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The Need for Policy Coherence
and New Partnerships



**Inspiration from Small Business Supporting Policies
Primary Inspection the Definition of SME**

Author:	Mr. Minghui Chen
Co-Author:	Ms. Yichun Lin
Institution:	The Graduate Institute of Technology and Innovation Management, College of Commerce, National Cheng-Chi University The council for economic planning and development, Taiwan
Address:	No. 64, Sec.2, ZhiNan Rd., Wenshan District, Taipei City 11605, Taiwan
E-mail:	93359504@nccu.edu.tw enida2002@hotmail.com
Telephone:	886-2-2316-5666

Abstract

This paper provides an overview of the small and medium business definition. It grapples with the thorny question of definitions for small business policy. The prime thrust is to demonstrate that, for discussing the global governance, we need to review the policy coherence and retrace the SME developing environment with a more cultural and structural approach.

SME policy illustrated trends as: from small to become large, then flexible small; from narrow defined to broader and cross-sector; from old economy to new knowledge-economy; and still facing the dilemma of chasing to grow or keep flexible scale.

How to deal with the multiple-items and cross-industry problems will remain to be a big challenge for strategy making and policy practice. Not only in Taiwan but also in other countries, it needs to do a further study to demonstrate the political debates and practical problems.

Key word: small business policy, SME supporting policy

1 Introduction

As Mario Rutten & Carol Upadhy (1997) illustrate, entrepreneurship studies have employed a variety of theoretical perspectives, but they can be divided into two major categories which may be crudely labelled the 'cultural' and the 'structural'. The cultural perspective was inspired by Max Weber's Protestant ethics thesis, which emphasized the cultural embeddedness of capitalist development and the ideological motivation for rational profit-seeking among early European capitalists. In contrast, structural analyses, mostly based on Marxist theories of capitalist transformation, stress macro-economic or political factors in explaining the development of entrepreneurship, or lack thereof, in any one region.

From empirical data, a number of early studies carried out in Asia within the general framework of modernization theory which explored Weber's thesis by looking for an equivalent of the protestant ethic, or some kind of 'this worldly asceticism'. Meanwhile, a more psychological variant of the cultural perspective assumed that successful industrialists were enterprising individuals who must break through the 'traditional way of doing thing' in order to achieve. The 'dependent' nature of entrepreneurs was associated with a specific mentality or business culture in which public and private interests effortlessly mix. The same argument was later turned around to explain the development of Asian countries by emphasizing the contribution of traditional 'values', such as 'Confucian Culture' and modes of social organization to entrepreneurial behaviour. In this literature, the Weberian project has been subjected to a total reversal: instead of a suitable culture giving rise to a capitalist 'spirit', capitalism must adapt to a variety of cultures, and civilizations develop their own styles of capitalism.

Contrary to such cultural analyses, what Mario Rutten & Carol Upadhy (1997) called the structural approach relates variations in entrepreneurial development to the broader political-economic and historical context. The structural approach draws on theories about the rise of industrial capitalism in western Europe in the 18th and 19th centuries to isolate by comparison structural factors that may have hindered or distorted a similar kind of development in Asia. They argue that the typical patterns are a response to structural factors such as imperfect markets or lack of an adequate institutional framework. Structural features of the economy or the interference of the state are thought to encourage non-productive forms of entrepreneurial activity, including the spreading of risks through diversification of investment, a preference for high-profit speculative activities rather than long-term commitment, and reliance on no-institutional sources for capital and other inputs.

Both the cultural and the structural approaches to entrepreneurship have common roots in 19th century European social thought and therefore share certain assumptions about the nature of capitalist development. The terminology employed to describe Asian capitalism and capitalist classes shows that comparisons with the European experience are still being made. Characterizations of Asian capitalism as 'constrained' or 'intermediate' are often based on a particular conception of capitalism which is derived from what early European capitalism, and the trajectory of its development, is thought to have been like. Hence, there is some danger in rejecting outright any kind of comparison between capitalist development in Asia and Europe.

