning, Mr. Rakchai brought some products to Bangkok and learned that it sold very well on the market.

At the beginning the business, he faced many problems in his business. Traditionally, villagers worked alone to make the products. Therefore, when he had large orders, they were unable to deliver the products. At times, the material used in the product was different from what Mr. Rakchai ordered. Moreover, handicraft was only a part time job for the villagers because they had to attend to the rice field and do agriculture. As a result, there were challenges in production and quality. During the financial crisis, he could not deliver a product orders so the client sued his company and he nearly became bankrupt. The experience helped him to refocus the business.

According to Mr. Rakchai, “We have to produce competitive products because if you are a US retailer and you want to export, you want to know what part of the world you can get the best price. Thus, we have to think of how we can compete with China and India.”

To protect the market, Mr. Rakchai focused on product design and quality. He invested in a production factory in Sakhonakorn Province and hired village people from the rural area to work in his factory. To ensure consistent quality, he trained villagers on production skills as well as health, financial management and managerial skills to improve their overall livelihood.

But Mr. Rakchai said that focusing on product design is not enough because it can be copied in a very short time. To extend the product life cycle longer, Lamoon focused on material quality and production techniques. His company's key advantage is upstream and downstream integration through full control of the supply chain from the inputs to marketing. He also built a network of back up labor of 50,000 people to support production.

In terms of future market potential, he is focusing on the high end market which demands higher quality and product. He said that 80% of world consumer products come from China, which is often associated with mediocre quality at inexpensive prices.

He said, “We need to bring the client new and fresh ideas and products. If we are successful, the client will have expectation for the next collection. This is the opportunity where the brand can grow.” He concludes with advice for other aspiring young entrepreneurs:

1. Don't give up. The business will experience problems, but don't give up. You have to keep “creeping the pipeline.”
2. Start building knowledge through small orders. Learn from the experience. Don't just expect the large orders right away.
3. Be alive and survive. Believe in your business and keep doing. Everyone can start their own businesses.

Mr. Giorgio Secchi, President, Luxlife, Italy shared his view on “Drivers to Internationalization in a SME Company with Young and Dynamic Management.”

The driver of internationalization is understanding one's own added value. Entrepreneurs must understand how their companies are different from the other companies, where they want to compete, and customize the strategy for the market they are entering.

Added value can come from different sources including geographic advantage, expertise in a specific market and innovative ideas/processes in a particular industry or technology. According to Mr. Secchi, “This is an economy of experience. If you are going to a country that is not yours, why should the people in those countries use your products? You have to do something to distinguish yourself.” It is important for the entrepreneur to become very specialized in the field.

Mr. Secchi said, “Competition nowadays is very high.” Entrepreneurs have to decide whether they want to globalize, as staying in the home city may not always be the best thing for the company. For SMEs with limited resources, going international can be very time and resource-consuming. It is important for the entrepreneur to do their homework in order to understand the market and its challenges. Entrepreneurs should know from the beginning, or very early in the beginning whether they plan to open the business in new markets. Mr. Secchi said that there are many opportunities through the right channel. It is not necessary to go to New York just to penetrate the U.S. market.

Likewise, entrepreneurs must customize their business strategy when it plans to go international. Every country is different, therefore, the entrepreneur has to adapt not only to the ideas and culture, but also the weather which can have an impact on production depending on the business. Entrepreneurs should have a comprehensive strategic plan that outlines the company's vision and action in the next three to five years. Additionally, Mr. Secchi said, “You have to put the cultural aspect of business in the business plan” Entrepreneurs must have a feedback system with the market so that he/she can adopt the business plan and strategy.

In closing, Mr. Secchi talked about his company, Luxlife, which he started with his friends. Luxlife promotes Italian design in strategic market such as China. The company targets markets where Italian design is not so prominent and has strong opportunity for growth. In selecting the market, he and his business partners narrowed the choices down to Hong Kong, Beijing and Shanghai. He finally decided to enter Shanghai as Hong Kong was too expensive and too far from the mainland while in Beijing, classic traditional design, not modern Italian design, is preferred. In order to penetrate the Shanghai market, Luxlife had to customize its strategy and understand the motivations of Chinese consumers when purchasing luxury products. Luxlife also had to adapt to the sales network and distribution systems in China. In the future, the company hopes to expand to other areas including Japan, Thailand, Korea, and India, to name a few.

Questions from the Audience:

Q.1) *If we compare SMEs in Poland to Thailand, it appears that Polish SMEs are weak. Can Thai companies compete with them?*

Ms. Czechowicz: I'm sorry; I don't compare the situation of SMEs in Poland to Thailand because I do not have the knowledge on Thai SMEs. I compare it with other EU countries and the U.S.

Mr. Thiennukul: Polish SMEs don't have the same support system like Thailand. But the strongest SME support model is still in U.S.

Q.2) *Young entrepreneurs are different from other entrepreneurs. They are very energetic, but they are not enduring. What is it like for Polish entrepreneurs? Are there any grants that can subsidize young entrepreneurs in Poland?*

Ms. Czechowicz: There are some sources of support in Poland through business organization, government agencies, and non-governmental organizations. However, entrepreneurs have to make a big effort to gain all the information that they need. It is not like the entrepreneur is left alone completely, but s/he has to be smart to find the information or pay advisory companies to get the information. Governments did not recognize small companies for a long time. There were no ministries to deal with this matter. Only in the past few years, we have agencies to support businesses. Of course, the culture of entrepreneurship in Poland relates to our history. Until 1989, we were a communist country. Afterward, we became a free market economy. Since that year, a lot of companies have been established. It was like mushroom growing after the rain. People wanted to become independent and to have autonomy in deciding what they want to do. However, many also have to find information on their own. There are some micro funds in Poland, but it is hard to get this funding and only in a small amount. Bureaucracy is a problem. Also, connections are very important in Poland. . Even if you have a good project, you can still be turned down if you don't know the right people. Only about 40% of Polish SMEs survive after the first 3 years, the most critical years for entrepreneurs and their businesses.

