SME Policies of Korea

“Korean economy will pick up steam only if Korean SMEs gain force”

(Representative Lee Myung-bak on Jan. 3, 2008)

Small and Medium Business Administration (SMBA)
SMEs of Korea (2008)

- **99.9% (3.02 M)**: Enterprise
- **87.5% (10.88 M)**: Employment
- **49.4% ($447B)**: Production

Backbone of national economy

Vital majority

Source of job creation

440,000 jobs created

- **1,167,000**
- **767,000**
- **221,000**
- **101,000**

New and liquidated SMEs:

- **'01**: 62,188 new, 5.277 liquidated
- **'03**: 52,739 new, 3,214 liquidated
- **'05**: 52,587 new, 2,200 liquidated
- **'08**: 50,855 new, 1,886 liquidated

SMEs of Korea (2008) are vital in creating jobs and are the backbone of the national economy.
## Scope of SMEs (2008)

<table>
<thead>
<tr>
<th>Sector of SMEs</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>- Less than 300 workers</td>
</tr>
<tr>
<td>Mining, construction, transportation</td>
<td>- Capital worth $8M or less</td>
</tr>
<tr>
<td>Printing, Video, Broadcasting, Health, Social welfare, and etc.</td>
<td>- Less than 300 workers</td>
</tr>
<tr>
<td>Wholesales, Retails, Finance and Insurance, and etc.</td>
<td>- Sales worth $30M or less</td>
</tr>
<tr>
<td>Waste disposal, environment recovery, Education service, and etc.</td>
<td>- Less than 200 workers</td>
</tr>
<tr>
<td>Real estate and Rental service</td>
<td>- Sales worth $20M or less</td>
</tr>
<tr>
<td></td>
<td>- Less than 100 workers</td>
</tr>
<tr>
<td></td>
<td>- Sales worth $10M or less</td>
</tr>
<tr>
<td></td>
<td>- Less than 50 workers</td>
</tr>
<tr>
<td></td>
<td>- Sales worth $5M or less</td>
</tr>
</tbody>
</table>
Composition of SMEs (2008)

- Micro: 87.8%
- Small: 8.7%
- Medium: 3.4%
- Manufacture: 10.4%
- Etc.: 2.8%
- Service: 87.5%
- Small (15.5%) Medium (2.6%)
SME Policies in Korea
Brief History of SME Policies

Fostering SMEs
- Outward-looking, LE, heavy & chemical industry-driven
- Fostering SMEs to supplement the development-first economy
- Framework to assist SMEs in facility investment & productivity

1970s

Protected SMEs
- Balanced growth
- SME-exclusive industry system, notably in light industry areas
- SMEs’ export share: 27%(1985) → 45%(1990)

1980s
Brief History of SME Policies

1990s

Restructuring of SME policy
- Decrease in growth, profitability, asset and sales
- Lost price competitiveness in world market
- Gaps w/LE widened

Foundation of SMBA(’96)

Asian financial crisis in 1997
- ~ 80,000 manufacturing SMEs closed
- ~ 1.8M SME employees lost jobs

Venture Act(’97)

- Venture business start-ups: 2,000(1998) → 8,000 (2000)
- SME export share: 31%(1998) → 43%(2001)
Fostering innovative SMEs

- Venture, Inno-biz., & Management innovative
- Higher R&D investment (3.4 times)
- Higher employment (2.6) and sales growth rates (3.2)
Shift in SME Policy Paradigm

(Before)
- Input-based
- Protection & promotion
- Direct assistance
- Suppliers-oriented

(Now)
- Innovation-driven
- Competition & cooperation
- Expanding ecosystem
- Tailored to client needs

2010

“Strong SMEs with self-viability & global competitiveness!”
## Current SME Policies Focus

**Areas**
- Start-ups & Entrepreneurship
- Access to finance
- Human resources
- Market access (domestic and overseas)
- Technology innovation
- Informatization
- Access to policy information (Biz-info)

**Special horizon**
- Venture & Innovative
- Women-owned & Disabled-owned
- Micro- & Self-employed
- Traditional market
Major Policy Task-1