This is absolutely important in small business research. Actually, for more than fifty years, small and medium enterprises (SMEs) have played an important role in Asian and Taiwan's economic development. They help expanding exports, raising national income, providing jobs, and promoting the outstanding economic performance. As Taiwan's experience, it once achieved the fame of 'Economic Miracle' with 'Taiwan Experience' and is named as 'the country of SMEs'. Therefore, we sincerely hope to adopt a more in-depth research about small business policy.

The history has showed that the small business policy in Taiwan has passed through different stages. In the late 1940s and early 1950s, Taiwan experienced severe shortages of resources. At that time, the government implemented a land reform program and focused on the development of three key

industries¹. By making effective use of US aid, the government was able to create the economic development. However, apart from a handful of large state-owned enterprises, a shortage of capital and a lack of experience in the management of large-scale enterprises both ensured that the economy was dominated by SMEs. Certainly, the development of sideline industrial production by farming families created large numbers of ‘embryonic’ SMEs during 1950s subsequently.

The rapid growth in industrial production later in 1960s helped to stimulate the economic development. As Taiwan’s exports grew, the government adopted a new strategy of ‘using trade to stimulate economic growth, and leveraging economic growth to stimulate trade.’ It initiates the historic ‘trading-industrial-technologic administrative logic’ later. At that time, Taiwan’s SMEs leveraged the abundant supply of cheap labour and successfully broke into international markets. Large numbers of new SMEs were established. Living standards accordingly rose and an improved business environment also led to rapid growth in the number of SMEs. With that SMEs came to account for a large share of exports and the overall industrial production.

Nevertheless, in 1970s, with the global economy in a highly unstable condition, the devaluation of the US dollar, galloping inflation, and war in the Middle East and the resulting two oil crises, Taiwan’s SMEs still continued to grow. Whilst the SMEs really suffer a big challenge of the unstable economy at that time, some scholars even view the period from the 1970s through the mid-1980s as the ‘golden age’ of SMEs in Taiwan. (Schive & Hu, 2001)

From the late 1980s onwards, the process of political and social liberalization which accompanied by rapid economic liberalization², SMEs in Taiwan continued to thrive. Although the state enterprises are still very powerful, with the ‘SME development statute’ was first promulgated in 1991, the government began to pay more attention to the survival and the development of SMEs. The growth of SMEs within the electronics and other hi-tech industries was particularly pronounced. The SME Protection Clause was incorporated into the constitution in 1997. At the meantime, public construction was stepped up and tax incentives were used to stimulate R&D, manpower training, automation of production, and pollution prevention. SMEs gradually upgrade and transform themselves to knowledge-intensive, technology-intensive, innovation-intensive industry and service sectors. The term, SME, then have a broad interpretation with historical and practical perspective.

2 the Definitions for SMEs

The study of entrepreneurship often concerns un-usual individuals and singular success stories which certainly should take the lead in exploring the interconnections between individual agency and wider social structures and cultural traditions. And as D.J. Storey (1994) mentioned: the newspaper might well concerned with too much larger firms. The reasonable question may be posed as to what precisely constitutes a small firm. Indeedly, there is no single definition of a small firm. As Storey suggested: whether an upper range of 100 employees or only ten employees is selected, more than 95 per cent of all firms in the economies of the European Community are classified as ‘small’. In short, it is the firm with more than 100 employees which is the exception rather than the rule in Europe.

What are small European entrepreneurs really like? As Mario Rutten & Carol Upady (1997) discussed: generalization is always hazardous. Nonetheless, a trip through the scarce literature shows certain patterns. As a category, small entrepreneurs are heterogeneous, usually fiercely independent and make extensive use of family labour. They are hardworking and, in spite of the stereotype, often reluctant to grow.