Parallel Session 3.1: “Managing Market Risks for SMEs”

Moderator: **Mr. Hans-Werner Mueller**, Secretary General, European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) and ISBC Steering Committee, Germany.

Dr. Sarinya Sophia, from the Regional Unit for Social and Human Sciences in Asia and the Pacific (RUSHSAP) of UNESCO, presented a speech written by Dr. Darryl Macer, RUSHSAP’s Regional Advisor, focusing on the “Ethics of Corporate Social Responsibility (CSR).”

Ethics and responsibility have become increasingly important in the business world of late, she said. And the ethical principle of loving good – beneficence – supports the development of science and technology that might cure the sick and feed the hungry. So each company must find their own way of expressing its responsibility to the community.

This is the moral obligation of rich countries and corporations whose wealth is sometimes derived from the efforts of the poor. However, it is still a matter of ethical debate when this moral duty becomes a legal obligation.

Sharing benefits within the community and reducing illiteracy are also essential. When it comes to sharing benefits, however, there must be mutual agreement between all the stakeholders. And local people must consent to the process of aid in an informed manner, after properly assessing the technology.

There is also a great need for bio-centric and eco-centric views to build a society for both today and for future generations.

She admitted, however, that corporate responsibility is difficult to define. She quoted various definitions, one from Wikipedia: “an expression used to describe what some see as a company’s obligation to be sensitive to the needs of all of the stakeholders in its business operations”. But the International Standards Organization sees it as a “balanced approach for organizations to address economic, social, and environmental issues in a way that aims to benefit people, communities and society.” However, the World Business Council for Sustainable Development said CSR amounts to a “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

She defined some of these international standards for ethics and responsibility as follows:

1. Social responsibility
2. Sustainable development
3. Social welfare
4. Gender equality
5. Peace
6. Human rights
7. Environmental responsibility
8. Socio-economic equity
9. Scientific freedom
10. Democratic development

In assessing how well companies are performing in these key areas, much more work needs to be done in terms of Sustainability Indices, and agreeing upon international standards leading to certification and institutional ratings.

Mr. James Tomecko, the Director of the Business and Financial Services Component, German Technical Cooperation (GTZ), Canada talked about “A New Trend in SME Promotion: Using Market Systems to Reach More SMEs.”

Businesses survive by relationships, he said, and you can use market systems to create value and business relationships.

Old models of SME promotion included the Integrated Model (1967-'85), most popular in India, was based on “small is good” in the context of multinationals being the “bad guys,” where the state supported them with cheap financing, industrial estates, consultancy, marketing – and that’s why it’s called integrated.

The problem was that integration wasn’t reaching out to enough people in the 80s. So the Minimalist Model (1985-2000) reduced the range of services but scaled up outreach programs, based on market rates for services. The lesson learned was that SMEs will pay if they get what they want.

In particular, the success story of micro-credit meant that, “If we can sell credit, then why can’t we sell other services leading to a market development paradigm?” This has led to using market systems now instead of being supply driven, and large firms working with a greater number of smaller companies than many governments can. To facilitate this process, he called for reforms of public policies, laws, institutions and regulations.

He defined the key factors of this new Market Development Paradigm as follows:

1. The key development for most SMEs is competitiveness
2. Aside from buying capital and labor, today's economic growth is coming from services, and in the EU services are growing four times as fast as manufacturing.
3. In the US 85% of all firms are now outsourcing services which they used to do in-house
4. Services now make up 70% of value added in OECD countries, because they're vital to competitiveness. So increasing access to services is crucial.

Some of the reasons sourced services are growing is quality assurance, equity finance, commission sales, logistics, business linkages, and product design.

Case Study from Thailand

The focus of this case study was on understanding market incentives and sustainable relationships for SMEs by examining transactions that create more value for both parties, a form of public-private partnership. The study helped to increase farmers' incomes by 20%.

Thailand is the fifth largest global exporter of agricultural produce with an export value of THB38,343 million per annum. Most of these farmers are small-scale entrepreneurs.

Some of the key competitiveness issues the study addressed are:

1. Systematic farm management
2. More processed products
3. Food safety
4. Diversifying market and distribution channels

Mr. Snanchart Devahastin, Ambassador of Thailand to Canada, addressed the "Role of Government in Managing International Market Risks for SMEs."

Some of the current trends for SMEs, he said, are finding niche markets that enable them to have greater flexibility and address one of their primary shortcomings – the inability to do mass production. Another emerging trend around the world is more businesses generating income not only by traditional means like import and export, but also by investing abroad and attracting a greater inflow of FDI.

Entering markets like China, India and South America is also important for Thai SMEs. But the problems they encounter are limited capital, no economy of scale, not knowing foreign markets, and a lack of high-quality personnel.

International market risks include:

1. Non-payment
2. Foreign exchange rates
3. Interest rates rise and fall
4. Risking their reputations
5. Strategic risks that are difficult to foresee

Entering global markets also means encountering more unusual risks such as political uncertainty. Security issues like terrorism must be taken into account. Cultural differences must be addressed. And natural disasters can also wreak havoc on SMEs.

Governments should assist SMEs by providing access to funding, partnerships, and “supportive instruments,” such as Investment Promotion and Protection Agreements, the Exemption of Double Taxation Agreement, and a Technical and Development Cooperation Agreement. Risk Management Practices, such as transparency and tailor-made insurance programs, are also necessary for the state to foster such enterprises.

Meanwhile, SMEs can increase their chances of success in global markets by creating strong business relationships; doing solid business research about the economies and cultures of the countries they wish to do business in; and by finding good partners that they can rely on over the long haul

But globalization also presents SMEs with many other rapidly changing challenges if they wish to remain competitive. Innovation, for one thing, is crucial. Increasing their value chains is also vital. This dilemma entails joining global supply chains and/or global and regional production networks.