1. Job Creation through promoting start-ups and employment

Reinvigorating tech start-up

Expanding a vigorous start-up climate
- Start-up Center in 11 SMBA regional offices
- Business incubators (279)
- Entrepreneurship Graduate Schools (5)
- Biz-cool (elementary to high school)(148)

Fostering venture business as a new growth engine

SME and Ventures played a major role in employment creation

Average growth of employment and sales
- SMEs
- Ventures

In thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Average growth of employment and sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>6,762</td>
<td>6.5%</td>
</tr>
<tr>
<td>00</td>
<td>8,681</td>
<td>5.9%</td>
</tr>
<tr>
<td>02</td>
<td>10,154</td>
<td>4.2%</td>
</tr>
<tr>
<td>04</td>
<td>10,211</td>
<td>16.1%</td>
</tr>
<tr>
<td>07</td>
<td>11,149</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

sales
employment

SMEs
LEs
Ventures
Major Policy Task-1

1. Job Creation (continued)

Spread Youth Entrepreneurship

- Education for the youth and young CEO’s
  - Start-up Camps for primary to high school students
  - Public Relations to spread youth entrepreneurship
  - Education programs and forums for young CEO’s

Help to Create Convenient Startup climate

- Home Startup Program
  - Easy Startup at home on-line

- Vigorate One-Employee Startup
  - Create in services industry such as design
  - Energize Idea transactions, commercialization, and communities
Major Policy Task-1

1. Job Creation (continued)

Resolve Job mismatches

Expanding Database of SME’s & ventures for young job seekers

- Database of over 60 thousand job related information
- Matching information between company and job seekers
- Job Matching with the cooperation of the Ministry of Labor
- Enhancing Job Training course (max. 5 months) and help find jobs
- Holding Regional Job Expo’s, cooperation with Job Creation Project with the major commercial banks
Major Policy Task-2

2. Reinvigoration of economy & Enhancement of productivity

Need for boosting private side investment

- Inducing more investments in plant & equipment
  - Expansion of Public Loans to compensate lack of private investments
  - Expansion of public purchase to boost domestic market
  - Public purchase of High-tech products and green industry products

Concentration on improvement of weak productivity areas

- Improvement of productivity based on on-site inspection
  - Improvement of Manufacturing Process
  - Improvement of Working Environment
  - Enhancement of Education & Training
Major Policy Task-3

3. Creating business friendly environment

SME liquidity and financing
- Policy financing for start-ups and tech commercialization ('10, $1.1B)
- Credit Guarantee ($B): ('09) 95.9 (KCGF, KIBO, regional foundations)

Customized workforce for SME
- Technology Academy (10 universities), technical high schools (71), etc.
- Public awareness: SME awareness campaign, TV ads, etc.

Marketing: domestic and overseas
- Increase of public purchase participation: ('05) 120 → ('10) 205
- Exhibitions, trade missions, etc. ('10, $8.5M)
Overseas Private Market Network

Total 115('10) for SMEs

- Russia, CIS (10)
- Europe (16)
- China (25)
- Japan (6)
- East, West, South Asia (20)
- Middle East (2)
- Oceania (2)
- North America (28)
- South America (2)

Overseas Private Market Network
4. Innovation of traditional markets & micro-enterprise

**Traditional market revitalization**
- Facility modernization: Road, parking lot, ceiling, etc.
- Commercial complex linked to local culture and tourism
- Merchant education for management innovation

**Improving micro-enterprise competitiveness**
- ME financing: Policy loans ($942.5M), credit guarantees ($7.2B), etc.
- ME education & consulting on start-up, business development
- ME support system: 62 Small Business Development Centers
Facility Modernization

- Construction of parking lot, road, ceiling, etc.
- Redevelopment into modern style
  (up to 75% of costs loan in 10 yrs, 5.9%)

Business Innovation and Marketing

- Joint marketing (250), product certificate (6 cities), broadcasting (550)
- Merchant university (83), education of merchants (35,000)
III Policy Suggestion
Success Factors of Korean SME Policy

