

Plenary Sessions

1. Positioning SMEs toward Free Trade Agreements

Spread of FTAs (Free Trade Agreements) and Response of SMEs

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Abstract

With the gradual expansion of FTAs, the world economy is witnessing cutthroat competition and transcending national boundaries. SMEs that are playing a leading role in national industries are now facing with opportunities of increased overseas markets as well as challenges of decreased domestic markets due to the acceleration of FTAs.

However, it is not an easy task for SMEs to compete with multinational companies and survive this era of ultimate competition. SMEs, fundamentally, have comparative disadvantages against large firms in terms of finance, manpower, technology and overseas marketing. Therefore, overcoming the challenges of FTAs requires appropriate supports from the government and self-rescue efforts of SME themselves.

For this reason, the government should focus on inducing their self-elaborated competitiveness by promoting internationalization of SMEs not on simply rescuing or rewarding SMEs with direct support. This will be done by mapping out systematic, effective SME stabilization measures according to the national conditions. On this account, some major governmental support could be introduced; such as fostering innovative businesses; increasing financial assistance according to the growth potential of the company; establishing a systematic training system, improving the conditions of workforce demand and supply and creating the demand for new technology products.

Above all, it is important for the entrepreneur themselves to restructure their business with the spirit of global entrepreneurship based on market principles before receiving governmental support to survive global competition era.

2. Service SMEs: Challenges and New Opportunities

Globalisation and the Role of Service SMEs

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Abstract

This presentation is concerned with three critical issues affecting business activity in a knowledge-based economy:

- a) the role and function of service based small and medium sized enterprises (SMEs);
- b) the spatial and temporal challenges to SMEs as they operate or are affected by the dynamics of globalisation, and
- c) the technological and organisational imperatives of SMEs emanating from the complex interactivity of technological resources, human capital and connectivity in a global environment.

These three issues have a symbiotic link with the capacity and ability of service-based forms to innovate for both survival and growth. It is well-recognised that innovation takes on a different structural shape for the service industry and that SMEs operate best at those interstices of sectors and trajectories of knowledge-based service provision that promote their development through networks, links with larger firms, and end-user activity. This presentation analyses how SMEs play critical roles in information and communication technology services, media and professional services and other KIBS in a global environment, where the border line between customers and providers of knowledge, products and functions become paradoxically fuzzier and focused because of the nature and scope of critical technologies, and the organisation and flow of capital and technological resources across different environments. The presentation ends with some suggestions for policy development at the level of both the firm and governments for encouraging better-networked, technology-enabled services for sustainable economic activity.

Growth and Challenges vis-à-vis Service MSMEs in Indian Economy: Role of State

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Abstract

Leaping advances in information and communication technologies have acted as a negator of distances across the world. The developments and happenings at one end of the earth are reaching the other end in a matter of seconds. Added to this, markets being thrown open in the hitherto conventional and closed economies has catapulted services sector into the top ranks in the economies.

This is especially true of Indian situation. Already, the contribution of services sector to GDP in India, at 55 per cent, has gone far ahead of the manufacturing sector and the traditional agriculture. By the turn of the current decade, with a growth of 42 per cent, this sector is likely to override the other sectors.

The definition of the services sector is widely inclusive. Barring agriculture, mining and manufacturing, practically every other activity comes under the umbrella of services: education, health, transportation, finance, relating, information, hospitality, communication, entertainment, recreation, maintenance, beautification – practically every field involves a wide range of services.

This paper mainly aims at presenting a brief analysis of the changing status of services sector in the Indian economy. The presentation focuses on classification of services; contribution to the economy; key drivers of the sector; and, role of the State. The analysis of services sector covers the period 1950-51 to 2006-07, clearly tracing the changing trends in the behavior of the economy and the major shifts in sectoral contributions. Important service sectors like IT and ITes, education and training in entrepreneurship, entertainment, retail markets, tourism, business development services, micro-finance for micro enterprises, telecom services contributing to the economy and exports have been discussed in the paper.

The lists at the Appendix elucidate the range of services in India and their correlation with global chains.

Characteristics of High-growth Service SMEs in Korea

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Abstract

The main subject of this presentation is the characteristics of high-growth service SMEs in Korea. Over 100 high-growth service firms are analyzed, defined as the upper 10 percent of those experiencing the growth in the knowledge-based services sector from 2000 to 2005. It shows that smaller and younger firms are more likely to grow faster than larger and older firms in terms of the number of employees. High-growth SMEs are mainly found in the sector of computer and its related activities, especially the software industry. The six factors are also considered to investigate the characteristics of high-growth service SMEs: Innovative technology/knowledge, the market, financing, human resources, the entrepreneur, and government policy. The result shows that the development of new products/services plays a key role in their growing process. In addition, support by the government on the technology is important the growth of firm in many cases.

Forming Alliances to Compete on the World Stage

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Abstract

SMEs in the services sector are constantly looking for new customers, but now their target market has expanded globally. SMEs have the opportunity to deliver services almost anywhere; previously the preserve of multi-nationals.

Through *Alliance Formation*, SMEs can work together across borders to build new markets and to increase expertise. Douglas Wright's presentation examines how each participant can benefit from the formation of alliances?

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.

Our speaker reveals how the WorldCom Public Relations Group, the world's leading network of independently owned public relations counselling firms frequently wins competitive business pitches against large international consultancies. Composed solely of SMEs, WorldCom has more than 100-partner offices in 39 countries; 1,750 employees and revenue in 2006 of US \$189.2 million.

3. Logistic Innovation for SMEs

Global Sourcing: Logistical Implications for SMEs

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Abstract

The effective planning and organisation of supplies, sourcing of goods, services, and resources in a highly competitive global economy attracts the interests of both practitioners and researchers. It is also of significant importance for policy makers as they struggle to develop environments and infrastructures that are conducive to the sourcing of supplies and other resources by firms.

Two critical issues underpin developments in logistics and their efficient deployment by industry. The first is the role of critical technologies and the other is the importance of small and medium sized enterprises in both the generation and use of the whole canon of services and products that are defined as logistics in an increasingly disaggregated service environment. Both SMEs and critical technologies, especially those found information technology enabled services, share the characteristics of high levels of uncertainty, unplanned development, a lower reliance on long-term strategic planning, mainly because of the features of constant change, the spillover effects, and the end-user interface that underline the innovation process in smaller enterprises. Effective and efficient logistics planning poses a considerable challenge especially where disaggregation is the order of the day.

This presentation demonstrates the special characteristics of SMEs in terms of their role as planners and users of efficient logistics, and how the global environment generates both opportunities and problems for their managers. It also suggests ways in which networked economies involving both the private and public sector can realise effective sourcing of goods, services and other resources to help boost the competitiveness of firms and the regions in which they operate.

Logistic Innovation in the Food Supply Chain

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Abstract

The food supply chain has undergone a massive transformation in recent years. This has been driven by changes in consumer demand for quality products to be available 24 hours a day 7 days a week. 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. 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. Keeping a clear focus on these costs and measuring the benefits, ensures that the value chains are intact and the greatest efficiencies can be delivered into these chains.

The modern trades are seen as the format to drive changes, but they must remain competitive within the fresh food market sector and innovation needs to add value to the process for consumers not just cost.

I will approach the significant relationships between innovation, cost, return, benefit and consumer expectations and why the development of the supply chain is important to Tesco and its consumers.

Promotion of Enabling Logistics Technologies for SMEs

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Abstract

Sub-topic:

- What SMEs should know about Logistics & Supply Chain Management?
- Why Business Strategies first
- Linking the Enabling Technologies with SME's Business Strategies
- What is Enabling Logistics Technologies?
- Standards in ICT for Logistics
- Material Handling Technologies
- Sources of Collaborators

4. Internationalization of Micro-enterprises: Local Links-Global Reach

Enhancing the Role of Micro and Small Enterprises in Global Value Chains: India's Initiatives

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Abstract

Globalisation has impacted the micro and small enterprises (MSEs) of the developing countries in different ways. In India, the enterprises resisting globalisation are facing uncertainty. Enterprises readily responding to new phenomena are niftily converting the challenges and threats to opportunities and strengths, thereby breaking new grounds and carving out a place for their products in the global value chains.

With a view to assisting the MSEs and facilitating their integration with the global value chains, the Government of India has initiated a range of schemes. Among these, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is of historic significance.