In Thailand, His Excellency said, 98% of companies are SMEs. They need more government support in R&D, quality control, promotion, negotiations and market expansion. He urged Thai companies to follow the examples of economic role models in Germany, Japan, the United States, Singapore, South Korea, Hong Kong, Taiwan and Canada.

Dr. Ki-Kwan Yoon, of South Korea’s Chungnam National University lectured on the topic of “Strengthening and Expanding the Current International Cooperation Measures to further Promote Trade Facilitation between SMEs in the East Asian Region.”

Dr. Yoon began his presentation, which had to be cut short because of time constraints, by talking about some of the most important points brought up at the 14th APEC Small and Medium Enterprise Ministerial Meeting held in Hobart, Australia in March 2007. At the meeting, government officials and business analysts discussed policies and initiatives to drive SMEs growth through economic reform including free and open trade

and investment. Some of the most significant policies and initiatives included macro-economic stability, rigid adherence to the law, prudent fiscal management by governments and enhancing the general business environment for SMEs so they can flourish throughout the APEC region.

At the meeting, there was a general consensus among ministers that many things could be done to facilitate the growth of SMEs such as: encouraging the use of e-commerce and online transaction with government; encouraging SMEs to go global; reducing transaction costs and red tape imposed by government, making it easier to start and develop a business; encouraging these companies to pioneer new goods and services; and to better understand and manage intellectual property rights.

East Asian countries, he said, often insist that the most imperative task for SMEs in developing external trade is to simply reduce the trade barriers. But Dr. Yoon believes that the best measure to facilitate trade is to enable SMEs to make use of an e-trade service to do business within the East Asia region. Better electronic trade networks would help reduce risks since trade information could flow freely and cheaply to small companies. However, the development of such e-trade networks is held back by the diversity of institutions, electronic infrastructure (or the lack thereof) and laws.

Dr. Yoon called for concerted efforts to overcome these obstacles such as:

1. The establishment of long-term plans and strategies
2. Proactive government support for e-trade networks
3. Technical cooperation on systems construction through joint research
4. More training and exchanging of experts

The academic also pointed out that East Asia needs more business linkages and free-trade agreements like the EU and NAFTA, and the Association of Southeast Asian Nations. East Asia, he claimed, may be the only region in the world without any significant and meaningful Regional Trade Agreements, or RTAs.

Parallel Sessions 3.2: “Venture Capital for SMEs: Global Trends”

Moderator: **Mr. Chanitr Charnchainarong**, President, Market for Alternative Investment (MAI), Thailand.

Dr. Badr-EI-Din A. Ibrahim, Economic Expert, Office of Undersecretary, Ministry of Finance, Sultanate of Oman presented a speech on “Venture Capital for SMEs in the Arab Gulf Cooperation Council States.” Highlights from the speech follow:

Venture Capital (VC) is capital that is provided by individuals, investment banks, and other specialized institutions for new business ventures by investors other than the original proprietors. It is a fairly new phenomenon in Arab Gulf Cooperation Council (AGCC) states.

Currently in the AGCC the two types of Venture Capital (VC) financing vehicles are Western and Islamic. The growth of Islamic finance in the region presents a good opportunity for developing the local VC industry. Though Islamic banks in the region are offering profit and loss sharing (PLS) with SMEs, which shows plenty of growth potential, in practice banks invest only a tiny portion of their portfolio in VC.

A VC bank was established in Bahrain in 2005. This is a good initiative that links in with the global American market. Growth of Islamic VC is crucial for the business climate, which is currently dominated by non-competing family businesses.

VC is an economically viable, profit-based and inflation-avoiding lending formula.

VC plays an important role in encouraging private sector investment, creating job opportunities and enhancing non-oil output growth, thus avoiding some of the SMEs debt financing constraints that link entrepreneurs with capital. The Islamic VC type avoids the double burden of loans repayment and loss of livelihood in the case of total failure of the project.

As venture capitalists tend not to be interested in anything under US\$1 million it is important to learn new ways of writing business plans that can make projects attractive to investors.

Despite the surge in oil prices in recent years, the AGCC longer-term challenges of development still remain. The low employment elasticity of output growth in AGCC provides a challenge of securing jobs for the new generation of job seekers who will enter the labor market.

VC requires entrepreneurial expertise to assess the viability of new business ideas, the willingness to invest over the longer-term and sufficient management skills. Therefore, VC remains low in SMEs in the region.

However, promising VC signs for the future in the region include exploring the availability of foreign VC seeking potential investment, the recent surge in high oil prices and the growth of private wealth in the region that can provide a base for VC finance. However, government assistance is also needed to foster this sector via privatization.

Dr. Ken Loucks, Niagara Enterprise Agency, Canada presented a speech on “Trends in Venture Capital Building Regional Capacity.” A synopsis of his speech follows:

The Niagara Enterprise Agency (NEA) and Niagara Growth Fund (NGF), formed in 1992, are part of a global trend of mobilizing community based financial and technical resources to facilitate start up and expansion of local firms with potential for domestic and international growth.

The NEA provides access to community technical resources that assist potential growth companies to become investment ready. It also manages the NGF – a Community Small Business Investment Fund that provides equity as part of a complete financing package.

In its fifteen years of existence NEA has facilitated the Niagara Region in achieving independent but symbiotic relationships with the major centers of finance and professional services while mobilizing local liquidity and enhanced professional business services.

As a private enterprise, the NEA provides a business-financing model that works and highlights the economic benefits obtained through a unique combination of a not-for-profit Agency and a for-profit equity investment fund.

In the NEAs first 5 years, the company engaged in 23 deals that raised a total of US\$33 million. VC money amounted to only 24% and was, as such, a small proportion of the whole. This success was achieved through careful planning. For example, the NEA increased its fees each year so that it could remain in a good position of growth once the government funding ceased.

The company maximized learning in areas like long/short-term financing for long/short term assets and legal processes, which also helped in their initial approach to the informal sector for VC.

Support available from the NEA includes investment advice and strategic information to shake-up the structure or lack of in other companies. The NEAs success has led to a growth in their portfolio for work with larger, more successful companies.

