

CHAPTER III

TAIWAN'S SMEs



In this chapter it will be studied about general overview of Taiwan's SMEs such as histories and development, evolution of definition and standard, the rise of Taiwan's support assistances, the government policies and master plan review and Taiwan's SMEs success factors that will be studied in this chapter.

3.1 Histories and Development of Taiwan's SMEs

The Republic of China Yearbook-Taiwan (2002), talk about SMEs of Taiwan began emerging after World War II, when Japanese conglomerates withdrew from Taiwan, and state-run enterprises and large private companies dominated the local market. The island's SMEs focused on foreign markets to survive. At first, agricultural products and agricultural processed goods made up the bulk of exported items. Light industrial products eventually replaced these, especially after the government set up several export- processing zones to spur the export economy. An export-oriented policy in the 1960s also created a favorable environment for SMEs to penetrate international markets. SME entrepreneurs are characterized by high adaptability to market trends, hard work, thrift, and a tendency to pass their businesses on to their children.

In the year-end of the World War II, Taiwan economy was heavily dependent of agriculture and had a very low level of industrial and commercial activity. Although there were still very few SMEs, they were able to successfully established labor-intensive industries with a relative low level of the technological reliance, by taking the advantage of abundant labor and low wages and the hard working characteristics of Taiwanese people. More than fifty year later, people of R.O.C. live in an affluent society, enjoy university education and brisk economic growth.

The development of SMEs in Taiwan has already become a conspicuous model for developing nations around the world. The last five decades can be roughly divided into eight periods as follow:

Period 1 (1945-1948)

Most private enterprises were very small at time of Taiwan's restoration from Japanese occupation. Companies had an average of 4.4 employees; most were family business.

Period 2 (1949-1952)

The government poured large quantities of human resources into the construction of power and transportation infrastructure. The average number of employees in private factories increased to 13.5 persons.

Period 3 (1953-1960)

This was the period of import substitution aimed at the development of labor-intensive light industries. In order to alleviate the external trade deficit, the government gave priority to development of industries that could increase export of reduce imports. Important policies promulgated during this period included midterm economic development plans, the "Land to Tiller" agricultural reform, and measures pertaining to the privatization of national enterprises, encouragement of investment, reduction of taxes, and provision of loans to small enterprises. Small and medium enterprises chiefly producing everyday necessities flourished as a result.

Period 4 (1961-1970)

The development of plastics, textiles, glass cement, and plywood industries marked the beginning of the period of export expansion. In addition, heavy industries such as steel, machinery, shipbuilding, and auto-making also grew vigorously. The gross put of the manufacturing sector enjoyed an annual growth rate of 17.1%, and SME achieved phenomenal export sales.

Period 5 (1971-1980)

During this period of raw material import substitution, capital-intensive industries began to develop. Worldwide oil crisis in 1973 and 1979 had a server impact on export-oriented SMEs. SMEs began producing computers and its peripherals.

Period 6 (1981-1987)

In the beginning stage, the exchange rate of US\$ remained stable. Gradually, the export of the SMEs had surged sharply and since US was the major market; the foreign exchange reserved had risen tremendously. As a result, US foreign debt increased, Japanese Yen greatly appreciated and so did NT\$ 28 to 1 US\$. The foreign exchange control was relaxed in 1987.

Period 7 (1988-1996)

Although the number of SMEs continue to grow, changes in the economic environment such as the surging land cost, wage increases, labor shortages, the spread of environmental concern and competition from developing countries had forced SMEs to restructure and upgrae themselves in order to stay competitive.

Period 8 (1997-present)

In July 1997, a provision of SMEs was included in the Constitutional Amendment. Hence, the growth and development of SMEs have been further ensured.

The Development of SMEs in Taiwan is guided and supported by the following policies, programs and institutional structure:

1. The Development Funds for SMEs which provide guarantees and project financing for potential SMEs
2. The establishment of SMEs Policy Deliberation Committee whose function is to integrate various guidance systems and service networks for SMEs
3. The establishment of 10 guidance systems which incorporate
 - finance and credit system
 - management guidance system

- production technology
 - research and development
 - information management system, industrial safety guidance, pollution control system, marketing guidance, mutual support guidance and quality enhancement guidance system.
4. The establishment of Service Network Centers throughout the island to offer guidance and service for SMEs

3.2 Evolution of Definition and Standards for Identifying SMEs in Taiwan

In Taiwan, a statutory definition first appeared since September 1967 by Ministry of Economics. It has separated SMEs to be two big groups of enterprises, which specify for the first group of manufacture industry and the second group is service sector including of trading, transportation, service, and other services.

For various manufacturing industries, the enterprises were categorized as SMEs with a paid-in capital, which is not exceed 5 million Taiwan dollars and not exceed of 100 employees. The service sectors, they use the ceiling of not exceed 5 million Taiwan dollars income or annual sales and not exceed 50 employees.

However, this definition has changed, especially manufacturing industries, which have been changing its definition for the past 30 years by increase the ceiling of capital and employees. In August 1968, SMEs for mining is defined in order to get the government's support. In November 1991 the definition covers the construction sector to be SMEs

In September 1995, the definition of SMEs seems to be standardized, when Ministry of Economics Affairs and Office of SMEs issued a definition to be enterprise whose paid up capital does not exceed 60 million Taiwan dollars, with no more than 200 employees for manufacturing, construction, mining industry.

For service sectors of trading, service, transportation and other services such as forestry, agriculture, fishing, animal husbandry, hunting, plumbing, electrical,

gas and fuel oil, commerce, warehousing, courier, finance, insurance, real estate, industrial and commercial service and personal service enterprises, with no more than 80 million Taiwan dollars of previous annual income with no more than 50 employees.

At last, Ministry of Economics Affairs and Office of SMEs of Taiwan issued the official definition for the SMEs is in May 2000 as follows:

- a) Manufacturing, construction and mining, SMEs means the company which have paid up capital of not exceed 80 million Taiwan dollars with not less than 200 employees.
- b) Agriculture, trading, transportation, communication, public utilities, finance, real estate and other service businesses means the company with previous annual income of not exceed 100 million Taiwan dollars or the not exceed 50 employees.

Taiwan had six amendments that were subsequently made as the economic development progressed and the SME structure and financial status changed to meet the requirements of policy guidance. Currently firms that have legally completed company registration or commercial registration and meet the following requirements are employees as SMEs. So the table 3.1 will show the development and change of Taiwan SMEs's definition in each period of year.

