

## Annexes

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## Annex A.

### Examples of Specific Country/Economy, Company and International Organisations (IOs) Support Programmes

Categories of support	Country/ Economy or Company or IOs Examples
<b>Raising SME awareness of the opportunities for participating in global value chains</b>	
<p><i>Facilitating access to accurate information on market opportunities for subcontracting and on potential foreign partners through market reports and data bases, trade fairs, exhibitions abroad and electronic trading platforms or subcontracting exchanges.</i></p>	<ul style="list-style-type: none"> <li>• <b>Canada's</b> Trade Commissioner Service provides enterprises that have selected their target markets with market reports and access to offices in cities abroad. <a href="http://www.infoexport.gc.ca">www.infoexport.gc.ca</a></li>   <li>• The <b>Czech Republic</b> maintains a database of exporters that can be used during trade fairs and exhibitions as well as a website of enquiries, tenders and offers. In case of a specific demand, the foreign enterprise is given a list of potential Czech suppliers. <a href="http://www.czechtradeoffices.com/en/services/">www.czechtradeoffices.com/en/services/</a></li>   <li>• <b>Japan</b> subsidises strategic IT use by SMEs by funding their expenses to adopt EDI systems and IC tags in order to allow SMEs to engage in B2B. In addition Japan provides a data base of market reports, regulations, trade fairs and other information on trade and investment. <a href="http://www.chusho.meti.go.jp">www.chusho.meti.go.jp</a></li>   <li>• <b>Mexico's</b> Programme for Commercial Missions organises commercial missions abroad and gives systematic training to enterprises on establishing contacts with foreign buyers. <a href="http://www.contactopyme.gob.mx/informacion/sempleado/Exportación/asos_ocons">www.contactopyme.gob.mx/informacion/sempleado/Exportación/asos_ocons</a></li>   <li>• <b>New Zealand's</b> Market development Assistance scheme assists firms to undertake strategic international market development activities such as market visits, in-market advertising, and attendance at trade fairs. The Beachhead Programme assists companies in specific sectors to establish a presence in export markets. <a href="http://www.nzte.govt.nz/section/14492.aspx">www.nzte.govt.nz/section/14492.aspx</a>; <a href="http://www.exportyear.co.nz">www.exportyear.co.nz</a></li>   <li>• <b>Slovakia</b> uses Euro Info Centres sponsored by the EU Commission to facilitate contacts for Slovak SMEs in the EU countries. <a href="http://ec.europa.eu/enterprise/networks/eic/eic-geo-cover_en.html">http://ec.europa.eu/enterprise/networks/eic/eic-geo-cover_en.html</a></li>   <li>• <b>Turkey</b> provides extensive support to enterprises to participate in national and international trade fairs as well as to undertake specific export business trips abroad. <a href="http://www.igeme.org.tr/introeng.htm">www.igeme.org.tr/introeng.htm</a></li> </ul>

Categories of support	Country/ Economy or Company or IOs Examples
	<ul style="list-style-type: none"> <li>• <b>RosettaNet</b>, an example from the business community, is a non-profit organisation that seeks to implement a protocol enabling enterprises to overcome the barriers to conduct business over the Internet by establishing a global language for e-business. <a href="http://portal.rosettanet.org/cms/sites/RosettaNet">http://portal.rosettanet.org/cms/sites/RosettaNet</a></li> <li>• The <b>Business and Industry Advisory Committee (BIAC) to the OECD</b> is in the process of putting in place the BIAC SME Web Portal that will provide SMEs with information and contacts they need to help support their internationalisation. <a href="http://www.oecd.org/dataoecd/7/39/38941792.pdf">www.oecd.org/dataoecd/7/39/38941792.pdf</a> <a href="http://biac.org/smeportal/">http://biac.org/smeportal/</a></li> </ul>
<p><i>Encouraging SMEs to call in external consultants for the implementation of feasibility studies and market research in order to support FDI.</i></p>	<ul style="list-style-type: none"> <li>• <b>Austria</b> has a government grant instrument, the Austrian Study Fund, which allows for these types of studies. <a href="http://www.aba.gv.at/en/pages">www.aba.gv.at/en/pages</a> ; <a href="http://www.awsg.at">www.awsg.at</a></li> </ul>
<p><i>Encouraging SME investment by facilitating companies' efforts to expand their business globally through information services or other means.</i></p>	<ul style="list-style-type: none"> <li>• <b>Austria</b> employs investment promotion programmes which provide guarantee facilities to protect SMEs against failure of FDIs as well as low-interest facilities. <a href="http://www.aba.gv.at/en/pages/">www.aba.gv.at/en/pages/</a>; <a href="http://www.awsg.at">www.awsg.at</a></li> </ul>
<p><i>Facilitating information flows (including information sharing about needs between upstream and downstream partners) throughout the entire GVC and in particular encouraging MNEs to share their road-map in terms of future product and process development with their SME partners</i></p>	<ul style="list-style-type: none"> <li>• <b>Japan</b> supports organisations involved in the formation of networks between upstream and downstream sectors in order to increase SME opportunities to obtain information to enhance competitiveness and collaboration between members of GVC. <a href="http://www.meti.go.jp/english/policy/FY2006keypoints.pdf">www.meti.go.jp/english/policy/FY2006keypoints.pdf</a></li> <li>• <b>Malaysia's</b> SME Business Coaching Programme links SMEs with MNEs that coach their SME partners so that they can better position themselves to meet changing demands. <a href="http://www.psd.com.my/article.cfm?id=622">www.psd.com.my/article.cfm?id=622</a></li> </ul>