Dr. Loucks acquired experience in consulting to SME companies, governments, non-government and international development organizations through work assignments in more than 35 countries on five continents and has been instrumental in shaping and

creating many of the entrepreneurship and community development institutions, which highlight the Niagara region as a recognized area in this field.

Mr. Kunakorn Makchaidee, President, Thai Venture Capital Association, Thailand presented a speech on “Thailand Venture Capital Industry: the Development and Trends.” Highlights from the speech follow:

VC activity in Thailand over the past twenty years has seen the country go through three crucial stages:

1. The Bubble Economy (1987-1996):

The first Thai venture capital company, Business Venture Promotion Co., Ltd. (BVP) was established from the partnership of six Thai commercial banks with assistance from the United States Agency for International Development (USAID). This saw Thailand become a destination for venture capitalists such as Prudential Asset Management Asia Group (PAMA), H&Q (Thailand) Ltd., Citi Capital Ltd., Japan Asia Investment Co., Ltd. (JAIC), FINANSA Group.

BVP played a major role in introducing this new financial tool to Thai entrepreneurs and MNCs.

The business venture capital model during this period focused on traditional venture capital practices surrounding the seed, the start-up, and the expansion stage of investment policy. JAIC and BVP structured their investment fund on shore under the Thai law. BVP, PAMA, and Thai Strategic Capital Co., Ltd. are the founding members of the Thai Venture Capital Association (TVCA). It took more than two years to justify the definition of VC to the officer at the Ministry of Commerce in the Thai language. The geographical area for investment of International venture capitalists covered the Indo-China region, the South East Asia region, and the Asia-Pacific region.

2. Financial Crisis (1997-2000):

This period was considered as the peak of the VC industry and saw Thailand turn away from the traditional venture capital practice model and invest more in the Buyout, or Turnaround stage, particularly for companies listed in the Non-performing Group. The exit of investment took around 3 – 5 years; it was a period of great opportunity for both venture capitalists and the Private Equity Fund manager and TVCA reached a record number of 24 members. The Thai government acted as a catalyst to aid the investment climate in 1999 by setting up the following funds:

- Thailand Equity Fund - US\$ 1,000 mil.
- Thailand Recovery Fund - US\$ 100 mil.
- SMEs Fund - Baht 1,000 mil.

With support from the Finance Minister, the use of Non-bank Financial Services as financial tools to support SMEs followed in 1999, approved by the Joint Standing Committee on Commerce, Industry, & Banking led by Mr. Piyabutr Cholvijarn, the President of Finance and Investment Committee of the Thai Chamber of Commerce. The Finance Minister also set up three working committees:

- Factoring Business for short term financial support
- Leasing Business for medium term financial support
- Venture Capital Business for long term financial support

3. The Recovery Period (2001-2004):

The Royal Decree No. 396, the new Act to support and promote the venture capital activities in Thailand was announced in 2002. The BVP VC Management Securities Limited was the first VC Management Company also licensed in this year. The cabinet set up the VC Fund of Baht 5,000 million to enhance the competitiveness of Thai SMEs in 2002 and the Office of SMEs Promotion (OSMEP) managed this fund. The Government actively promoted this new financial product to support Thai SMEs. Private venture capitalists remained focused on the Buyout, or Turnaround stage of investment, while International venture capitalists declined. The TVCA's survey highlighted Thailand's great potential for VC but China, Vietnam, Korea, Taiwan and Japan were the more preferred countries at this time, whilst the TVCA membership dropped to 9 in 2004.

The TVCA, who currently have 11 members, conducted a joint study on VC activities in Thailand with OSMEP in 2005. It was the first report covering all players in both private and government venture capitalists. The results highlighted Thailand's present preferred industry trends as Foods & Beverages, Energy and Non-bank Financial Services, such as Factoring and Leasing. This is a clear move away from 2003's preferred industries of Technology, Software, Electronics, Automobiles and Agribusiness.

Mr. Kunakorn believes that the new preferred Industry trends will lead to new opportunities and a return of International venture capitalists with more funds available to invest in Thailand, and more Buyout, and Turnaround investment.

Figures as of October 31, 2007 show a total of Baht 6,000 million available for investment in Thailand, from VC, OSMEP and offshore funding streams. However, there is a need for Thailand to expand with regard to fund managers to help manage the VC, as support to fund managers helps SMEs to develop and grow.

Mr. Patrick Lin, CEO, Trinity Investment Corporation, Chinese Taipei presented a speech on “Venture Capital for SMEs: Taiwan Experience.” A synopsis of his speech follows:

VC was first established in Taiwan in 1994, and Taiwan currently has the 3rd most active market in the world, ranking only behind the US and Israel.

There are 1.24 million SMEs in Taiwan, which generate around 30% of revenue. 98% of Taiwanese business entities are SMEs and have played an important role in helping the fast growth of the Taiwanese economy in the past.

However, Taiwan is experiencing current problems with regard to VC. Taiwan's investment performance total has dropped since 2000 due to a lack of investment candidates, fund raising and globalization.

Taiwan is moving from manufacturing to becoming a more service-centered country and this is creating a beneficial environment to establish the growth of SMEs. VC trends in Taiwan will rise again with support from the government and a shift towards a greater focus on more value-added investment.

Among many other things, government strategies, policies and programs are needed to help develop SMEs. Taiwan continues to learn about VC models and has developed a structure for growth with the USA model as a prototype.

Taiwan should focus on more value-added investment, for example the addition of more management skills as well as capital is greatly needed. This should help to create a VC platform for more overseas investment.

Mr. Lin experienced firsthand the growth and the booming of the information industry in Taiwan since early 1980. He joined Acer in 1981 and supported the company in building a world class PC manufacturer to help them successfully double their revenue for almost 10 consecutive years.

