Few major financial issues have been occurred in the APEC region since the beginning of year 2013, the depreciation of Japanese Yen has impacted APEC economies in terms of currencies and trading. SME as backbone of every economies are as well facing new challenges and opportunities in the brand new year. In the January issue of APEC SME Monitor in 2013, experts of the APEC SME Crisis Management Center continued to carry out intensive discussions on wide variety of topics. Enhancing SMEs' knowledge and capabilities for adopt external changes and crisis.

In the "SME Development" section, the expert demonstrated a case study on an on-line home repair and improvement company (5459.tw), using it as an example of successful business transformation model from customer-orientated to user-orientated. Meanwhile, the expert also illustrated another story focusing on the on-line Wal-Mart store as a powerful new force to rise in Mainland China. Both showcase the hardship of starting new businesses, as well as on how they managed to overcome difficulties when their original plans became useless. The expert demonstrated how these companies were able to identify core value for problem solving, then transform such experiences into a sustainable model.

In the "SME Challenges" section, the experts elucidated the myth of SME's utilization on factoring, where cash flow and turnover became a major impediment facing SME to grow, and a very challenging yet risky step for SMEs to take. In response to SMEs' need for credit insurance and payment security, the concept of factoring service is developed to enhance the process of collection and insurance. Yet, factoring service is also not 100% safe. To clarify such concept, the expert illustrated the whole picture of the factoring service to avoid potential misunderstandings for the entrepreneurs in need, and demonstrated how factoring service could be beneficial for SMEs.

As for the "SME Policy" section, the experts revealed the popularity of cultural and creative industry as a new trend that draws SMEs' attention. Through the adaptation of cultural and creative industry, SMEs could add value to their products and companies. However, merging cultural and creativity elements properly are not a simple step that can be satisfied by just "seasoning" the company's product to enhance its value and brand. The SME owners need to seek a path to combine innovation with entrepreneurship, and therefore can finally enhance and develop a true brand for innovation that does not just look good on the surface, but rotten inside.

At the last section -- "Expert Perspectives", human resources are scarce yet vital to the growth of SMEs. A talented team can help the company to achieve its goals, or even a higher target of growth. In this regard, the expert of the article shared his experiences on recruiting, as well as introducing efficient channels for recruitment, that resulted in the growth of SMEs. In addition, the expert also showcased an interview with a famous law expert, as well as a trend master, Mr. Paul S. P. Hsu, where he shared his opinions and experiences through initiating the idea of "Asia-Pacific Regional Operations Center" and of "Knowledge-Based Economy" in 1990s. He discussed on the role and trend of international economies and how Chinese Taipei's industries should react to a harsh political and economic environment in order to find new opportunities to shine.

Johnny Yeh
Executive Director
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Business Model Converted: from Client-oriented to User-oriented

5945.tw, a website for home improvement experts, was first conceived in February 2010 by Jianguo High School alumni Jiaxin Zhang and He Fang, who did a wordplay in the website address homophonic to “call your experts” in the Chinese language. The website was officially launched in October 2010, and a registered company "5845 Co. Ltd." was created in March the next year. The website served as a hub for home repair professionals by providing expert listing on the site and receiving orders from customers. Currently, it is a leading website in the home improvement area. A large majority of the professionals listed on the website are information, sciences, and engineering graduates from prestigious universities such as NTU, NTHU, NCTU, NCKU, and NCU whose family businesses were in home repair and improvement (woodwork, building materials, furniture, kitchen equipment, etc.), giving them a sharp edge in the markets and a keen grasp of industry pulses. The management of the website, however, had a rough start and went through numerous changes in the past two and a half years before finally landing at a dominant position in the market.

When Passion and Entrepreneurship Met Challenges...

When the founders decided to start their own business in early 2010, they began to collect information on home repair stores and experts in the Taipei City area. The website was launched in September in the same year and managed as a platform for home repair shops and professionals. Targeting residential improvement stores and experts as their clients, the website generated revenues from selling online ads. Despite some level of attention that it gained on the Internet and in the home improvement circle, the volume of the website was low, with revenue under NTD 10,000 (approximately USD 330) for the first three months combined.

Then a letter from one of their users (consumers) arrived in early...
2011 that inspired the founders to design service request forms and brought them the first profitable deal. They also began filming ads for the website which were marketed online by video sharing and partnered with Yahoo! House (tw.house.yahoo.com) for more exposure. While these efforts did bring doubled website volume, the effect it had on the revenue side was insignificant.

The website saw a major makeover in August 2011, promoting two key features: "online expert search" and "service request forms". This helped the site receive over 20 request forms in a single month, a record-breaking number for the start-up business. In the following months, the number of service requests received grew by 50% every month. Constrained by limited human resources and inadequate process planning, however, the increasing website volume and service requests became the new challenge.

**Rapid Growth with a New Business Model**

By January 2012, the management team was determined to make some real impact by realigning their business. They dropped the "online expert search" feature and focused solely on service request forms. In that same month, a brand new SOP for receiving and processing orders was activated. The site was also featured with a full page spread in Apple Daily's financial news section, driving both single-day website volume and the number of request forms to record highs.

