



A Study of Women's Entrepreneurial Models in Taiwan

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Not only does helping women to improve their economic circumstances benefit families, regional economies, and the national economy as a whole, but doing so also constitutes a direct, immediate way of overcoming the problem of poverty. For this reason, international organizations such as the United Nations, the World Bank, and the Asian Development Bank, along with the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), and Asia Pacific Economic Cooperation (APEC), have all been aggressively promoting women's entrepreneurial activity.

With the emergence of a more open society and the development of the knowledge economy, women in Taiwan have come to account for an increasingly large percentage of entrepreneurs. Of all the new enterprises that were established in 2003, 37.57% had a woman as the "responsible person" (chairperson or business owner), higher than almost any other country in the world. In 1978, women accounted for just 10.15% of business owners and 15.79% of the self-employed; by 2003 these figures had risen to 15.14% and 22.00%, respectively. As women come to account for a higher percentage of Taiwan's entrepreneurs, the importance of female entrepreneurs within the economic system is increasing.

In 2003 there were 1,164,121 natural persons heading business enterprises in Taiwan, of which 394,245 (33.87% of the total) were women. By comparison, in 2002 women accounted for 46% of the owners of unlisted companies in the U.S., while the figure for mainland China was only around 12.6%. The combined operating revenue of businesses run by women in Taiwan is NT\$3,287 billion, or 13.07% of the combined operating revenue of all enterprises in Taiwan.

As of 2003 there were 409,180 female business owners in Taiwan, accounting for 20.66% of the total number of business owners (1.98 million). Of these 409,180 in total, 81,880 were employers and 327,300 were self-employed. Women made up 16.50% of all employers and 22.05% of the self-employed.

In order to gain a better understanding of the forms taken by women's entrepreneurial activity in Taiwan, interviews were conducted with 30 female entrepreneurs. The interview questions focused on their reasons for setting up the business, their technical capabilities, market and product positioning, funding sources, brand management, sales channels, etc., so as to isolate the different models of female entrepreneurial activity.

The problems that female entrepreneurs experience can be divided broadly into two groups – problems encountered when starting up a business, and problems experienced once the business is already up and running. Starting up an enterprise, entrepreneurs may suffer due to inadequate knowledge of the market environment; they may find it difficult to access funding sources; they may find the procedures for obtaining loans to be unclear; and/or they may not be aware of all the potential sources of assistance (such as free consulting services). Access to information can also be a problem.

The main problems encountered after a business has been established can be summarized as under-capitalization, lack of Managerial Expertise, poor Marketing Skills and Insufficient Brand Recognition, and difficulty in Recruiting Enough Employees. It can be seen from this overview of the problems experienced by female entrepreneurs that most of the common problems can occur in any type of business model. When planning measures to help women entrepreneurs, the government should therefore restrict its efforts to particular business models. It should also think in terms of providing solutions for the problems that are common to many or all business models.

More and more women in Taiwan today are starting their own businesses. In the future, government policy regarding the promotion of entrepreneurial activity by women will need to emphasize the exchange and sharing of experiences, and on strengthening entrepreneurs' knowledge in the areas of operational management, financial planning, technology, and other specialized fields. The government will need to focus on building a suitable environment for entrepreneurial activity, the establishment of female entrepreneurial activity funds, and enhancing the visibility of female-owned businesses.(project no.706C)

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Although the land tax system has been the main instrument of land policy in Taiwan, the results have fallen well short of the original objective, and thus this study proposes some urgent and necessary reforms. As far as the whole tax structure is concerned, the relatively high ratio of land value increment tax to land value tax should be reversed, in order to promote land use and facilitate land transactions. Furthermore, the housing tax rate should be lowered, and the land value tax rate should be increased.

For land value tax *per se*, in order to avoid placing an additional tax burden on existing taxpayers, the first priority should be the broadening of the tax base through the repeal of some tax-exempted land and the release of agricultural land to the market. An equal amount of grants-in-subsidy should be appropriated to make up for the loss of local government land tax revenue from the exemption of central government public land. A uniform tax rate, say 1%, could then replace the current regressive tax rate schedule, while the government-announced land value should be raised to a certain percentage of the market value.

For the land value increment tax, since the highly regressive tax rates have created some distortions in the land market, leading to volatility in tax revenues with economic cycles, the highest tax bracket should be lowered to 40%, and the appraisal of land value should be improved to reflect the true market value. In the long run the land value increment tax should be done away with and incorporated into the income tax system. This would require the Supreme Court to reinterpret the Constitution to relax the term 'land value increment tax' as a non-specific tax.

Local governments are currently reluctant to adjust the tax base according to the real market value, not only because the land tax rates are determined by the central government, but also because of the lack of a 'tax effort' factor in the grant-in-subsidy program. It is therefore important for the central government to define land value appraisal practices for local governments as an indicator of tax effort, in order to encourage them to expand their land tax base.