Parallel Session 3.3: “Women Entrepreneurs”

Moderator: Dr. Lorna Wright, Associate Professor of International Business, Schulich School of Business, York University, Canada opened the parallel session by welcoming participants. She later presented for the parallel session.

Ms. Kobkarn Wattanavrangkul, Chairperson, Toshiba Thailand Co., Ltd. and Adviser, Thai Women SMEs Association shared her experience in Thailand.

Women play an increasingly important role in businesses. In Thailand, 10% of people in political office are women while 22% of board members of Thai publicly listed companies are women. In large, small and medium companies, many women are running the businesses. According to Ms. Kobkarn, “In Thai society, there are many good opportunities for women. If we take these opportunities, we can rise and shine.” Ms. Kobkarn said that some men are very emotional and some women are aggressive. So in this way, women and men are equal.

According to Ms. Kobkarn, Toshiba Thailand believes in the concept of the red brick in which everyone is equal regardless of gender and background. She said, “We have to know where to put the red brick in the right place so that a good architecture can be created. In the same sense, we have to develop the people so that we eliminate their weak points and strengthen their strong points.” Toshiba Thailand strives to create an environment so that people can together work in harmony in order to achieve the goal.

Toshiba produces notebook and computers, as well as home appliances. Although Toshiba is a joint venture company, Ms. Kobkarn believes that it still holds many Thai values. She said that every morning, employees gather in a central area to sing the national anthem and listen to a morning speech. “By listening to the national anthem and singing the national anthem together, employees learn that they are not only working for themselves or their families, but also for the nation,” she said.

Ms. Kobkarn believes that “where ever you are and wherever you want to be, the heart of it is the people. In any business, you can only achieve your dream through people.” She believes that developing people does not rest on money alone. Instead, one has to “touch peoples’ heart, groom up their potential and let them fulfill their dream.” She added, “All women entrepreneurs share one thing in the world, the heart. Heart to heart is more important that money to money.”

Ms. Kobkarn said that receiving the Women’s Entrepreneur Award broadened her understanding of being a businesswoman. She said that in order to be a successful women entrepreneur in the global arena, the size of the business is not the most important thing. “I did not get the award because of the [low] turnover rate [at my company],” she said.

Ms. Kobkarn stressed the importance of thinking out of the box and networking. She said that entrepreneurs should think global but act local. Additionally, networking is

important by helping to create opportunities from the business, facilitating the sharing of knowledge and experience, and fostering friendship from around the world. Networking also helps women entrepreneurs to build confidence to move forward to the next step and to expand their businesses.

Finally, Ms. Kobkarn said it is important to build recognition. With recognition, people will become more aware of the company. She closes by saying, "To be successful in life is not how much money you make, but how much you can make a world a better place." She encouraged entrepreneurs to think about how they can create a better world and a sustainable future. New leaders must understand new social impact and how the world is moving. The challenges we face is how to keep up with modernity and change, and at the same time maximizing our potential while preserving our culture.

Mr. Muhammad A. Roomi, Director, Research Centre for Women's Enterprises, University of Bedfordshire, UK presented on the topic "Women-Owned SMEs: Analysis of Factors Influencing the Growth Process."

Dr. Roomi opened by saying that "When I was a student, not very long ago, I use to judge my professor by the length of their slides and PowerPoint presentation. I think slides are more academic and research oriented so I will try to make it more interested." Dr. Roomi did not use slides in his presentation.

Gender gap is present all over the world. Each day, many new businesses are started by women. However, many of these women-owned businesses fail before reaching the growth phase. The objective of his research was to determine contributing factors of success of women-owned businesses. Dr. Roomi tested four key factors (109 variables total):

1. Firm's Characteristics: age of firm, legal status of the firm, business sector
2. Human Capital: education, skill, number of years in same sector, experience, management or business training
3. Human Resource Strategy: how you hire people, whether you train them or not, incentive schemes for employees.
4. Social Capital: connections, network, support from extended family

He surveyed 517 women entrepreneurs in UK through online form.

In the case of women-owned enterprises, there was no correlation between the firm's characteristic and its potential for success.

For human capital, women-owned enterprises with higher human capital showed higher employment growth rate but no significant effect on revenue growth rate and profit growth rate.

Human resource strategy played a significant role in growth. Women-owned SMEs with positive human resource strategy showed higher rate of growth in employment, revenue

and profit. According to Mr. Roomi, "Firms cannot grow singlehandedly. You need the right staff to grow more effectively."

Finally, the research found that social capital played a very important role in business growth. Women who knew how to build their connections were able to promote their enterprises and thereby allowing their enterprises to grow in employment, revenue, and profit. Social capital is a significant competitive advantage in society that is more individualistic than in countries such as China where connection (also called *guanxi*) is very ingrained in the culture.

The lesson for all women entrepreneurs is to choose your team carefully and invest in your employees. Also, entrepreneurs must build, maintain, and utilize their social capital.

Dr. Spinder Dhaliwal, School of Management, University of Surrey, UK presented her research on "Dynamism and Enterprise: Female Entrepreneurs in the United Kingdom."

Dr. Dhaliwal opened by talking about the motivations behind her research. She said that her parents were first generation immigrants who opened their own business. She grew up seeing the struggles that they had to go through. She said, "My parents wanted me to study and become a professional. They did not want me to follow their life where they worked long hours. My research study looks back in my life."

Dr. Dhaliwal's research examines female entrepreneurs in South England. Female entrepreneurs are responsible for significant number of all start-up businesses in the UK. Women play a very important, but almost an invisible role in the UK.

She said that although the UK government has expressed their intention to make UK an ideal place to start a business, it has failed to support an increase in women-owned businesses. Women entrepreneurs have less access to start-up capital, less management experience, and are less welcome in informal business networks that provide vital support for small firms. There are some networks where women are excluded, not in an absolute sense, but in a sense where women are made to feel uncomfortable. For instance, women might feel uncomfortable sitting around the table drinking with men who are talking about their business. Or they might feel uncomfortable going on a golf outing where the majority of the people involved are men. These venues are where businesses may be discussed; therefore women are often left out of these opportunities.

