



Small and Medium
Business Administration

Korean SME Policy Innovation for Creative Economy

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Young-Sup Joo, Ph.D.

Small and Medium Business Administration

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① Fast Follower \Rightarrow First Mover Strategy

Limitation in Growth as a Fast Follower

Capital and Labor Productivity Reduction

- Advancement in capital accumulation
- Population aging
- Restriction in capital/labor productivity improvement

Restriction in Imitating Products of Advanced Countries

- The latest version of products, almost nearing the level of advanced countries
- No room for further growth, with “me-too” policy

Nurturing
**First Mover
Capability with
Innovation**



Developing
**Fast Follower
Capability with
Innovation**

**Differentiation
by Industry**

② Creative Economy and 4th Industrial Revolution

■ Korean “Creative Economy”

- Economic Development Initiative to create New High-quality Jobs by creating New Growth Engines and Value added through convergence of Industry by Industry or Industry by Culture using Science & Technology and ICT based on Creativity

■ The 4th Industrial Revolution (Davos 2016)

- Industrial Revolution driven by Convergence of Digital Devices, Human and Physical Environment
- Ubiquitous-Mobile-AI + Cyber-Physical-Bio Convergence



The 4th industrial Revolution is in line with Creative Economy!

② Creative Economy and 4th Industrial Revolution

■ Development Models for Korean “Creative Economy”

- **Model 1 : Convergence of Core Industry + ICT (Core Industry Upgrade)**
- **Model 2 : Servitization of Manufacturing Industry (Value Chain Upgrade)**
- **Model 3 : New Creative ICT Industry (Contents, Software, ICBM, AI etc.)**
- **Model 4 : Convergence of Healthcare + ICT (Wellness Industry)**
- **Model 5 : Convergence of Bio + ICT**
- **Model 6 : Convergence of Agriculture, Fishery, Forestry + ICT**
- **Model 7 : Convergence of Defense+ ICT**
-

**Need to create Development Models for Korean-style Creative Economy
fit for the Korean Environment**

③ Strategic National Industry Portfolio Development

■ Strategic Direction: Two-Track Development Strategy

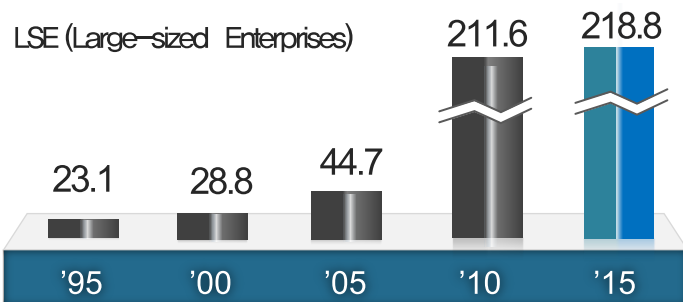
- Need Balanced R&D Investment



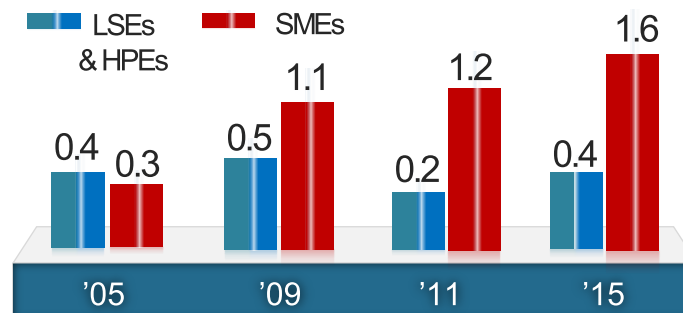
④ Shift from LSE Driven Economy to SME Driven Economy

Declining LSE's Contribution to Domestic Production and Employment

LSE's Overseas Investment
(Unit: USD 100 mill.)

