

# — SMEs take center stage in the ROC's economy —

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## Role of SMEs in the ROC

SMEs have played a vital role in the economy of the Republic of China (ROC) in the last decade. As of 2009, there were a total of 1,232,025 SMEs, accounting for 97.91% of all companies and providing more than eight million jobs or 78.47% of employment opportunities (Table 1). Broken down by industry, most SMEs (80.35%) operated in the service sector, of which about 46% had been in existence for a minimum of 10 years. These SMEs not only work with large enterprises to create comprehensive supply chains, but also ensure that the nation's industrial base is highly innovative and flexible, actively linking the strengths and resources of different companies in the form of strategic alliances and value-adding networks. It is not an exaggeration to say that SMEs are the foundation of the industrial economy and economic growth in the ROC.

Table 1. SMEs in the ROC by sector, 2004–2009.

Sector	2004	2005	2006	2007	2008	2009
All SMEs (no.)	1,176,986	1,226,095	1,244,099	1,237,270	1,234,749	1,232,025
Agriculture (%)	0.91	0.91	0.88	0.87	0.89	0.90
Industry (%)	18.24	18.11	18.13	18.79	18.83	18.75
Service (%)	80.85	80.98	80.99	80.33	80.28	80.35

Source: Ministry of Finance Tax Data Center, value-added tax data for 2004–2009.

## Policies and measures to promote SME development

To promote enterprise growth, the Ministry of Economic Affairs has worked through nonprofit technological agencies and nonprofit management consultants to bring together a diverse range of resources, providing SMEs with assistance in 11 distinct areas: finance; business management; information management; mutual assistance/cooperation; business start-ups and incubation; quality enhancement; marketing; R&D; production techniques; industrial safety; and pollution prevention. This approach is designed to provide enterprises with timely professional consulting advice throughout their life cycle.

The assistance provided to SMEs by the ROC government boils down to six strategic measures: strengthening of financing; enhancement of R&D capability; assistance in upgrading and transformation; promotion of business opportunities and expanded marketing; encouragement of business start-ups and incubation; and revitalization of local economies. This assistance is provided through four methods intended to optimize the SME operating environment and competitiveness, i.e., making the necessary legal changes, development of human resources, land prioritization, and the development of a service network. Together, these are designed to meet the diverse needs of SMEs throughout the ROC.

## Role of the APO and CPC in enhancing SME productivity

The ROC was one of the founding members of the APO in 1961 and in the 50 years since its creation, the China Productivity Center (CPC), the NPO of the ROC, has been responsible for the overall planning and promotion of the national productivity movement. Given that SMEs have played a crucial role in fostering economic development in many APO members, strengthening SMEs is one of the APO's thrust areas. The APO's and CPC's efforts for SME

development have been made through a series of training courses, seminars, diagnostic consulting, and survey/research programs designed to enhance the management and technical capabilities of SMEs in the industry, agriculture, and service sectors. In all these activities, the CPC ensures careful nomination and selection of participants so that optimal results are achieved. It also invites local experts from other APO members to speak on their areas of expertise and offer consulting advice, and then sharing the often invaluable experience of the ROC in different areas. In addition, the CPC has itself made use of the expert resources of other APO members in its organization of seminars on industry trends, training in innovative management tools, and provision of onsite inquiry and diagnostic services. This has enabled SMEs in the ROC to enhance their productivity and competitiveness and produced impressive returns in terms of the contribution made to the enhanced performance of local SMEs.

## Strategic direction of SME transformation and upgrading

Faced with the global trend of trade liberalization, it is important to accelerate the transformation of SMEs. This is one important area of future work in the ROC. As SMEs start the process of upgrading they will focus on technology applications and service innovations. In terms of the former, the issue will be how to utilize information and communication technology to make enterprises more competitive. For example, consulting advice could be provided to SMEs on how to use online shopping platforms to reduce the operational costs of opening their own stores. In terms of the latter, the focus will be on how to use increased-value services to upgrade the value added of enterprise operations and make SMEs more profitable. The key focus of service innovations will be enabling enterprises to establish a new business model that makes them more competitive and therefore more able to overcome the challenges posed by free trade.



Dr. Pao-Cheng Chang served as Secretary General of the Industrial Development Bureau, Ministry of Economic Affairs and helped formulate national industrial transformation and upgrading policies. He has a PhD in Technology Management and was appointed Senior Industrial Consultant by the Asia Pacific Industrial Analysis Association. He led the China Productivity Center as it became a trusted management consulting organization.