### Increasing SME participation in global value chains through collective action and co-operation

<p><i>Supporting the establishment and development of branch groupings (i.e. clusters) on regional, cross-regional, or cross-border levels.</i></p>	<ul style="list-style-type: none"> <li>• The <b>Czech Republic</b> gives grants for infrastructure enabling multi-sectoral groups to establish a cluster. <a href="http://www.czechinvest.org/en/partnership-opportunities">www.czechinvest.org/en/partnership-opportunities</a></li> <li>• <b>New Zealand's</b> Enterprise Networks Programme helps groups of businesses build business capability and/or undertake international market development activities <a href="http://www.nzte.govt.nz/section/11736.aspx">www.nzte.govt.nz/section/11736.aspx</a>; <a href="http://www.exportyear.co.nz">www.exportyear.co.nz</a></li> </ul>
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Categories of support	Country/ Economy or Company or IOs Examples
<i>Facilitating SME consortia jointly to bid, produce and market, particularly in relation to government procurement programmes.</i>	<ul style="list-style-type: none"> <li>The <b>United States</b> National Aeronautics and Space Administration (NASA) promotes such consortia including SMEs and MNEs. <a href="http://export.gov/">http://export.gov/</a> <a href="http://www.sba.gov/">www.sba.gov/</a> <a href="http://www.sba.gov/advo/">www.sba.gov/advo/</a> (other associations not related to the US government but equally helpful addressing these points are: <a href="http://www.nam.org/s_nam/index.asp">www.nam.org/s_nam/index.asp</a>; <a href="http://www.ism.ws/">www.ism.ws/</a>; <a href="http://ctl.mit.edu/">http://ctl.mit.edu/</a>)</li> </ul>
<i>Promoting clusters and networks to improve SME participation in GVCs through fostering and strengthening links at local level between universities, research institutions, laboratories and SMEs including for example, funding cooperative research programmes.</i>	<ul style="list-style-type: none"> <li><b>Australia's</b> Intermediary Access Program supports the Innovation Xchange and the Australian Institute for Commercialisation which are intermediaries expert in linking SMEs with both public researchers and MNCs. <a href="http://www.nml.csiro.au/content/itrinternet/cmscontent.cfm?objectID=4158E232-C7B5-CC76-7DBB3B56432F21FD">www.nml.csiro.au/content/itrinternet/cmscontent.cfm?objectID=4158E232-C7B5-CC76-7DBB3B56432F21FD</a></li> <li><b>Austria's</b> Protec 2002+ facilitates the transfer of technology from external sources to SMEs, diffuses new innovative management tools and sets up networks to raise the level of innovation in SMEs. <a href="http://cordis.europa.eu/erawatch/index.cfm?fuseaction=ri.content&amp;topicID=64&amp;countryCode=AT">http://cordis.europa.eu/erawatch/index.cfm?fuseaction=ri.content&amp;topicID=64&amp;countryCode=AT</a></li> <li><b>Japan</b> has funded Industrial Cluster Projects which set up networks between SMEs, government, institutions, laboratories and universities. <a href="http://www.meti.go.jp/policy/local_economy/downloadfiles/Business_environment_prom_div/0409gaiyoushi%20eng.pdf">www.meti.go.jp/policy/local_economy/downloadfiles/Business_environment_prom_div/0409gaiyoushi%20eng.pdf</a></li> <li><b>Mexico's</b> National Network of Productive Associations establishes horizontal and vertical links between SMEs, governments, institutions and intermediate organisations. <a href="http://www.concamin.org.mx">www.concamin.org.mx</a></li> <li>The <b>World-Class New Zealanders</b> programme connects high potential New Zealand-based businesses and sectors with internationally-recognised experts in relevant areas for business growth. <a href="http://www.nzte.govt.nz/section/11774.aspx">www.nzte.govt.nz/section/11774.aspx</a>; <a href="http://www.exportyear.co.nz">www.exportyear.co.nz</a></li> </ul>
<i>Targeting support for clusters in selected technologies, particularly where there is substantial potential in knowledge-intensive and export-oriented market segments and for supporting R&amp;D for continuous innovation.</i>	<ul style="list-style-type: none"> <li>In <b>Canada's</b> Technology Clusters Initiative the National Research Council stimulates the growth of world-class technology clusters by putting its leading-edge research to work in innovative communities across Canada. <a href="http://www.nrc-cnrc.gc.ca/clusters/initiatives_e.html">www.nrc-cnrc.gc.ca/clusters/initiatives_e.html</a></li> <li><b>Greece</b> has created the Hellenic Technology Clusters Initiative which fosters clusters that can compete at an international level, attract FDI and develop a value-added services market. <a href="http://www.htci.gr/home.html">www.htci.gr/home.html</a></li> <li><b>Mexico</b> uses its National System of Business Incubators to support intermediate and high technology SMEs. <a href="http://www.contactopyme.gob.mx/snief/VEng/PrincipalSNIE.asp">www.contactopyme.gob.mx/snief/VEng/PrincipalSNIE.asp</a></li> <li><b>Slovakia</b> has established technological incubators and business incubators where start-ups are given suitable infrastructure, consulting and training support for 3 years. <a href="http://www.unipv.it/ester/downloads.html">www.unipv.it/ester/downloads.html</a></li> <li><b>Brunei Darussalam's</b> Business Incubator Programme targets SMEs in four sectors (agriculture, fisheries, manufacturing and services)<sup>1</sup>.</li> </ul>

Categories of support	Country/ Economy or Company or IOs Examples
<i>Promoting business linkages between MNEs and SMEs through identifying and matching potential partners while ensuring diversification of partners to avoid becoming dependent on one partner. Helping SMEs to develop their negotiating capacities and skills with MNEs through institutional support (awareness building) and training measures</i>	<ul style="list-style-type: none"> <li>• <b>France's</b> Partenariat is a public-private partnership based on piggy-backing ("portage" in French) involving the active role of MNEs assisting SMEs to overcome barriers to their internationalisation. <a href="http://www.partenariat-france.org">www.partenariat-france.org</a></li> <li>• <b>Mexico's</b> National Programme of Supplier Development supports strategic alliances between large and small enterprises. <a href="http://www.contactopyme.gob.mx/pdp/index.html">www.contactopyme.gob.mx/pdp/index.html</a></li> <li>• <b>Malaysia's</b> SME Business Coaching Programme, run by the Penang Skills Development Centre, matches SMEs with potential with MNEs. <a href="http://www.psd.com.my/article.cfm?id=622">www.psd.com.my/article.cfm?id=622</a></li> </ul>
<i>Facilitating supplier development programmes, where SMEs are coached and mentored in key areas such as design and production engineering (this includes sending in technical teams to advise on upgrading).</i>	<ul style="list-style-type: none"> <li>• <b>Australia's</b> Industry Capability Network Limited/Supplier Access to Major Projects helps maximise opportunities for Australian suppliers to be part of major domestic projects and global supply chains. <a href="http://www.icn.org.au/au/Default.aspx?tabid=71">www.icn.org.au/au/Default.aspx?tabid=71</a></li> <li>• <b>India's</b> Tata Motors is an example of a company programme that mentors SMEs. <a href="http://www.tatamotors.com/">www.tatamotors.com/</a></li> </ul>

### Promoting the capacity for innovation by local SMEs

<i>Supporting training and capacity building via skill development programmes so that SMEs can acquire the specific technical and business skills required to partner with MNEs.</i>	<p>Many countries have programmes that offer business services and training to SMEs:</p> <ul style="list-style-type: none"> <li>• The <b>Czech Republic's</b> Inovace II builds managerial and technical skills needed for upgrading. <a href="http://www.mpo.cz/zprava17311.html">www.mpo.cz/zprava17311.html</a></li> <li>• <b>Mexico's</b> Business Development Centres Network—particularly CDE's Plus provides services to innovative investment projects. <a href="http://www.contactopyme.gob.mx/servicios/Informacion/Programas/Cent_des_emp">www.contactopyme.gob.mx/servicios/Informacion/Programas/Cent_des_emp</a></li> <li>• <b>Portugal's</b> programmes, INOVJovem and INOVContacto assist SMEs to acquire skills to increase their capacity for innovation. <a href="http://www.inovjovem.gov.pt/presentationlayer/primeinov_ctexto_01.aspx?locaid=2&amp;area=8">www.inovjovem.gov.pt/presentationlayer/primeinov_ctexto_01.aspx?locaid=2&amp;area=8</a> and <a href="http://www.networkcontacto.com">www.networkcontacto.com</a></li> <li>• <b>Turkey's</b> KOSGEB pays for consultancy services and training for SMEs from approved business service providers. <a href="http://www.kosgeb.gov.tr">www.kosgeb.gov.tr</a></li> <li>• <b>Brunei Darussalam's</b> Entrepreneurship Development Program provides entrepreneurship orientation, skills training, and fosters SMEs capabilities for intra-firm networking and linkages. <a href="http://www.sbaer.uca.edu/research/icsb/1998/pdf/115.pdf">www.sbaer.uca.edu/research/icsb/1998/pdf/115.pdf</a></li> <li>• <b>Kenya's</b> Micro, Small and Medium Enterprises Competitiveness Project provides SMEs with business services and training to improve performance at critical points in the GVC.<sup>2</sup></li> </ul>
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Categories of support	Country/ Economy or Company or IOs Examples
	<ul style="list-style-type: none"> <li>• <b>Malaysia</b> has created the Penang Skills Development Centre that provides specialised training in basic engineering, business administration, microelectronics, photonics, and telecommunications which meets the needs of local and foreign enterprises. <a href="http://www.ilo.org/public/english/employment/skills/hrdr/init/mal_5.htm">www.ilo.org/public/english/employment/skills/hrdr/init/mal_5.htm</a></li> <li>• <b>Vietnam</b> is being assisted by GTZ to improve business development services for quality management and production, meeting standards, marketing and design and trademark and brand development. <a href="http://www.gtz.de/en">www.gtz.de/en</a></li> </ul>
<p><i>Facilitating the technological upgrading of products and processes through providing access to information on world best technologies and processes and various financial support measures.</i></p>	<p>Financial innovations which facilitate such upgrading are found in a number of programmes:</p> <ul style="list-style-type: none"> <li>• <b>Greece</b> provides financial support to SMEs in the area of industrial subcontracting to help them modernise their productive processes, improve know-how and adopt innovative methods. <a href="http://www.eommex.gr/index2.htm">www.eommex.gr/index2.htm</a></li> <li>• <b>Japan</b> has initiated a Global Fund for SMEs that seek to internationalise. In addition Japan has an advanced financing programme that provides unsecured loans to SMEs. <a href="http://www.apu.ac.jp/rcaps/modules/librarypages/content/RCAPS_Occasional_Paper_07-1.pdf">www.apu.ac.jp/rcaps/modules/librarypages/content/RCAPS_Occasional_Paper_07-1.pdf</a></li> <li>• <b>Poland's</b> Structural Funds Assistance provides grants for advisory services that facilitate upgrading by firms and or industrial parks/incubators. <a href="http://www.funduszezstrukturalne.gov.pl/English/">www.funduszezstrukturalne.gov.pl/English/</a></li> <li>• <b>Turkey</b> provides financial support to enterprises to engage in product development within the context of its technology centres and incubators. It funds common use workshops and laboratories for the commercialisation of new products and processes. It also supports qualified personnel to work within enterprises to upgrade technology. <a href="http://www.investinturkey.gov.tr/cms/index.php?a=219">www.investinturkey.gov.tr/cms/index.php?a=219</a></li> <li>• <b>Brunei Darussalam's</b> Enterprise Facilitation Scheme provides financial support to SMEs to upgrade their business operations.<sup>3</sup></li> </ul>
<p><i>Promoting partnerships between SMEs and organisations overseas that can develop or transfer world-leading technology, products, processes or management practices.</i></p>	<ul style="list-style-type: none"> <li>• The <b>UK</b> Department of Trade and Industry facilitates such partnering through its Global Watch Technology Partnering.</li> </ul>