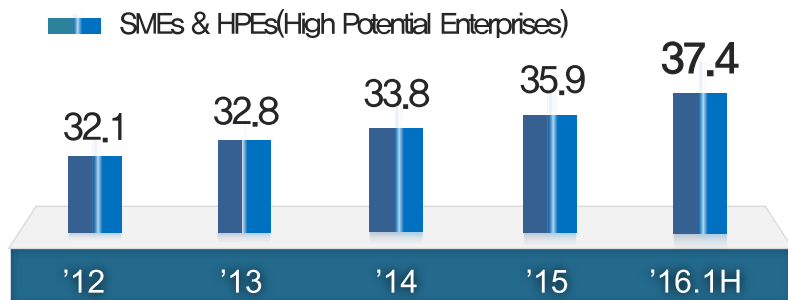


Contribution to Employment (Unit :%)

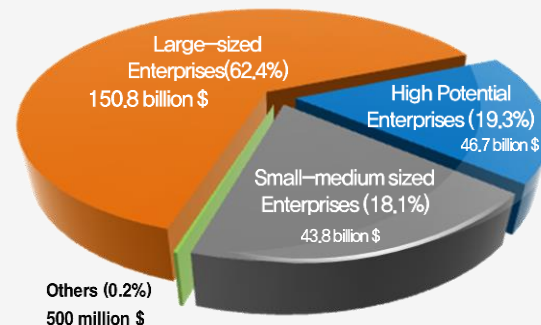


SMEs as a Main Driver of Export, Economic Growth, and Employment

Contribution to Export
(Unit :%)



(Export volume) 37.4% of Total Export

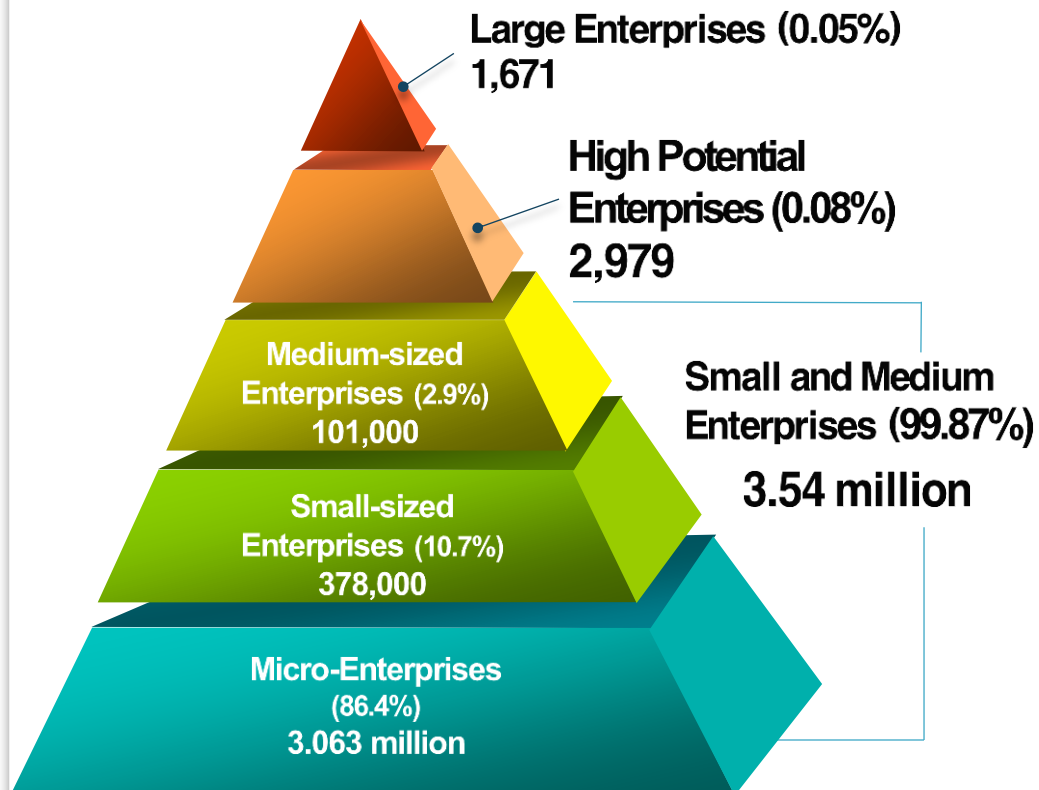


Source : Small-medium sized business export statistics (SMBA, First half of 2016)