The initiatives emanating from the Act take the form of easy access to finance, awareness creation and capacity building through information dissemination and training, counselling and escort services, mentoring and monitoring, and provision of business development services. Cluster development strategy with its proven results receives special thrust so as to integrate MSEs in the global value chains.

This paper discusses some of the major initiatives of the Government of India in the recent years towards promoting and strengthening the MSEs, and outlines the pertinent institutional mechanism. It also underscores the urgent need for the developing countries to formulate policies and programmes enabling the MSEs to qualify in terms of cost, quality, markets and other parameters, so that they can be compatible partners in the value chains under globalisation, and harvest the benefits thereof.

Linking Greater Mekong Sub-region (GMS) SMEs to International Markets: The Role of Global Value Chains and their Implications for GMS Co-operation

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Abstract

Economic cooperation in the Greater Mekong Subregion (GMS) is aimed at increasing linkages among the participating countries, and between the GMS and the global economy. A key challenge facing GMS economies is how to link more effectively domestic enterprises, particularly small- and medium-scale enterprises (SMEs), to international markets. The emergence of global value chains (GVC), and associated international production networks, is transforming production, trade, and investment in an expanding range of industries. This offers potentially significant opportunities for integrating GMS enterprises, particularly SMEs, more effectively into the international economy. 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; or to focus on specialized outputs for niche markets that may be regional or even global in scale. 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. Such cooperation can 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 expand significantly the benefits of development through cooperation in the Greater Mekong Subregion, within the framework of an evolving regional and global economy.

Showcasing Internationalized Micro-enterprises: Showcasing Brodwell Ken-Atlantic

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Abstract

Brodwell, a limited company (with a capital of 2000 USD) specialized in the manufacturing of swimwear and lingerie was set up in 2002. Its target market was the European market. The company started off with 15 employees and by the end of the same year the staff grew to 20 employees. Initially Brodwell's main market was France.

In 2003, Mrs Caroline Kendem the General Manager of that SME learned about The African Growth and Opportunity Act- (AGOA) 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 6500 products to the U.S.

Mrs Caroline Kendem decided to take advantage of the act. She attended several shows in order to better understand what this market was about in terms of trends, sourcing, capacity, competitors, duties, distributions channels....

Three times a year she attended trade shows in the East and West Coast of the US (since customer needs are different).

After a year, she realized that her major drawback was her production capacity and the size of her factory. Even though she invested some more funds into the company, the results weren't good enough. Brodwell's initial capacity was about 3000 pieces. That capacity quickly rose to 100 000 after an injection of more funds into the company.

In 2004, Mrs Caroline Kendem contacted local financial institutions (all of them) for the financing of her expansion. But after a year, none of them wanting to finance her. She then, decided on opening the equity of her company to new investors.

At the end of 2005, after exercising a good dose of patience and resilience, she managed to attract 4 partners: 2 private companies and 2 private individuals. This enabled her raise total of equity of the company to 1000 000 USD with 50% of the stake owned by Mrs Kendem.

Caroline Kendem was now able to expand the size of her factory and acquire additional equipment. Her target market, the U.S. apparel market, compelled redefine her strategy in terms of range of products. Consequently she had to shift from swimwear production to work clothes.

She also moved to a new site and acquired the Free Trade Zone status allows her to import equipment as well as raw material duties and quota free. This was complementary to the AGOA. With the arrival of new shareholders Ms. Caroline Kendem had to change the name of the company to Ken Atlantic.

The size of her factory was large enough (4 times larger than the previous factory) to attract buyers and she had now enough equipment to enable her produce for export to the US. She had now become **export-ready**.

It was a great challenge. She felt really comfortable but her long past experience of the US market and what she heard during AGOA conferences convinced her that she needed to establish the credibility of Ken Atlantic. It was critical to do so if she wanted to meet large buyers.

In 2007, her experience along with her knowledge of the US market attracted the attention of the 2nd largest work clothes producer in Europe who decided to get into a joint venture with Brodwell Ken-Atlantic.

To ensure better financial stability, the company is presently finalizing arrangements for financial support from a large French Financing House.

Today Ken Atlantic's capital is risen to 2000 000 USD and the company now employs 180 persons. By the end of the year the company expects to export today 4 containers of hospital work clothes. Browell Ken-Atlantic is one of our enterprises which has been able of take advantage of the business "handholding" services offered to Small and Medium Sized Enterprises by the Cameroon Chamber of Commerce, Industry, Mines and Crafts.

1. Dynamic Changes of SMEs in Asia

Recent SME Development in Indonesia¹

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Abstract

In Indonesia, small and medium enterprises (SMEs) are firms with less than 100 workers. These enterprises have historically been the main player in domestic economic activities, especially as a large provider of employment opportunities, and hence a generator of primary or secondary source of income for many households. For low income or poor farm households in rural areas, these enterprises, especially the small ones, i.e. micro enterprises (MIEs) with less than 5 workers and small enterprises (SEs) with 5 to 20 workers, are especially important. These enterprises have also been playing as an important engine for the development of rural economies and communities in the country.

Typically, SMEs in Indonesia account for more than 90% of all firms outside the agricultural sector, and thus the biggest source of employment, providing livelihood for over 90% of the country's workforce, especially women and the young. The majority of SMEs, especially MIEs and SEs, are scattered widely throughout the rural area and therefore they may play an important role as a starting point for development of villagers' talents, especially women, as entrepreneurs. According to official data from the State Ministry of Cooperative and Small and Medium Enterprises (Menegkop & UKM), SEs in 1997 accounted for more than 39.7 million units, or about 99.8% of the total number of enterprises in the country in that year, and increased to more than 48 million units in 2006. So, generally speaking, this table may indicate that every year new entrepreneurs have been born.

The unit structure of SMEs by sector indicates that the majority of enterprises in all sectors are from the category of SME with almost 100 percent in agriculture . Whereas, the distribution of SMEs by sector shows that Indonesian SMEs are concentrated in agriculture, 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.

The output structure by size of enterprises and sector shows that agriculture has always been the key sector for SEs, as they produce around 86 to 87 percent of total output in the sector. The second important sector for this group of enterprises is trade, hotel and restaurant with their annual share ranging from 74 to 76 percent. Medium enterprises (MEs), on the other hand has the largest output

¹ Paper prepared for the 34th International Small Business Congress, 11-14 November 2007. The paper is based on ongoing research on SME development in Indonesia as part of the ERIA Related Joint Research of SME Project, IDE-JETRO, 2007-2008. For getting the whole paper, please contact Dr Tulus Tambunan, sjahrir@rad.net.id.

contribution in finance, rent & services at around 46 to 47 percent, followed by transportation and communication with a share ranging from the lowest 23.47 per cent in 2006 to the highest 26.22 percent in 2001. In manufacturing industry, both SEs and MEs are traditionally not so strong as compared to large enterprises (LEs).

With respect to output growth, the performance of SMEs is relatively good as compared to that of LEs. The output growth of SEs and MEs was respectively 3.96 per cent and 4.59 per cent in 2001 and increased to 5.38 percent and 5.44 percent, respectively in 2006. LEs experienced, on the other hand, a growth rate of 3.04 percent and ended up at 5.60 percent during the same period. SMEs' contribution to the annual GDP growth is also higher than that of LEs. In 2003, the GDP growth rate was 4.78 percent, from which 2.66 percent came from SMEs, compared to 2.12 percent from LEs. In 2005, the SMEs' share in GDP growth reached the highest level at 3.18 percent before slightly declined to 3.06 percent in 2006. More interestingly, within the SME group, SEs' contribution to the GDP growth is always higher than that of MEs. In 2006, from the GDP growth rate at 5.5 percent, about 2.15 percent is from SEs as compared to 0.91 per cent from MEs.

In 1996, some 9.800 SME clusters were scattered over the country. Some of them are traditional industry in craft, furniture, food processing, refractory bricks, roof tiles, wearing apparel, iron, and steel basic products. SMEs clusters can be found in all provinces and most of them are located in rural areas. The clusters were established naturally as traditional activities of local communities whose production of specific products have long been proceeding and the workers have special skills in making such products (Tambunan, 2005). In 2002, the cluster comprised approximately 3700 firms mostly SMEs employing 58.000 permanent workers (Loebis and Schmitz, 2005). They are usually craft industries and export oriented driven. About 70% of the cluster production is exported while the rest is sold on the domestic markets.