Table 3.1
Development and Change of Taiwan SMEs' Definition

Time	Manufacture Industry	Construction	Mining	Trade, Transportation Service and Other services
September 1967	* Not more than 5 million Taiwan dollars of Capital * and not more than 100 employees			* Not more than 5 million Taiwan dollars annual revenue * and not more than 50 employees
March 1973	* Not more than 5 million Taiwan dollars for registered capital and total assets does not exceed 20 million Taiwan dollars ** Or not more than 5 million Taiwan dollars of registered capital and a) not more than 300 employees for textile and electronics industry b) not more than 200 employees for food industry c) not more than 100 employees for other industries			
August 1977	* The paid-up capital does not exceed 20 million Taiwan dollars * Total assets does not exceed 60 million Taiwan dollars * Not more than 300 employees		* The paid up capital does not exceed 20 million Taiwan dollars * and not more than 500 employees ** Or not more than 400 million Taiwan dollars of paid up capital	* The annual revenue does not exceed 20 million Taiwan dollars

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

Table 3.1 (continued)

Development and Change of Taiwan SMEs' Definition				
Time	Manufacture Industry	Construction	Mining	Trade, Transportation Service and Other services
July 1982	* The paid up capital does not exceed 40 million Taiwan dollars * and the total assets does not exceed 120 million Taiwan dollars			* The annual revenue does not exceed 40 million Taiwan dollars
September 1995	* The paid up capital does not exceed 60 million Taiwan dollars * and does not more than 200 employees	* The paid up capital does not exceed 60 million Taiwan dollars * and does not more than 200 employees	* The paid up capital does not exceed 60 million Taiwan dollars * and does not more than 200 employees	* The previous year revenue does not exceed 80 million Taiwan dollars ** Or not more than 50 employees (this definition is used in agriculture SMEs also)
May 2000	* The paid up capital does not exceed 80 million Taiwan dollars * and not more than 200 employees	* The paid up capital does not exceed 80 million Taiwan dollars * and does not more than 200 employees	* The paid up capital does not exceed 80 million Taiwan dollars * and does not more than 200 employees	* The revenue form previous year does not exceed 100 million Taiwan dollars ** Or not more than 50 employees

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

3.3 The Rise of Taiwan's SMEs Supports and Assistances

The small-scale enterprises were to a large extent left to themselves during the 1960s and 1970s and probably export promotion policies were the most important policies for them during the two decades. Apart from minor loan-schemes as part of U.S. aid in the 1950s, it was not before 1966 that the problems of SMEs were addressed in more specific and coherent way. That year the Council for International Economic Cooperation and Development, Executive Yuan, established the "small and Medium Enterprise Working Group" for the purpose of providing small business loans and working capital and set up a team to study foreign SME guidance and support systems, and the following year a "Small and

Medium Assistance Working Group” was established to co-ordinate and guide the assistance work done by a variety of government agencies.

During a short period (1967-69) the actual coordinating work was located in a “Medium and Small Enterprises Assistance Administration” in the Council for International Economic Cooperation and Development (CIECD). It was organized as the “Small and Medium Enterprise Guidance Office”. This unit was responsible for surveys of small and medium enterprises, studies of guidance methods of other countries, and promotion of technology, management, financing and cooperative organizations.

From 1970, the Industrial Development Bureau (IDB) of Ministry of Economic Affairs (MOEA), became responsible for SME policies and established the “small and Medium Enterprise Joint Service Center”. Its major responsibilities included promotion of technology and management research and development, and strengthening the provision of guidance to small and medium enterprises in conjunction with the Small and Medium Business Bank and Credit Guarantee Fund. In 1974 a “SMEs United Service Center” was created involving 11 government agencies.

It was not until 1981, the MOEA established the “Small and Medium Enterprise Administration (SMEA)” on January 15th, 1981 with the purpose of fostering the sound development of small and medium enterprises. The growing interest for SMEs had partly to do with the ethnic division on the island. The KMT had long been in favor of restricting capital concentration in the (Taiwanese dominated) private sector and one can even find stipulations in the constitution and in the writings of leading KMT economic policy strategist that emphasized restrictions on capital centralization and the virtues of small enterprises. During the early 1980s, KMT started a process of political co-optation of the Taiwanese elite and the increasing concern with the SMEs can be seen as part of this process, as well as a part the recognition that the export of labor-intensive-low-technology products was not a viable strategy in the future.

The SMF support system, set up in 1982 and guided by the SMEA, had four main assistance measures as: financial assistance, production technology assistance, operation and management assistance and marketing assistance.

In 1984, The “Statute of the Small and Medium Enterprise Administration, MOEA” was promulgated on November 25th, 1984.

In 1991, The “Statute of Small and Medium Enterprise Development” was promulgated by presidential decree on February 4th, 1991. The “Standards for Identifying Small and Medium Enterprises”, “Regulations Governing Small and Medium Enterprise Development Fund Income and Out lay Safekeeping and Utilization”, and “Establishment of a Small and Medium Enterprise Guidance System and Guidance Methods” were also promulgated during the same year.

In 1994, The Executive Yuan promulgated the “Small and Medium Enterprise Policy Deliberation Committee Organizational guidelines” on April 8th, 1994 and formally established the “Small and Medium Enterprise Policy Deliberation committee.”

In 1995, The Executive Yuan had expanded the recognition standard of SMEs by means of expanding capital margin. In the category of manufacturing, the paid-in capital had been expanded from NT\$40 million to NT\$60 million. In the category of commerce and service, total operating revenue of the preceding year had been increased from NT\$40 million to NT\$80 million.

In 1996, promulgation of the “Regulations Governing the Establishment, Operation, and Management of the Small and Medium Enterprise Development Company”

In 1997, the protection of SMEs became a constitutional provision during an amendment in 1997. Thus, the growth and development of SMEs is further ensured.

The necessity of development of SMEs in response to the economical change in the country and in foreign countries, Small and Medium Enterprise Administration under the Ministry of Economic Affairs (MOEA) has set up the directions to develop SMEs as follow;

1. The upgrading of SMEs' manufacture and service to increase competitive ability by giving out tax motivation measure to SMEs which invest in research competitive ability by professional training to raise ability, using automatic equipment and machinery in manufacturing under the Statute for upgrading Industry (Which prolong until December 2010). Furthermore, they set up an Incubator Center for SMEs to develop new products, new technology and new business for SMEs. In the end of year 1999, there are 48 Incubator Center in Taiwan with more than 300 companies in the center, these Centers will cooperate with other Research centers and Universities and the development focuses on 10 new industry.

2. Focus the development on High-technology SMEs. The Development of technology of SMEs will help increase the competitive ability of SMEs, especially the ability to manufacture new products which have higher value and can be sold in niche market.