From website makeovers and business model adjustments to process renovation, the company has now laid a solid foundation in the industry for a continuous stream of revenue. In the first half of 2012, more new blood joined the team and the company was widely interviewed by the media, demonstrating the competitiveness and strength of a successful internet business.

**Key to E-commerce: User Orientation**

The major change in the process and business model of 5945.tw is that it went from being a portal website (medium), to a search engine (service), and finally to a match platform (channel), transforming itself from a client-oriented (targeting at home improvement professionals) to a user-oriented (targeting at consumers) website. By adopting a new business model, modifying the website interface, creating new contents, and managing the social communities, the company was able to boost its conversion rate based on an increasing number of website visits for its online services.

Previously, consumers were troubled by not knowing where to look for an adequate residential repair professional, and most home improvement experts were characterized by a lack of willing to communicate with consumers. This deep-rooted problem in supply and demand, along with an observed lack of standardized measurement mechanism, was solved after the successfully transformed website took on the role of a communication medium that offers two-way matching and recommendation services, accelerated process, and better service quality to both ends on the supply-and-demand chain, making this internet venture in a new frontier not only possible but a reality.
Web Wal-Mart- The Rising of Yihaodian: China' s No.1 Store

We have once again witnessed China's consumption strength on 11 November, which is what China calls "Single' s Day," as online sales surged. Many Chinese netizens, with the number exceeding 540 million in 2012, jumped on the opportunity to shop, causing e-commerce websites to breakdown.

Facing the rapid development of Chinese e-commerce, Yu Gang and Liu Junling conceived the idea of starting a new business when they were senior executives at the world-famous company Dell five years ago. Using experience gained at Amazon, where Yu participated in the acquisition of Joyo.com [Amazon China], his instincts told him China' s e-commerce market had great development potential.

Yu and Liu' s professional insight gave them courage, but they were also aware of the risks of "blind action." Before starting their own business, they have discovered that most e-commerce companies had a "vertical" supply relationship with the industry (Chart 1), targeting a single product line- may it be clothing, audio-visual publishing, baby-care, or 3C digital products. After their sales have risen to a certain level, these vertical companies would want to "expand horizontally," but they would most often hit the same bottlenecks when they expand.

Yu realized even if the e-commerce companies that sell baby-care products or books expand product lines horizontally, they still are not free of consumers' pre-existing image of them. After three weeks of discussion, Yu and Liu decided to build an all-inclusive, expandable, and gigantic e-commerce retail company that is not restricted to just one product line.

The question that came next was how they could let the customers realize Yihaodian is an inclusive platform which offers popular products that can fit their "one-stop shopping," needs and to ensure continuous customer loyalty.

What about branding it as a "supermarket"? Consumers tend to remember and connect the products they need in everyday life; therefore,
the aim would be to provide products that can attract strong "consumer habituation", and allow consumers to simply remember that everything they need in life can be found and bought home with just a click.

In July 2008, the first ever Business to Customer (B2C) "online supermarket" in China's e-commerce history, "Yihaodian," was launched in Shanghai. A simple motive had created a great platform, but the road leading to it was not smooth.

At the start, most people were not optimistic about the idea of "Yihaodian" and did not think it feasible because the products, such as soy sauce, oil, honey, vinegar, shampoo and conditioner, are often heavy and large, and can easily leak or break during shipping.

Yu himself brought beers from the website, and found a third of the order crushed when the shipment arrived at his house. Through many attempts, he tried to figure out how to improve packaging and shipping while reducing product weight.

Another problem they faced was the product expiry dates. Most of the food in the online supermarket has short expiry dates, the shelf life of UHT milk, for example, is only 45 days. The questions as to how to increase product turnover, sell products before they expire, and ensure that customers have enough time to consume the products before the expiry dates have led "Yihaodian" to create several patented backstage systems and develop a new warehousing process.

Other than that, there were also issues with the suppliers, storage units, logistics, and customer complaints, to name but a few, all were the entrepreneur spirit to the test. Yu and Liu went through numerous trials and fine-tuning just to open a new dimension in the e-commerce market.

"We realized the problem with e-commerce lies with the real-time delivery; over 60% of the customer complaints were all to do with logistics." Yu pointed out, "such as delayed, damaged, and lost delivery, not to mention bad courier attitude." In the end, they had enough and decided that it was time to take logistics management into their own hands in order to provide better service quality.
Yihaodian’s supply-chain management quality has also improved substantially after China’s Ping-An Group and Wal-Mart’s investment and resource sharing during 2011 and 2012.

Yihaodian has warehouses covering 220,000 square meters and an IT team of approximately 300 people, developing more than 10 management modules such as supplier, storage, warehousing, marketing, and customer relationship management (CRM). There are more than 100 of its own distribution centers in 30 major cities, and more are being set up in Beijing, Guangzhou, Chengdu and Wuhan. In two to three years, the company plans to set up warehouses in more than 15 cities in China, to operate an "all-coverage" logistics network.