Categories of support	Country/ Economy or Company or IOs Examples
<p>Promoting intellectual asset-based management by SMEs and developing systems to value intellectual assets adequately.</p>	<ul style="list-style-type: none"> <li>• <b>Japan</b> has issued the Intellectual-Assets-Based Management Manual and held an SME Intellectual Asset-Based Management Workshop. <a href="http://www.meti.go.jp/policy/intellectual_assets/english.html">www.meti.go.jp/policy/intellectual_assets/english.html</a></li> </ul>
<p>Raising awareness about the nature of IP rights and how they benefit SMEs.</p>	<ul style="list-style-type: none"> <li>• The <b>Australian</b> Patents Office (IP Australia) produces various publications, fact sheets and resources on its website, to promote public awareness and education of the importance, value and strategies involved in IP protection and commercialisation. The ‘IP Toolbox’ and ‘Smart Start’ are products directed specifically at the needs of SMEs. As appropriate, IP Australia also conducts seminars and other related activities. <a href="http://www.iptoolbox.gov.au">www.iptoolbox.gov.au</a> and <a href="http://www.ipaustralia.gov.au/smartstart/index.htm">www.ipaustralia.gov.au/smartstart/index.htm</a></li> <li>• The <b>Canadian</b> Intellectual Property Office has a series of outreach products and activities aimed at increasing IP awareness among SMEs. <a href="http://cipo.gc.ca/">http://cipo.gc.ca/</a></li> <li>• <b>Hong Kong, China’s</b> Intellectual Property Department organises events to help SMEs understand the importance of IPRs as an intellectual asset management tool and educates them in the proper management of software assets. It conducts annual benchmark surveys to evaluate the change in IP awareness. <a href="http://www.ipd.gov.hk/eng/home.htm">www.ipd.gov.hk/eng/home.htm</a></li> <li>• <b>WIPO’s</b> Best Practice programme identifies successful mechanisms for making IP rights more accessible and relevant to SMEs. <a href="http://www.wipo.int/sme/en/best_practices/index.htm">www.wipo.int/sme/en/best_practices/index.htm</a></li> </ul>
<p>Facilitating the filing of patents by SMEs.</p>	<ul style="list-style-type: none"> <li>• <b>Turkey</b> funds the expenses of enterprises for one year to obtain a patent, a certificate or registration within or outside Turkey. <a href="http://www.kosgeb.gov.tr">www.kosgeb.gov.tr</a></li> </ul>
<p>Preparing guidelines to encourage fair transactions and fair treatment by MNEs of IP developed by SMEs.</p>	<ul style="list-style-type: none"> <li>• <b>Japan</b> has issued Guidelines for the Prevention of Unintended Outflow of Drawings of Metal Moulds or Metal Mould Processing Data as well as a report by the Committee on the Establishment of Guidelines for Transactions in the Formed and Fabricated Materials Industries to prevent the unauthorised use of IP particularly by companies that use metal moulds. (link not available)</li> <li>• Through business codes of practice, including in the <b>OECD Guidelines for MNEs</b>. <a href="http://www.oecd.org/topic/0,3373,en_2649_34889_1_1_1_1_37439,00.html">www.oecd.org/topic/0,3373,en_2649_34889_1_1_1_1_37439,00.html</a></li> </ul>
<p><i>Providing SMEs with the legal means to adequately protect their IP rights in the international markets.</i></p>	<ul style="list-style-type: none"> <li>• <b>Austria’s</b> Innovation Protection Programme (IPP) supports SME to protect and use their IP in emerging markets. <a href="http://ec.europa.eu/enterprise/calls/files/06_060/counterfeiting.pdf">http://ec.europa.eu/enterprise/calls/files/06_060/counterfeiting.pdf</a></li> <li>• <b>Portugal</b> has formed a National Network of Units for Industrial Property Promotion to foster industrial property promotion actions aimed at strengthening the competitiveness of Portuguese enterprises. <a href="http://www.wipo.int/edocs/mdocs/sme/en/wipo_smes_ge_03/wipo_smes_ge_03_7.pdf">www.wipo.int/edocs/mdocs/sme/en/wipo_smes_ge_03/wipo_smes_ge_03_7.pdf</a></li> <li>• <b>Japan’s</b> project to Promote Countermeasures Against Pirated Products is establishing offices in major Asian cities to collect information, to support lawsuits and to survey cases of IPR violations. <a href="http://www.npa.go.jp/safetylife/seikan36/20070308.pdf">www.npa.go.jp/safetylife/seikan36/20070308.pdf</a></li> </ul>



Categories of support	Country/ Economy or Company or IOs Examples
<i>Encouraging SMEs participation in negotiations for IP rights in the establishment of treaties or international agreements.</i>	<ul style="list-style-type: none"> <li>• The <b>Australian</b> Patents Office (IP Australia) seeks to represent Australian interests in such negotiations as they relate to industrial property matters. <a href="http://www.ipaustralia.gov.au">www.ipaustralia.gov.au</a></li> <li>• <b>Mexico's</b> Institute of Industrial Property represents and promotes Mexican interests in such negotiations. <a href="http://www.impi.gob.mx/impi/jsp/indice.jsp">www.impi.gob.mx/impi/jsp/indice.jsp</a></li> </ul>

### Facilitating the adoption by SMEs of product quality and process standards

Providing information and professional training to implement product quality standards required for exports.	<ul style="list-style-type: none"> <li>• <b>Mexico's</b> Impulsoras Programme provides tailor-made consultancies to inform exporters about technical specifications, regulations and quality requirements. PYMExporta Centres Network gives assistance to exporters to develop export projects taking into account regulations and product requirements in foreign markets. <a href="http://www.contactopyme.gob.mx/servicios/Informacion/Programas/Imp_ofe_exp">www.contactopyme.gob.mx/servicios/Informacion/Programas/Imp_ofe_exp</a></li> <li>• <b>Turkey</b> provides support for expenses relating to product testing, certification and inspection. <a href="http://www.kosgeb.gov.tr">www.kosgeb.gov.tr</a></li> <li>• <b>Brunei Darussalam's</b> National Accreditation and Standard Center provides training and experts in the area of food safety. <a href="http://www.bruneihalal.gov.bn/node/61">www.bruneihalal.gov.bn/node/61</a></li> </ul>
Promoting the adoption of harmonised standards by MNEs in procurement procedures and the diffusion of that information to SMEs.	<ul style="list-style-type: none"> <li>• <b>Australian Industry Participation Plans</b> require the diffusion of such information to SMEs. <a href="http://www.ausindustry.gov.au/content/content.cfm?ObjectID=16C58BE7-6DD7-40E4-A4DB9A052586AEB5&amp;L3Keyword=customs%20import%20duty">www.ausindustry.gov.au/content/content.cfm?ObjectID=16C58BE7-6DD7-40E4-A4DB9A052586AEB5&amp;L3Keyword=customs%20import%20duty</a></li> <li>• <b>Covisint</b> is an Internet hub launched by the auto sector to allow collaboration along the entire value chain by setting up a global exchange market place. <a href="http://www.covisint.com">www.covisint.com</a></li> <li>• <b>RosettaNet</b> develops and promotes universal standards for e-business in global supply chains ensuring that one set of governance rules applies worldwide. <a href="http://portal.rosettanel.org/cms/sites/RosettaNet">http://portal.rosettanel.org/cms/sites/RosettaNet</a></li> </ul>