3.4 The Role of Organization and Assistances to Development of Taiwan's SMEs

Because there are various units in the supervision of SMEs' office organizing the system and direction to serve SMEs uniquely, it is the duty of the SMES' office to co-ordinate the management of the service system of those units in conform with the cooperation among the units which are divided into 10 groups as follow :

Table 3.2

Role and Function of Concerned Units to the Development of Taiwan SMEs

System	Duty	Concerned Units
1. Research and Development	Help manufacture new products and technology, including research supports and the cooperation in the Research and Development of SMEs group.	- Industrial Development Office - Textile Research Center - Food and Food Products Research Office.
2. Manufacturing Technology	Suggest a direction and give support to SMEs in upgrading the usage of technology, including promote new technology.	- Industrial Development Office - Shuengchan Science and Technology Institution - Metal Center - Production Increase Center - Other Industrial Research Center
3. Industrial Security	Suggest a direction and help SMEs establish and improve Industrial Security System, including help solving Industrial Security problems	- Industrial Development Office - Industrial Research Institution - Manufacture Technical Service Association - Health and Security in Industry Association
4. Pollution Control	Give suggestions about Pollution Control System and help solving Pollution problems	- Industrial Development Office - Industrial Technology Research Institute - Technical Service Association - Industrial Service Foundation
5. Marketing	Give suggestions about Pollution Control System and help solving Pollution problems	- International Trade Commission - Trade Department - Foreign Trade Association of Taiwan
6. Finance and Loans	Procure Loans and help SMEs in setting up management system, increasing management efficiency and Human Resource Development	- Medium and Small Enterprise Office - Production Increase Center - Management Association - Business Managing Consultant Association - Labor Relation Management Association - Metal Center
7. Management	Help SMEs set up management system to increase management and Human Resource Development efficiency	- Medium and Small Enterprise Office - Production Increase Center - Business Cooperation Development Center - Labor Relation Management Association - Business management Association
8. Information Management	Help SMEs in gathering Information and set up Information Management System to increase the efficiency of the information usage	- Medium and Small Enterprise Office - Shuengchan Science and Technology Institute - Industrial Information Center - National Computer Center - Information Software Association - Multi-media Association

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

Table 3.2 (continued)

Role and Function of Concerned Units to the Development of Taiwan SMEs

System	Duty	Concerned Units
9. Cooperation and Support	Assist and suggest SMEs in cooperation and exchange Knowledge to increase competitive ability	- Medium and Small Enterprise Office - Industrial Technological Research Institution - Metal Center - Business Consultant Association
10. Product Quality Department	Promote the development of Product and Service Quality	- Medium and Small Enterprise Office.

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

The Important Organizations that support SMEs in Taiwan

a). Small and Medium Business Loan Guarantee Fund (SMBCGF)

Even though SMEs are playing an important role in Taiwan's business structure, but these SMEs still have many problems and difficulties in operating the business. One of the important problems is receiving loans from financial institutions. Generally, financial institutions do not usually approve or limit loans for SMEs because of the lack of collateral security. At the time of Business crisis, financial institution usually rejected to give loans to SMEs or, if not, set up strict rules and conditions, which caused SMEs severe financial problem. This is why the Government established Small and Medium Business Loan Guarantee Fund (SMBCGF) in July 9th, 1974, which is the first Loan guarantee Institution that guarantees loans for SMEs when loaning from commercial bank system.

SMBCGF is a non-profit financial institution, operating freely under the care and supervision of Taiwan's Ministry of Treasury.

b). Taiwan Small and Medium Enterprises Development Corporation

This corporation is established under the supervision and support of the Government to build up SMEs's competitive ability by distributing money to invest with SMEs and giving many kinds of support to SMEs, such as; Management, Training and Technical Support.

Operational Scope of the corporation:

1. Invest with SMEs in the form of Venture Capital.
2. Provide consulting service for SMEs about Technological Cooperation with foreign country.
3. Provide advice in the development of products, market and training.
4. Provide consulting services in acquiring investor in SMEs.
5. Provide advice in management, operation, and dealing with financial institution.
6. Provide consulting in planning of long term fund raising including assistance in being registered in the stock market.

c). Small Business Integrated Assistance Center (SBIAC)

SBIAC is officially established by 7 Taiwan regional banks and Taiwan Provincial Department of finance with initial capital 100 million Taiwan dollars in July 1992. The objectives are technical assistance and fund access for those small businesses with efficiency but lack of fund.

At present, SBAIC consists of 46 staff whose duties are to give assistance in technique and management especially advice in getting loan from government fund or other units that provide the fund to SMEs. In that case of short term loan, SBAIC will charge no fees but for long term, the fees will charged and the government will give support fund at the rate of 50% of such fees.

Owing that Taiwan has 25 cities, each with local office of SBAIC, These office will forward data of SMEs which request assistance to the head office.

As the operation encounters the limited capital, SBAIC will spend one portion of interest from 100 million Taiwan dollars of capital for office expenses and the other portion from government's supported funds. Thus, the assistance for SBAIC is limited.

d). China External Trade Association (CETRA)

Generally, the important step in foreign marketing will compose of filing the data of information technology in marketing, product promotion and after-sale

service. These 3 steps incurred too high of the cost that SMEs are capable of managing. This makes Taiwan government gets into the role of establishing the China External Trade development Council (DETDC) in July 1970, which now has changed its name to “China External Trade Association (CETRA)

CETRA is a non-profit trade promotion institute established by co-operation between government and non-government sector. The objectives are to respond to the trade policy of the government and support the industrial manufacturer and trading company play more parts in foreign countries.

CETRA has gathered data of foreign trade through 7 offices outside the country in order to provide useful information of international trade to Taiwan companies via printed documents. CETRA also have its computer network linked to foreign offices to provide trade information through the networks including hiring analysis and companies in surveying the market and analyze the market trend and situation of foreign market.

e). Corporation Synergy Development Center (CSD)

To raise the level of domestic industry and increase the capacity to compete with world market, Industrial Development Bureau (IDB) of Ministry of Economic Affairs (MOEA) operated the Center-Satellite System Promotion (CSP) in 1982. Since most of Taiwan industries are small and scattered with no possibility to join for higher capacity, the CSP unit then finished and come the Corporate Synergy Development Center (CSD) in 1990 with similar objectives but provides service up to local entrepreneur.

3.5 Government Policies and Master Plan Review under the SME Development to Manufacturing Sector

The small and medium Enterprise Policy Deliberation Committee of the Executive Yuan is responsible for the deliberation of development strategies per training to SMEs. It's responsibility is to deliberate and resolve problems that may

emerge whenever a relevant policy involves such inter department matters as economics, finance, the budget, domestic affairs, land, labor affairs, environmental production, public construction, or government purchasing, etc.