Case Studies of Multinational Enterprises in Taiwan, Ying-Hua Ku, Da-Nien Liu, Tain-Jy Chen, Jiann-Chyuan Wang, Ying-Chiao Lee, Hsien-Yang Su, etc , December 2003. (project no.651)

In this project we examine the behaviors of multinational enterprises in Taiwan. In the first part of this project we analyze Taiwan's overall strengths and weaknesses on infrastructure, government policies, and investment environment in comparison with South Korea, Singapore and mainland China. The results show that Taiwan's

market environment is characterized by high entrepreneurial spirit, innovative capability, marketing agility, and business flexibility. On the other hand, Taiwan should be more active in upgrading its infrastructure quality, improve administrative and legislative efficiencies, and further eliminate restrictions between Taiwan and mainland China.

We further conduct 10 case studies of multinational enterprises in Taiwan. The sample includes six American, two Japanese, and two European firms. In general, they attribute their success to Taiwan's high quality of human resources, mature industry clusters, excellent strategic location, and strong R&D capability. In addition to Taiwan's further intense competitive advantages, they suggest that Taiwan's government should generate more tax incentives, reinforce the protection of intellectual property rights, and provide foreign enterprises with "one-stop services".

The results of the case studies indicate that a stable cross-strait relation with mainland China is beneficial to reducing investment risk in Taiwan. Taiwan's government should acknowledge the importance of "three links" and remove restrictions in order to strengthen the island's competitive advantages.

The project also provides 7 successful enterprises' ads and 2 brochures: "Growing with Taiwan" and "Taiwan: the best strategic location for global business" to the Taiwan Business Alliance Conference, which was held on October 19-22, 2003.

2004 Management Trends of SMEs, Hui-Lin Wu , December 2004. (project no.706A)

A) Small and Medium Enterprises and Information:

(一) Basic statistical information:

1. From the raw data provided by the Financial Data Center, Ministry of Finance and Directorate-General of Budget Accounting and Statistics (DGBAS), the values related to the number of small and medium enterprises, their employment and employed, and their sales (internal sales and export) after processing are as follows:

Taiwanese enterprises in 2003 operated as a whole better than in 2002 due to a rapid global economic recovery and continuous global trade growth. The total number of enterprises was at 1,172,000, a 3.65% increase from 2002; national employment totaled 9,573,000 (1.26% increase); national employed was 6,898,000 (1.88% increase); total enterprise sales were at NT\$27.670 trillion (increase of 8.96%), including domestic sales of NT\$20.337 trillion, (73.50% of the total and a 10.61% increase from 2002), and exports totaled NT\$7.332 trillion (26.50% of the total and an increase of 4.63%).

There were 114,600 small and medium enterprises in 2003, 97.83% out of all

enterprises and a 3.77% increase from the year 2002; employment was 7,425,000 (77.56%), an increase of 0.87%; 4,754,000 were employed (68.91%), an increase of 1.54%; sales totaled NT\$8.707 trillion (31.47%), an increase of 16.17%; domestic sales were NT\$7.379 trillion (36.28%), an increase of 20.10%; exports totaled NT\$1.327 trillion (18.11%), a decrease of 1.71%.

2. Small and medium enterprises' labor force in 2003:

(1) Small and medium enterprises' employers increased almost up to 4,000 people in 2003 from 2002, to a total of 493,000, with a slight increase of women employers from 2002.

(2) The "Small and Medium Enterprises Manpower Assistance Program" from June 18 to December 31, 2003 approved a total of 41,386 people for prize assistance; 10,992 small and medium enterprises benefited, and there were 34,680 that actually assumed the post.

(3) Taiwan's national economy improved in 2003, as the main incomes for certain professionals were higher than in 2002, while incomes for workers in large enterprises on average were higher than in small and medium enterprises; small and medium enterprises' work hours were longer than large enterprises or governmental institutions.

3. The financial situation of small and medium enterprises: Taiwan's economic growth rate hit 3.59% in 2002, mainly because international net demand increased; however, national unemployment rose, there was insufficient property investment, and enterprises' financial situation as a whole did not improve, as shown by 37.74% of SMEs not making any profit. Out of the ten main industries, manufacturing had the highest profit-making ability, while financial, insurance, and property industries suffered the highest losses - a yearly loss of -25.26%.

For the capital needed for manufacturing operations or investment, regardless of enterprises' size, over 70% of the loans were from domestic banks; 37.74% were for capital increases, and 28.35% were from retention or common reserve funds. Of those that considered it difficult to gain capital, small enterprises were the highest at 45.33% and then medium enterprises at 35.86%. The three main reasons for funding difficulty: first, the economy was no longer booming, and thus financial institutions suffered credit crunches; second, the financial institutions underwent strict examinations for credit loans; third, the interest rates for the loans were too high.