Additionally, women sometimes lack self-confidence, even though they were very articulate, intelligent, and driven. Furthermore, they have to juggle demands in both the business and at home. Women entrepreneurs often face sexual stereotyping from banks so they rely heavily on personal savings to start their businesses.

Targeting respondents in Southern England, the research focused on women in the start-up phase, sole traders, or owners and managers of micro-businesses (less than 9

employees). The study was conducted through desk research, questionnaire, and focus groups and interviews. One thousand questionnaires were sent out. A total of 106 women responded. The survey found:

- Majority of respondents were between 26-45 years old (74%).
- Many of the women were educated. More than 33% had university degrees while 27% had post graduate degrees.
- Half of respondents did not have any children while the other half had 1-4 children.
- The main business sectors represented in the research include (1) coaching/mentoring, (2) business services, (3) sales/marketing/PR, (4) media/publishing, and (5) education/training.
- Respondents cited independence to develop their own ideas and flexibility as the most common motivators for starting their own business.
- Majority of respondents relied on their own savings, followed by family, for start-up financing.

- The top six challenges facing women entrepreneurs include:
 1. Lack of confidence in terms of marketing themselves and their products, despite the fact that they were articulate, intelligent women who knew their businesses well.
 2. Financial issue
 3. Hours worked
 4. Resource availability
 5. Lack of support from husband, family
 6. Bureaucracy and legislation

- When asked about the challenges in obtaining government support for their business, they believed that:
 - Agencies gave generic advice because they did not have enough expertise in the entrepreneurs' area of focus. In some cases, the providers were not clear about what services they could offer.
 - Agencies were not easy to find
 - Agencies are too bureaucratic (one woman went to 16 different places to find the information she needed.)
 - Respondents were seen as a number, as the staff were focused on meeting their own targets.
 - Some of the advisors did not understand the business because they did not own their own businesses

In conclusion, Dr. Dhaliwal said that her research revealed that although many respondents were aware that there are agencies to support businesses, they are not aware of the type of support provided. She suggests raising the profile of support agencies and improving sign-posting to increase awareness among women entrepreneurs. Likewise, business support tends to be very good in the initial stage, but declines further into the business cycle. Agencies should develop assistance in the

second and subsequent stages and ensure awareness and accessibility. Agencies should also provide practical advice and increase female entrepreneurial representations among business mentors and advisors. Dr. Dhaliwal said that there should be more examples of how female entrepreneurs have met with their challenges. Moreover, trainings time and mode of delivery should be adjusted to accommodate the schedules of women. Women follow different schedules from men, for instance, they cannot attend early morning meetings because they have to get their children ready to school.

Types of trainings requested by women include confidence building, communication and public speaking, motivation, networking, marketing, leadership, and financial advice.

Dr. Lorna Wright, Associate Professor of International Business, Schulich School of Business, York University discussed “Women Entrepreneurs in e-business in APEC.”

Dr. Wright opened with a quote from the Economist magazine, published April 2006, “Working women are an important economic force, greater than China and greater than new technology.” She presents her the results of her two-year study of SMEs in 14 APEC economies.

Today, competition now is not just around products, it is around process and networks. Almost all SMEs in the APEC region utilize very little computer technology. When these business owners do use computer technology, it is mainly focused on e-mail or web browsing. They are not adopting e-commerce, e-business, and transformed organization (whereby systems information for customers, suppliers, and partners are created) business models. Businesses should move up the e-application ladder to expand their business potential.

Dr. Wright said that women owned SMEs outstrip men in only three APEC economies: Australia, Chile, and the Philippines. Almost all of the women surveyed for the research use computers and a large portion of them are connected to the internet. Most women use internet for e-mail, with exception of Korea, which uses for web searching. Women usually use e-mail to interact with consumers, suppliers, and third parties (such as online banking). In Philippines, women are leading in e-applications business.

The survey found that there is little gender differences for purchasing on-line, except in Chile and Indonesia. More gender differences with selling on-line. Women sell more than men in Korea, Malaysia and Philippines. In Australia, Canada and Vietnam there is little differences in on-line selling between the genders. In all other remaining APEC countries, men sell more on-line than women business owners.

For online supplier activities, men are leading in China, USA and Malaysia. But in Korea, 44.2% of women do on-line payment activities, while only 15.2% men do this.

There are key challenges for women in utilizing e-applications for their business. These include lack of technical skills, concern for security, lack of internet access (such as in

the Philippines, Malaysia and Indonesia), and concern regarding privacy (in China). But these challenges differ by gender and economy. For instance, Japanese women are more concerned about internet security than Japanese men while Chinese men are more concerned about internet security than Chinese women.

In conclusion, women are not utilizing the full potential of technology through e-commerce and they are not thinking internationally. Dr Wright said that women need technical assistance, proper infrastructure, good regulations on internet security, and policies to ensure that national laws are in harmony with international laws so it is easy for them to do business across borders.

The government should disseminate information to SMEs on the value of e-applications, use more e-procurement for government purchasing to pull SMEs into e-business and build trust in electronic processing. They must also ensure adequate infrastructure, help SMEs build up the learning curve for e-applications and encourage alliance of SMEs. They must not over regulate.

Questions and Answers:

Q.1) You mentioned about creating a sustainable future. What is your view on sustainable future?

Ms. Kobkarn: I think it is about the people. The future of the country lies in the hands of everyone here. The key success of business is people. Likewise, the key success of the future is the people. Success should not be measured by figures. Heart is also very important. Education is important because we have to groom up the people for the future. We have to understand that we can contribute a lot without having to contribute a lot of money. Whatever we want the world to be in the future, we need to groom up the people for the future. In Toshiba, all of our employees contribute to the community through social development work.

Q.2) How do you build the confidence of women?

Dr. Dhaliwal: Attitudes need to change. I was recently at a conference and some people assumed that I was with someone, that it wasn't possible for me to be there handing out my business cards alone. At the same time, women also need to market themselves effectively. The more they do that, the more confident they will be. This is more a matter of time and experience.