## Notes

1. [http://industry.gov.bn/wps/portal/lut/p/kcxml/04\\_Sj9SPykssy0xPLMnMz0vM0Y\\_QjzKLN4h3CwXJgFjGpvqRqCKOeAFfj\\_zcVP0gfW\\_9AP2C3NCIckdHRQD7VvB9/delta/base64xml/L3dJdyEvd0ZNQUFzQUMvNEIVRS82XzBfRIY!?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/MIPRSite/MIPRNewsArea/News%2C+19th+April+2007](http://industry.gov.bn/wps/portal/lut/p/kcxml/04_Sj9SPykssy0xPLMnMz0vM0Y_QjzKLN4h3CwXJgFjGpvqRqCKOeAFfj_zcVP0gfW_9AP2C3NCIckdHRQD7VvB9/delta/base64xml/L3dJdyEvd0ZNQUFzQUMvNEIVRS82XzBfRIY!?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/MIPRSite/MIPRNewsArea/News%2C+19th+April+2007)
2. <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/KENYAEXTN/0,,contentMDK:20225700~menuPK:356552~pagePK:2865066~piPK:2865079~theSitePK:356509,00.html>
3. [www.industry.gov.bn/wps/portal/lut/p/kcxml/04\\_Sj9SPykssy0xPLMnMz0vM0Y\\_QjzKLN4g3MXYCSYGYxqb6kWhCjggRX4\\_83FT9IH1v\\_QD9gtzQiHJHR0UARcYNKA!!/delta/base64xml/L01DU0IKQ1RPN29na21BISEvb0VvUUFBSVFnakZJQUFRaENFSVFqR0VBLzRKRmlDbzBlaDFpY29uUVZHaGQtc0IRIS83XzBfNFZVLzE3MjgyNA!!?WCM\\_PORTLET=PC\\_7\\_0\\_4\\_VU\\_WCM&WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/MIPRSite+WCM/Financing+for+SMEs/](http://www.industry.gov.bn/wps/portal/lut/p/kcxml/04_Sj9SPykssy0xPLMnMz0vM0Y_QjzKLN4g3MXYCSYGYxqb6kWhCjggRX4_83FT9IH1v_QD9gtzQiHJHR0UARcYNKA!!/delta/base64xml/L01DU0IKQ1RPN29na21BISEvb0VvUUFBSVFnakZJQUFRaENFSVFqR0VBLzRKRmlDbzBlaDFpY29uUVZHaGQtc0IRIS83XzBfNFZVLzE3MjgyNA!!?WCM_PORTLET=PC_7_0_4_VU_WCM&WCM_GLOBAL_CONTEXT=/wps/wcm/connect/MIPRSite+WCM/Financing+for+SMEs/)

## Annex B.

### Case Studies: Coverage, Main Findings and Research Teams

#### *Automotive industry*

Australia
<p><i>Research team:</i> Australian Government Department of Industry, Tourism and Resources (DITR)</p> <p><i>Coverage:</i> Australian automotive SMEs based in Victoria and supplying one or more of the four multinational car manufacturers based in Australia – Ford, Toyota, Holden and Mitsubishi. Overseas suppliers to the GVCs of these manufacturers and vehicle distributors are not included.</p> <p><i>Main findings:</i> SMEs recognise that their international competitive advantage lies in high quality, high-tech, specialised products, not in high volume, low cost, standardised production. As a consequence, enterprises at both ends of the Australian automotive sector have become keenly aware of the ways in which GVCs operate and where they fit within them.</p> <p><i>Reference:</i> Document CFE/SME(2005)16</p>
Chinese Taipei
<p><i>Research team:</i> Ministry of Economic Affairs</p> <p><i>Coverage:</i> The study covered both SMEs involved in production and in after-sales services shops.</p> <p><i>Main findings:</i> The case study focuses on strategies to boost the competitiveness of the Chinese Taipei's auto parts and components makers. These are found in the uptake of ICT technologies and the diffusion among agents in the sector of B2B practices. As the internal market is too small to achieve economies of scale, SMEs in Chinese Taipei would gain by specialising in customised and instant production and thus participating in global value chains as specialised/niche suppliers for foreign automakers.</p> <p><i>Reference:</i> Room document No 7, 28<sup>th</sup> WPSMEE Session, 6-7 June 2006, Paris</p>
Japan
<p><i>Research team:</i> Ministry of Economy, Trade and Industry, Organisation for Small and Medium Enterprises and Regional Innovation in Japan</p> <p><i>Coverage:</i> The study focuses on the structure and characteristics of the Japanese automotive industry and surveys automotive parts makers in Japan and Japanese auto parts makers in some ASEAN countries (Indonesia, Malaysia, Philippines and Thailand).</p> <p><i>Main findings:</i> For SME companies, the path toward participation in the Japanese automotive value chain does not open up to them simply because they are located in the same region as the finished automobile factory. They must have also reached a level of quality, cost and timeliness demanded by the value chain, and deal with the fact that their own dynamic growth within the value chain relies on their ability to improve their own technological capabilities. For all tiers of firms, human resources development is a key issue; and for the smaller firms, technical, information and financial support is needed.</p> <p><i>Reference:</i> Room document No 9, 28<sup>th</sup> WPSMEE Session</p>

<b>Spain</b>
<p><i>Research team:</i> Sociedad Técnicos de Automoción, funded by Ministry of Industry, Tourism and Trade</p> <p><i>Coverage:</i> In-depth interviews were conducted with 14 companies in the automotive sector (6 large companies and 8 SMEs)</p> <p><i>Main findings:</i> Spanish SMEs have a very positive attitude about participating in global value chains and about the expected benefits. Need expressed for a technological upgrading, because firms fear of being excessively dependent of foreign technology, as it is the case at present. Indeed, the most serious problem Spanish companies confront is technological dependence on more technologically advanced countries, and this calls for government efficient support for SMEs in this area. SMEs are also concerned about protecting intangible asset, finance for new business projects and the management related to contracts and administration costs.</p> <p><i>Reference:</i> Room document No 10, 28th WPSMEE Session</p>
<b>Turkey</b>
<p><i>Research team:</i> Research team from the Turkish Ministry of Industry and Trade.</p> <p><i>Coverage:</i> 18 SMEs and 4 vehicle manufacturers have been interviewed. The Component Manufacturers Association (TAYSAD) and Automotive Manufacturers Association (OSD) contributed to the study.</p> <p><i>Main findings:</i> Turkish SMEs serving automotive industry achieved a significant progress in involvement in the global value chain (GVC), having contribution to GVC through R&amp;D, patents, innovation, etc. Most of the interviewees stated that they are satisfied with their position in GVC, however still need governmental support to increase their role. Most of the SMEs complain about high tax rates, social security premiums and difficulties in export and import procedures.</p> <p><i>Reference:</i> Room document No 6, 28th WPSMEE Session</p>

### ***Scientific and Precision Instruments industry***

<b>Australia</b>
<p><i>Research team:</i> Australian Government Department of Industry, Tourism and Resources (DITR)</p> <p><i>Coverage:</i> SMEs classified under manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes. These include SMEs engaged in: the manufacture of drawing; mathematical calculation; air navigation; surveying; oceanographic or hydraulic instruments; seismometers; or ultrasonic instruments. The study does not include SMEs manufacturing medical or surgical instruments, or optical devices.</p> <p><i>Main findings:</i> Precision instrument manufacturers do not seem to need close interactions with component suppliers, despite the steadily advancing improvements in instrumentation. Outside of distribution, Australian companies engage in little direct collaboration with other enterprises either domestically or internationally. Overall, the awareness among enterprises of operating within a GVC is low, but some firms plan to increase their role in GVCs.</p> <p><i>Reference:</i> Document CFE/SME(2005)16</p>