The MOEA's Small and Medium Enterprise Guidance Board is responsible for inviting guidance units and agencies under it to participate workshops/meetings conferences to review various guidance measures and their results, formulate guidance strategies to meet the needs of SMEs, and implement the various guidance services.

The work of updating the laws and regulations governing SMEs is an ongoing process. Outdated laws and laws that adversely affect SMEs and representatives from industries, government and academia have been invited to express their views. The records of these hearings are being sent to the responsible agencies to serve as references for the revision or compilation of relevant laws. It is hoped that the in depth scrutiny and revision of legal statutes will be beneficial to SMEs.

The Executive Yuan has approved a proposal to assist the participation of SMEs in public construction and government purchasing activities, The measures of this proposal's include creating an environment in which SMEs can participate in government purchasing on equal footing, reviewing and amending laws and administrative measures governing purchasing and making relevant purchasing information public.

The "Small and Medium Enterprise Cooperative Law" will facilitate the organization of SMEs as cooperatives. According to this law, cooperatives of SMEs will have the status of corporate entities, and may engage in joint R&D, marketing, purchasing, warehouse storage or transportation. Instituting SME cooperatives will generate opportunities for cooperation and foster healthy grassroots economic development.

In accordance with the guidance needs of SMEs and in response to economic changes taking place in Taiwan and overseas, the SMEA, MOEA, has

formulated the “Out-line of Policies and guidance Measures Aimed at Small and Medium Enterprises” Besides laying the basic foundation for guidance measures and developmental strategies, this outline serves as a basis for appropriate guidance programs that strengthen service to SMEs. The strategic measures laid out are as follows:

a). Financial and Tax Measures

The Financial, Treasury and Tax measures for the Development of SMEs in Taiwan, the Ministry of Treasury and Ministry of Economic Affairs will not set up a specific measure for SMEs but they will set up a general measure for all enterprises to develop the industry in Taiwan. The emphasis will be on the investment for Technology development and upgrading industry to increase the competitive efficiency of Taiwan’s enterprise in world market. Tax measure for Technology investment and increase the efficiency of the industry can be concluded as:

Table 3.3

The Strategies and Measures of Financial and Tax

STRATEGY 1 : Financial and Tax Measures

<i>Measures</i>	
1.1	<p>Incentive for Automation Measure</p> <p><i>By :</i> The expense in purchasing machinery which use the Automation Technology, can be deducted from company income tax. The company can loan money with low interest rate for the investment of purchasing equipment and machinery for Automation.</p>
1.2	<p>R&D Incentive Measure</p> <p><i>By :</i> The expense for developing new products, improving manufacturing and technology will receive a 25% company income tax reduction. All the equipment use in research and development can depreciated within 2 years. The company, which invests in developing and research products, may request for a loan to use in those development and research. The equipment and machinery that have been imported from other countries to use in the research will receive Import Tax Exemption after acquired the certification from Ministry of Economic Affairs.</p>
1.3	<p>Incentive for Training Measure</p> <p><i>By :</i> The expense for employee's training, which performed by the company or other external institutions, will be deducted from company income tax for not more than 25%</p>
<i>Measures</i>	
1.5	<p>Incentive to improve Pollution control Measure</p> <p><i>By :</i> The expense of the company for purchasing pollution exterminate machine which manufacture in the company can be deduct from company income tax 20%, 10% for imported equipment and the expense in purchasing pollution control Technology can be deducted 5%</p> <p>The company can request Import Tax Exemption for the equipment and components specially used in controlling air and sound pollution, eradication and treatment of water as well as pollution test tools.</p> <p>Provide low interest loan to company invested in pollution control construction and pollution treatment.</p>
1.6	<p>Incentives for energy Conservation Measure</p> <p><i>By :</i> The expense for equipment and technology for energy conservation, for increasing the energy usage efficiency and for the use of new energy resource</p> <p>The company invest in energy saving project will be able to ask for low interest loan</p> <p>Equipment and machinery purchased to reduce environmental problems from manufacture can be depreciated in 2 years</p>

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

Table 3.3 (continued)

The Strategies and Measures of Financial and Tax

STRATEGY 1 : Financial and Tax Measures

<i>Measures</i>	
1.7	Incentive for Recycling Measure
	<i>By</i> : The expense of the company used in purchasing equipment and technology for recycling can be company income tax deductible 5-20% of the expense

Source: Institute of Social and Economic Policy. Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

b). Enterprise Merger Support Measure

To support the merger of SMEs, the Statute for Medium and Small Enterprises Development designates a policy focused on

- expand SMEs Vertical Merger and Center-Satellite Merger.
- expand SMEs Horizontal Merger and establish manufacture unit and marketing merger system
 - cooperation in the form of Cooperation and Fund
 - technological and Technological Development cooperation
 - raw material purchase and manufacture equipment cooperation
 - the establishment of marketing branches to extend sale margin

In supporting SMEs merger, Small and Medium Enterprises Association (SMEA) has drafted to policy and method as below table

Table 3.4

The Strategies and Measures of Enterprise Merger Support

STRATEGY 2 : Enterprise Merger Support Measure

<i>Measures</i>	
2.1	<p>Establish SMEs Merger Support System</p> <p><i>By</i> : Gather measures and methods of support from Organizations to establish support system and provide general support for SMEs Expand the merger of concerned SMEs</p>
2.2	<p>Training support</p> <p><i>By</i> : Set up a training program by providing specialists for SMEs interested in merger Invite specialists from foreign country to participate in SMEs merger seminar and give knowledge about foreign merger experience.</p>
<i>Measures</i>	
2.3	<p>Expand the idea of merger</p> <p><i>By</i> : Encourage SMEs to merge through the media and seminars Publish method of SMEs merger to spread out the idea.</p>
2.4	<p>Evaluate SMEs Merger Project</p> <p><i>By</i> : Survey the tendency and possible method of SMEs Merger The analysis of operating method of SMEs Merger to provide the member of the group with a strategy for finding a method of cooperation between members to meet business basic joint-point for the merger.</p>
<i>Measure</i>	
2.5	<p>Extend and spread out the idea and the exchange of information about the merger</p> <p><i>By</i> : Arrange a seminar for SMEs member to exchange information about the group establishment Arrange a seminar about the result of SMEs cooperation</p>
2.6	<p>Promote the cooperation efficiently</p> <p><i>By</i> : Establish a specific project for SMEs cooperation, and also establish concerned organization to make this project successful.</p>
2.7	<p>A plan for promotion of SMEs group which success in cooperation</p> <p><i>By</i> : Set up an analysis and seminar about the use of operation plan of foreign SMEs' cooperation experience. Spread out successful SMEs cooperation</p>

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

c). Technology and Products Development Support Measures

For the support of Technology and Products Development, the Government set up important measures as follow.