This is recognized as the key to "lower operating costs" and it is also the foundation for enhancing the "customer service experience" and obtaining future market share.

For e-commerce companies, endless spending costs were nightmares they couldn’t avoid. Now, on Yihaodian’s platform, customers can purchase food, fast moving consumer goods, daily necessities, 3C electronics and many other products. The company was awarded "Future Star of China Enterprises in 2011" as its annual growth rate was outstanding 192.18 times from 2009 to 2011 consecutively, and reached a steady 20% monthly compound growth rate. Other than continuing to expand warehouses and product lines, Yihaodian has also prepared for more service and technology to mature to better suit people's habits of mobile shopping, including developing the highly profitable "Yiwang" (online pharmacy store) for online diagnosis, e-prescribing, and drug purchases.

Imagine the mixed feelings Yu Gang must have felt, going from being a professional executive, signing multi-million contracts when working as vice president for worldwide procurement at Dell, to becoming an entrepreneur who has to personally handle everything.

"When we started our business, we moved out of the luxury condos rented from Dell. Liu and I spent four months writing our business plans, doing market surveys, taking undergrounds and buses, meeting suppliers, rolling our sleeves to check on the warehouses, inspecting products, putting them on shelves, packaging, and making deliveries, absolutely everything." Yu’s mind went back to when they were starting out in business. "Past glories are in the past, and shall not be dwelled upon. From now on, everything starts from scratch."

Dreams are the wings that carry the entrepreneurs.

Yihaodian started out with a simple dream: give the public a brand-new inexpensive, convenient, and one-click-away lifestyle. But now as it progresses, it has changed how Chinese people shop.

"I have never doubted my value! I believe I can gain value as long as I can create it." Yu said. He likes himself better now that he is an entrepreneur. As his co-founder Liu said, "Everyday is exhilarating when we give it all."
Myth of SME's Utilization of Factoring

For SMEs, sale is important, but payment collection is more vital. If an enterprise is not able to successfully collect proceeds it deserves for its sale of goods or provision of service, it will not only cause the enterprise loss but also affect the ability of the enterprise to survive.

Failure of purchasers to make payment is not the only reason that causes unsuccessful collection of accounts receivable. In addition to failure to make payment, reasons for unsuccessful collection include refusal of payment, underpayment, or delinquency by purchasers, etc. These reasons can be classified into two types, which are "unwillingness to pay" and "acceptance but insolvency to pay".

The common reason that a purchaser argues for its unwillingness to pay is to put the blame on the seller, such as delay, shortage, or low quality, etc., which are viewed as an issue of commercial disputes. For these disputes, to which party the fault to be attributed cannot be determined immediately until arbitration is undertaken. Unfortunately, most of failures to collect payment in the business market are attributable to such kinds of disputes.

However, "acceptance but insolvency to pay" is not an issue of willingness but an issue of ability (unable to pay). Something wrong with credit of purchasers, such as bankruptcy, death, insolvency, restructuring under the decision of the court, etc., might be one of the reasons for inability to pay. Besides, some objectively irresistible events, such as loss of national sovereignty or prohibition against foreign exchange, etc., would be possible reasons as well.

When an enterprise does no collect the agreed proceeds at the time it sells goods or provides service, it will certainly debit the transaction as accounts receivable. However, not all of accounts receivable recorded by the seller represent accounts payable accepted by the purchaser. In other words, what the accounting title "accounts receivable" means is the "creditor's right claimed by the seller unilaterally" only rather than "debts accepted by the purchaser to assume". If the purchaser refuses to make payment by virtue of late delivery or quality defect in accordance with its strict examination standards, it is considered a commercial dispute rather than failure to make payment. Before the result of arbitration comes out, it is difficult to determine which party the fault should be attributed to.

In many economies, the seller is used to commission financial institutions to collect accounts receivable on behalf of the seller. When financial institutions offer this type of service, they ask the seller to assign rights on accounts receivable to financial institutions that will act on behalf of the seller to collect payments of accounts receivable from the purchaser. This type of service is called "Factoring". The financial institution that provides factoring service is a factor.
As a financial institution conducts factoring business, it usually assumes the credit risk and economy risk of the purchaser at the same time, which means that the financial institution will ask for "credit insurance" on top of "collection service". If a seller asks for collection service only without credit insurance, the rate is certainly lower but the seller has to assume the credit risk of the purchaser by itself. If the seller wants both of them, the mechanism of insurance will be activated.

The insurance responsibility assumed by the factor is limited to credit risk and economy risk, excluding risk of refusal of payment due to commercial disputes. In other words, if assumption of credit risk is included in factoring service and a commercial dispute occurs unfortunately, the factor will neither arbitrate the dispute nor manage the compensation. In such cases, the seller has to take the responsibility to solve the dispute.