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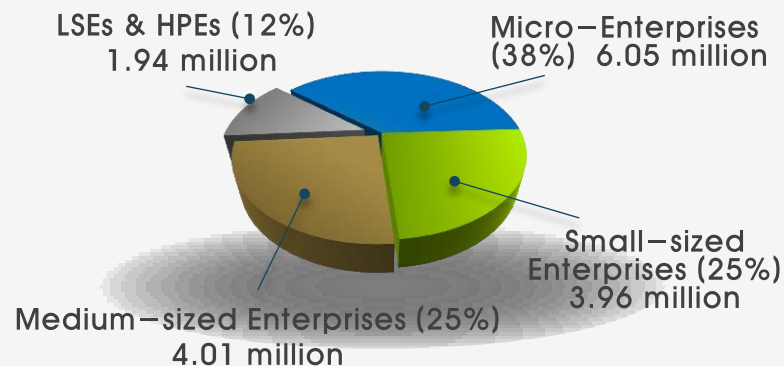
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■ (Number) 99.87% of all Enterprises



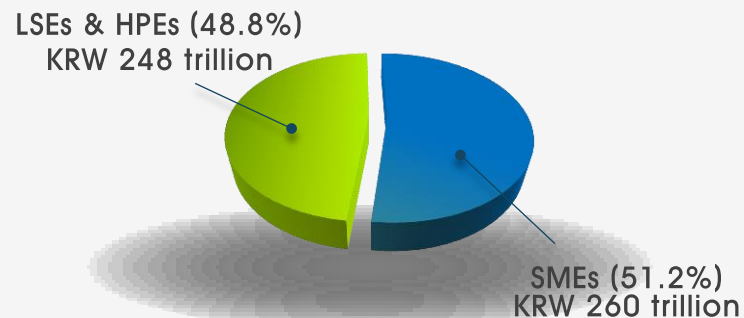
Source : Reorganization & Processing of national business survey
(National Statistics Office, 2014)

■ (Employment) 87.9% of Total Workers



Source : Reorganization & Processing of national business survey
(National Statistical Office) (2014)

■ (Production) 51.2% of Total Value Added



Source : Reorganization & Processing of Mining & Manufacturing
Business Survey (National Statistical Office, 2014)

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Basic Direction

Shifting from "Seeding Support " to "Focused Development"

Need Fish?



Support, Protection

Unsustainable

Need how to catch Fish?