### ***Software industry***

<b>Turkey</b>
<p><i>Research team:</i> Turkish Ministry of Industry and Trade, Export Promotion Centre of Turkey (IGEME) and State Planning Organisation (DPT).</p> <p><i>Coverage:</i> Out of 120 questionnaires issued in Ankara CyberPark Technology Development Zone, 52 were returned. All the companies that participated to the survey are SMEs.</p> <p><i>Main findings:</i> Software companies' link in value chains within themselves have been getting strong with global software ecosystem. Export is constantly increasing. Experienced companies in certain fields have gradually grown their export starting from close region, such as Middle-East, Turkish Republics, Caucasus and Europe. The number of companies which do R&amp;D in the field of software are increasing. Approximately, 20% of enterprises in the software industry have R&amp;D centres in Technology Development Zones. Basic problems of sector are the following: qualified personnel, venture capital, piracy and difficulties of reaching global markets.</p> <p><i>Reference:</i> Room document No 5, 28th WPSMEE Session</p>

## Tourism industry

<b>Australia</b>
<p><i>Research team:</i> Australian Government Department of Industry, Tourism and Resources (DITR)</p> <p><i>Content/Coverage:</i> The study focuses primarily on three distinct types of hotel accommodation (chain hotels, boutique hotels, and other accommodation, including hostels and Bed &amp; Breakfasts), in four areas of the Gold Coast. (Gold Coast Airport and surrounds; the Lamington and Springbrook National Parks and surrounds; Surfers Paradise and surrounds; and the theme parks of Sea World, Warner Bros Movie World, Wet 'n' Wild, Dreamworld and surrounds).</p> <p><i>Main findings:</i> Large MNEs, foremost hotels and airlines, are significant investors in Australian tourism and have raised the profile, appeal and accessibility of specific locations. These large firms are not well connected to SMEs. Australia's tourism industry is dominated by SMEs, and for these firms local and international personal networks drive activity more than business relationships across national borders.</p> <p><i>Reference:</i> Document CFE/SME(2005)16</p>
<b>Austria</b>
<p><i>Research team:</i> Austrian Bank for Tourism Development</p> <p><i>Coverage:</i> The study is based on an analysis of the co-operation projects funded in the framework of a Tourism Promoting Scheme made available by the Austrian Federal Ministry of Economics and Labour, on the results of a Questionnaire addressed to the Managers of active co-operation ventures within the Austrian Tourism sector, on structured interviews of industry experts as well as on the results of an analysis of the annual accounts of already active cooperation ventures</p> <p><i>Main findings:</i> Successful co-operation ventures show a number of specific characteristics, such as the legal form, the intensity of the co-operation and the internal organisational structure. A large majority of these ventures represent the classical pattern of horizontal co-operation.</p> <p><i>Reference:</i> Successful alliances in the Tourism sector - Why Participation in Co-operation Schemes increases Profitability Preliminary Outcomes of the Austrian case study Room document No. 8, 77<sup>th</sup> Session of the Tourism Committee, Rome 22 June 2006.</p>
<b>Germany/Jordan</b>
<p><i>Research team:</i> Co-operative research project between German and Jordanian research teams from the University of Jordan and the University of Frankfurt am Main, funded by the German Research Council (DFG) and the German Federal Ministry of Co-operation &amp; Development.</p> <p><i>Coverage:</i> In-depth personal interviews were carried out with a total of 43 Tour operators, 6 of these in Austria, mostly independent medium-sized and small operators of regular Jordan packages as well as some occasional providers. Structured interviews were carried out with incoming agencies in Jordan, with hotel managers, airline managers and representatives of Jordanian tourist authorities.</p> <p><i>Main findings:</i> The study identifies the key factors to ensure that the firms operating in the specific market niche of package tours from Germany to Jordan maintain their competitive advantage.</p> <p><i>Reference:</i> Co-operation in specialised package tours tourism from Germany to Jordan, Room document No. 9, 77<sup>th</sup> Session of the Tourism Committee, Rome 22 June 2006</p>
<b>Korea</b>
<p><i>Research team:</i> Kyunghee University, Sejong University and Ministry of Culture and Tourism, Korea.</p> <p><i>Coverage:</i> The survey for hotels was conducted through in-depth interview during 2 weeks period from July 18 to July 30, 2005, with general managers and department heads in total 16 hotels which included 7 large hotels and 9 1st ~3rd tourist hotels. The survey for travel agencies and tour operators was conducted through in-depth interview during 4 month period from December 1, 2005 to March 30, 2006, with managers and CEOs in total 11 travel agencies and tour operators.</p> <p><i>Main findings:</i> The focus of the study is the offer of a tourism product by a "network" of actors, including hotels, travel agencies, tourism-related associations and public government at the local level. Overall, there is a negative perception of the impact of global competition on SMEs.</p> <p><i>Reference:</i> Document CFE/TOU(2005)11; and Room document No. 6, 77<sup>th</sup> Session of the Tourism Committee</p>

<b>Poland</b>
<p><i>Research team:</i> Instytut Turystyki w Krakowie (the Cracow Tourism Institute), Ministry of Economy, Department of Tourism</p> <p><i>Coverage:</i> 21 hotel enterprises and five entities (2 travel agents, 1 SPA and 2 local governments) from the domestic hotel industry and its environment were selected for the interviews, usually with top level executives. All the hotels that participated in the survey were SMEs.</p> <p><i>Main findings:</i> Lack of knowledge about the potential benefits hinders SME participation in value chains and also co-operation with large companies. International, regional and local competition is going to force actions, especially in personnel training and cost reduction. Networks created for the promotion of particular products have a chance to develop on a local or regional scale. The necessary co-operation is not developing since there is suspicion in participating in networks together with competitors. SMEs are practically invisible in innovation networks, associations of producers of various tourism products, tourism clubs, and Internet networks.</p> <p><i>Reference:</i> Room document No. 10, 77<sup>th</sup> Session of the Tourism Committee</p>
<b>Spain (Andalusia)</b>
<p><i>Research team:</i> Research Team from the University of Seville.</p> <p><i>Coverage:</i> 4 hotel establishments and 3 travel agencies, located in the provinces of Malaga and Seville. Interviews took place with the owners and/or directors of the hotels and travel agencies. The study also benefited from the collaboration of the President of the Andalusian Travel Agencies (FEAVV, the Seville Entrepreneur Association of Travel Agencies (AEVISE), and the Vice-President of the Seville and Province Hotel Association (AHS); they presented the view of their respective subsectors and complemented the individual contributions from the firms.</p> <p><i>Main findings:</i> Intermediaries such as tour operator, booking centres, and traditional or virtual travel agencies exert a high pressure on hotel prices, although intermediaries usually do not fulfil the quota reserved to hotels in the individualised contracts they signed with them. To reduce uncertainty, some hotels are part of a hotel association, which increase their commercial potential in exchange for quota and commission per room. Travel agencies estimate that they should focus on offering a better quality product, with greater added value, in order to increase clients' fidelity.</p> <p><i>Reference:</i> Room document No. 5, 77<sup>th</sup> Session of the Tourism Committee</p>
<b>Spain (Balearic Islands)</b>
<p><i>Research team:</i> Centre of Tourism Research and Technologies of Balearic Islands (CITTIB) in co-operation with the Balearic Ministry of Tourism</p> <p><i>Coverage:</i> The sample comprised 25 enterprises and 18 enterprises responded to the survey which covers 4 large, 8 medium and 6 small enterprises. Members of the Board of Directors of enterprises were interviewed in every case.</p> <p><i>Main findings:</i> In terms of products, a large number of Balearic enterprises are involved in many lines of business. This is the case for example of the travel agencies which are engaged in incoming and outgoing activities or of some of the large hotel chains which are also involved in the property market. This includes own services, the addition of spa or wellness centres in hotels, and extending the sports activities on offer (golf, cycle-tourism and trekking). These efforts are starting to produce very good results. Only large hotel groups are able to belong to several value chains, since their activities are both horizontally and vertically integrated. Many enterprises acknowledge that they have the financial means to afford certain actions aimed at improving their role in the value chain in their sector.</p> <p><i>Reference:</i> Document CFE/TOU(2005)8</p>
<b>Switzerland</b>
<p><i>Research team:</i> Hospitality Research Department of the "Ecole Hôtelière de Lausanne".</p> <p><i>Coverage:</i> The sample comprised 20 enterprises from tour operators (multinationals, whose products cover among others the Swiss holiday destination), travel agencies (which distribute and sell products covering among others the Swiss holiday destination) and hotels (small and medium-sized hotels covering different existing products in Switzerland proposed in holiday packages).</p> <p><i>Main findings:</i> Small travel agencies face competitive pressures in terms of price they practice, catalogue, and ability to provide personalised assistance. Swiss hotel owners, mainly SMEs, work mostly with general tour operators, especially in large cities and ski stations; however, there is an increase in specialised trips to the mountains and lakeside. Trust is considered as essential between tour operators and hotel owners, especially because their respective objectives may differ (<i>i.e.</i> for the former, to have a maximum number of rooms during high season and a minimum during low season; and the latter to have a regular flow during the year). Hotel owners would like to give greater priority to businessmen during the low season and to this end, involvement in a global value chain could be helpful to them. In order to increase the value added to their product, hotel owners wish to renovate their infrastructure; however, in many cases, lack of financing delays this possibility. Information technology also plays an important role in sharing information between partners and increasing clientele.</p> <p><i>Reference:</i> Report "Chaînes de Valeur Globales Touristiques: Perception de trois types d'acteurs touristiques en Suisse"</p>