1. Supreme Policy Maker’s High Interest in SMEs
   - President's direct instruction to newly establish SMBA (2006)
   - Adoption of SME policy as top priority task in national affairs
   - Open communications with small & medium-size entrepreneurs via on-site countermeasure meetings, etc

2. Establishment & Operation of Exclusive Organizations to Support SMEs
   - Establishment and operation of an independent central administrative organization, SMBA
   - Operation of 11 regional SMBA offices for custom-tailored support
3. Introduction & Operation of Diverse Support Systems

- Enactment and implementation of 16 SME-related laws and ordinances, including the Framework Act on Small & Medium Enterprises (SMEs).
- Preparation and operation of custom-tailored support systems by function (financing, manpower, R&D, sales channel/exports) and by target (micro-businesses, women and disabled enterprises, traditional markets, venture firms, etc.).

4. Securing Efficient Policy Tools

- Policy fund (3.1 trillion won), credit guarantee (56.6 trillion won), venture investment (1.1 trillion won), R&D (0.6 trillion won), etc.
1. Declaration of the Government’s Firm Determination to Foster SMEs

- Secure priority order among government policies
- Secure excellent manpower and spread the spirit of sacrifice and dedication as public servants.

2. Custom-tailored step-by-step responses commensurate with the competitiveness level of SMEs

(Initial introduction period) Protect and nurture SMEs, led by the government

(Mature/development period) Accelerate competition and cooperation and create infrastructures and ecological systems
Suggestion to Cambodian Government


Responsible organizations and subordinate agencies, support budgets, etc.

4. Regular Evaluation of Support Policies and Establishment of Feed-back Systems

5. Introduction & Spread of Advanced Techniques Through Exchanges and Cooperation with Advanced Countries

Benchmark advanced systems through dispatch of experts, holding of policy consultative meetings, etc.
About SMBA
SMBA (since 1996~)
External administration under Ministry of Knowledge Economy
SMBA’s regional offices

<table>
<thead>
<tr>
<th>Office</th>
<th>Telephone</th>
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<tbody>
<tr>
<td>Seoul Regional Office</td>
<td>+82-2-509-7018</td>
</tr>
<tr>
<td>Busan-Ulsan Regional Office</td>
<td>+82-51-661-5111</td>
</tr>
<tr>
<td>Daegu-Gyeongbuk Regional Office</td>
<td>+82-53-626-2601</td>
</tr>
<tr>
<td>Gwangju-Jeonnam Regional Office</td>
<td>+82-62-360-9205</td>
</tr>
<tr>
<td>Gyeonggi Regional Office</td>
<td>+82-31-201-6800/3</td>
</tr>
<tr>
<td>Incheon Regional Office</td>
<td>+82-32-818-8323</td>
</tr>
<tr>
<td>Gangwon Regional Office</td>
<td>+82-33-260-1600</td>
</tr>
<tr>
<td>Chungbuk Regional Office</td>
<td>+82-43-230-5300</td>
</tr>
<tr>
<td>Jeonbuk Regional Office</td>
<td>+82-63-210-6400</td>
</tr>
<tr>
<td>Gyeongnam Regional Office</td>
<td>+82-55-268-2911/9</td>
</tr>
<tr>
<td>Daejeon-Chungnam Regional Office</td>
<td>+82-42-865-6100</td>
</tr>
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Related Organizations

Small Business Corporation (SBC)
Korea Small Business Research Institute (KOSBI)
Technology Information Promotion Agency for SMEs (TIPA)
Korea Credit Guarantee Fund
Technology Credit Guarantee Fund
Korea Venture Investment
Small Business Distribution Center
Market Management Support Center
Micro-enterprise Promotion Agency
Institute of Korea Entrepreneurship Development
Cooperation Foundation for Large and Small Business
Korea Federation of Small and Medium Business (K-biz)
Korea Venture Industry Association
Korean Women Entrepreneurs Association
Korea Management Consulting Association
(and more)
Thank you!