¹ Including electric power, fertilizer production, and textiles, which evolved into some primary big-size enterprise till now.

² Including trade liberalization, the privatization of state enterprises, the opening up of the financial sector, and the lifting of restrictions on overseas investment.

Actually, the first characteristic of small entrepreneurs is that they form a most heterogeneous category. From Boswell (1973), a small firm is one with less than 500 employees, while for the Bolton Committee (Bolton 1971), small generally means less than 200. Both the Bolton Report and Boswell's study note that range in incomes and performances of small firms. Meanwhile, Bechhofer's (1974) study indicates that shopkeepers employed up to a maximum of three full-time and six part-time workers.

Certainly, Bolton Committee attempted to formulate what they called an 'economic' definition and a 'statistical' definition. The economic definition regarded firms as being small if they satisfied three criteria:

1. they had a relatively small share of their market place;
2. they were managed by owners or part-owners in a personalized way, and not through the medium of a formalized management structure;
3. they were independent, in the sense of not forming part of a large enterprise.

Bolton then devised a 'statistical' definition which was designed to address three main issues. The first was to quantify the current size of the small firm sector and its contribution to economic aggregates such as gross domestic product, employment, exports, innovation, etc. The second purpose was to compare the extent to which the small firm sector has changed its economic contribution over time. Thirdly, the statistical definition, in principle, has to enable a comparison to be made between the contributions of small firms in one country with that of other nations.

The definitions used by the Bolton Committee are shown in Table 1. This illustrates the use of different definitions of a small firm in different sectors. It also shows that the criteria upon which the judgment of 'small' was made varied sectorally. Thus in two groups of sectors, the criterion was employment, and in three service sectors the criterion was sales turnover. Meanwhile, in one sector-catering- it was based upon ownership, and finally in road transport, it was based upon the physical assets of the business: the number of vehicles.

Table 1: Bolton committee definitions of a small firm

Sector	Definition
Manufacturing	200 employees or less
Construction, Mining and quarrying	25 employees or less
Retailing, miscellaneous and services	Turnover of \leq 50,000 or less
Motor trades	Turnover of \leq 100,000 or less
Wholesale trades	Turnover of \leq 200,000 or less
Road transport	Five vehicles or less
Catering	All excluding multiples and brewery-managed houses

Source: Bolton (1971) Reference from Storey (1994)

Following the Bolton Committee there have been a number of criticisms of both its 'economic' and its 'statistical' definitions. As D.J. Storey (1994) commented: in this respect Bolton is clearly influenced by the economist's concept of perfect competition. In practice, however, many small firms occupy 'niches'. They provide a highly specialized service or product, possibly in a geographically isolated area, and often do not perceive themselves to have clear competitors. As a result, in the short and possibly medium term, they can maintain higher prices and higher profits than the general industry 'norm'.

An alternative 'economic' perspective on defining a small firm is commented by Wynarczyk et al. (1993). Building upon the observation of Penrose (1959) that small and large firms are as fundamentally different from each other as a caterpillar is from a butterfly. As the source of future successful medium and large enterprises, Wynarczyk et al. (1993) attempt to identify those characteristics of the small firm, other than size per se. They argue there are three central respects in which small firms are different to large firms: uncertainty, innovation and evolution.

Accordingly, who are those small entrepreneurs? Scase and Goffee (1980) used pragmatic classification to relate both differences in scale and management structure. They make distinctions among:

1. self-employed—works alone or with members of his family;
2. small employer—works alongside his employees;
3. owner-controller—does not delegate, runs the larger business himself, but still works alongside his employees, time permitting;
4. owner-director—remains at the apex, delegating to a level of managers.