The term "Factoring" is interpreted as "purchase of accounts receivable" in Chinese Taipei, which is quite a wrong interpretation and is easily misunderstood as outright purchase of creditor's rights. In Mainland China, "Factoring" is interpreted as "agent for accepted accounts receivable", which seems to be closer to the nature but not fully expresses the essence of factoring. The writer tried to translate "Factoring" as "commission" in Chinese in the mid-1980s, which means "to commission financial institutions to manage accounts receivable on behalf of sellers". Such translation was also used in the book named "Financial Engineering of International Trade" published by Taiwan External Trade Development Council in 1995.

Factoring comprises the following components:

1. Necessary component: Assignment (Transfer of the right of collection): The seller assigns its self-claimed rights of collection of accounts receivable (the purchaser has not yet accepted them as accounts payable) to the factor, which allows the factor to duly become the "payee" of accounts receivable.

2. Optional components (any one of the following optional components):

2-1. Collection: Collection is a type of service, where successful collection is not necessarily the consequence.

2-2. Ledgering: book recording and reports, including documents or electronic data.

2-3. Assume credit risk: excluding commercial disputes.

If the seller needs funds before the factor collects the proceeds, the seller may seek financing from the factor or other financial institutions. The proceeds received from factoring service is money lent by the factor to the seller rather than proceeds obtained from sale of the creditor’s right. If collection process mentioned in Paragraph 2-1 above is not successful, the seller (the borrower) has to repay the loan.
For the seller, the following two points should be carefully noted:

1. Factoring does not cover refusal of payment or disputes. Therefore, use of factoring does not mean that "self-claimed accounts receivable" will be exactly "accounts payable accepted by the counterparty".

2. Financing is money obtained from borrowing. When the factor successfully collects the proceeds, the proceeds will be the source for the prepayment of the borrowing. Otherwise, the seller has to repay the borrowing by itself. Fund appropriation by the factor does not mean that the seller owns the money and is not liable to repay it.

For the "financing provider", the following points should not be ignored:

1. Accepting assignment of the seller does not represent that accounts receivable claimed by the seller are exactly accounts payable accepted by the purchaser unless the purchaser "accepts to pay".

2. Appropriation of money to the seller based on "assumption of credit risk of the seller" does not mean that "there is no dispute existing in the transaction". Existence of commercial disputes should not be overlooked.
SMEs, and Cultural Creativity: How many millions do you want to make with culture?

I recently had the opportunity to give a speech to a group of investors in the cultural industry visiting Chinese Taipei from Mainland China. The topic of the speech was, "How many millions do you want to make with culture?" The audience's response was that the topic was very meaningful to them, since aside from the wittiness of the speech itself, they felt that the topic directly questioned if the low-capital businesses permeating the cultural industry were able to create "millions" with culture. If we reflect upon the multitude of SMEs here in Chinese Taipei, do they really need to be associated- or even tied to- culture, and is cultural creativity a hand that helps or hinders? Ever since some time in the past, all SMEs needed to call upon the assistance of the cultural creativity industry if they wanted to stay in the game; otherwise, they would risk fading away in the industrial sunset. The boss of a SME once jokingly remarked, "If industries need values of 'production', then businesses need values of 'spirit', the spirit of SMEs!" The "spirit" in question here denotes, in addition to the business' own expertise, the extension into the cultural and creative industry, or alternatively using cultural creativity to improve and beautify the "spirit" and qualities of the business itself.

Yet when confronting issues, all SMEs in Chinese Taipei know that each and every business needs a unique and irreplaceable corporate culture. Throughout the years, this has shifted into corporate cultures centered on the personalities, decisions and actions of the corporate head or founder. We could say that the spirit and quality of the business is, in fact, a culture of the chairman, or of the founder's ideals.

In fact, cultural creativity is not a mere seasoning that SMEs sprinkle on to enhance their flavors and increase their values. Businesses are like freshly picked fruits, or seafood straight from the sea: they themselves are sweet and juicy enough, even without seasoning. This sweetness is what we would normally call "aesthetics". Perhaps "aesthetics" is too serious a word; but if we take a broader look, Apples iPhones that are selling faster than hotcakes, the Cirque du Soleil, the Open-Chan mascot of 7-11, the "Keep Walking" slogan of Johnnie Walker⋯⋯, these are all examples of the cultural and creative industry. They continue to produce new ideas, new perspectives, new ways of life, new values for services, and new inspiration for the spirit, which then become converted into value for productive industries, morphing into a charming forme nouvelle, an improvement to the culture of life.
Here is a multiple choice question: In a small business manufacturing hardware parts and materials, Salesperson A says, "Last weekend I went to see the hardware and material exhibition at the Taipei World Trade Center." Salesperson B says, "Last weekend I went to see a spatial installation art exhibit at the Taipei Fine Arts Museum." As the boss of the company, which salesperson would you think has done something more beneficial to the company, Salesperson A or B? You might want to answer that both are important (while secretly thinking that A is more important than B); but it turns out that one day B organizes an installation art exhibit using hardware parts to create animals, airplanes, dinosaurs and rockets, attracting and amazing visitors big and small much like the recent Lego exhibition. Afterwards everyone buys a set of assorted hardware materials to make their own creations back home, and the company builds upon this successful business event, coining an official name for it, and bringing in expert designers for a brand name recognition plan and creative products, such as screw-shaped pens and screw head-shaped pen racks. This project has successfully changed this previously unknown company, developing its "from B to B" track into "from B to C", since their name has become widely known through a creative exhibition and well-thought design. This company is currently preparing to go public. From this example, we can see that all SMEs have the potential to inject the soft power of the cultural and creative industry, and have this power reflected in the hard power of monetary value and sales. Another more concrete example: taxi drivers feel grateful because someone has finally set up outdoor seats at convenient street corners for them to enjoy coffee and cakes made by chefs from five-star hotels. This company is 85°C: what they did was simply popularize high aesthetics, and thus managed to satisfy a clientele that was previously overlooked.