With respect to subcontracting development between SMEs and LEs in Indonesia, the Indonesian government's efforts to promote subcontracting are reflected by its special policies on subcontracting and local content. Legislation regulating local content and subcontracting in the Indonesian engineering industry dates back to 1976 when Ministerial Decree No.307 was announced specifying a 4-year program for the deletion of specified parts from the imported CKD packs for commercial motor vehicles. This decree was soon followed in 1977 by a similar decree applying to motorcycles and scooters. Subcontracting regulations were first introduced in the 1981 motorcycle decree which specified whether each nominated component could be made "in-house" (by the assembler), or must be made "out-house" (by a subcontractor). By January 1985 decrees on the local content of simple types of machine tool were announced. It is therefore not surprising that vertical inter-firm linkages and subcontracting networks in Indonesia have proliferated in the automotive industry, and to a lesser extent in the machinery industry. Generally speaking, the overwhelming emphasis of the deletion program decrees has been on local content, with subcontracting requirements forming only a minor part.

Further, in order to strengthen the industrial structure, during Repelita IV (five year plan), the government issued several measures to create horizontal and vertical industrial linkages involving SMEs and LEs. Although the role of especially SEs in manufacturing industry at that time was quite insignificant as measured by total value added and volume of production, Repelita IV stipulated that the role of SEs within Indonesia's manufacturing industry needs to be enhanced by developing MEs and LEs which should in turn stimulate the development of SEs in the industry through subcontracting linkages (MoI, 1985).

However, industrial development in Indonesia did not follow the same pattern as in Japan. On the contrary, the local content policy resulted in a vertically integrated production system within LEs. The Asia Foundation (TAF, 2000) argues that the lack of success of this policy in creating strong interdependence between SEs, MEs and LEs was largely due to the government's excessive interference, aimed at replacing the market mechanisms. Similarly, Thee (1990(b), 1997) argues that such production linkages did not develop smoothly during the New Order era because of

market distortions and the lack of skills and low technological capabilities of local firms, especially SMEs.

Although the mandatory deletion programs during the New Order era were largely unsuccessful in developing viable domestic supplier firms, successful private-led subcontracting networks did arise in some industries, with the evidence showing that these arrangements did successfully facilitate technological capacity building. For example is the case of PT Astra International or often called Astra Group, the Indonesia's largest integrated automotive company. Astra Group has been able to develop many SMEs into efficient and viable suppliers. As a result of the rigorous training which Astra Group provided to local suppliers with potential, overtime, these suppliers were able to produce a wide range of parts and components for cars and motorcycles according to the strict quality standards set by Astra Group, and also to meet its strict delivery schedules. In 2006, Astra Group has subcontracting linkages with 502 companies, including 171 SEs and 334 MEs.

In Indonesia there is also increasing empirical evidence that SMEs that are parts of clusters are in a better position to adopt innovations when compared with their dispersed counterparts. Many factors have been found to play a crucial role in supporting innovation activities in Indonesian SMEs, include LEs through subcontracting, traders, consumers, and to a lesser extent, government.

With respect to domestic market expansion, agriculture has always been the key sector for SEs, as they produce around 86 to 87 percent of total output in the sector. Given that SEs' exports on agricultural commodities are not significant and imported agricultural commodities can be assumed not so large, then it can easy to conclude that a larger part of domestic market for agricultural commodities is supplied by SEs. The second important sector for this enterprises category is trade, hotel and restaurant with their annual share ranging from 74 to 76 percent. MEs, on the other hand has the largest output contribution in finance, rent & service at around 46 to 47 percent, followed by transportation and communication with a share ranging from the lowest 23.47 per cent in 2006 to the highest 26.22 percent in 2001. In manufacturing industry, both SEs and MEs are traditionally not so strong as compared to LEs.

With respect to export, In Indonesia, historically, LEs have been the dominant force not only in domestic sectors but also in export activities, with SMEs, especially the small ones, engaged in exporting in only a very limited way, mainly indirectly through production linkages with LEs or marketing linkages with trading houses/companies or independent exporters. Official data on SMEs' exports may answer the second and the third questions, showing that not only SMEs are able to export (or at least a portion of them), but their export also increases on average per year.

SME Development in India: Issues and Policy Concerns

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Abstract

With an impressive history of small firm development policy, in post-Independence India SMEs dominate the industrial scenario through its contribution to generation of employment and income as also tackling the problem of regional disparities. Given the imperatives of globalization, although in certain sectors strong external orientation could be observed even by the early 1980s, it is since 1991 that the small firm policy in India has been keenly pursuing policies that emphasize the importance of internationalization, trade and inter-dependence in the spheres of innovation, learning, market and business strategies. A close look at the performance of the small enterprises has been attempted here. The major issues examined include policy bias towards relatively larger units, unimpressive performance and composition of exports and the widespread efforts at SME cluster promotion without a sound regional development perspective. Despite an elaborate and dynamic policy framework, the progress of Indian SMEs continue to be hindered by some of the basic constraints 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. The complexity in intervening effectively in this sector has often arisen from the manner the small enterprises have been defined officially, organized (being dominated by 'tiny' informal enterprises) and impinged upon by changing macroeconomic, sectoral and locational policies. Moreover, recognizing that the microenterprises in the unorganized sector, particularly, in rural areas have been worst hit in terms of decline in factor productivity, dwindling demand, poor quality products and insecure nature of jobs calls for discrete strategies to promote SMEs in India.

SMEs in the Philippine Manufacturing Industry and Globalization

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Abstract

This presentation looks at the current state of SMEs in the Philippine manufacturing industry and how they are gearing up to face the rising globalization trend and increasing economic integration in East Asia. It focuses on the emergence of global production network 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. A critical mass has been created with the presence of Intel, Texas Instruments, Philips, Sony, Toshiba, Hitachi, Fujitsu, Samsung, Goldstar, and Acer. The industry association has been actively involved in networking & linkage development activities; it maintains a database on suppliers to its member firms for matchmaking purposes. It 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 & engineering. In another GPN industry, automotive, the government and the industry are pursuing the “Big Enterprise Small Enterprise Program” to strengthen the parts suppliers. Toyota is the most active auto participant under the Program, it is implementing a cluster development training program to improve SME productivity & competitiveness. By implementing 5S, participants experienced significant reduction in cycle time, increased turnover & productivity of workers leading to revenue increases.

To take advantage of the opportunities arising from globalization and to play an important role in GPN industries, there is a need to develop the local suppliers and parts industry. This is the only way to increase the local value added of MNCs and make them stay and expand their operations in the country. The government needs 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, higher value added and more meaningful participation of the country in GPN industries.

2. Franchising and Beyond as New Business Creation Tools

Franchising: Global and Regional Trends

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Abstract

Over the years, franchised-small businesses have continued to make their mark on the globe, entering new, fertile markets and increasing their presence in a variety of countries. The International Franchise Association promotes the interests of franchising worldwide, and also encourages U.S.-based franchise systems to expand their operations internationally. The association is active in organizing trade missions, exhibitions and providing information about many countries.

Companies interested in expansion must assess whether introducing their brand into other countries will increase profits, revenues, market share and brand recognition. Currently, IFA-member companies have opened establishments in more than 100 countries.

International expansion, for any company, requires an awareness and acceptance of cultural, language, geographical and regulatory differences. Once these key items have been addressed, effective relationships with members, customers and potential partners can be fostered. Advances in technology have greatly eased the communication challenges that international expansion can sometimes present and have facilitated better relationships between parent companies and their franchisees.

Firm Strategies for Franchising

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Abstract

One of the most tempting and attractive ways of expanding your business is by capitalizing on other people's funds and you collecting royalties. Oh yes, the franchising way! Though it sounds so simple, this is where all the strategic headaches start. Is your business ready to go into franchising? If so, who do you franchise to? So, you've granted a couple of franchises, how do you continue to expand and sustain your growth via franchising?

Much like in a marriage, choosing the right partner is key to ensuring a lasting and strong business relationship. Know what factors to consider in deciding who to entrust your brand name to and how to maintain a mutually beneficial relationship between you and your franchisee.

Mr. Jose A. Miñana, Head of the Philippines National Business Unit of Jollibee Foods Corporation, will talk about the essentials of setting-up and nurturing a franchising network, specifically on the context of the Jollibee experience. Jollibee is the dominant market leader in the Quick- Service Restaurant Industry in the Philippines and has been consistently recognized as one of the Most Admired Companies in Asia over the past decade.