Table 3.5

The strategies and Measures of Technology and Products Development

STRATEGY 3 : Technology and Products Development Support Measures

<i>Measures</i>	
3.1	<p>Statute for Upgrading Industries</p> <p><i>By :</i> Low tax and Low interest capital motivation for SMEs to develop the technology and products by investing in research and development, human resource development, technology purchase, energy saving and environmental control. The expense for research and development and employee training that can be used as a tax deducted increased from 20% to 25% of the expense.</p>
3.2	<p>The establishment of SME Incubator Center</p> <p><i>By :</i> The Cooperation between the government and privates sector, which is concerned with technology and products research and development. Universities and Research Centers will participate in technology research and development for SMEs to apply for their own business.</p>
3.3	<p>Establishment of Venture Capital Fund</p> <p><i>By :</i> Promote the establishment and development of hi-tech company. Facilitate the investment in hi-tech company. Help and support the invested company. Use modern technology knowledge from developed countries in development of hi-tech industry in the country. Register invested company in the stock market.</p>
3.4	<p>Establishment of Industrial Park</p> <p><i>By :</i> Because there are limited land in Taiwan. In 1970, Taiwan government established Industrial Park. For the past 30 years, Taiwan has 88 Industrial Parks covered 11,895 Hectare. These Industrial Parks will be an important spot for hi-tech Industrial Development in Taiwan.</p>
3.5	<p>The Establishment of SMEs Training Center (Located in National Chengchi University, Tunghai University, and National Sun Tat-Sen Universities)</p> <p><i>By :</i> This Training Center will work in cooperation with other universities and colleges in providing a Training program and lecturers for SMEs. In 1999, there were 30 teaching programs for approximately 20,000 SMEs' s employees.</p>

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

Table 3.5 (continued)

The strategies and Measures of Technology and Products Development
 STRATEGY 3 : Technology and Products Development Support Measures

<i>Measures</i>	
3.6	Award SMEs to promote products quality and the research and development.
	<i>By :</i> The Government provides an award for SMEs who have hi-quality products and investment in research and development to encourage the development and improvement of products and promote the research and development.

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

d). Marketing, Export and Usage of IT and E-commerce Support

Measures

The method of marketing help and support for SMEs is providing and analyzing marketing information and make SMEs products well-know inside and outside the country by arranging product exhibitions and spread out products introduction through all networks, for instance; the Internet. From the inspection of Ministry of Economic Affairs, the Marketing Strategy, which SMEs should be focusing on the increase marketing efficiency, sell new products, create good image of goods and give importance to after-sell service.

Because SMEs have limitation of information, information analysis and personnel, Taiwan government set up measures to help SMEs make Taiwan SMEs products competitive in foreign market. So the measures are :

Table 3.6

The Strategies and Measures of Marketing, Export and Usage of IT
 STRATEGY 4 : Marketing, Export and Usage of IT and E-commerce
 Support Measures

<i>Measures</i>	
3.1	<p>An Indirect Help for SMEs in Marketing</p> <p><i>By</i> : The operation is based on Tax support and the expense for investment on personnel and international market can get a tax deduction for 15% of the expense. However, it must not exceed 50% of total tax.</p>
3.2	<p>Government Aids in Marketing for SMEs</p> <p><i>By</i> : Organizing an exhibition of goods inside and outside country in order that SMEs have an opportunity to access to new markets. Improvement of marketing personnel. Providing information of manufacturing and sale by collecting correct and up to date data from abroad to give executives prompt and quick decision.</p>

Source: Institute of Social and Economic Policy, Submitted to Department of Industrial Promotion, Ministry of Industry (September 2001)

Different types of measures that the government grants to SMEs in Taiwan will fulfill what SMEs lack of compare to large enterprise such as an access to capital resource, technique and technology assistance and marketing assistance. In order to cause SMEs established their business competitive to large enterprise and foreign market, this assistance of the government does not give any privilege to large company but only push SMEs to the competitive stage base on equality.

3.6 Status of SMEs in Taiwan

This item will explore the status of Taiwan's SMEs update in 2001, along with examining in the total numbers of SMEs, the total number of people hired by them, their total sales, domestic sales, direct export, and so on.

The data on the number of enterprises, sales value, direct export and domestic sales are based on VAT collection data provided by the Tax Data Center at the Ministry of Finance. The figures for the number of persons working in SMEs and the number of persons hired by them are based on manpower resources survey data produced by the Directorate General of Budget, Accounting and Statistics. Executive Yuan, using the number of regular employees as the basis for determining, which is considered as the below.

a). Number of Enterprises

From the data in 2001, there were a total of 1,098,185 enterprises in Taiwan and there were total SMEs account for 1,078,162 or 98.2%, while large enterprises accounted for the 20,023 or 1.8%.

b). Number of Persons Working in SMEs

In 2001 the total working population in Taiwan was 9,382,540, while the government hired the working population of 969,800 or accounting for 10.2% of total working population. The number of persons working in SMEs was 7,287,766 people or 77.7% of total.

c). Total Number of Persons Hired

The total number of persons hired by enterprises in 2001 was 6,726,627 (including those hired by the government). The number of persons hired by large enterprises was 1,129,270 (accounting for 16.8% of the total) and the number of persons hired by SMEs was 4,636,377 (accounting for 68.9% of total).

d). Domestic Sales

The total domestic sales in 2001 come to NT\$17,813 billion, of which large enterprises account for NT\$12,271 billion (68.9%), and SMEs accounted for NT\$5,542 billion (31.1%).

e). Direct Exports

Total direct exports for all enterprises in 2001 came to NT\$6,297 billion. Large enterprises had direct export of NT\$4,996 billion, accounting for 79.4% of the total, while SMEs had direct exports of NT\$1,300 billion, accounting for 20.7% of total. If we consider the proportion of direct exports accounted for by SMEs in Taiwan in 2001 was 20.65%, a figure, which has been falling steadily over the years, indicating that the role of Taiwan's SMEs has gradually changed.

The important export market of SMEs is U.S.A., which have ratio of 24% of overall export, the second is China, Hong Kong are 24 and Japan is 10% while the important ravel of Taiwan's SMEs abroad is China. This because China has cheaper

wages, much of natural resources and potential and the industrial development goes really fast that becomes serious competitive to Taiwan's SMEs.