Imagine: cold, hard hardware parts and materials can become installation artwork, and ordinary street corners can transform into a Parisian setting of open-air cafés. As the cornerstone of Chinese Taipei’s economy, the owners of SMEs need not be too hesitant: regardless of whether funding or fostering cultural creativeness- or even transforming the company into one focusing on the cultural creative industry - will bring in additional millions, the injection of artistic aesthetics into the company alone will help each and every part work smoother! One day, when the boss overhears the secretary say, "I went to a concert at the National Concert Hall yesterday," he or she will smile and think, "Just do it!"
A Good Team Creates a Great Company- SME Recruitment Experience Sharing

The greatest difficulty a SME would face during the infancy of its establishment would be looking for funds and talent. Funding issues could be resolved by borrowing money, but many works within the company, such as core technical development jobs, can only wait until those qualified come knocking at the door. Therefore, after I came back from the United States and created "TripNotice" in Chinese Taipei, I basically used all my time looking for people within the first three months. As our corporate team members expanded, searching for talent remained one of my most important tasks. My experience in recruitment can be summed up in the following four points:

1. Make an effort in writing a good recruitment advertisement

In order for SMEs to attract job applicants, the company must make an effort in writing the recruitment articles; not just simply listing the company's needs and work content. Since we've already spent the money on advertising, then the advertisement should make use of its advantages and promote the company's products and corporate concept as well. Also, since the job applicant would only be able to get to know the company's background through this recruitment advertisement, therefore making an effort in writing the copywriting would also show that the company attaches great importance to talents. From my experience, an ad would attract younger job applicants if the content is written in a more relaxed tone; while putting an actual photograph of the office would be much more convincing than just writing "great work environment" in the ad.

2. Take the initiative to contact job applicants

When I first came back to Chinese Taipei, I was not familiar with recruitment channels available in the market. When I asked friends with recruitment experience for advice, all I received were numbers; namely, 104, 1111, 518, and such job hunting websites. Frankly speaking, I wasn't very successful at the beginning since I received very little résumés from job applicants. After fellow entrepreneurs showed me the light, I realized I couldn't just wait for talents to approach- on the contrary, the company founder had to actively search these massive website's data bases and phone job applicants directly, and tell them about your company, available jobs, and company concepts. Only by doing so, would you be able to increase the possibility for talents to notice your company and consider working for companies other than large enterprises.
3. **Try different recruitment channels**

Other than professional recruitment websites, I also tried different promotional channels, including employment service centers in schools, online discussion boards, and also asked friends to spread the word on Facebook. Surprisingly, the effects of these channels would sometimes outshine professional recruitment websites. For example, an online discussion board about entrepreneurship and travel (and not about job hunting) would give us a number of excellent résumés. I’ve discovered that these job applicants were most often introduced by their friends and relatives, people who often visited these discussion boards. When these friends and relatives see the company’s recruitment advertisements, they would actively pass on the message to people who they think would be interested in the jobs available. As a result, making good use of these channels would not only increase company exposure, the company would also receive absolutely free pre-selection services from these friends and family.

4. **Think from the job applicant’s perspective**

As the boss who pays the salary, you would often think of sending out jobs as a kind of charity. But you must keep in mind those job applicants who choose small companies are also paying a price for their decision; for example, talented people would often have to face pressure from their own friends and family who expect them to find a stable job in a large corporation. Therefore, from the recruitment stage up until later working with each other, it is vital to always think in the job applicant’s perspective, and to understand and help solve their problems. Moreover, "TripNotice" always welcomes our staff’s family members to visit the company, observe our work environment and our team in action. Being empathetic is an advantage that SME’s can most easily put across to job applicants.