Micro-Franchising

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Abstract

“Micro Franchising” combines the “micro-credit” concepts of the 2006 Nobel Laureate Dr. Yunus (which facilitates the availability low-cost financing to individuals living at the grassroots levels of the socio-economic stratum in order to help improve their livelihood) together with the very successful concepts of the US-originated operational practices of a franchised business. It gives access to poor individuals both the needed start-up capital and also ready-made “copies” of a successful business model (already established by a private business organization) that involves sales of basic goods or providing essential services to the immediate community – thus offering these new entrepreneurs significantly low risks of failure.

“Micro Franchising” has become recognized as a unique social reengineering solution that can be easily duplicated throughout various low-income communities or markets. It enables and empowers individuals living at the grassroots level to become skilled entrepreneurs and small-scale business owners/operators. This results in improved and, importantly, sustainable income-generating potential for the entrepreneur - thereby enhancing the living standards of these individual business owner/operators and their immediate families. At the same time, it facilitates the respective local communities being served by them to have access to better overall standards of living.

Perhaps, for the future, the “Micro Franchising” concepts can also be effectively implemented in the ASEAN countries through more concerted efforts between existing Governments and NGOs in conjunction with various medium and small scale private businesses, in order to further ‘clone’ or establish “copies” of their already proven and successful business models (such as food and snacks vending activities) further down at the village and community levels rather than only in the urban centers.

Of course, the same “Micro Franchising” concepts could also be effectively extended and applied to other types of small-scale localized businesses that would sell basic goods or essential services to their respective grassroots level communities.

Acknowledgement – the information and inspiration for this presentation has been various general information on the subject available on the internet; and specifically recent papers and summaries of books on the subject matter – in particular : “The Fortune at the Bottom of the Pyramid” by C K Prahalad & Stuart L Hart; “MicroFranchising – Creating a Wealth at the Bottom of the Pyramid, by Jason Fairbourne, Steven Gibson and W. Gibb Dyer of the BYU’s MicroFranchising Development Institute, USA; and “MicroFranchises as a Solution to Global Poverty” by Kirk Magelby.

3. Commercialization of Research and Development for SMEs

Comparative Models of Office of Technology Licensing: Forging University-Industry Linkages in Asia

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Abstract

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 “innovation driven”. This shift has significant implications in terms of the institutional infrastructure needed to support this change. Part of this infrastructure relates to the link between industry and R&D institutes.

Studies in developed economies such as the US have shown that the majority of the job growth in their economies, over several decades, was generated from enterprises started with less than 20 employees, in other words SMEs. These high growth SMEs are different in character to the bulk of the traditional “mom and pop” businesses that are often started for lifestyle reasons. These enterprises, by comparison: are started specifically for growth; are most often started by experienced entrepreneurs; are extremely volatile; are usually engaged in export markets and are typically clustered in urban areas close to quality research facilities.

As Asian economies move from low wage or factor endowment based competitiveness strategies, the fostering of innovation becomes a pressing public issue. Under such circumstances many Asian governments are turning to their universities and institutes of higher education to step up and play their role, if not lead this process. Strengthening linkages between universities and high growth SMEs is a critical part of this process. There are however structural and organizational culture issues which inhibit this transformation of universities. This presentation explores some of the US, European and Asian models of University-Industry Linkages and outlines some of the constraints faced by Asian institutes of higher learning in rising to this challenge.

Technology Incubation

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Abstract

Over the past 50 years or so Business Incubation has become a powerful economic development tool in a number of countries around the world. The ability to grow small businesses into large ones rapidly, requires a value chain of significant quality, which includes the entrepreneur, the business model, the market opportunity, and probably most significantly – the quality of the incubator and its management team. The speaker will explore the key elements to successful business incubation which results in increased wealth for the entrepreneur and the community, local and national. Incubators which focus 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”. The ability to access the capital necessary for high growth, and offshore markets for wealth creation are key elements of successful incubation, as are a range of professional networks and other value creating services which may be applied to incubated companies. The ability to work with entrepreneurs to achieve rapid high growth requires incubator managers to be highly skilled both in growing companies and nurturing people.

Financing R&D Commercialization: Typologies

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Abstract

Mr. Jessop will be presenting the topic “Financing R&D Commercialization: Typologies” at the ISBC 2007 Conference. A survey of current initiatives in various parts of the world will be presented to highlight the types of approaches that governments in particular employ to (i) encourage the initial undertaking of R&D efforts by enterprises under its jurisdiction and to (ii) finance the commercialization of the more successful R&D efforts achieved. While macro governmental objectives are clear for the promotion of R&D (i.e. foster innovation, enhance competitiveness, develop specialized skills, and generate employment), at the enterprise level R&D expenditures are often seen as a “high risk – uncertain return” cost. As such, many established enterprises often take a short-term view and minimize their R&D efforts – a rational but risky stance for the enterprise’s long-term sustainability. Bridging the gap between the governmental objectives and enterprise wariness, possible typologies will be explored.

Industry-Academia Collaboration Involving Small Business Associations

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Abstract

Aside from tie-ups between individual companies and universities, a large number of industry-academia collaborations involve tie-ups between small business associations and public experimental and research institutes. One feature of industry-academia collaboration involving small business associations is that the industry side is represented by an association comprised of SMEs. This permits member SMEs to engage in industrial-academia collaboration, which would be difficult to do on their own, and also facilitates the sharing of R&D results among many SMEs. One of the main incentives for an SME to engage in industry-academia collaboration is the R&D grants they can receive. However, more important are agencies or personnel who can connect universities' expertise to industrial needs. Such a coordinator exists behind every successful industry-academia collaboration project. The role of industry-academia collaboration coordinators will become more and more important for the future.

4. Market Cultivation: Roles of Entrepreneurs

Synergizing International Entrepreneurial Opportunities for Agribusiness SMEs

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Abstract

The presentation proposes that agribusiness SMEs play a key role in linking smallholder farmers to regional and global value chains. It is through agricultural SMEs that downstream and upstream linkages in the agriculture value chain are brought together. The agribusiness SMEs connect farmer networks with downstream processing and retailing networks that include regional and multinational firms. The presentation discusses the increasingly important role that agribusiness SMEs can play in strengthening the comparative advantage and competitive position of farmers, micro-enterprises, and small- and medium-scale agroindustries, and in expanding revenue generating opportunities for all stakeholders.

The presentation will:

- Examine key trends in global agribusiness;
- Identify agribusiness SMEs in the Greater Mekong Subregion (specifically in Cambodia, China/Yunnan, Laos, Myanmar/Burma, Thailand, and Viet Nam);
- Discuss the implications for agribusiness SMEs of global trends in the agriculture sector;
- Examine how agribusiness SMEs can be integrated into regional and global value chains;
- Introduce selected GMS food and agricultural products with potential for processing and export; and,
- Recommend measures / new business models and practices that agricultural SMEs can use to manage market risks in globalised agriculture

Market Cultivation: Roles of Entrepreneurs

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Abstract

There is not one model of the market economy /"golden standard"/. There are no universal or eternal models of the market economy or ways of its pursuit. There are several variable forms. Generally we can distinguish two historically variable mutations of these models: the Euro-Atlantic and the Asian model. This further supports the need to analyze the experience of Asian countries and to discard the dominance of a Eurocentric orientation. Departing from this assumption, analysts of Asian countries in the past few decades have rightly observed that there exist certain interrelations between the different cultural models and the processes of domestic market transformations. It is only a right combination of the two as well as observance of an appropriate time sequence that enable enterprise development in different countries in various cultural zones.

The different cultural models of market economy: the Euro-Atlantic and Asian one, stem from different value systems accepted by entrepreneurs. Each of these models is characterized by a different model of entrepreneurship and entrepreneur market behaviour. At this point, it is important to indicate differences in the following areas: 1/. Approach to the time factor; 2/. Approach to the uncertainty and risk factor in economic processes; 3/. Approach to the relation of imitation and innovation in economic processes. 4/. Conceptions of trust in business;

S.M.E. is a fundamental subject to face the new challenges of the future in global economy. The fourth industrial revolution is under way. The profound changes / proliferation / caused by the information revolution and the supporting information and communication technologies have acted as a catalyst for various types of new business, various types of entrepreneurs and profound reorganization of business activity rules.

Market Cultivation: Roles of Entrepreneurs

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Abstract

The presentation will focus mainly on a technical assistance project that had been implemented in Brunei Darussalam which compliments Government of Brunei National Development Programme (NDP) which aims to integrate Brunei into global markets and focuses on improving marketing support services to SMEs. Project outcomes include a strategic assessment of the industries, sectors, products and services that potentially offer profit opportunities for SMEs as well as advice and support on improving existing and/or introducing new business development services for SMEs.