## Entertainment industry

<b>Korea</b>
<p><i>Research team:</i> Korean Film Council, Policy Research &amp; Development Department</p> <p><i>Coverage:</i> In-depth case studies of four Korean enterprises in the film production and distribution industry, three of them being the major film distributors in Korea.</p> <p><i>Main findings:</i> The study analyses the strategies for the young Korean cinema industry to grow and compete successfully in the international market. It is suggested that co-operation with foreign companies in the context of global value chains can only be possible if Korean companies are competitive. The current situation in the domestic market is close to an oligopoly, with few major firms dominating the market of film production and distribution. A more co-operative environment should provide SMEs more opportunities, including exposure to foreign firms and learning from them.</p> <p><i>Reference:</i> Document CFE/SME(2007)7</p>
<b>United States</b>
<p><i>Research team:</i> The study was conducted by two consultancy companies, Vogel Capital Management and Christiansen Capital Advisors, New York.</p> <p><i>Coverage:</i> Several brief survey-interviews were conducted with professionals who regularly interact with US cinema and television SMEs in a variety of ways and from different perspectives, including commercial banks' movie lenders, digital effects companies, and intellectual property law experts.</p> <p><i>Main findings:</i> SMEs have a vital role in the value chain as producers and distributors along with the majors. Although the major studios have a dominant position in Hollywood filmmaking, small and medium-sized businesses are essential to the industry's operation and occupy important niches in the filmmaking and distribution process. In particular, they satisfy a niche market for high-quality films that are not considered attractive by big studios.</p> <p><i>Reference:</i> Document CFE/SME(2006)14/REV1</p>

## UNCTAD Enterprise case studies

<b>Tata Motor: India</b>
<p><i>Research team:</i> Centre for SME Growth and Development Finance (CESMED), Mumbai, India.</p> <p><i>Coverage:</i> The study was conducted on SMEs engaged in the manufacture of automotive components at Adityapur Industrial Area in Jamshedpur and the localised industrial zone in Pune, India. While most of the SMEs are ancillaries to Tata Motors Ltd., some of them have also become successful suppliers to other large industrial units in India and abroad. Responses to the questionnaires distributed were provided by 18 SMEs in Jamshedpur and 8 in Pune, respectively.</p> <p><i>Main findings:</i> SMEs do not feel the necessity of operating in a 'cluster' but felt the necessity of having world class infrastructure facility in the industrial areas. Their level of technical awareness and quality are quite high and competitive, their strengths are high quality and low costs, but their main weakness is that most are tied with one buyer. Those who have diversified their products and developed relationships with others including entering the GVC in time had better times even during recessionary period of the auto component industry.</p> <p><i>Reference:</i> UNCTAD report "Participation of Domestic SMEs to the International Production Chain of Tata Motors in India", 2006</p>
<b>Mexico: Volkswagen</b>
<p><i>Research team:</i> Graduate School of Economics at UNAM (Universidad Nacional Autónoma de México)</p> <p><i>Coverage:</i> Between 2005 and 2006 a series of interviews based on a questionnaire were held with 8 Volkswagen first tier and second tier suppliers.</p> <p><i>Main findings:</i> It is very important to avoid dependence on only one contractor. In the case of Mexican suppliers for the automotive sector, the second-tier suppliers appear to be more competitive than first tier firms, because they serve more contractors and are specialised in more than one product. Other interesting finding is the co-operation established between some first tier supplier and their suppliers: they helped them upgrade so as to be included in the VW supplier database. First-tier suppliers consider their chances to stay and thrive in the chain if their system/network works well. In fact, first-tiers are more important as partners because they have developed other competencies such as developing product specifications or providing management advise to their contractor VW.</p> <p><i>Reference:</i> UNCTAD report "Assessing the participation of domestic SMEs to the international production chain of Volkswagen in Mexico", 2006</p>

<p><b>South Africa: Toyota South Africa</b></p> <p><i>Research team:</i> School of Development Studies, University of KwaZulu-Natal, Durban South Africa</p> <p><i>Coverage:</i> The firms selected for participation in the research project included 1 automotive OEM (Toyota South-Africa) 5 automotive components firms that had some level of supply relationship with the OEM and 1 automotive service sector company.</p> <p><i>Main findings:</i> When TSA, as well as other OEMs, started local operations, SMEs component firms, and in particular those that were not first-tier global quality operations, in having to supply into OEM plants manufacturing for export had to rapidly adjust to increasing quality requirements that come with the motor industries rigorous certification procedures, increased scale of production and flexibility. Whilst those that had been, or became, part of international operations could draw on a measure of global expertise many firms in the second and third tier supply categories needed to illustrate a rapid turn-around capability or face closure.</p> <p><i>Reference:</i> UNCTAD report "A perspective on SMEs and Global Value Chains in the South African Automotive Sector- Experiences from firms in KwaZulu-Natal Province", 2006</p>
<p><b>Microsoft- Egypt</b></p> <p><i>Research team:</i> CID, Management Consulting Department, Cairo, Egypt</p> <p><i>Coverage:</i> In addition to Microsoft Egypt, the companies selected for participation in the research project included three suppliers providing a service that complements an existing Microsoft product, thus vertically integrating into Microsoft's value chain, and three suppliers providing support functions to Microsoft, thus helping it deliver its final product.</p> <p><i>Main findings:</i> Egyptian partners have tremendously benefited from their association with Microsoft. However, the IT industry in Egypt is in dire need of qualified individuals, and therefore training people in the different ITS and ITES sectors should be the key priority for the Egyptian government. Additionally, many Egyptian companies are too small and lack the maturity to compete globally. Thus, capacity building activities for local companies to strengthen their management and technical capabilities, as well as initiatives aimed at strengthening IT associations and encouraging clusters, would help equip them to compete more effectively on the regional and international markets. Finally, the general business environment needs to be improved through faster and more efficient governmental service delivery, lower taxes (currently as high as 20%) and the enforcement of more realistic piracy regulations.</p> <p><i>Reference:</i> UNCTAD report "A Perspective on Egyptian Companies Contribution in the Global Value Chains in the Information Technology Sector- Experiences from Microsoft Suppliers", 2007</p>
<p><b>Nigeria: Nu Metro West Africa</b></p> <p><i>Research team:</i> Nigerian Copyright Commission, Lagos, Nigeria</p> <p><i>Coverage:</i> 14 local suppliers of Nu Metro, belonging to two GVCs, that of movie/cinema industry and that of optical disc production.</p> <p><i>Main findings:</i> Nollywood emerged as a spontaneous cluster not as a policy driven cluster that is triggered by the strong commitment of governmental actors. However, there are indications that government is now committed to reorganising the sector. This is manifested in certain key initiatives such as increased funding of organisations relevant to the sector, such as the Nigerian Copyright Commission, the National Film and Video Censors Board, the National Broadcasting Commission and the Nigerian Film Corporation. Nu Metro is the closest to an MNC affiliate, being a member of Johnic Communications, South Africa's leading entertainment and media company. It holds the monopoly for distributing Hollywood films. Its relationship with local suppliers in areas such as trust, disclosure, knowledge and transparency is not very open, since the group appears to have been designed to be self-supporting and self-propelled.</p> <p><i>Reference:</i> UNCTAD report "Assessing the Participation of Domestic SMEs to the Cinema International Production Chain in Nigeria", 2007</p>
<p><b>Colombia: RCN and Caracol</b></p> <p><i>Research team:</i> International Business Department, EAFIT University, Medellin, Colombia</p> <p><i>Coverage:</i> The firms selected for participation in the research project include different actors at different levels in the value-chain: 2 national TV channels, 2 national film producers, 3 transnational advertising agencies located in Colombia, 4 postproduction firms specialised in TV commercials and 5 3D-animation producers.</p> <p><i>Main findings:</i> In Colombia 3D-animation firms were established during the last 2-3 years, except one company that has existed for 7 years. This reflects the newness of the industry, even though the 3D-animation market is increasingly growing, and the international market (especially Canada and the US) is becoming a very important market for business development (some companies already have established offices in Canada and the US). The absence of an industry association and a general fragmentation of the 3D-animation market in Colombia causes problems of transparency of business practices, characterised by a lack of industry standards and (price) regulations, and a general attitude of non-cooperation among competitors. However, an initial cluster development can be observed - both in terms of geographical proximity and inter-firm co-operation. On the government side, the Colombian Export Promotion Agency (Proexport) just recently started to include service exports into their portfolio of advisory services.</p> <p><i>Reference:</i> UNCTAD report "A Perspective on Domestic SMEs in the Television International Production Chain in Colombia: the case of 3D Animation", 2007</p>