"TripNotice" is now about to welcome its first anniversary. When I think back now, I believe that the time and effort spent in recruitment is a very worthwhile investment because a SME’s most important asset is its people. Only when you have a good team would you be able to have a comfortable and efficient work environment, bring the effects of unity into play, and allow the company to thrive in a competitive environment.
Promoting the Strategic Value of Chinese Taipei: The Activation of Developments in Operations and Industries

Interviewer: Pei-Hwa Pai/ Photographer: Chia-Lun Lu

Paul S. P. Hsu, Chairman and CEO of Phycos International Co., Ltd., is generally recognized as a famous law expert. However, the widely known ideas of "Asia-Pacific Regional Operations Center" and of "Knowledge-Based Economy" that emerged in the 1990s were both devised and initiated by Hsu. It is not so relevant to call him a law expert than to consider him as a trend master. In some even earlier time, Hsu already participated in establishing the regulations of Hsinchu Science Park, attracting foreign investments; in the 1980s he persuaded the government to amend the law to open up to foreign services, introducing the legitimate investments of McDonalds and Avon in Chinese Taipei and consequently driving the following three decades of service revolution in Chinese Taipei. All these acts have shown how Hsu accurately foresaw the market trend and opportunity. Through this interview, we hope to show our readers how one could possibly find innovative business opportunities among all the risks in the chaos of the global economy.

To Chinese Taipei, the International Circumstances as a Threat or as a Chance?

According to Hsu's observation, while Greece and Spain is indeed currently faced with a rather grim economy, situations in Chinese Taipei are not that severe yet. Under the traditional capitalism of the West, Hsu said, the financial services have emerged with the globalization of capitals and markets in recent years, weakening the sovereignty and tax capacity of democratic economies and meanwhile strengthening the capital market and the unequal distribution of resources. This has incurred not only people's dissatisfaction but also an enormous amount of economic loss around the world, leading to the greatest financial crisis that the history has ever seen since the Great Depression in the 1930s. As a result, the traditional capitalism of the West is undergoing a severe challenge. On the other hand, the state capitalism- not only with the most prominent example of by China, but also with economies such as Russia and Singapore, where the largest majority of the banking industry is owned by the state and where the mentality of state capitalism- has caused a lot of contradictions. The two major trends now, in other words, include that the Western traditional capitalism has come up with challenges, and that the state capitalism of the non-democratic countries has been faced with contradictions.
Hsu then went on to say that, even though the so-called emerging markets, so-called BRIC and other new names gradually appeared on stage under such circumstances as described above, he still cannot see this as necessarily meaning the appearance of new markets. Rather, what he prefers to do first is to examine the problems that industries in Chinese Taipei are faced with, primarily problems in terms of capital, human resources, and technology.

- Chinese Taipei’s SMEs in fact can be very competitive. Yet the fact of excessive number of those companies, each being too small, makes these SMEs relatively less competitive than international enterprises. Therefore, they need to consolidate.

- Their business concentrates mainly on the domestic market; those industries that already entered the international market mostly adopt the mode of OEM and ODM, and consequently the differences are too small, particularly in the IT industry. With insufficient innovation, the IT industry is now faced with problems; some companies are already undergoing the process of transition, while others are having a hard time of doing that. Not able to enhance their value added and to adapt to the needs concomitant with the industry internationalization and multinational operations, the IT companies have weak relative profits. Moreover, they have long overlooked the importance of innovation, marketing, and their own brands.

- There is excessive capital, but the financial businesses lack innovative and diversified products. The financial businesses, however, should take the lead of all industries, actively making investments, finding out opportunities, and then making it possible to consolidate.

- Chinese Taipei has adopted a laissez-faire attitude towards underground financial activities, but contrarily has not been able to offer an official recognition and encouragement to non-banking financial services that are legitimate. Non-banking financial services are characterized by not accepting public deposits, not selling financial products to the public, and not being able to charge to the public for any business like what insurance companies do. Therefore, a non-banking financial service company can be completely self-funded, or it can also take loans from banks, like what ordinary companies do. Interestingly, Mr. Hsu convinced China’s official authorities of this theory.

- There is insufficient service labor force equipped with first-class capabilities of both creativity and execution.

- There is inadequate knowledge about the emerging industries and the new kinds of industrial operating mode.

After the year 2000, the orientation of regional economy and knowledge-based economy required Chinese Taipei to move forwards to industry of high value added products, as concept of value-added production was included industry. If we consider the financial turmoil in 2008 as the trigger of the global economic crisis, this turmoil is still a debatable issue. Moreover, ever since 2010, according to Mr. Hsu’s bold statement, all such happenings as the movement of occupying Wall Street and the rise of the so-called emerging market should be understood, strictly speaking, as part of the broader trend of the redistribution of wealth. In this trend, we should define Chinese Taipei’s soft power as its strategic value; in addition to developing innovative products and technology, it should also develop towards innovative operational mode and new life-style.
The Vision for Chinese Taipei and its Advantages for Development

As Mr. Hsu pointed out, Chinese Taipei still has large advantages for its industrial development. With its rich industrial experiences, the worldwide Chinese society, and its various kinds of top performances in the world, Chinese Taipei is an economy with tremendous vitality for development. In his view, Chinese Taipei can play the following roles in the global economic development during the years from 2015 to 2020:

- A pioneer of life-style;
- An innovator of soft economy;
- A leader of industry technology;
- An integrator of the global resources;
- A maker of standards;
- A practitioner of sustainability.