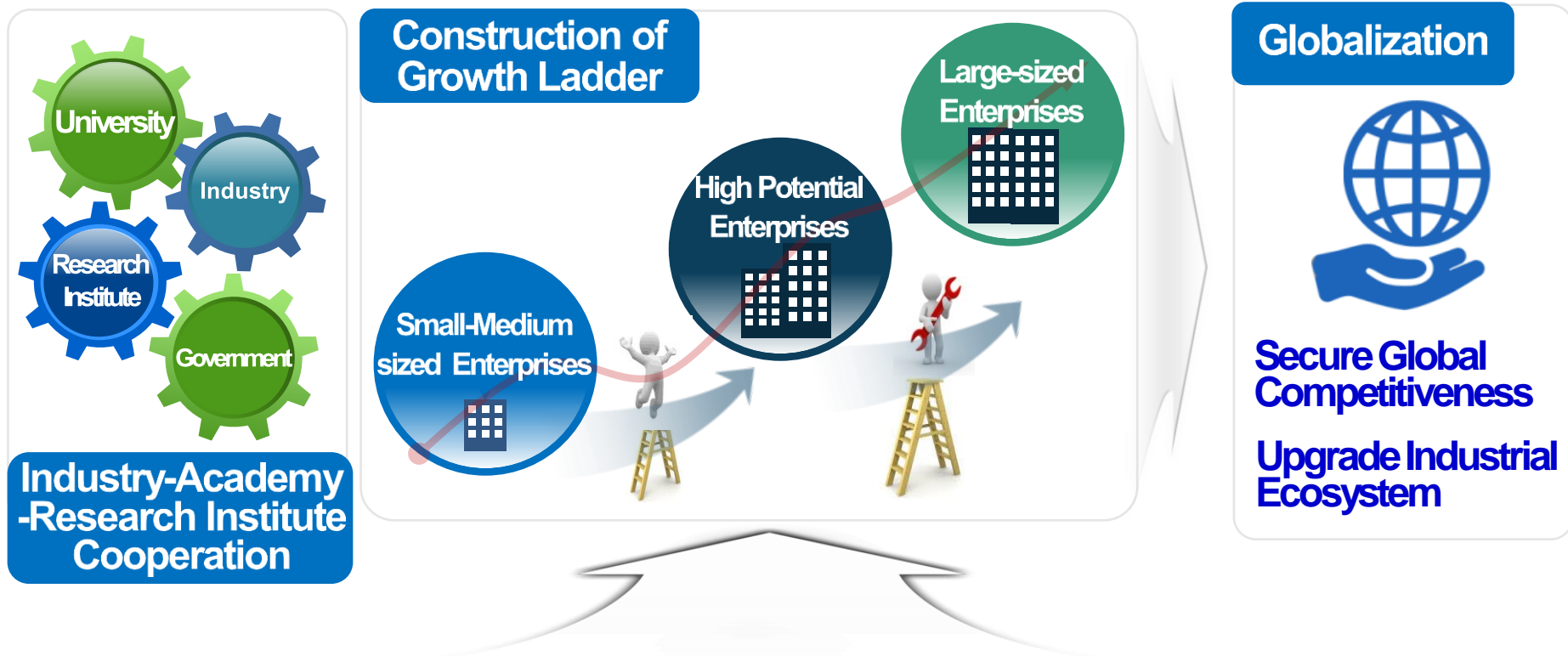


Competitiveness & Growth Engine

Sustainable

Strategic Direction

Globalization & Balanced Growth of Industrial Ecosystem



In the past, Large-sized Enterprises led Korean economic development.
Now, **SMEs will lead the Korean Economy through Globalization.**