## Annex C. Assessing the Productivity of Large Listed Enterprises<sup>1</sup>

As a complement to the analysis presented in Chapter 2, this annex investigates how productivity gains are generated and shared among different partners in a value chain. It is possible that productivity gains generated technically by one enterprise are *de facto* siphoned off by another, stronger in terms of its negotiating power. This hypothesis was supported by abundant interview material.

This annex provides complementary information on the evolution of productivity gains in large enterprises over recent years. In particular, it presents the results of comparisons of the levels of labour productivity achieved in large listed enterprises, mainly multi-national enterprises (MNEs), with the aggregate macro-economic productivity.

At macro-level, labour productivity is measured by dividing the gross domestic product (GDP) by a measure of employment or the labour force. In national accounting, the sector of enterprises is seldom decomposed by size, so that the levels of productivity are not calculated for different size classes of enterprises. In this perspective, surveys on the accounting data of various categories of enterprises may help in filling the blank. This annex uses the accounting information for the largest among the enterprises listed on stock exchanges. These enterprises are compelled by regulations to provide the financial market with adequate accounting reports on a regular basis. This information is collected, structured, stored and made available by financial databanks, such as Worldscope and Thomson Financial<sup>2</sup>.

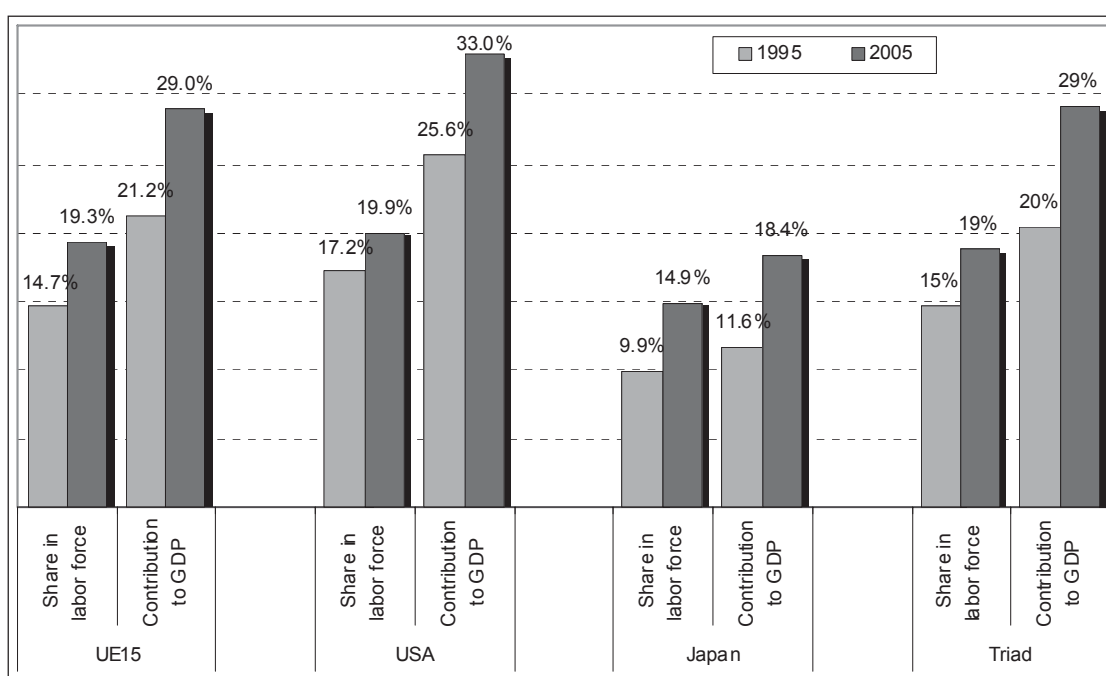
To the purpose of this annex, the company data of the 2 800 largest listed enterprises have been used to calculate or estimate value added per employee, *i.e.* labour productivity for the years 1995, 2000 and 2005. The annual accounts are reported by Thomson Financial in nominal US dollars. In most cases, the accounting figures at the enterprise level provide the five main components of value added (labour compensation, interest payments, depreciation, direct taxes and net profit). Where data were incomplete – especially for employment headcount - estimates have been extrapolated from existing information.

Once calculated for listed enterprises, labour productivity is then compared to the macro-economic productivity figures (nominal GDP divided by the labour force data from the World Bank database). The aim of this analysis is to provide an order of magnitude for differences in labour productivity. When assessing the results one has also to remember that the macro and companies data differ also in their geographic coverage: value added of multinational companies is generated by their employees all over the world, whereas the country's labour productivity is generated by the local employment only. It is also true that local as well as foreign multinationals are contributing to the country's GDP and labour productivity.

### *Macro-economic contribution of largest listed companies of the Triad*

From 1995 to 2005, employment in the largest 2 800 enterprises of the Triad - about 1 000 in EU-15; 1 000 in the United States and 800 in Japan – increased by more than 20 million persons, while their share in total labour force rose by 4%, from 15 to 19%. The increase of the employment share of the LE was significantly different among the members of the Triad: in Japan, their share increased from 10 to 15% of total labour force; in the EU-15 the increase was from 15 to 19%, while in the United States the observed increase was from 17 to 20%. In percentage, employment rose on average by 4.1% a year in Japan, 3.6% in EU-15 and 2.7% in the United States. Looking at the value added figures for the same period, the share of the 2 800 largest enterprises in GDP progressed by almost 10%, from 20 to roughly 29%. The highest relative contribution of LE is observed in the United States (Figure C1).

**Figure C.1. Share of employment and value added of the LE in labour force and GDP, Triad**  
(1995 and 2005)



Source: Calculations by Dembinski and Bologna, University of Fribourg and University of Geneva, based on Thomson Financial data.

In all three regions of the Triad, the share of the largest enterprises in GDP progressed more rapidly than their share in the labour force. The labour productivity growth becomes evident when comparing the whole economy with the productivity achieved in the largest enterprises. From 1995 to 2005, labour productivity of the largest US enterprises increased by almost 70%, while the country's labour productivity lagged behind with an increase of 9%. In consequence, the 1 000 largest US enterprises may be the source of a significant part of the overall US economic growth. The same dynamics were at work in the EU-15, where labour productivity in large enterprises progressed by 44% in a decade,

while macro labour productivity (including the unemployed) decreased by 6% (in current US dollar terms). For Japan, available data cover only the years 2000 to 2005, but they indicate that the overall decrease (in US dollar terms) in labour productivity was slower in LE than in the whole of the economy. Today, the largest enterprises of the Triad achieve levels of productivity that are between 140% (Japan) and 290% (United States) of the region's average labour productivity.