Consumer preferences and market demands pose the set of challenges. On the one hand, they are constantly changing. This trend has been facilitated by the rapid advances in ICTs, bio-engineering, and new materials sciences. It has also resulted in new and innovative products and processes, and shorter product cycles and smaller output batches. Product quality and designs are generally much improved a long with more frequent and innovative design changes, greater mass customization and more flexible specialization. Non-price parameters have become important determinants of competitive advantage. They include quality, health and safety, social equity in employment and production, and ecological Consumer preferences and market demands pose the second set of challenges, as note briefly implications of products and processes. Certification under the International organization for Standardization (ISO) 9000 series of standards implies compliance to quality management systems recognized worldwide, 26 In addition, ISO 14000, focusing on environment safety and control, has gain much importance since the early 1990s. Changes are also required in other business practices not traditionally practiced or expected by most SMEs

Globalization and new economy have altered fundamentally the pace and pattern of economic interaction among the players and actors, including large firms and SMEs, within ad across interdependent nations. Firstly, the level of knowledge intensity in production and marketing have risen significantly under the new economy. Secondly, business competition has meanwhile become much fiercer while market demands, more exacting and sophisticated across regions of the world. The liberalization of cross-border trade itself carries with id demanding commitments. By default perhaps, it has tended to be more technical in substance as well as highly legalistic or “lawyer-intensive” in practice. All of these have imposed thus another heavily burden on the limited resources for the responsive management of change by developing countries including many in ASEAN

In the area of providing essential marketing development to SMEs, nine major lessons can be drawn from international experience such as; support services for SMEs must be market-oriented; training should be practical; advisory services are best provided by the local private sector; cost recovery for services should be actively pursued, but some subsidisation is nearly always required; subsidising demand for services can be more effective than subsidising supply; where state-sponsored advisory services are deemed necessary, they should retain organisational independence; dissemination of information is crucial, especially in the development of markets; commercial collaboration between enterprises should be encouraged; and SME technical skills should regularly be upgraded to cope with computerisation and globalization.

5. Roles of Trading Firms in SMEs Trade: Strengths and Limitations

Roles of Trading Firms in SME Trade: Strengths and Limitations

Shigeru Ueda

President, CEO & COO Shikoku Kakoki Co., Ltd., Japan

Abstract

Shikoku Kakoki is one of Japan's leading medium-sized enterprises dealing with three business divisions, namely machinery, packaging materials, and food. As for our company's core business, machinery, we manufacture and sell filling machines that are used for filling cartons or cups with fluid foods. Although it's a niche market, we occupy a large share of the Japanese market and have been increasing our exports, and have become known among dairy plants worldwide.

By introducing some business practices of Shikoku Kakoki and medium-sized trading companies, Mr. Ueda, Shikoku Kakoki's CEO, will discuss the importance of trading companies and how they play a key role in SMEs' efforts toward becoming a leading medium-sized enterprise or international enterprise.

- Why did Shikoku Kakoki decide to do business with a medium-sized trading company rather than a major trading company?
- How does the trading company's role change, as the scale of the business grows from its time of founding, to the time it establishes an overseas presence, to the time it becomes an international company?
- What demerits arise from using a trading company?
- What does Shikoku Kakoki think is the trading company's role in the further development of internationalization in the Asian market from now on?

Roles of Trading Firms in SME Trade: Strengths and Limitations

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Abstract

Within ASEAN and APEC Region, SMEs are the majority in term of number of establishments. SMEs contribute to economic growth and form the critical back bone of sustained job creation and technology breakthrough In their respective economies.

While MNCs have benefited from free trade and evolved to become a global power house with immense technology, finance, system, production, marketing and distribution power with global integrated intellectual capacity to compete and innovate on 24/7 basis, many SMEs are still at the first starting point with limited resources and domestic market oriented.

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

International trading companies can by way of using their global trading networks, resources and supply chain to link and integrate progressive and compatible SMEs to enable business growth, stimulate job creation, promote cross border trade, inject new technology and reduce poverty.

Feasibility Study for the Establishment of the ASEAN Trading Firms Network for SMEs

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Abstract

Background

- a) ASEAN Trading Firms Network: A Groundwork for ASEAN Regional Trading House Initiative

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 plays an important role in fostering economic growth as well as social stability for ASEAN Member States. As such, SMEs remain the backbone of virtually every economy in this region.

In December 1998, the Hanoi Plan of Action (HPA) was adopted by the ASEAN Heads of States to serve as a principal guideline for ASEAN cooperation in SMEs development. The objective was to foster a dynamic, competitive and efficient SME sector. Initially, the focus was on priority areas such as human resource development, information dissemination, inter-firm networking, technology sharing and financial and market accessibility. Subsequently, the scope areas were expanded to incorporate intra-regional trade and development of regional trading house within the Member States.

- A proposition for the establishment of a Regional Trading House (RTH) in ASEAN was instituted in a Regional Policy Action Plan for the ASEAN SME Development Decade 2002-2012.
- On behalf of ASEAN SME Working Group, Thailand took up the role of lead country in drafting the TOR for the feasibility study for the establishment of Regional Trading House, which was later endorsed by the 13th ASEAN SME Working Group Meeting.
- Later, the 14th ASEAN SME Working Group suggested that RTH is rather a longer-term goal, while the immediate step is for ASEAN to have a network of regional trading firms that support and enhance market access for SMEs. The Meeting also indicated that ASEAN SMEs could benefit enormously from Japan's experiences in the area of trading firm development.

- b) Rationales for the Setting up of a Network of Regional Trading Firms for SMEs

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

At the same time, the ratio of cost for international marketing and market penetration to turnover is much higher among SMEs than large companies. Even when SMEs can spare some capital to invest in international marketing, their supporting staff and personnel are less

experienced and less efficient in accessing international markets than those working for large companies. With the emergence of trading blocs among developed and NTBs, SMEs are generally handicapped in accessing markets across developed economies. Because of these structure weaknesses, the share of ASEAN SMEs in international trade is capped at about 30-40%, despite the fact that they comprise about 98% of all enterprises. The share of ASEAN SMEs in intra-regional trade might be even less.

Ideally, the establishment of a 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. RTH should also assist in reducing marketing cost and thus increase the price competitiveness of SMEs products across ASEAN economies.

However, the emergence of the Regional Trading House, if it were to be private-sector driven initiative, should be preceded by the networks of regional trading firms which maintain SME products in their accounts.

Objective

The Feasibility study for the setting up of a Network of Regional Trading Firms for SMEs will focus on comparative studies of various trading house models in order to propose the networking model for ASEAN trading firms—in selected arenas and countries of Hanoi/Vietnam and Singapore, including Thailand — that best serves the following objectives:

- 1) Promote networks of ASEAN trading firms for SMEs and extend links among these firms via existing facilities of member countries.
- 2) Increase of SMEs share in intra-ASEAN trade and in international trade
- 3) Diversify export items of ASEAN SMEs, in order for ASEAN to have a more diversified Economies
- 4) Enhance SMEs' access to export credit
- 5) Encourage regional account-trade
- 6) Assist regional SMEs in meeting the requirements of product standards, quality and testing, which are now varied world-wide.
- 7) Ensure the implementation of non-discriminatory and market oriented policies in ASEAN
- 8) Ensure mechanisms for market intelligence database, which can be shared among regional SMEs
- 9) Increase price competitiveness of ASEAN SMEs

6. Searching for Global Outsourcing Opportunities

Searching for Global Outsourcing Opportunities Lessons and Learning from India

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Abstract

Outsourcing is a specialised service where an *external organisation* – manages, improves, redesigns and creates low-cost, high-quality business processes, for an existing business operation or business function, which were previously handled by in-house persons, to improve cost, control and quality - thereby increasing profit and value to all the organisation's stakeholders.

The Internet and the imperatives for organisations to improve market share and profitability has made global outsourcing a must-have strategy in most organisations. However, global outsourcing requires a broad array of business skills that are essential ingredients for success

India has emerged as a global outsourcing hub, and controls 44 percent of the global offshore outsourcing market of software and back-office services. Some of the reasons are - improved infrastructure, proactive govt policies and abundant, skilled, English-speaking manpower

Business model innovation has been identified as the number one priority by global CEO's. Areas emerging in this area are

- Focus on transforming business processes with tangible business deliverables.
- Combines the strength & capability of global multinationals and frontline vendors
- Globally integrated model - world is one market & processes in different countries
- Second-generation outsourcing that combines business consulting services and IT services to deliver measurable business value to customers
- The focus shift - from cost - to value - for clients
- Newer pricing models, based on value or outcomes

Unlike costs being the primary driver for IT-based outsourcing, it is the availability of skills that is driving non-IT outsourcing. This new trend is *Knowledge Process Outsourcing* which delivers high value to organizations by providing domain-based processes and business expertise rather than just process expertise.

