

Recently, the problem of forming groups of companies hasn't been discussed on papers, while a series of corporations was allowed by the Government to establish. Experience shows that, however, in the development of an economy, there are not only contributions of big companies, but also undeniable shares of small and medium businesses (SMB).

1. Views on SMB

Masayoshi Shirota—a member of Japanese Nomura group—said that the Japanese economy depended not only on a handful of multinationals, but also on SMBs. At present, with firm infrastructure as the Tokyo market, many SMBs have become multinationals such as Sony or Matsushita.

Taiwan, development of SMBs is a part of the national strategy for development and there are many realistic policies, measures and rules supporting SMBs. In the first days of Taiwanese industrialization process, a lot of attention given to SMBs originated from family businesses in agriculture.

SMBs actually played an important role in Taiwanese economic development. The problem is to make these "small businesses" strong and competitive enough in the world markets. Solving this problem means finding out the secret of Taiwanese economic development. What mentioned above are foreign experience. How is the development of SMBs in Vietnam?

under the management of local capitalists. He also discriminated small businesses from handicraft concerns with a workforce of under five workers and from concerns in the informal sector which didn't exist de jure.

In Vietnam, the classification of businesses according to their capital is rather inexact because their registered capital didn't reflect the total amount of money put into business by owners. So we should classify them according to both capital and workforce.

We must carry out researches into these standards for classifying SMBs, and based on them, we could estimate the role of SMBs in the national economic development and learn about their needs and weak



AN OVERALL STRATEGY FOR SUPPORTING SMALL AND MEDIUM BUSINESSES

by TRẦN TÔ TỬ

Many American managers shared this opinion. John A. Byrne, an economic analyst, wrote on the *Business Week* in December 1993 that changes in business rules have rewarded SMBs for their business virtues. Successful companies today were usually active, creative, close to customers and market-oriented. They were not companies with centralized and bureaucratic management which was slow to innovate itself. Their performance has contributed new strong points of small businesses to management theories.

Among Asian dragons, Taiwan is considered as a kingdom of small and medium enterprises. The success story of Taiwan is interpreted as "the economic achievements of SMBs". In

2. What is the size of SMBs?

Up to now, there is no official standard for classifying businesses according to their sizes. In fact, the concept of "SMB" is a relative expression in both space and time. A small business in the US, Japan or Taiwan is certainly bigger than a small business in Vietnam. And a small business in a nation at certain period must be smaller than its counterpart in future.

However, many economists and policy-makers have tried to find a way of classifying SMBs according to their capital or workforce.

Gérard Grillet introduced the following definition in 1986: Small domestic businesses are those which employ less than 50 workers and are

points before we can work out a strategy to support them.

3. How to support SMBs?

SMBs have many strong points which need to be developed: great ability to cope with changes in markets, high efficiency, small investment per laborer, a lot of new jobs created. A strategy to support SMBs could help them to compete with foreign companies in the domestic market.

However, the said support doesn't mean giving subsidies or tax reduction to SMBs as stated in some suggestions to the Government. A good supporting strategy should be worked out carefully from finding out right orientation, making work program to coordinating efforts of vari-

ous governmental bodies. This strategy should give birth to policies and measures creating conditions favorable for the development of SMBs and a fair competition between different economic sectors.

At present, the Government's relation with SMBs could be seen only in two procedures: granting licence and collecting taxes, and SMBs receive no support from the Government. Many opinions about "a lack of governmental management after licencing" have been stated, but nobody talked about "a lack of governmental support after licencing".

In HCMC, in organizational aspect, there is a "SMB supporting office" belonging to the Center of Exportation and Investment Development. However, because of a lack of facilities and outlay, this office can only take some preliminary measures to support SMBs, such as organizing workshops, giving training courses in business or giving advice on procedure for establishing business, etc. Although these measures are welcomed by SMBs, but up to now, this office receives no considerable support from the Government so it can't function well.

A strategy to support SMBs, at least, should help them operate independently, or help them overcome the following difficulties:

- Training: because of their small size, SMBs can't afford training expenses. On the other hand, even if they could afford these expenses, they couldn't gain expecting results as big companies could, because in each small business, only a few workers need to be trained. It's worth noting that in Vietnam presently, owners of SMBs are young and adventurous but they lack managerial skills and business experience. So there must be a plan supported by the Government to train businesspersons with a view to helping them gain ability to work in partnership with foreign parties.

- Information: just because of their small size, SMBs can't gather information about foreign markets. An information center could be of great help to them. Recently, many

SMBs have wondered about Vietnam's joining ASEAN and AFTA, but governmental bodies haven't supplied enough information or helped them find out ways to deal with foreign competition in domestic market. When the Government has no plan to support SMBs, we can't blame them for their unruly development.

- Capital: to SMBs in any country, capital is always the biggest worry. It's rather easy to establish a small business, so the number of SMBs is always on the increase, especially in light industry or labor-intensive ones, with the result that the competition becomes keener and keener and the profitability smaller. Most SMBs have found no way to

This shows that banks give preferential treatment to consumers of foreign goods instead of to producers of local products. And most banks' clients are big companies, not SMBs.

Can the Government make a plan to supply the same soft loans to SMBs as what supplied by the EC to businesses employing repatriated "boat people"?

Recently, the Government has established the "Fund for Supporting Investment". But what can SMBs expect from this fund? Could they receive preferential treatment from this fund?

- Cooperation between SMBs and big companies: Many opinions are against the formation of corpora-

tions or groups of companies. They said that "a number of small boats can't make a big ship". It's right because we can't build a ship from some boats, that is, we can't make a group of companies out of separate companies. The image of a ship drawing a group of boats seems appropriate to the Vietnamese model of groups of companies.

A strategy to develop SMBs should be attached to a strategy to form groups of companies in order to form the co-operation between some big companies and a group of SMBs in techno-

logical, financial, marketing, information, training... aspects. The financial strength of big companies will provide SMBs with shelter from fevers and fluctuations of the market. A strategy to invest extensively in various industries of a strong group of companies will help SMBs invest intensively in their specialization in order to gain high business performance, efficiency and competitiveness.

"All merchants have their own guilds", as the Vietnamese saying goes, could be taken as a philosophy for the strategy to develop SMBs and form groups of companies in Vietnam.



develop or expand their businesses. Another fact is that SMBs have no valuable property to mortgage to the bank. The problem of medium- and long-term loans for replacing the wear and tear of their fixed assets or industrial buildings seems even more unsolvable.

Moreover, the lending rate of banks is much higher than the average return on capital. This situation leads to a paradoxical fact: many businesses being badly in need of capital dared not borrow money from banks, while there are a lot of short-term loans in banks but they can't find borrowers.

Recently, many commercial banks launched out into supplying personal loans (consumption loans).