As Harvie (2002) mentioned, there is no regional or indeed global consensus on the definition of an SME. SMEs' definitions differ widely among economies, depending on the phase of economic development as well as prevailing social conditions. For example, a 'small' firm in the petrochemical industry is likely to have much higher levels of capitalization, sales and possibly employment, than a 'small' firm in the car repair trades. Definitions, meanwhile, relate to 'objective' measures of size such as number of employees, sales turnover, profitability, net worth, etc. Thus, when examined at a sector level, in some sectors all firms, an enterprise may be regarded as small, while in other sectors there are possibly no firms which are small.

Therefore, in practice, the actual definition used in a number of countries is often quite complex. Statistics on SMEs often exclude cottage and micro enterprises. In addition, some economies distinguish between different types of SMEs. For example, China distinguishes between township and village enterprises (TVEs) and SMEs, and Singapore distinguishes between local and overseas SMEs. Thus, there certainly is no single, uniformly acceptable, definition of a small firm.

3 the Definition in Policy

Actually, compared with big enterprises, a small business may have no superiority in all respects. However, the total amount of small enterprises would probably exceed the amount of big enterprises, thus through networks and alliances, SMEs can increase their efficiency and win the competition. The shopping streets, chain stores, franchises, trading corporation, and clusters, all are feasible strategy for SMEs.

Therefore, a small business may be simply defined as a business with a small number of employees, while the legal definition of 'small' often varies by countries. Some scholars suggested that SMEs are relative small scale enterprises, and some scholars had an idea we should use several criteria together to measure the size of enterprise. With scrutiny of the official data, we might find that, some countries base their definition of SMEs on the amount of capitalization, while others base theirs on annual sales revenue or number of regular employees.

Due to the convenience for administration, we use the number of regular employees to identify SME comparatively. As reference shows, a number of indexes are traditionally utilised to define SMEs. The most commonly used index is the number of employees. And when simply sorting the definitions in different countries and using the commonest definition of regular employees number as the standard for SMEs, we find that different countries applied different criteria to define SMEs. For example, in Europe, the SMEs often means the enterprise with employees under 100 persons, especially in Belgium, Denmark, Sweden, Austria, Switzerland, Norway, and France. However, there still are some European countries such as Germany, Britain, Luxembourg, Finland and Spain adopted a standard of employees under 300 persons. For example, the UK defines SMEs as enterprises with 250 or fewer employees, while Russia has no clear definition of what constitutes an SME.

Except Hong Kong, countries in Asia were generally classified into the Medium SMEs countries. In Japan, Korea, Singapore and Taiwan, the cut-off point is set at below 300 employees, and reduced for other sectors. For example, In Japan, the cut-off point is set at 300 employees, although this is reduced for 100 employees for firms in the wholesale and service sectors, and to 50 employees for firms in the retail sector. In South Korea, for most industries those firms with 300 or fewer employees are classed

as SMEs, although a cut-off point of 200 employees applies in seedling transplantation firms and in the broadcasting sector, and a cut-off point of 100 employees applies to some other industries.

Meanwhile, in Hong Kong, enterprises in the manufacturing sector with 100 or fewer employees are classed as SMEs, while for firms in the non-manufacturing sector the cut-off point is 50 employees. New Zealand has the most stringent criteria, setting the cut-off point for SME status as 19 employees. Contrarily, Canada and Mexico have the broadest definition of SMEs. In these two countries, any enterprise with 500 or fewer employees is classed as a SME. And in America, the cut-off point is set at 500 employees, although this is reduced for 100 employees for firms in the wholesale sector with average annual operating revenue of less than US \$ 6 million for other sectors.

Here we may differentiate these countries with three kinds of classification. By the criteria of employees these countries adopt, they are classified into small SMEs countries, medium SMEs countries, and big SMEs countries showed as follow (see table 2).