A number of large contracts are going with selective sourcing. Organizations are continuing to unbundle large IT contracts and look at best-of-breed providers. The SME segment can make a difference in this area of outsourcing by focusing on specific niche areas. Speed, quality, flexibility and being ahead of the curve of knowledge, will be the key differentiator. KPO, an area which is growing rapidly has phenomenal scope for SME's, keeping the value proposition of outsourcing in focus.

Outsourcing is here to stay but vendors would have to *align their objectives* more closely with the customer and develop more refined metrics to meet client needs.

Searching for Global Outsourcing Opportunities

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Abstract

The Malaysian economy has gone through a substantial transformation moving from a commodity-based economy to a manufacturing and services-oriented economy. As a developing country, Malaysia has put emphasis on comprehensive policies and strategies to spur the development of the industry and to take advantage of the changes brought on by globalisation and technological changes. Malaysia is today one of the most open economies in the world, with total trade registering more than 285 per cent of the Gross Domestic Product. In 2006, the World Trade Organization ranked Malaysia as the 19th largest trading nation, 19th largest exporter and 23rd largest importer.

By virtue of prudent planning which include adequate policies, strategies, infrastructure and logistics facilities, Malaysia has been successful in attracting multinational corporations (MNCs) to locate in Malaysia and thus provide outsourcing opportunities for Malaysian companies.

The presentation will comprise an overview on the development of outsourcing in Malaysia covering electrical and electronics, automotive, ICT and logistics services sectors as well as the role of SMEs in the outsourcing activities. The presentation will also include several aspects on current strategies to promote Malaysia as a preferred outsourcing destination.

7. Young Entrepreneurs

Young & Successful in Poland

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Abstract

It is not easy to set up and run a company in Poland. First of all, it covers high risks and secondly – as young businessmen point it out – Polish universities and colleges do not offer enough practical background. ‘Theoretically, the State policy is aimed at encouraging young people to stay at home and establish their own companies. But young entrepreneurs do not feel being supported.’ If Poland wants to stop young people from leaving the country it has to create more friendly atmosphere in the above mentioned area.

Young entrepreneurs actively participating in Academic Enterprise Incubators estimate the risks of setting up a firm in Poland as very high. In the scale from 1 to 10, the average response was 7.4. Much lower risks are taken – in their opinion – by a person who goes to work abroad. This research additionally showed that Polish universities and colleges do not prepare their graduates to be able to found their own firms.

The entrepreneurs interviewed estimated the amount of knowledge in that area acquired by them while studying at the average level of 2.4. ‘What we miss is practical training. We have too many classes dealing with theory. What we need is interactive ‘case study’ exercises and other practical courses as it is done in other countries. Students should be asked to run their own companies while studying. In the Netherlands, for example, for third semester students of Economics it is a must within the framework of incubators of enterprise.

So, its not easy to be a young entrepreneur in Poland. Can you imagine to think about starting a business without money, with no chance to get a loan, not knowing where to turn to for some practical or legal advice? All you have is strong motivation, a PC, some theoretical knowledge, perhaps some savings. Do you think it’s enough to become an entrepreneur? Would you dare to become one?

But you should know there are young people all over Poland who become businessman, starting from scratch. Their businesses are growing and become efficient and innovative. They are able to compete with other companies selling successfully their services or products abroad.

You will be given a general view of Poland, SME organisations, as well as the Polish legal system. From my presentation you will learn about young SMEs entrepreneurs in Poland, who have chosen to run a business, knowing there is not much help from the outside. Also, an example of successful cooperation between young entrepreneurs will be given. You will see how young people start to become smart.

Young Entrepreneurs

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Abstract

Lamoon International Co.,Ltd was started from the charity and volunteer job. Finding market for the village people who never get the opportunity was the initial intention for the company. At the first stage, we did the business with the very limited resources and capability in terms of production, management, finance, and product designs. However, the real business world is so tough; all new business needs to be competitive, differentiated and reliable. There were too many obstacles and problems at that time. What's the disadvantage for the small business firm in Thailand? How to get over those threats? And become stronger.

The cottage industry has become more manageable with reliable production line. The village people have gained knowledge about real business world and better quality of living. The young generation of village people changed their misperception about the products and skill from their ancestors. With the combination of arts, engineering, international marketing, skills and management, village's products become to internationally competitive.

Nevertheless, it was not easy to implement and execute all combination which came from different dimensions and perceptions to the local people. As a result, it might take quite some time with very high level of patience and tenacity. However, we have produced some satisfactory outcomes.

As well as the products and production capacity are ready then the marketing, sales, back office system and financial need to be improved along with others business functions. All factories most likely to get the big orders from big guys so do we, even though we started with any scales of customers and any types of their business functions. But we found that it was not the most effective way to do that we changed the policy to work with only retailers who have completely authorized to make the decision of buying. We have been focused on that market segment and expand the business with small numbers of account but we worked with them in the big volume.

In this case we still have some risk in term of the production utilization stability and too less negotiation power, we need to do our own distribution channel.

Then we started to build our own distribution channel with our own brand in the hi-end biggest market 28 percent of world market share is that the USA market.

If this distribution channel is firm and well-established, quality products from small business in Thailand and the villages will be distributed and promoted to this channel as well.

Drivers to Internationalization in a SME Company with Young and Dynamic Management

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Abstract

Nowadays luxury is considered one of the hottest business topics for young people willing to invest in a worth and fascinating field. Off course Luxury offers the opportunity to deal with high end companies and people and can lead to high profits when the activity runs properly.

One of the common error while dealing with Luxury is to consider it as a special “world” where everything is easy and the worth comes with almost no efforts. It’s not like that: luxury, like any other field of business has its own rules, difficulties and high level of competition; in other words it requires a high professionalism and an adequate management culture.

When a newborn company wants to star a business based on internationalization is a key factor to focus on a specific and structured idea. To which country or area address, in which way to explore the new market and how to set a presence there are the strategic bases to any business plan.

Once an initial structure has been settled, whatever it implies a presence abroad or a good networking from a central hub, it’s essential to have a good balance between the initial business plan (the starting idea) and the feedbacks received from the work on the field (the real market). Only in this way a company can create the right path to international success.

Luxlife is an example of how to deal with luxury starting from an idea (representing Italian top level design brands in China and Far East), creating a structure imprinted on strategy and organization, develop this structure updating it constantly looking both at the initial business plan and at the feedbacks received from the work on the field. Today Luxlife has a well-built presence in China with a good networking activity; the new challenge is to expand the structure and the concept created for China to other Asian countries in order to become more and more the main referent of the Italian luxury in the whole area.

Business Model Study: Business Plan Development by Utilizing Brand Value

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Abstract

The relativity between brand values and high market power has been previously verified in scientific and academic journals. Utilizing the brand value of Korean Minjok Leadership Academy (KMLA), I was able to establish the gift shop in KMLA. Now, I'd like to share the procedures and secrets in the business establishment and management. Also, the consumers' reaction to KMLA gift shop was somewhat intriguing, which could be also dealt out in the presentation.

In an economics club called Junior Achievement, I was given a chance to practice a business simulation. KMLA had the best brand value in Korean high schools as Harvard and Oxford was in the university level to Koreans. And this led me to start the adventurous but struggling establishment of Korea's first high school gift shop.

Most importantly, the business plan needed a thorough idea for product development and sales distribution. As a result, I decided to benchmark some of the remarkable samples. Many samples what I have bought in many universities, especially in Harvard, Yale, Princeton, Columbia and others, and Suzhou, China were useful to benchmark.

KMLA Gift Shop projects to affiliate with other companies and stores to sell the products, widening the possibility of profit including online sales. By 2008, we plan to supply items to 100 different stores. And the project revenue is expected to be over \$600,000.

8. Managing Market Risks for SMEs

Ethics of Corporate Social Responsibility (CSR)

Darryl Macer, Ph.D.