From SMEs' viewpoint on financial institutions, at the end of 2003 the loans from general banks lent to SMEs totaled NT\$2.81 trillion, a 0.28% decrease compared to the same period in 2002. Cooperative Bank of Taiwan had the highest

credit loans to SMEs; 14 domestic financial groups of the financial holding companies, compared to 2002 in the same period increased their loans by 10.99%. The amount of small and medium enterprises' loans, as a part of each NT\$100 dollars of business loans, continued to decrease, from NT\$37.6 in 2002 to NT\$32.72. The Central Bank of China continued its loose monetary policy, as the Bank of Taiwan and five large banks dropped the average interest rate on loans from 8.440% in July 1995 down to 2.355% in December 2003, reflecting a decrease in enterprise costs.

(二) Summary of small and medium enterprises' related events

After screening and examination by the White Paper on Small and Medium Enterprises' editorial committee, 53 related news events in total are summarized for the year 2003.

(三) Small and medium enterprises' literature information

Searches on the National Central Library's Catalog of Research Dissertations on Chinese Culture website were conducted from January 2003 to August 2004 for dissertations and periodical papers related to small and medium enterprises. The Chinese section was divided into nine topics: finance, human resources, production and development, enterprise strategies, electronic commerce, cultivating innovation, government policy, overseas direct investment, and general conclusions, resulting in a collection of 96 papers or research reports, as well as 36 English papers.

B) Applied Analysis

(一) Ratio of small and medium enterprises that received governmental resources

Governmental resources used on small and medium enterprises totaled NT\$69.059 trillion dollars in 2003, including:

1. SMEs contracting or subcontracting government purchases totaled NT\$653 billion.

2. The amount that the ten guidance systems spent on small and medium enterprises in 2003 was NT\$1,872 billion; if one includes NT\$26.2 billion by the Council of Labor Affairs for small and medium enterprises' entrepreneurial training, then the grand total of government spending on SME training would be NT\$1,898.2 billion.

3. Small and medium enterprises' loans from a special plan funded by the government totaled up to NT\$1,327.4 billion; credit premium/guarantee overdue loans came in at NT\$534 billion; total government loans were NT\$1861.4 billion.

(二) Small and medium enterprises' survival rate

The agility and operational flexibility of small and medium enterprises is a special quality, undeniably due to the small scale of small and medium enterprises. Congenital limitations include operational management ability, obtaining capital and talent, upgrading techniques, gathering market information, and grasping the target market. Hence, SMEs' survival conditions are lower than larger enterprises. As such, their survival rate has become the focus point of the government as well as enterprises. This study uses business tax collection statistics collected by the Financial Data Center, Ministry of Finance for the calculation of SMEs' survival rates and finds that the percentage of domestic SMEs operating for more than a year and under two years reached 99%. However, with the increase of operation years, the survival rate for an SME decreased, as by the fifth year of operation the survival rate was down to 63.12%, because only 63.12% of SMEs were still in operation on their fifth year.

(三) The insight of cultural creative industry for small and medium enterprises

“Cultural creative industry” is “a profession that originated from creativity or culture accumulation, through the development and use of intellectual property, with the potential to create wealth and employment, and promote the improvement of life environment quality as a whole.”

When compared internationally, Taiwan's creative industry in percentage of GDP is slightly higher than Hong Kong, lower than Australia and New Zealand, and inferior when compared to the United Kingdom. This shows that in the area of creative industry development, Taiwan still has plenty of space for improvement.

Attempting to change from a work studio/establishment to an industry in the cultural creative industry field, one first must consider costs and profits, and then take into consideration whether the product offers innovation, originality, and potential to develop into its own brand, or capabilities needed for successful commercialization. At the same time, one must be able to withstand the changes from the transformation from the studio/establishment to an industry in regards to the human resource system, the large scale adjustment in management, the introduction of external funds, and the arrival of profit and market pressures. Franz Collection, for example, first started by assisting large companies with OEM or a prototype authorization, but retained the creator label in marketing and manufacturing, while earning stable profits, biding its time, and building a reputation.

(四) Taiwan's SME internationalization

Enterprise internationalization can be divided into two directions: exports and overseas direct investment. With traditional labor-intensive industries moving into the mature stage and the pressure from rising costs, Taiwan's SMEs and certain

industries have been unable to upgrade to overseas direct investment increases on a yearly basis. As to the aspect of international motives, the internationalization of Taiwan's IT sector has often become one of the many important reasons of the impetus for the internationalization of Taiwan's SMEs. Overall, the motivation for Taiwanese business investment in Southeast Asia or China is as follows: decrease the cost of labor, expansion of scale to increase productivity, meeting the needs of clients, achieving cost advantages, searching for new markets, dispersing risks, searching for product resources, trying other professions, etc. For those firms that choose to invest in Europe or America, they mainly do so to grasp technology superiority, product uniqueness, and/or disperse risks.