3.7 Taiwan's SMEs success factors

Taiwan is a small island located in the South China Sea. It has few natural resources, and yet achieved such high levels of growth during the 1970s and 80s that many authors referred to Taiwan growth. Because of a successful extroverted strategy adopted by the Taiwan government in the 1960s, SMEs in Taiwan have manufactured many labor-intensive products and have created a substantial number of jobs. Thus, SMEs in Taiwan have mainly been concentrated in export-oriented industries. This stands out as a unique feature of Taiwan's SMEs (Chen, 1998:22; Hu and Schive, 1996).

The major concern is why Taiwan has prospered. From literature reviewed, land reform, US aid, the establishment of export processing zones, government industrial policies, and cultural values, education, and many factors contributed to Taiwan's economic growth and bring to the success of Taiwan's SMEs as we study in each factor.

a) Foreign Assistance and Support

Before the Second World War, Taiwan was fairly developed in regard of agriculture. Agricultural products and agricultural processed goods made up the bulk of export items. Light industrial products eventually replaced these, especially after the government set up several export-processing zones to spur on the economy, which were gradually developed by political event.

During the Japanese occupation period (1895-1945), Taiwanese economy derives from the basis of agricultural development. The production of rice and sugar were the two most important agricultural products in Taiwan. In other words, the groundwork established during Japanese occupation period. Taiwan was fortunate to have a well-developed agricultural base built up during the Japanese occupation

period. Taiwan has been a favorable industrial development in during the Japanese occupation period.

In five decades of Japanese occupation, Taiwan's manufacturing enterprises were owned and run almost all by the Japanese. These enterprises became public enterprises after the war. Among them were the enterprises that had a high degree of monopoly, such as electricity, transportation (railway), oil refining, etc. The number of private enterprises was very small and of limited production scale.

After World War II, Taiwan's income level was very low with great need of capitals and lack in modern technology. Domestic market was very small. New businesses were small or medium-sized.

Not until 1952 to 1965 when Taiwan lacked capital and know-how, Taiwan economic development plans were supported by approximately US\$1.5 billion in assistance from the U.S. The assistance served economic aid that did Taiwan have more capitals, especially foreign exchange, and imported technology and several functions :

- a. It made up for government deficits;
- b. It relieved inflationary pressure;
- c. It raised domestic saving;
- d. It comprised more than 30% of Taiwan's domestic investment by direct foreign investment in Taiwan.

In addition, the U.S. helped Taiwan by providing not only monetary inputs but also know-how and specifically targeted pressure. In a sense, U.S. advice and pressure even played a role in Taiwan democratization. The Joint Commission of Rural Reconstruction undertook the further promoting agricultural development during the postwar period. So Taiwan could succeed, which gave the way for a fast growing economy. So Taiwan was able to continue developing agriculture, which laid down a very important foundation of the economic development at later stages. In addition, the labor force of the agricultural sector could be released to the industrial sector after the improvement of agricultural technology and productivity without undermining the continued growth of the agricultural production.

b) Strong Leadership

The ROC on Taiwan was very fortunate to have leaders who were authoritarian, perhaps a bit heavy-handed, generally speaking, upright, incorrupt, forward-thinking, and responsive to the needs of the people. In a word, these leaders could lead. Whether their actions on behalf of Taiwan were self-initiated or imposed by external circumstances, these leaders helped Taiwan progress.

When drawing up and implementing economic policies, the government has always taken into consideration the principles of stability, progress, and equitable distribution of wealth. In fact the stable and open political environment has enabled SMEs to enjoy relatively low business costs. Although they are too small to have a need for international marketing, these enterprises have very successfully played the role of manufacturers and processors in the global sense.

A peaceful environment, Taiwan cannot ignore the so-called China. Beginning in the middle of the 19th century, Taiwan has enjoyed relative peace, stability, and security. This has allowed the people of Taiwan to dedicate their energy and resources to more productive endeavors and to develop their country without interruption even if were not fully empowered by an authoritarian leadership transplanted from the Chinese mainland.

c) Investment Promotions and Encouragement FDI

Unlike others countries, Taiwan has always extended welcoming arms to FDI. During the post-war era, Taiwan seriously lacked foreign exchange. Therefore, the Taiwan government tried to promote investment by foreigners and overseas Chinese to supplement the limited capital for economic development. This FDI influenced the development of local SMEs in several ways.

The distribution of the aid money made by the US Aid Mission in Taiwan exerted an important influence on the economic policy. It makes American investments in Taiwan accounted for nearly 60% of the total foreign and overseas Chinese investments.

In 1992, Taiwan was the U.S.'s sixth largest export market. GM is one US. Company engaged in both exporting to and FDI in Taiwan because of cheap labor market. Consequently, the real GDP growth rate still is a healthy 8.5 percent, and with a GNP per capital of \$7,890 they have the third largest consumption rate among Asia countries. Their rate is just behind Hong Kong and Singapore (with \$12,000 each).

The FDI in Taiwan centered on the manufacturing industry are computers, electrical appliances, chemicals, equipment and machinery. The current international competitiveness of Taiwan's petrochemical industry was partly to be attributed to the FDI. Though some of these competitive industries have seen several local enterprises expanding into large enterprises, the basic industrial structure remains largely dominated by the SMEs.

The important equipment for the SMEs to flourish was an opening free market system that allowed these enterprises to fully realize their comparative advantages of flexibility and elasticity. This is due to Taiwan's basic policy for investment promotion and the respect for the functioning of a free market system.

Other implements, Taiwan's government has promulgated several laws and investment promotions since 1950s. Laws and regulations was provided a favorable investment environment and attractive to investors. Tax burden was effectively exempted and preferential finance and credit treatment provided to investors.

Since 1986, the government has worked to remove of import restrictions and simplify import/export procedures and relax restrictions and licensing regulations on the import/export of all categories of goods. The government has also taken steps to ensure that licensing regulations are transparent and uniform.

Taiwan government has pursued tariff reductions over recent years. The nominal tariff on agricultural products fell from 12.7% in 1985 to 11.77% in 1999, while the tariff on industrial goods fell from 6.11% to 2.40% over the period.

Taiwan has relaxed restrictions on trade with socialist countries and Mainland China. Taiwan gradually opened up its market to the indirect import of raw materials and semi-finished products from Mainland China.