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Abstract

Corporate social responsibility (CSR) is a growing trend, also in Asia. CSR encompasses a wide spectrum of activities: human rights, labor standards, environmental management, consumer protection, anti-corruption, corporate philanthropy, and more. This paper will review different methods for measurement of CSR with some examples of work that is ongoing in RUSHSAP. There are both conservative and liberal views on CSR, and these will be discussed. The ethical obligations of companies to share in the solidarity to society are becoming more commonly expressed in the context of CSR. The concept of social responsibility is also stressed in the UNESCO Declaration of Bioethics and Human Rights (2005), which is the most recent reaffirmation of rights to health care, food and water, which are human right questions that are hotly debated because they could also pose stricter obligations upon states to provide health care and a minimum quality of life to citizens. Do these obligations also apply to corporations, including SMEs? What is an ethical way to be a member of a community in the Asian context?

A New Trend in SME Promotion: Using Market Systems to Reach More SMEs

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In the 1970's and 80's large firms were often characterized as exploitative and anti competitive in their behavior. Promoting SMEs was somehow seen as an antidote to this domination of the large. In contrast, today's large firms see themselves as being inextricably linked into global and regional value chains where their suppliers, distributors and customers are most frequently SMEs. Governance of this value chain, often by large "lead firms", brings with it responsibilities, but also opportunities for many win-win deals that SMEs would not have access to on their own. Advice and information by these lead firms, to their SME suppliers or buyers, in areas such as market trends, technology, supplier credit, quality management, or productivity improvements is frequently more relevant than anything they would receive from a publically initiated promotional program, no matter how low-cost it may be! The generic term commonly used to describe these competitiveness-enhancing inputs is "business services".

Public promotional agencies are now increasingly looking at how they can use market forces and sustainable business relationships to expand the impact and outreach of public and private business services. This approach is sometimes called "market development" or "making markets work for the poor". Its aim is to increase the access of SMEs to public and private business services by looking at systemic market constraints (why do they not have access now) and then, based on this understanding, designing interventions to support markets that sustainably increase this access.

This presentation lays out the conceptual rationale for the use of "market development" as a cost effective approach to actively engage public and private stakeholders in SME promotion. It also presents two intervention case studies of how this approach is now being used with good effect in Asia.

Managing Market Risks for SMEs: Role of a Government

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Abstract

Facing fierce competition in globalization, SMEs are forced to go out to do business in international markets, rather than produce domestically and export. Most of the SMEs in developing countries such as Thailand have less experience in market access and oversea investment. Lack of funds and capable human resources are main obstacles for those SMEs to be well prepared for international risk managements.

This presentation will therefore outline and identify international market risks, which are focused on external factors and especially the unusual aspects, such as risk from political instability, disaster, or from clash of civilization. How a government can play a pivotal role to support its SMEs? What instrument and mechanism should be developed to provide prevention and relief measures?

Studies from certain countries that are successful in expanding their SME business overseas are recommended. Canada, Singapore and China are perhaps good examples. They have effective mechanisms, but in different patterns, to help their SMEs. Those can be applied to other governments.

Activating and Trends e-Trade and PAA of SMEs in the East Asian Region

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Abstract

This paper discusses the mutual cooperation among East Asian Region in e-Trade and PAA of SMEs. A summit meeting between Korea and Japan in September 2000 called for a joint initiative in the field of e-commerce with the establishment of an e-commerce policy committee between the two governments, promotion of paperless trade integration of next generation e-commerce environment project and cooperation in establishing a safe and reliable e-commerce infrastructure. This type of initiative must be expanded to achieve borderless e-commerce for the whole of East Asia Government initiative for paperless trading between Korea and Japan. Korea has already promoted 4 projects for the upbringing of SMEs within APEC region in the past, but there is no project which is presently promoting. So, most countries in East Asian region demands that Korea, which enjoys the comparative advantage in e-Trade field, promote the new project in order to bring up SMEs in East Asian region, Japan, on the other hand, has three projects for upbringing of SMEs within APEC region in operation. I hope that I will propose the following concrete plans as outlined below. Firstly, Strengthening of SMEs structure, secondly, Upgrading of e-Trade and PAA activity, thirdly, Attaining Bogor Vision of APEC/2020 economies, lastly, Realizing East Asian Free Trade Area (EAFTA).

9. Venture Capital for SMEs: Global Trend

Venture Capital for SMEs in the Arab Gulf Cooperation Council States

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Abstract

Venture capital (VC), (capital provided by individuals, investment banks, and other specialized institutions for new business ventures by investors other than the original proprietors) is fairly new phenomena in the AGCC states. Small AGCC businesses traditionally rely on savings, personal loans, family reserves, and contributions by friends. The main reasons behind this low VC finance is that VC requires entrepreneurial expertise to assess the viability of new business ideas, the willingness to invest over the longer-term and to sacrifice liquidity, and management skills in working with enterprises in helping them grow and scale up. VC remains a nascent industry for SMEs in the region. The promising signs for the future of VC in the region are linked to the availability of foreign VC seeking potential investment, the present ample liquidity on the back of the recent surge in high oil prices, the growth of private wealth in the region that can provide a base for VC finance, and the government initiative to foster this sector via privatization and encouragement of VC as a means of financing.

Currently in AGCC states there are basically two types of VC financing vehicles: Western (conventional), and Islamic. The growth of the region Islamic finance (and *Shariah*-compliant, AGCC-ownership VCBank in Bahrain) presents a good opportunity for the development of local VC industry, as Islamic profit and loss sharing formulae match the financing techniques used by the western VC industry. But in practice, Islamic banks in the region (up to date) invest only a tiny portion of their portfolio in VC- type *Modarabah* and *Musharakah* transactions, and more on trading-based debt finance.

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. The private sector development and encouragement of entrepreneurship and innovations are crucial for providing such jobs. VC, we argued, is a powerful tool to encourage private sector investment and create job opportunities. It can resolve the two troubles of insufficiency of funds and inappropriate collaterals designed for domestic banking credits to SMEs which make it difficult to obtain financing, particularly for emerging SMEs. Overall VC avoids some of the SMEs debt financing constraints and can link entrepreneurs with capital, and meet the needs of the SMEs segment of the market. Besides, VC is an economically-viable, profit-based & inflation-avoiding lending formula. The Islamic type VC avoids double-burden of loans repayment & loss of livelihood in the case of total failure of the project.

The paper attempts to review the major financial institutions working to provide VC for SMEs in AGCC states, and answering the question of why VC is not working in the region. The paper also recommends some measures to increase VC portfolio including the activation of Bahrain-based Gulf Venture Capital Association (GVCA) which is committed to support the growth of strong VC within the region, extension of venture-type Islamic VC modes in some conventional banks of the region, provision of tax and other incentives to encourage VC industry, and fostering local entrepreneurship.

Venture Capital for SMEs: Global Trends

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Abstract

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

The Agency provides access to community technical resources that assist potential growth companies to become investment ready. It also manages the Niagara Growth Fund which is 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.

Three current clients provide dramatic case examples of the leveraged economic benefits obtained by this unique combination of a not-for-profit Agency and a for-profit equity investment fund.

Venture Capital for SMEs: Taiwan Experience

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Abstract

Ninety-eight percent of Taiwanese business entities are SMEs, which have been playing an important role in helping the fast growth of Taiwanese economics in the past. Among many other things, the government strategies, policies and various programs to help develop SMEs, in addition to the development and prosperous growth of VC industry in Taiwan, clearly are two important factors for the progress and growth of SMEs. This talk will touch upon the brief status of SMEs, the development of VC industry and some of VC's investment situation in SMEs in Taiwan. Besides, some of Taiwanese government's policy and action to help develop SMEs in Taiwan will be shared with audience as well. Finally, the issues that the VC industry is facing and potential trend for the future will be addressed.