Productivity increases may be used either to compensate labour (in accounting terms: higher employment cost) or capital (interest, depreciation or profits). During the last ten years, the share of labour related costs in total value added generated by the largest enterprises, as shown in Figure C3, decreased significantly only in Europe (from 54 to 44%), while remaining almost stable in the US (at 52%) and in Japan (around 35%). However, when these figures are analysed at per employee basis, data show that the share of labour related costs decreased both in the European and US large enterprises during the past ten years. Symmetrically, the share of capital remuneration (depreciation, interest payments and profits) increased on a per employee basis, from 45% to 54% of value added in Europe and from 53 to 58% in the United States. Compared to the year 2000, the share of capital remuneration in value added per employee in the largest Japanese enterprises increased from 74 to 84%. Considering profits alone, their share in value added per employee increased by ten percentage points in both Japan (from 6 to 17%) and in the EU15 (from 11 to 21%), while it remained stable around 17% in the United States.

### ***Macro-economic contribution of largest listed companies in selected emerging economies***

Since 1990, the role of financial markets increased in many emerging economies as did the visibility of some of their large enterprises. Despite these developments, the availability of technically complete companies' reports is still limited. In consequence, the time horizon of the present analysis is limited to five years (2000-05) and covers three large emerging economies Brazil (130 companies), China (with Hong-Kong and Chinese Taipei, 280 companies) and India (240 companies). The analysed companies represent more than 50% of relevant market capitalisation.

In China and India, the contribution of the observed enterprises to GDP grew much faster than their share in employment. In India, LE share in labour force increased slightly to 0.5 % during the five years, while their contribution to GDP progressed by 3.5%, from 5.9 to 9.4%. In China, the share of value added in GDP of the 280 large companies increased by 4% to reach 13.4%, with an employment level in 2005 of only 1% of labour force, in progress by 0.4 % since 2000. In Brazil, the share in employment decreased from 1.4 to 1.2% of labour force, while contribution to GDP decreased also by 0.2%

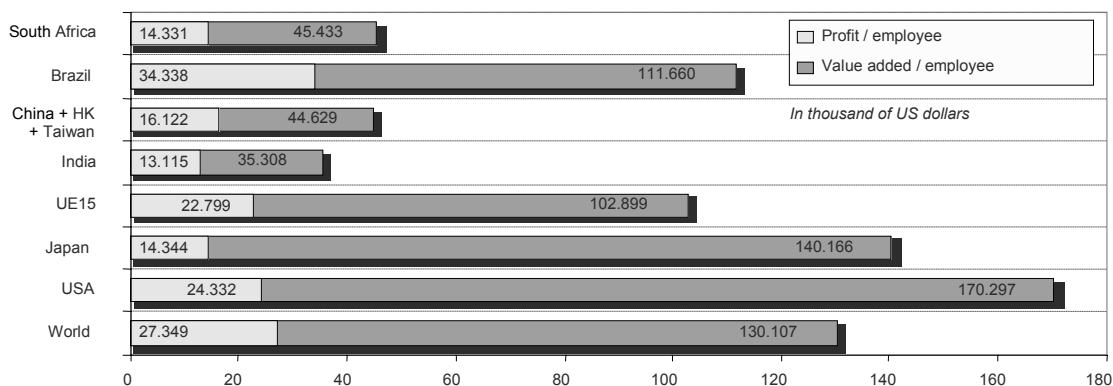
In India and China, the level of value added per employee of the large enterprise is 40 and 30 times higher than the country's average labour productivity; in Brazil, the ratio is "only" 10. The dynamics of value added per employee is also staggering, illustrating the driving role of the largest enterprises in terms of productivity.

### ***Largest listed enterprises as growth enhancers***

The largest enterprises are, across the world and in each of its main regions, high-powered productivity engines. These enterprises – in most cases multinationals – are well equipped and brightly staffed so as to make the best out of combining globally the highest possible productivities achieved in each and every location. Despite this fact – which Dunning would call "internalisation capacity" – local conditions still matter as suggested

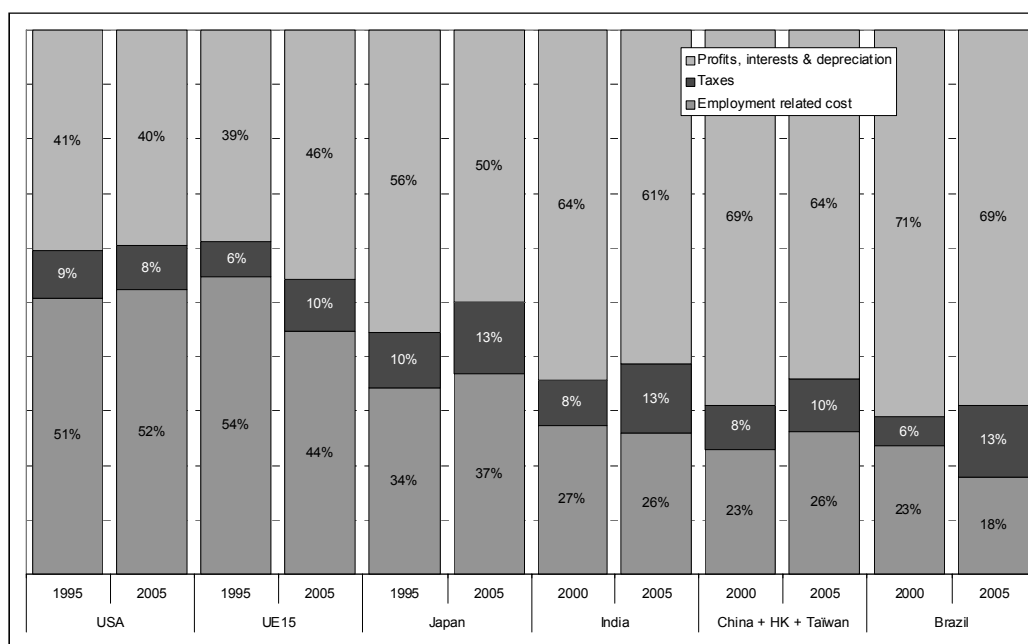
by the wide range of value added per employee levels achieved in different locations. The highest level (USD 170 000) is achieved by US multinationals; European firms generate per head 40% less value added, while Chinese and Indians are about 60% below the Europeans. Thus, an employee of a large Indian enterprise generates 20% of the value added created by his colleague in a US large enterprise. This being said, the dispersion narrows when net profits per employee are considered: highest in Brazil (34 000) and lowest in India (13 000), *i.e.* 38% of the former. The possible convergence of profit levels per employee may be explained to some extent by the growing integration of world financial markets and their global financial requirements<sup>3</sup>.

**Figure C.2. Value added and profits per employee in the Triad and selected emerging economies**



Source: Calculations by Dembinski and Bologna, University of Fribourg and University of Geneva, based on Thomson Financial data.

**Figure C.3. Components of gross value added**



Source: Calculations by Dembinski and Bologna, University of Fribourg and University of Geneva, based on Thomson Financial data.

### ***Concluding remarks***

Based on the analysis of the productivity of large listed enterprises, several factors may explain the extraordinary performance of these enterprises as compared to the rest of the economy composed mainly of non-listed, mostly smaller enterprises. These include:

- High capital intensity, or in other words a high level of equipment.
- The capacity of the largest enterprises to attract the most talented and productive members of the labour force.
- The high rate of innovation which confers the major players the possibility to reap market benefits of a ‘first mover’.
- The pricing power with respect to the suppliers that allows large firms to harvest the economic gains achieved in other segments of the value chain.
- The pricing mark-up capacity on the final user market due to the ownership and development of strong brands and, more generally, of unique marketing capacities.

These factors bring to the fore hypotheses that deserve additional research.

### **Notes**

1. This annex was prepared by Prof. Paul H. Dembinski and Mr. Claudio Bologna, University of Fribourg and University of Geneva, Switzerland.
2. The authors express their gratitude to Thomson Financial for giving them access to the data for academic research purposes.
3. This is fully consistent with the findings of McKinsey, cf. Lowell, L. Bryan "New metrics of corporate performance: profit per employee" in *The McKinsey Quarterly*, 2007 no 1, pp 57-65, and also Lowell, L. Bryan and Zanini, Michele, "Strategy in an era of global giants" in *The McKinsey Quarterly*, 2005 no 4, pp 46-59.

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