The promotion of foreign investment by the government successfully brought about the amounts of both applicant and approved FDI year after year and subsequently peaked in 1989 when the total FDI amounted to US\$ 2.4 billion. Leading by the US with Japan and Europe.

d) Emphasis on Market Mechanisms

A major reason for Taiwan's success has been the authorities policy stance. Instead of trying to lead economic development by promoting certain industries, the Taiwanese authorities have focused on establishment of an environment that supports business development in accordance with market mechanisms. One such policy was the implementation of export and investment promotion measures that did not focus on specific industries. Because of this approach, companies have been able to select the industries into which they will expand by deciding, on the basis of market needs, on those which offer the highest earning potential.

The Board of Foreign Trade of Taiwan has been actively working to assist companies in increasing their international market competitiveness. The several measures have been adopted in response to the new international trading environment and the challenges as the follows:

1. Establish an export promotion service unit: In cooperation with all major business associations, arranged for informal discussions, seminars and explanatory tours to be held on export business opportunities and to provide answers to the problems faced by traditional export business opportunities. The unit has also held trade consultations with companies to introduce export opportunities in a more direct manner and has provided guidance to firms on a case-by-case basis.

2. Sending missions overseas to participate in trade exhibitions and promote trade expansion.

3. Promoting the “Worldwide Purchasing Center” plan and inviting foreign enterprises to purchase goods in Taiwan.
4. Requesting that the Small and Medium Enterprise (SME) Credit Fund allocate NT\$30 billion in funding for loans to SMEs to enable them to develop their export businesses.
5. Expanding export insurance and export financing.
6. Assisting exporters in establishing sales offices and warehouses overseas.
7. Providing low interest financing for the export of machinery to US.
8. Assisting firms in responding to the effects of Taiwan’s entry into WTO and exploring the opportunities accession will present.
9. Assisting firms in responding to allegations from foreign countries of dumping and subsidization.
10. Assisting traditional industries in establishing e-commerce systems to effectively exploit the potential of the Internet in Maximizing sales.

e) Supports for Industrial Advancement

The Taiwanese authorities have basically left the selection of industries to individual companies. They have taken initiatives to promote specific industries and have recognized the need for industrial advancement earlier. The government provided of technological support institution that is The Industrial Technology Research Institute. It has played an important role in offsetting a shortage of research and development investment by private sector firms. Its main activities are the provision of technical services at the request of private sector enterprises, and contract research for the authorities. One notable success for the Industrial Technology Research Institute was the growth of IC industry. The growth of high-tech industries has also benefited significantly from the development of the Hsinchu Science Park, opened in 1980. The authorities encouraged the concentration of high-tech industries by granting firms moving into the Park tax exemptions for specified periods. At the same time, the authorities successfully built on the incentives for Taiwan’s technicians living abroad to return home by establishing in the Park and bilingual schools in Taiwan to advance economies.

Taiwan’s Industries Development Policy has been quite successful in facilitate the development of its industry. As for the industrial policy, a large part of

its success is due to the simultaneous implementation of the strategy of import substitution and export expansion industrialization.

Import substitution refers to a set of governmental measures that impose high tariff and or no-tariff barriers (including quota, import restrictions) on importing products for the purpose of protecting domestic producers. The policy of import substitution benefited a number of domestic industries particularly consumer product industry that had spectacular growth. In the meantime, the policy of export expansion was implemented. When exporting products, the government provided tax refund that included tariff, defense tax, harbor dues, and excise tax for imported machinery and raw materials. Thus production cost was lowered and Taiwanese exports became more competitive. Without tax refund, Taiwanese products could hardly compete in the international market.

The fast growth in export led to huge the accumulating of foreign exchange and continuous trade surplus resulted in large sums of foreign exchange reserves that led to the rise of exchange rate of NTD against USD. This, together with fast salary increase, caused rapid changes in Taiwan domestic investment environment, especially after the promulgation of the revised version of Regulation on Foreign Exchange which largely changed the longtime policy of foreign exchange control. Hence, Taiwan entered a stage of rapid structural adjustment. For the purpose of fast industrialization, import substitution and export expansion were the two policies adopted by the Government. The former serve the aim of saving foreign exchange and promoting industrialization The latter led to the increase of foreign exchange income and promotion of industrialization import substitution focused on domestic market while export expansion stressed the international market.

f) Robust Systems and Effective Institutions

SMEs development success stories in countries such as Taiwan illuminate the interrelationships and diversity of obstacles in which many good agencies must be involved. Such as Japan, America and Taiwan, SMEs's agency or administration have a common objective of acting as a core organization for presenting systematic SMEs development policy and guiding related agencies to follow the same directing and eliminate overlaps.

Upon traditional structures, Taiwan developed various systems and necessary institutions to continue development. Planning commissions, committees, agricultural cooperatives, and numerous other institutions set standards, focused energies, and coordinated individual efforts.

g) Well-train Labor Force

Over the period 1996 to 1998, the SMEA established SME Training Centers that are

1. The Northern Center at National Chaengchi University,
2. The Central Center at Tunghai University,
3. And the Southern Center at National Sun Yat-sen University

The Purpose of their establishment was to make use of the wealth of high-quality instructors, hardware facilities and other resources possessed by universities and colleges in Taiwan. These could be used to organize conferences, seminars and training courses on along-term, systematic basis to meet the special needs of SMEs in particular regions, such as the establishment of management databases, production of teaching materials, provision of distance learning and so on. Such cultivation of human resources would help to promote the healthy development of SMEs and upgrade their management efficiency.

Learning centers have been established at the three SME Training to provide Taiwanese businesspeople with the training and resources they need, and to provide information on the political, economic, social and legal situation in the overseas regions in which they are investing, so as to cultivate competent managers for these companies.

The SME Training Centers and universities, colleges and training institution are all to achieve the goals of knowledge as establishment of a ‘Joint SME University’ to provide specialized courses for SMEs. The power of Internet will be used to help SMEs to implement education and training and to guide them in the employment of knowledge management.

A number of organizations deliver training and counseling services to new and existing SMEs. Some of these are government offices, like the network of SMEs Guidance Centers, others are independent non-government organizations such as the China Yough Career Development Association and the Small Business Integrated Assistance Center. The National Association of SMEs is also involved in the delivery of SME training programs. Much of this training and counseling support is provided free of charge by government offices or subsidized by government through the private sector.

h) Sound Infrastructure

A well-developed transportation network is essential to the Taiwan's export-oriented economy. Transportation has therefore always been an important priority in Taiwan national development programs from the Ten Major construction Projects of the 1970s through the Six-year National Development Plan of the 1990s.

For a small country like Taiwan, an area of only 36,000 square kilometers, or one seventh of New Zealand, of which more than two thirds are mountains and hills, the connections with the outside world are crucial for successful development. Luckily, Taiwan has well developed inland transportation including railroads and trucking ways. Sound port facilities and airports bring about easily accessible sea and air transportation. The movement of commodities and personnel has been easy and convenient. Transportation cost is reduced to facilitate a benign business environment. Moreover, the power supply for industrial production is ample and at a cheap cost.