According to the Manufacture Investment Overseas Survey published by the Ministry of Economic Affairs in October 2003 regarding investment conditions, the overseas industry investment sole ownership condition for Taiwan's SMEs overseas has shown an increasing tendency, while the percentage of joint investment by small and medium enterprises is much higher than it is for large enterprises. The four most common models for SMEs to enter the international market are: exports, authorization, joint investment, and sole ownership.

SMEs' overseas marketing pipeline has not shown much change in regards to: the transnational marketing and management problem, or direct marketing by the overseas child company or the mother company in Taiwan in charge of sales. A shortage of local human resource quality is the main management problem faced by manufacturing companies. For three years in a row the Manufacture Investment Overseas Survey showed from mother and child company interactions that the overseas child company had the larger power in human resource decisions. However, the percentage of a Taiwanese company and an overseas company making joint decisions has increased yearly, while the percentage of an overseas company solely making the decision has decreased yearly. Over 1/3 of overseas manufacturing companies made profit, over 1/3 suffered loss, but the trend in profits is improving.

(五) Emerging industry development situation and internationalization policy

In order to increase the process of department interaction and internationalization development, advice is given to the government as follows.

1. Investment: including the collection of information, talent training, building an intangible asset appraisal system, encouraging international technical cooperation, and strengthening the ability of the service industry's globalization.

2. Related industry and periphery unit: including the ability for service industry

backup and support, government and associated periphery unit supplies, and encouraging industries to change their situation for the better.

3. Environment: including an all-around examination of the laws and regulations, liberalizing the law, perfecting the standards for usage of research funds, and developing Taiwan as a center for brand exchange.

The Effects of SARS on Small and Medium Enterprises (SMEs) Investment in China, Hui-Lin Wu , December 2004. (project no.706B)

In 2003 SARS affected almost all areas of trades and occupations. According to the statistics, up to 1/3~1/2 of all professions were affected by SARS, causing a decline in the value of sales, with the service industry bearing the brunt of it. Due to the difference in degree to which each profession was affected and in order to understand the depths of how small and medium enterprises (SMEs) were affected by SARS, the industries of drug manufacturing and medical supply, textile, travel, hotel, and hospital and clinics were chosen to be distributed questionnaires. The above five industries were especially affected by SARS and their results are below.

For the aspects of enterprise operations, micro-enterprises were severely affected by SARS, followed by small and medium enterprises, while large enterprises suffered relatively smaller minimum income decreases. The percentages of SMEs and micro-enterprise businesses that made no amending measures were much higher than that for large enterprises. For those enterprises that took action regardless of the scale size, the main two measures were to increase sanitary measures and to cut down costs. The larger the scale was of the enterprise, the more likely it was able to put the government's wage policy into practice.

Regarding the effects of SARS on confidence for cross-strait investment, the larger the scale was of the enterprise, the higher the decrease was of its investment confidence in China, while the smaller the enterprise scale was, the higher the percentage was in the belief that there was no effect. Regarding those who had already invested or would have investments in China, they mostly believed that SARS and other diseases would have no influence over their investment confidence in China. Furthermore, regardless of the scale size, most agreed that the "SARS epidemic raised enterprise consciousness to the importance of world ethics and morals," and they expressed disapproval with "China's methods of intentional concealment and severe restriction on SARS epidemic information".

The effects of SARS towards different professions were on the whole more marked than on different scales. Fortunately, after one year most enterprises have bounced back with no after-effects from SARS. Only 9% of enterprises have not

completely recovered from the shadow of SARS, especially the travel industry and hotel industry.

A Study on India's Economic Development and Strategies for Promoting Economic Links between India and Taiwan, Hsin-Hung Chen , January 2004. (project no.730)

As a result of its economic reform since 1991, India has made impressive progress in economic development, but this country is by no means free from bottlenecks that have a root in India's economic structure. Though such problems may hinder India from further development, they have given rise to a diverse economic profile, with some sharp contrasts in certain aspects. Because Taiwan has been economically segregated from India over the last few decades, it has remained unfamiliar with the current status of the Indian economy. Setting up again the backdrop mentioned above, this project aims to deeply study Indian's trend toward economic progress and explore what this means to Taiwan's future prospects. To serve this aim, the project addresses such issues as follows: (1) India's economic status and outlook, with a special focus on the time-span after economic reforms in 1991; (2) an in-depth and balanced analysis on India's economic achievements, and the underlying reasons and implications on its further economic development; (3) putting forward feasible modes and recommendations for enhancing the bilateral economic relationships between the two countries.