Table 2: Three kind of SME Definitions Used in Different Countries and Regions

Small SMEs countries (standard of employee is under 100 person)	Medium SMEs countries (standard of employee is under 300 person)	Big SMEs scale countries (standard of employee is under 500 person)
Netherland (100:10), France (100:50), Belgium(50:20), Denmark(20), Sweden(50), Norway(20), Austria(50), Switzerland(50), Hong Kong(100&50), New Zealand (19)	Japan(300), Korea(300), Taiwan(200), Singapore(200), Thailand(200), Philippine(200), Malaysia(150), Germany, Britain, Luxembourg, Spain, Finland, Australia (* Britain still having another definition as the Small SMEs country)	Canada(500), Mexico(500), America (500:100), Italy*

Source: this research, idea from White Paper On Small and Medium Enterprises in Taiwan, 2006.

It inspires us to ponder that: should there be some specific reasons for different countries to adopt different indicators? What background would affect the standard adopting process? May countries in the same area and economic circumstance or with similar territory adopt the same criteria?

Harvie (2002) discussed, although some economies use the same measure to define SMEs, it may result in a different classification in different economies. A medium sized manufacturing enterprise in Australia may be viewed as a large enterprise in another country. Ideally, from an international comparative analysis perspective, it would be desirable to have one common definition for SMEs.

Meanwhile, government policy creates a structural framework within which the entrepreneurs operate. As such a policy becomes part of entrepreneurial culture, it also reflects national culture. What about Asia and Taiwan? Actually, Taiwan applied multiple systems which are as similar as America, Japan and German. Due to the multiple source of political and legislative reference, it has been more complicated to analyse those problems. In order to comprehending the distinctness of the definition more precisely, we'll retrace the evolving definition in Taiwan as follow.

4 the Evolving Definition

Unhesitatingly, there are so many terms in Chinese interpretation indicate small and medium size business, such as cottage industry, small agribusiness, small manufactory, micro-enterprise, not to mention 'knowledge-intensive industry', 'cultural & creative industry', 'traditional & special local industry', and 'service industry'. Basically, enterprise and business may introduce a different concept in Chinese interpretation. And western concept of minority business is also appearing in policy practice in Taiwan. Thus we think it needs to define the 'large', 'medium', 'small', with 'micro' and other terms more exactly in practice. Especially they are so different since different governmental agencies adopt different measures for SMEs.

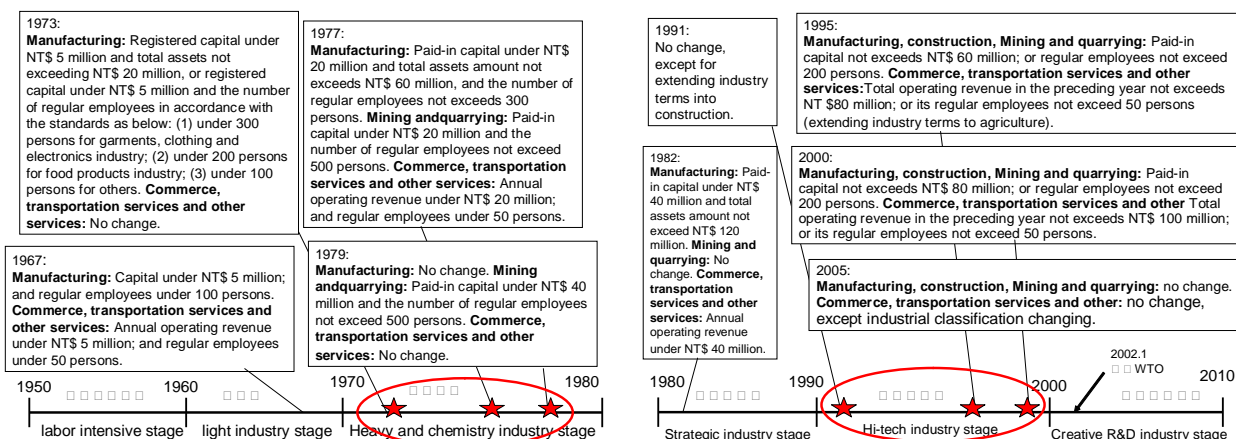
Indeed, countries all around the world are struggling to provide efficient policy for supporting their SMEs. Since 1950s, Taiwan government has applied the Sino-American Fund to make Financing loans for SMEs. In 1966, The International Economic Collaboration Committee (the forerunner of