Dr. Wright: Having the support of Women's Association is valuable in building the confidence of women. Women's Association can help to address the concerns of women, such as balancing the needs of the business and the children.

Mr. Roomi: A study conducted in the UK found that women who obtained trainings in confidence building in the first phase of their business found the knowledge and skills to be very helpful for running/managing their company

Comment from the audience: One audience member shared her comments about the Japanese experience. She said there are companies in Japan that employ women only. When she asked the business owner, male, why he only employed women, the business owners said that women are very dedicated in their work.

Wednesday, November 14, 2007

Special Lectures: “SMEs Development: French Experience”

Mr. Jean-Phillippe Espic, Deputy Head, Legal Division, French Ministry of Economics, France presented a speech on “Entrepreneurial Registration.” The highlights of his speech follow:

France has made it a priority to make it easier to start up a new firm as part of a policy to encourage economic initiatives since 2003 as the French government recognized that excessive bureaucracy was stifling the formation of the new companies needed to grow the economy.

France needs more enterprises, and more entrepreneurs to follow their dreams and try out their ideas, but the time taken in the administrative process of starting up a small enterprise was killing initiative.

France has set up a simple on-line company registration system that has encouraged thousands of entrepreneurs to start new enterprises. The process includes a “one-stop shop” (OSS) for company registration, which allows an entrepreneur to complete all paperwork for formation of a company with one stop at one office and requires bureaucrats to transmit the completed forms to all necessary government back offices within one day.

The OSS, initially called the Center for Enterprises’ Formalities (CFE), was created in 1981 and has recently been put on-line by the French government to improve the quality and accessibility of the service.

As of May 2007, all company registrations can be completed on-line using electronic signatures. The entrepreneur pays the registration fee by credit card on-line and the OSS provides an official electronic certificate which then becomes available on the ministry website. The OSS experience is the best way of stimulating growth, creating 200,000 new enterprises each year.

However, the simpler the registration process becomes the more the budding entrepreneur is tempted to launch his firm too quickly without doing a business plan. As a protective measure, the French government now works with the chambers of commerce on action plans to help entrepreneurs properly plan and prepare for their business before going to the OSS. This helps SMEs to sidestep some of the barriers in setting up new businesses, which include a time-consuming legal process, and tax and registration legalities.

Ms. Sylvie Nouyriqat, SME Training Programs Manager, ESCP-EAP, France presented a speech about the European School of Management (ESCP). A synopsis of her speech follows:

France has developed SME training through the European School of Management (ESCP) programs, which were built with, by and for managers with their specific needs in mind.

On the international scene, ESCP-EAP has developed academic alliances in 40 countries. In Bangkok, the school has partnerships with the Asian Institute of Technology, School of Management and a Thai teacher, Prof. Pramuan Bunkan Wanicha teaches finance at the school's French base.

The genuine entrepreneur must master and balance a number of competing skills such as strategist, technician, corporate lawyer, HR specialist, and International negotiator, as well as focus on specific job-related tasks. It is not an easy role. Day-to-day business management is difficult for SMEs due to limited financial resources and SME managers must possess a wider array of skills than their MNC counterparts who work for larger corporations.

Globalization emphasizes the need to adapt the managerial role of the entrepreneur and to adjust the organization of the company, whatever the fields of activities are, in terms of the market. The personal role and responsibility of entrepreneurs is vital for international competitiveness and affects the performance, growth and job creation of SMEs in all countries.

Ms. Nouyriqat highlighted the “Learn everywhere, manage anywhere” concept which is delivered in five campuses around the world– Paris, London, Berlin, Torino and Madrid.

ESCP-EAP school statistics:

- 6 Degree programs.
- 3,500 students of 90 nationalities in attendance in France.
- 3,000 managers and executives.

- Executive education programs of which 30 open programs and 40 custom-made programs are available.
- An active research faculty of 125 members.
- 600 contributors, teachers and business practitioners.
- 30,000 graduates in over 70 countries worldwide.

ESCP offers programs in Ms. in European Business, Executive Education and the European Executive MBA. The school offers managerial coaching and group sessions, which encourage the dissemination of good practice models.

Plenary Session 5: “Summary”

Moderator: Prof. Tsugio Ide, Graduate School of Business, Nihon University, Co-chairman of the 34th ISBC, and Honorary Secretary of the ISBC Steering Committee, Japan.

Mr. Fumihiko Adachi, Kinjo-gakuin University, Japan.

Mr. Adachi addressed the importance of SME internationalization and of working co-operatively to achieve progress in reducing barriers to SMEs’ access in international markets.

He said it was necessary to identify ways in which unnecessary barriers to SMEs’ access can be removed and that this should be a joint effort of ISBC county members in tandem with the relevant international organizations.

Mr. Adachi also believed the aim of the 34th ISBC to exchange views about small- and medium-sized business programs and policies had provided a real opportunity for delegates to learn from one another.

He said the importance of communication linkages and networks had also played a key role, and he hoped this would lead to mutual assistance and greater unity in developing a regional economic environment where entrepreneurs and SMEs could flourish.

Mrs. Jhitraporn Techacharn, Director General, Office of Small Medium Enterprises Promotion, Thailand.

In her closing remarks Mrs. Jhitraporn said the 34th ISBC had raised a number of important issues that SMEs and SME-related policy makers needed to address over the coming year.

She said the conference had succeeded in identifying “the policy and adjustment measures to be taken by individual SMEs and policy makers to cope with the challenges and obstacles mentioned by our distinguished expert and speakers.”

She said the SME community must adopt forward-looking strategies in order to effectively reap the benefits offered by globalization.

Prof. Ken O’Neil, Professor of Entrepreneurship and Small Business Development University of Ulster, Northern Ireland and ISBC Steering Committee, and **Mr. Graham Davis**, Director of Entrepreneurship, Invest Northern Ireland.