As Mr. Hsu especially pointed out, some of Chinese Taipei’ s featured industries have physical value and can therefore serve as Chinese Taipei’ s niche- its advantages, a very competitive direction, a best choice as an investment target, and also the direction that Chinese Taipei’ s policy guidance should take. According to Hsu, Chinese Taipei can choose from the development options listed below:

- **Competitive emerging industries**, such as the health care industry, cultural and creative industry, clean energy industry, education industry, diversified financial services sector, composite tourism industry, and so on.

- **Industries with capacities of package plant export and technology transfer**, such as the agriculture, fisheries and aquaculture industry, the food chain restaurant industry, the infrastructures including hydropower and transportation network, the education services, the cloud computing industry, and other industries capable of package plant export.

- **Industries that can make strategic cooperation with foreign enterprises and together enter into the emerging market**, such as the financial industry, department store logistics, training services, human dispatch services, etc.

Reflecting on the Physical Value of Chinese Taipei’ s Industries in the Face of Financial Crisis

Financial services should be connected more closely to the real economy.

The success of the industry chain requires the financing chain’ s cooperation.

As Mr. Hsu particularly pointed out, it was based on good will that venture capital was introduced into Chinese Taipei, with the intention of insisting some start-up enterprises. Many
investors, however, only wanted to see their invested targets appear on the market within a year or two, with immediate profits. As a result, many start-up companies ended up being unable to acquire funding. Here is an example he told us:

One day Barry Lam told me, "The best thing that has ever happened to me in my life is that at the time when I needed capitals, no one invested in me" He has always held a large share in the company by keeping biting the bullet. And of course in Barry Lam’ s case he succeeded eventually, but there have still been many other cases in which people could acquire no continuing funds even after biting the bullet and could have no other choice but to close down. That day I half-jokingly said to him that had he came and asked for me to offer him some investments, I would certainly agreed and, however small amount I had invested, I could have had earned some hundred times of rewards today.

At that time being, whether there could be more understanding about these industries, there could indeed be better chances. Mr. Hsu said that there are different stages in the growth of SMEs; they need equity financing as well as debt financing. The capital chain services are a direction that Chinese Taipei is still likely to pursue. It allows the SMEs to have access to funds in the start-up stage as well as growing stage.

Promoting new kinds of business models can help to develop new industries. Chinese Taipei needs to determinedly develop innovative business models and industry transformations.

When it comes to how the promotion of new kinds of business models can help to develop new industries, Mr. Hsu earnestly indicated that Chinese Taipei needs to determinedly develop innovative business models and industry transformations. Any industry, as long as it has its modes of income sources, has its financing needs. The question of how to architect such financing needs, then, depends on the activities of financial innovation. As to other modes of business, they depend on the development of new ideas. The idea of package plant export is to combine the machinery and equipment, the production experience, and the standard factory. In early times, Chinese Taipei’s industrial development depended on this mode of business, while the financing came from foreign banks.

The Executive Yuan and the various ministries should introduce concrete and feasible development policies based on the advantages Chinese Taipei had in the past in terms of development. These policies include nine major facets.

Mr. Hsu had also mentioned these nine major facets in several of his speeches. In view of the past two years, Chinese Taipei’ s policies have yet to provide counsel to industries. At this present moment when Chinese Taipei’ s economic development is coming to a bottleneck, to reconsider those nine major directions can serve as a good way to inject new blood into the economy in Chinese Taipei. Excerpts from Mr. Hsu’ s talk on this matter are listed as following:
1. **Promote turnkey project and total solution.**

   Mr. Hsu underscored the valuable experiences that Chinese Taipei has had. The past things, once being integrated together, can become the soft power of Chinese Taipei. If the emerging market economies want to cooperate, Chinese Taipei can offer them a whole set of solution, including the machinery equipment, the production line, and the standard factory built by constructors. In exchange, Chinese Taipei companies should acquire technology stocks, and should be the buyer of raw materials and components as well as the distributer. In this way, there can be many subsequent business opportunities. The downstream of OEM’s orders can be outsourced; there can be a lot of methods to seek value added; and, Chinese Taipei can achieve innovations and upgrades, seizing various different modes of business opportunities.

2. **Open up skill training to private schools; Corporatize educational institutions.**

   Mr. Hsu proposed that the government should relax relevant laws and regulations to allow private colleges and universities as well as other extra-school educational institutions to choose whether they are to operate in the form of corporations. In this way, the practice of education and training can be confirmed as a type of service industry and therefore be consistent with the regulations of WTO and with the trend in the world. Also this practice can help the emerging market economies cultivate talents. The business opportunities lie in the intention of the emerging market economies to send their people to be trained in Chinese Taipei; such training can be seen as two types, one as the formal academic degrees of bachelor or master, and the other one is more important as what they may need. If Chinese Taipei industrializes education, in other words, there will be great business opportunities. Some businessmen opened kindergarten in China and succeeded by earning a great deal, with some of them going to appear on the foreign market. When it comes to the question of how a company’s services or products can contribute to the society, here is a way of systematic thinking.