Strategic Direction

Realizing Creative Economy

**Creation of
High Quality Jobs**

Export Growth

**Creation of New
Growth Engines**

Startup Growth

Paradigm Shift & Innovation of SME Policies

R&D

Export

Startup

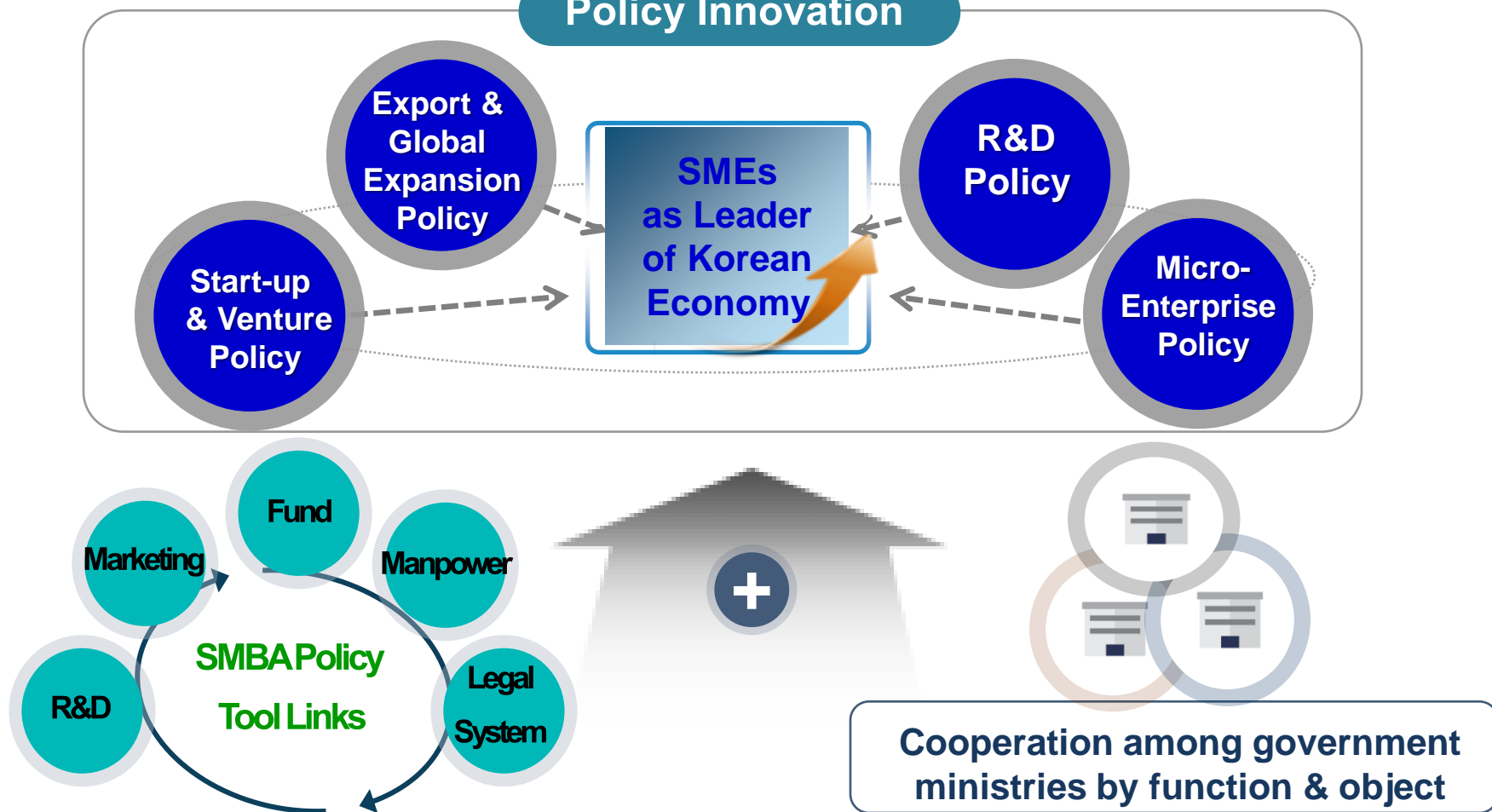
**New growth
engine**

**Micro-
Enterprises**

Policy Direction

To create visible results by focusing on policy direction and competence based on the foundation of creative economy developed for the past 3 years

Policy Innovation



Principle 1

- ✓ **Strategic Approach**
- ✓ **Performance and Result Oriented**
- ✓ **Private Sector driven**
- ✓ **Alignment**
- ✓ **Industrial Ecosystem Oriented**
- ✓ **Efficiency**

Principle 2

- ✓ **Alignment with Creative Economy**
- ✓ **Cooperation among Government Ministries**
- ✓ **Global Cooperation**
 - **Inter-Governmental (Multilateral & Bilateral)**
- ✓ **Corporate Culture**
 - **“Admired Companies”**
- ✓ **Business Model**

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■ Performance-based MBO

- Allocate export target to regional SMBA
 - * ('15) USD 189.4 Bil→('16) USD 200+ Bil
- Strengthen cooperation among relevant government institutions and agencies

■ Alignment of Policies with Export

- Build a pool for 10,000 promising export-oriented SMEs
- Align SMBA's policy tools* with focus on export
 - * R&D, marketing, financing, manpower, system

■ Online Exports Drive

- Expand into overseas online platforms
- Build integrated support infrastructure for online exports

■ Market & Private Driven System

- Nurture GMDs for promising SMEs (Global Market Developer)
- Cooperate with large enterprises and local distribution channels

■ Strategic Market /Product Focus

- Expand exports into emerging markets
- Tighten market segment approach in existing main markets
 - * China (2~3-tier cities), US (Hispanic population)
- Diversify products into B2C, new materials

■ Industrial Ecosystem Oriented

- HPEs as export drivers of next-gen
- Jointly enter the market in cooperation among SMEs, HPEs, and LSEs

■ Strategic R&D Portfolio Innovation

- R&D portfolio restructuring
(Growth boost + Industrial ecosystem)
- Strategic R&D budget allocation
 - * Joint R&D : ('15) 20% → ('17) 40%

■ Goal-Oriented 2-Track Investment

- Creation of new growth engines
 - * New industry creation, Core industry upgrade
- Expansion of exports to global markets

■ Industrial Ecosystem Driven R&D

- Facilitate SME/HPE's cooperation with universities, research institutes, and ESPs
- Develop and strengthen ESPs

■ Alignment of R&D and Policy Tools

- Align R&D with commercialization initiatives of SMBA
- Build linkage among financing, export marketing, and workforce projects

■ Private Driven R&D Planning/Mgt.

- Establish “R&D Strategic Advisory Board” by inviting market experts
- Ensure flexibility in R&D activities
 - * flexible R&D timeframe and budget execution

■ R&D Evaluation/Mgt Innovation

- Maximize evaluation expertises by leveraging private capabilities
- Improve evaluation satisfaction
 - * Selecting panel, disclosing evaluation results

■ Streamline Strategic Startup Policy

- Optimize startup budget allocation
- Shift policy focus from idea/BM-based startups to technology-driven startups
- Drive globalization of startups

■ Strengthen Startup Growth Ladder

- Expand budgets for “scale up” startups to avoid “death valley”
- Strengthening alignment of policy tools
- Promote M&A to build innovation pipeline