Prof. O’Neil and Mr. Davis outlined the 35th ISBC and invited delegates to attend the event to be held in Belfast, Ireland, next year, from 4-6th November 2008. As hosts Prof. O’Neil said they intended to offer an event of the highest quality featuring a multitude of internationally acclaimed names and speakers from all over the world.

From an SME perspective Prof. O’Neil said Ireland had one of the most sophisticated support systems to be found anywhere, with a highly developed entrepreneurial network and businesses competing successfully on the global market, from which much can be learned.

Mr. Davis went on to highlight some of the tourism aspects of Belfast, both in the city and beyond, saying that delegates would be “impressed by the ‘Emerald Isles’ scenery and the warmth of the people,”

Topics scheduled for the 35 ISBC are as follows:

- Why do some businesses grow and not others?
- Managing business growth – skills and capabilities.
- Innovative financing for growth & emerging economies.
- Exports in Internationalization – challenges and solutions.
- Enterprising cities, regions and countries – role of SMEs.
- Support for SMEs in the 21st Century.
- Assessing global supply chains – best practice.
- Do women entrepreneurs need support?
- Policies and strategies for global business growth.
- The Green Revolution – SME threat of opportunity?
- Policies to support transfer of small businesses.
- Role of Business Associations in supporting SMEs.
- Business matchmaking/best practice visits.
- The making of the “Celtic Tiger”.

Mr. Rob van der Horst, President, International Council for Small Business (ICSB), Netherlands.

Mr. Horst broached the subject of the two global business organizations – the ICSB and ISBC – joining forces and collaborating more closely. He said there was something to be gained by both organizations if they were in closer cooperation.

He said the main reason was that small business policymaking and small business research needed each other. He noted that his organization’s membership was largely SME researchers from universities, research institutes and business consultancies, while the ISBC’s membership was largely policy makers, entrepreneurs, business support people and representatives of business associations.

Mr. Horst said therefore, that the two organizations were complementary and added that nowadays business associations, members of Parliament and other stakeholders tended to ask for independent research to assess whether policies were needed, and if so, whether they had been implemented effectively and efficiently. This, he said, indicated that SME policymaking and SME research needed each other.

Mr. Horst said that the two organizations planned to place a representative on each other’s board and provide speakers to each other’s conferences.

“My vision is that in – say five years from now – ISBC and ICSB are going to run a parallel conference,” he said.

Plenary Session 6: “Closing Ceremony”

Professor Tsugio Ide, Graduate School of Business, Nihon University, Japan, Co-chairman of the 34th ISBC and Honorary Secretary of the ISBC Steering Committee, in his closing remarks, said the 34th ISBC was attended by some 400 Thai people and 400 foreigners, from approximately 30 different countries.

It was a prime opportunity for us to let the world know of the great breakthroughs, rapid growth in the 1980s and 1990s, and the miraculous recovery after the currency and financial crisis of the Asian economy, not to mention the crucial part SMEs played in the recovery.

The diverse turnout resulted in a universal appreciation of, and agreement on, the role of SMEs and the policies to support them. We are all now talking the same language –

East and West, developing and developed countries alike. SMEs, local and global, are the engines of economic growth in different communities, regions and countries/economies.

He recapped some of the most important points made during the presentations at the congress.

1. The dynamic capacities of SMEs to create employment opportunities, growth, and new industries, innovation, and poverty eradication
2. The importance of SMEs in securing regional and social development while also alleviating regional disparities
3. New opportunities and challenges for SMEs through globalization
4. Building an international value chain
5. The promotion of innovations and entrepreneurship
6. Ensuring access to the best sources of knowledge and technology
7. Securing access to financial services throughout the entire stage of the SME life cycle and for its various functions
8. Exerting even greater effort to provide the best business environment for SMEs
9. Developing support systems for SMEs to overcome the limits of scarce managerial resources
10. The development of human resources through education, training and capacity building
11. Developing partnerships, clusters, and networking
12. The necessity of providing opportunities for women and young entrepreneurs
13. The potential of ICT for SMEs and its role in adding value
14. The dissemination of the best practices
15. Building up sustainable development strategies for SMEs

He also noted the objectives of the ISBC that had been achieved at the congress:

1. Exchange of best practices and policies for SMEs in various regions and countries/economies
2. Network building between managers of SMEs, policy makers/practitioners, and scholars/researchers
3. Fostering friendships between the professionals, academics and government officials.

Dr. Damri Sukhotanang, Deputy Permanent Secretary of Thailand's Ministry of Industry and Chairman of the 34th ISBC Organizing Committee, wrapped up the congress by saying he believes all the issues covered will build knowledge for

participants and enable them to utilize this information in formulating relevant policies, to improve the competitiveness of SMEs at an international level, with particular reference to those subjects highlighted here.

1. Assisting SMEs in the preparation for new trade measures such as emerging FTA agreements
2. Guiding them through new business practices and assisting them in building their global networks
3. Fostering entrepreneurial development and evaluating the strengths and weaknesses of franchising business tools, as well as exploring new business models
4. Enhancing the international competitiveness of logistics and reduce the cost of supplying, sourcing, planning and delivering products and goods, especially the development of logistics technology in B2B transactions
5. Expanding the business opportunities of SMEs in the service sector, in particular forming key alliances to improve export capabilities
6. Building up the strength of SMEs through a number of channels, including distribution, outsourcing alliances, and facilitating knowledge exchange relevant to professionals in the industry.
7. Tackling the market risks facing SMEs, especially those associated with equity, interest rates, currencies and commodities, as well as improving venture capital instruments for SMEs in areas of liquidity management, equity investments and funding.
8. Addressing the role of women entrepreneurs and the gender-based challenges they face in business.

In speaking about the 35th ISBC in Northern Ireland slated for November 2008, he said three key areas have emerged that warrant our further attention:

1. Global warming and climate change
2. The use of alternative energy
3. How to strengthen SME alliances and improve their ability to network – especially within key industrial sectors.