3. **Open up corporatization to private hospitals, including various medical and healthcare services, and promote industrialization of health (medical) services, so as to help the emerging market economies enhance their health and medical standards.**

   Chinese Taipei’s medical industry has had extraordinary achievements, and this is also the kind of industry that China needs now. As suggested by Mr. Hsu, Chinese Taipei should allow those institutions to be organized in another mode of operation such as medical management companies, which possess assets and medical equipments that can be leased to hospitals. Min-Sheng General Hospital, in some time later, adopted this solution method and transform into a medical management company, which later on became Landseed Hospital in Shanghai.

4. **Commercialize the agricultural technology and industrialize agriculture, so as to respond to the global food shortage and the need of food security.**

   The Council of Agriculture of Chinese Taipei has not yet developed an agricultural policy with a clear direction with regard to Chinese Taipei farmers’ foreign investment, and they have had no idea about how to manage this matter. What they should do now is to encourage Chinese Taipei’s agricultural technology and agricultural enterprises to enter the international market, developing the agricultural industrial chain. Just like people can make an immediate connection between KIWI and New Zealand, Chinese Taipei’s rice and mango can similarly become products on the world stage, and before that they need brand and standardization.
5. Actively promote R&D units to enter into the international market and proactively strive for commissioned research from the emerging market economies and international organizations.

This includes the promotion of various institutes' R&D units, agricultural research institutes, improvement stations, Academia Sinica, and so on, to actively participate in technology transfer and thus to develop into the R&D strategic partners of the emerging market economies. Moreover, Chinese Taipei can also promote industrial development by founding incubation companies and thus operating start-up or spin-off companies.

6. Encourage Chinese Taipei’s manufacturing industry to enhance their added value by means of knowledge, technology, and services, and also to regard the demands from emerging markets as important potential markets.

Many of Chinese Taipei’s industries are in the process of transformation, especially transforming from manufacturing into service industry. While the main concern of manufacturing industries is to cost down, that of the service industries is to enhance added value. Uni-President Enterprises, as a best example, has developed from food production to convenience store and further to various kinds of diverse extension services. Moreover, many other kinds of industry are also derived from these transformations. In the future, Chinese Taipei can strengthen the development of such industries as technology trade, knowledge trade, engineering consulting services, design services, personnel training services, manpower dispatch services, environmental protection services, and so on.

7. Encourage our domestic industries to participate in various kinds of international organizations’ cases, and thus assisting the emerging market economies’ development through international organizations.

The government should help Chinese Taipei’s SMEs participate in the bidding cases of UN and other international organizations, such as International Finance Corporation (IFC), World Bank, Asian Development Bank (ADB), and European Bank of Reconstruction and Development (EBRD). There are a lot of opportunities provided on a regular basis with regard to these international organizations’ bidding cases; many of them are in the Middle East and Former Eastern European countries, while ADB’s cases are located in Asia. A comprehensive way to participate in bidding these cases may include (1) to set up an instant website, which immediately informs Chinese Taipei’s industries of the these cases; (2) to have the government integrate the bidding industries and cases, and also to offer relevant messages to the banks; (3) to have the companies train and cultivate personnel that can meet the needs of the international organizations’ cases; and, (4) to have financing sources for the bidders.

8. Comprehensively develop knowledge-based economy, respecting knowledge and focusing much importance and attention to the professionals.

For example, the government should modify the limitations of the existing procurement law and encourage innovations and researches. Also, we can reference to the practice of the Netherlands, making technology transference as a technology trade. We should also think about the production of Chinese Taipei companies overseas and include this issue in the encouragement trade policy. Or, we can also adopt practices similar to Japan’s trading
practices, in which any commerce that has been handled by a company can earn the highest profit in the trading process.

9. Open up non-bank financial services

For example, open up financing companies, so as to enable Chinese Taipei's SMEs to legally access the finances they need, as well as to reduce the rampant underground financial activities.

Smilingly, Mr. Hsu reminded that, even though it is a well known fact that China's state-owned bank is reluctant to offer loans to SMEs, their current key policy of the Twelfth Five-Year Plan apparently indicates that such loans are now their missing part. We can sense many implications from the fact that one measure in that Plan is to assist the SMEs for their development. China has found that they cannot rely on state-owned enterprises only to lead the development of the Chinese economy, but they still have no idea about how to help the SMEs to access financing; this gap is certainly a chance for us. In Chinese Taipei, contrarily, all the 1000 major enterprises have been developed from SMEs; such a fundamental role of the SMEs is the most outstanding characteristic of Chinese Taipei enterprises and the symbol of their vitality. In terms of capital, technology, or talent, this is the chance for Chinese Taipei to demonstrate its soft power. As Hsu pointed out:

It takes a lot of innovative business models to be developed to find out the business opportunities, including a complete set of the modes of innovative financial services. I expect that Chinese Taipei can be or have a center for the development and research of the emerging market, systematically exploring the business opportunities in all walks of life and opening up a new international perspective. Chinese Taipei needs a think tank with creativity, independent thinking and international outlook, which will help Chinese Taipei's industries open up a broader international space.