■ Promote High Value-Added Tech Startups

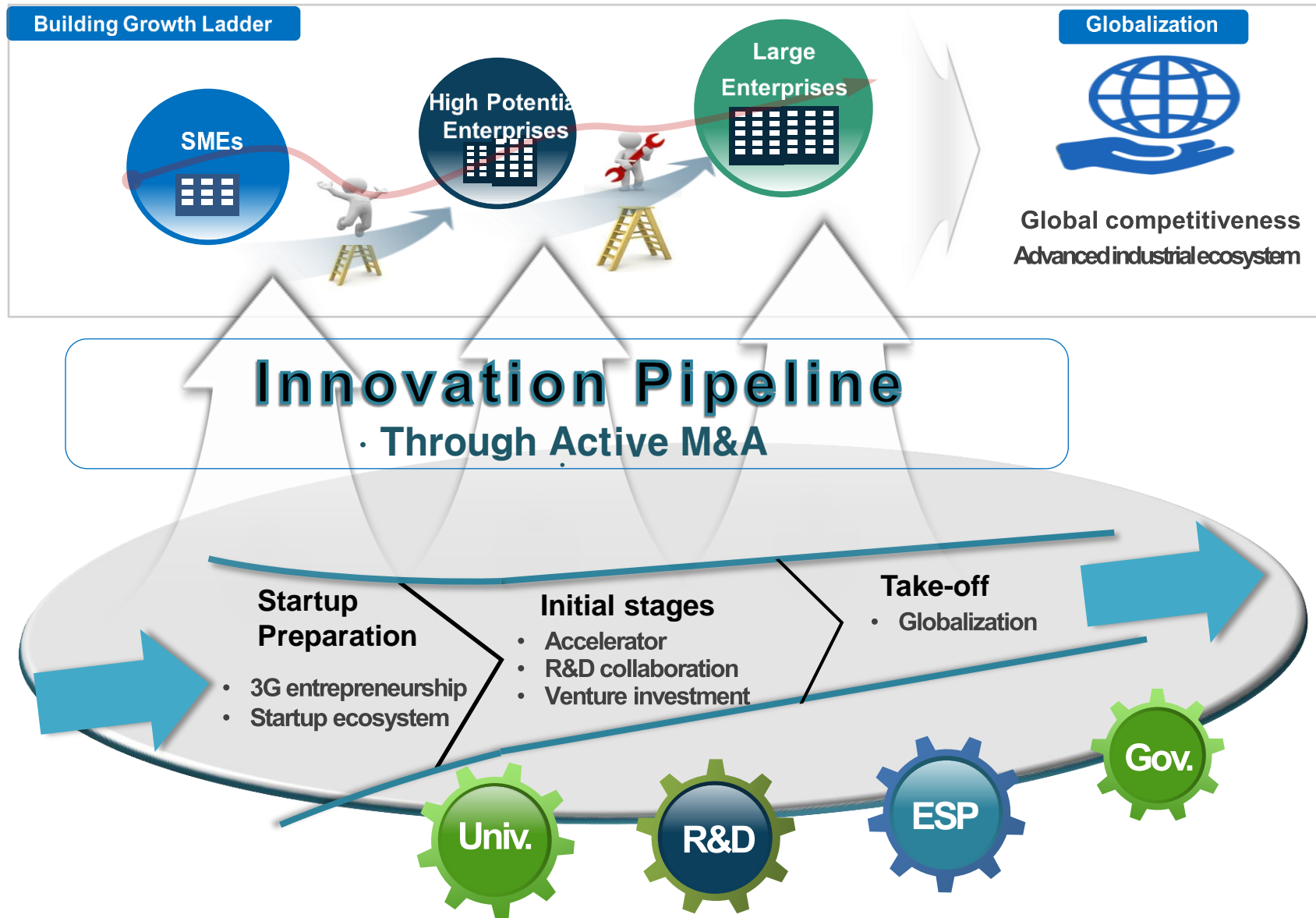
- Encourage participation of qualified talents in startup ecosystem
- Build performance tracking system by introducing MBO system

■ Build Virtuous-Circle Startup Ecosystem

- Promote venture investment ecosystem to boost investment for potentials
- Leverage capabilities of universities and research institutes
- Promote entrepreneurship

■ Innovate entrepreneur management

- Innovate evaluation system, leveraging private expertises
- Expand autonomy and convenience of users



Thank you!



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