Thailand Venture Capital Industry: the Development & Trends

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Abstract

The presentation will show the Venture Capital activities in Thailand in the past twenty years. The development can be divided into three stages:

- 1. The Bubble Economy**, “1st wave” during 1987 - 1996 commencing by the establishment of the first Thai Venture Capital company, Business Venture Promotion Co., Ltd. (BVP), a firm originated on March 6, 1987 from the partnership of six Thai commercial banks with the technical assistance from the United States Agency for International Development (USAID). Since then Thailand became one of the destinations for the 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, and BVP played the major role to introduce this new financial tool to the Thai entrepreneurs or the joint venture with the multinational companies during the booming economy. The majority of the business venture capital model during this period was focused on the traditional venture capital practices such as the investment policy of investing in the seed, the start-up, and the expansion stage of their investments with the minority shareholder and passive partner model. Only the Croby Holding focused its investment policy in the Initial Public Offering (IPO) stage. 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 to the officer at the Ministry of Commerce regarding the definition of “ Venture Capital “ in the Thai language. Finally on April 19, 1994, the TVCA was registered with the Ministry of Commerce with seven original members. The geographical area for investment of the International Venture Capitalists covered the Indo-China region, the South East Asia region, and the Asia-Pacific region.
- 2. The Crisis**, “2nd wave” during 1997 – 2000, it was considered to be the most active or the peak of the Venture Capital Industry in Thailand, turning from the traditional venture capital practice model to invest more in the stage of the Buyout, or the Turnaround stage especially on the Non-Performing Group in the listed companies. The exit of the investment was around 3 – 5 years which was faster than the traditional practice (1st wave) which took around 8 – 10 years. With the size of investment and the listed status, it was the path to great opportunity for both Venture Capitalists and the Private Equity Fund manager. TVCA’s ordinary members reached the highest of 24 members by 1999. The Thai Government was the catalyst to encourage the investment climate in 1999 by setting up 3 funds as follows:
 - Thailand Equity Fund with the amount of US\$ 1,000 mm.
 - Thailand Recovery Fund with the amount of US\$ 100 mm.
 - SMEs Fund with the amount of Baht 1,000 mm.

On June 23, 1999, the Finance Minister supported the proposal on the use of Non-Bank Financial Services as the financial tools to support SMEs which purposed from the Joint Standing Committee on Commerce, Industry, & Banking led by Khun Piyabutr Cholvijarn, the President of Finance and Investment Committee of the Thai Chamber of Commerce,. The Finance Minister also approved to set up 3 working committees for

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

3. **The Recovery**, “3rd wave” during 2001 – 2004, the platform paved the way by the Royal Decree No. 396, the new Act to support and promote the venture capital activities in Thailand which was announced on January 30, 2002. The BVP Venture Capital Management Securities Limited was the first Venture Capital Management Company and was licensed by SEC on October 14, 2002. Between this period of time, the cabinet set up the Venture Capital Fund of Baht 5,000 million in order to enhance the competitiveness of Thai SMEs on July 22, 2002. This fund was managed by the Office of SMEs Promotion (OSMEP). The Government supported and promoted this new financial product to enhance the competitiveness of the Thai SMEs and led the major role on the real traditional venture capital practice. As for the private venture capitalists, they still focused on the Buyout, or the Turnaround stage of investment, The International Venture Capitalists had declined since 2002. The TVCA’s survey showed that Thailand still had a great opportunity for Venture Capital but China, Vietnam, Korea, Taiwan and Japan were the more preferred countries than Thailand. In term of the number of the ordinary members on TVCA, it dropped to 9 members in the year 2004.

The Trend: TVCA conducted joint study on venture capital activities in Thailand with the SMEs Macro Strategy Department of OSMEP in 2005, which was reported in early 2006. It was the first report covering all players in both private and government venture capitalists. The report showed the change in the trends of preferred industries from the TVCA’s survey during 2001 – 2003 which the top 3 were technology, software, electronics, automobile, and agribusiness to the 3 brand new sectors. I believe that the change will lead to new opportunities and as of now I see the return of the International Venture Capitalists with more funds available to invest in Thailand, and more M&A, Buyout, and Turnaround deal flows are in the pipe line. **Are you ready for the new paradigm?**

10. Women Entrepreneurs Forum

Women Entrepreneurs Forum

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Abstract

It was 37 years ago when my parents established the joint venture with Toshiba Corporation in Thailand with only 80 employees for Thai domestic market. At present under our second generation of management the business has expanded and become production base of Toshiba brand for Japan, Asian countries and nearby continent market with about 4,000 employees.

To achieve them, we have gone through many ups and downs; many severe economic crisis and growing global competitions. The key success throughout these years is only one thing; “people”. People who work with “heart” will endlessly create the work that is “different” and “special”.

At our companies everyone is equal and equally important regardless of the position and gender. Everyone is equally given a chance. No one is more than one red brick or less than one brick. The role of Top Management is to have vision and the strategy how to place each red brick to fit our plan in order to realize our ultimate goal – beautiful architecture for all to admire and appreciate.

With the rapid changes of the world our people have learnt to adapt themselves well to use the crisis as opportunities to grow. The key success comes from our adaptability and flexibility to new challenge. Our future goal can only be realized by the “fighting spirit” of our people who have “heart” in what they are doing.

With regards to the question whether women are emotional or not, I believe that being human, men and women are all emotional. Emotion brings passion at business and the passion will often develop creative mind. Being emotional is not a problem itself. I believe that how a company treats emotion positively and appropriately will be the key to build up its characteristics.

For fruitful life, we must have friends. I was awarded “The Leading Women Entrepreneurs of the World” and I have gained rewarding experience by joining these international women networks. We are all human beings regardless of the nationality and have similar problems such as family affairs. Friendship helps us expand our knowledge and develop our skills. Companionship promotes us to gain confidence in business and to open our eyes to the possibilities for the future. Please join such networks.

Have courage and take the first step. Trust yourself, make a decision and go toward success with integrity. Have heart in whatever you do and everything will be accomplished.

(From Asian Business Women's Forum in Osaka, November 2006)

Women-Owned Small and Medium Enterprises: Analysis of Factors Influencing the Growth Process

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Abstract

The purpose of conducting this study is to highlight the problems faced by women entrepreneurs during the growth process as well as to determine the main factors which contribute to the growth of enterprises and how these factors influence the adoption of different growth strategies. Initial data was collected through 516 on-line filled questionnaires. In addition, the qualitative data collected through one on one interviews of sixty women entrepreneurs was inductively analysed and interpreted in response to open-ended questions.

The research confirms that most of the women don't opt to develop growth-oriented businesses. Those who are ambitious and interested in growth suffer from lack of access to, including control over, capital, business premises, information and technology, production inputs, appropriate child care, qualifications and/or experience, training facilities and appropriately tailored assistance from business development agencies. Non-effective accumulation and utilisation of social capital hinders their access to appropriate decision-making circles, which limits their probability of accessing critical management and financing resources. The study also finds that women entrepreneurs perceive that the key factors which have made a considerable difference in their growth performance are high quality and development of new products and services, effective informal networking, appropriate marketing, effective use of website and other selling skills, appropriate business training and management experience, in addition to the right support by business development agencies.

Dynamism and Enterprise: Female Entrepreneurs in the United Kingdom

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Abstract

Within the SME sector females are responsible for one third of all start-up businesses in the UK. They are vital to the economy and the future growth of the SME sector. Their dynamism and enterprise enriches the sector.

The study is effectively split into three stages. The first stage used desktop research to look at enterprise initiatives currently in place. 128 UK initiatives have been identified, offering a mix of business support, incubators, mentoring and business tools. The second stage was to send a questionnaire to targeted women. A postal survey was conducted on one thousand women selected from a target audience. The final stage was to conduct a series of interviews and focus groups in order to elicit more detailed answers and to follow up certain areas of the questionnaire. Several focus groups as well as face-to-face interviews were conducted on a limited number of the women. The findings show that the main challenges faced by the women were a lack of confidence and financial pressures. The reasons for starting a business ranged from finance, independence, flexibility, childcare friendly and lifestyle choice. Others started up following redundancy. A significant number of women were eager to develop an idea they firmly believed in. The most important source of start up capital was personal savings, followed by family and then banks and/or financial institutions.

The most popular sectors women started businesses in were coaching/mentoring, business services, sales/marketing/PR, media & publishing and education/training. A significant number were in IT/computing. A significant number of respondents hold a degree or postgraduate qualification. A significant proportion of respondents have children of an age where childcare is an important issue. The study provides an insight into the motivations and barriers of women in SMEs. For academics this paper adds to the growing literature on female entrepreneurship. For business support professional and policy makers the paper provides recommendations for use when supporting future initiatives and produce recommendations highlighting the possible direction of future provision.

Women Entrepreneurs and Their Use of e-Business

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Abstract

This presentation will give the results of a two year study of small and medium-sized business owners in 14 APEC economies. It will show not only the differences between men and women business owners in how they use e-business processes and the challenges they perceive, but also the differences among women themselves from the different economies. A particular focus will be on e-business use for doing business across borders. The presentation will end with recommendations for both women entrepreneurs and government policy makers.

Special Lecture

Mrs. Sylvie Nouyrigat, SME Training programs Manager, ESCP-EAP, [France](#)