In term of road, two north-south are freeways. National Freeway links roads, forming a convenient and fast freeway system will be completed by 2005 in Taiwan's western corridor. Various grades of roads serving urban centers and their satellite towns will also be upgraded to create a complete road system.

As for railway, the high-speed railway will be completed in 2005 and will become the passenger transport axis of the west of Taiwan. Each station will be in combination with mass rapid transit systems. From a complete mass transport

service network, people will be able to enjoy door-to-door transport services with the opening of the high-speed railway and provide the most effective service even if they do not drive a car.

In term of international air and sea transport, Taiwan's passenger and cargo transport quality will be greatly improved and people will be able to enjoy convenience and the fruits of development. By expanding international port capacity and reform of the management system, establishment of a port administration and merging of port and cities, and privatization of some port services, together with relaxation of the port service fee and related regulations, international commercial port competitiveness will be greatly improved.

Taiwan' plan to become an Asia Pacific Regional Operations Center and a "hub" for container trans-shipment and cargo processing has impacted greatly on this sector. Many huge expansion and improvement projects are currently either underway or being developed at Taiwan's four main port (Keelung, Kaohsiung, Taichung and Hualien). These are aims to transform Taiwan into a center of business and investment in the Asia-Pacific region. Thus, not only are considerable resources being devoted to achieving the plan's sea and air goals in particular, but also underway are many projects designed to ensure that businesses in Taiwan enjoy the advantages of an extensive and efficient transportation network

i) An Education Background

Among these factors, education has been widely viewed as one of the keys to Taiwan's modernization. The Taiwan's accomplishments in education have been praised by both the nation and the international community. The success of Taiwan's educational development is most apparent in four parts: cultivation human resources, improving the quality of life, promoting economic development, and raising social status.

People of Taiwan attach great importance to the education of their children and a large percentage of the population seeking advanced education. Rate for

school-age children has risen from 98.02 percent in 1971 to 99.91 percent in 1997, indication that nearly every school-age child in Taiwan attends school. For senior high school graduates, the figure also rose from 75.17 percent to 108.06 percent. The compulsory education was extended from six to nine year in 1968 since 1968.

In 1952, Taiwan had 1,251 elementary schools, 214 middle and high schools, and 8 universities and colleges. Fifty years later (2002), Taiwan has 2,611 elementary schools, 1,181 middle and high schools, and 154 universities and colleges.

Since the Japanese occupation, education was much emphasis given. There was heavy investment in education, training and in research and development, to support the upgrading process. During the 1970s, 1980s and 1990s, the industries are more complex technologies that have been introduced, existing industries upgraded, and new ones developed. This has resulted the creation of new dynamic comparative advantages, and export success that are the jealousy of many developing and industrialized countries.

Education policies were carried in the economic plan in the past fifty years ago. Especially, those related to vocational education have been led by economic goals. Taiwan shifted away from exporting agricultural products to industrial manufactured goods. When Taiwan enjoyed export growth at an average rate of 26% in 1970s. Taiwan's industries became increasingly sophisticated; society's demand for more technicians with advance professional knowledge and skills grew. The existing vocational school education no longer satisfied the needs of society. It educates students in the fields of chemical engineering, electronic engineering, textiles, and construction to meet the needs of the nation. On the one hand, this college provided a channel for vocational school graduates with several years of working experience to further their education. On the other, it upgraded vocational education to college-level status. At the university level, the economic plan set a student ratio of 11:9 for natural science, engineering, agriculture, and medicine-related departments, as opposed to the social sciences and the humanities.

From the education policies, the people of Taiwan have long placed a high value on college education as a means of achieving self-fulfillment, raising social status, and developing personal potential. Higher education has become an essential condition for acquiring a better occupation.

Otherwise there is the higher education level of most SME or Business Owners. The average level of education of the business owner varies depending on the scale of the business, but generally speaking, those persons educated to senior vocational school level form the largest group among SME owners, while those educated to university level form the largest group among owners of large enterprises.

j) Social and Cultural Aspirations

Under the enduring influence of the traditional Chinese family and social structure, people in Taiwan prefer to establish their own companies; this fact has led to the formation of myriad of small-scale firms. Their employees would not hesitate to work long hours when it is their interest. Apart from this, the cultural characteristics of thrift and hard working have also helped the rapid growth of SMEs.

For historical reasons many Taiwanese businesspeople have a dislike of too much government interference, and a strong desire for independence. They are strong loyalties exist between families and friends.

In Taiwan, the night markets, the flower markets, the jade markets, etc. are considered incubation environments for entrepreneurs. It is acknowledged that Taiwanese people are very independent. They aspire to their own boss and become a SME owner, which is a strong desire. Achievement, mastery, family and employer loyalty and contribution to family and community are strong societal and individual values.

Although entrepreneurship education is not fostered in the formal school system, it is encouraged within the family context. The Chinese families have strong motivations to be their own boss so entrepreneurship is very popular. We can take this basic psychology and enlarge it (Chuen Chang). According to Steven Wu of the SMEA, most Chinese people live for the family. It's important in Taiwan to have a family member who is an entrepreneur. Children are encouraged to have an education and a successful career in business. Since job opportunities have been a priority of government, we encouraged labor-intensive industries.

In spite of the cultural aspirations towards being the boss and the involvement in family enterprise, certain Taiwan officials also suggested that starting a SME is something that is done only after proving you can be a good employee. For example, to qualify for entrepreneurship training programs of the China Youth Career Development Association, the young person must be at least 23 years old and have 3-5 years of experience working for an employer. Recent research recommends that the government needs to take more steps to target potential entrepreneurs and to assist new entrepreneurs in earliest stages of survival.

Entrepreneurship culture is more embedded in families than in the education system. Many new entrepreneurs are spawned from family enterprise or from employment in a small firm. SMEs may be considered incubators for employees to gain support, knowledge, and skill to start their own businesses with the support of their bosses. Employers often support their employees in establishing their own business and become a member and customer or supplier.

Officials in Taiwan shared the Chinese belief that "it is better to be the head of a chicken than the tail of an ox"; thus Taiwanese aspire to being a boss. Most Taiwanese consider that starting their own enterprise is the best way to find employment. In the early development days, the government invited everyone to become part of the "productivity movement" and promoted the concept "let your living room be a factory and let your backyard be a chicken-yard. So we do not surprise about Taiwan's intensity of social and cultural aspirations.