Council for Economic Planning and Development, CEPD) established the SME Guidance Team, to handle matters relating to the provision of loans to meet SMEs' working capital and other needs. As the sideline industrial production by farming family and rapid growth in industrial production, Industrial Development Bureau (IDB) in Ministry of Economic Affairs (MOEA) established the SME Joint Service Center in 1970, in order to work in collaboration with the credit Guarantee Fund (SMEG) and the Medium Business Banks, which are all at that time administered by Ministry of Finance (MOF). Till 1981, following the rapid economic liberalization, MOEA established the SME Administration (SMEA), to have responsibility for the provision of guidance to SMEs. Nevertheless, in order to strengthen the overall synergy for SME assistance, in 2003, MOEA strategically replaced MOF to become the competent regulatory agency for SMEG and Joint Assistance Fund.

These changes truly imply some political debates in the evolution of policy strategies. In policy practice, whether to expand the SME definition always induced a debate with controversial opinion. Some people consider that loosening the restrictions would increase the enterprises to join the preferential measures provided by the government. While some others consider it would result in unfair competition in resource allocation. Actually, failure to obtain the government resource may result in SME managers resorting to a steady-state or low-growth strategy. These all are approved by Taiwan's experience that whenever SME definition was discussed to be revised.

The definition revised in Taiwan with timeline sheet is illustrated in Figure 1. Here we may see, for matching up with the purpose of policy, the definition could be adjusted in some specific era. Meanwhile, in accordance with some operational needs and for making guidance available to a broader range of enterprises, agencies in the government that engaged in providing guidance for SMEs have drawn up different standards for SMEs. In short, since 1967, Taiwan government has revised the definition of SMEs for nine times (see Figure 1). The capitalization and total operating revenue were adjusted from NT\$ 5 million, NT\$20million, NT\$40million, NT\$60million, NT\$80million, to NT\$100million. And the number of regular employees is under 500, 300, 200, 100, or 50 persons by different industries.

Figure 1: SME Definition Revised in Taiwan with Timeline



Source: this research, idea from White Paper On Small and Medium Enterprises in Taiwan, 2006.

Certainly, Early in 1967, the debates has showed that when in determining what constitutes a small business, the definition was argued that it should vary from industry to industry, country to country, in order to reflect industry and country differences accurately. It is because that the definition may influence the privileges and benefits of SMEs and that's why in 2000 an additional clause (Article 12-1) was added to the SME development Statute in Taiwan, stipulating that, whenever government agencies at any level were engaged in drawing up or revising laws or regulations that would affect SMEs, they should take the special characteristics of SMEs into consideration, to prevent a situation where SMEs were forced to compete in a disadvantageous legal and regulatory environment.

However, in 1999, the term of micro business was first discriminated in the standard list. It's a term used by international organizations such as the World Bank, the International Finance Corporation, and APEC, and it often means the smallest businesses located in private homes, such as convenience stores, other small shops, restaurant, hairdressers, tradesmen, lawyers, SOHOs, and so forth. These types of SMEs are common in Taiwan's society, too. Thus, we find that SME definition is facing a dilemma with policy making and practicing that whether to focus on strong, large SME, or flexible small ones.

Table3: Criterion for Identifying SMEs & Micro Business

Sectors	SMEs		Micro Business
	Basic	Exception	
Manufacturing, construction, mining, quarrying	Capital <NT \$80million	Employees <200 persons	Employees <20 persons
Commerce, service	Preceding year revenue <NT \$100 million	Employees <50 persons	Employees <5 persons

Source: The website of Taiwan SMEA, /www.moeasmea.gov.tw/

Accordingly, when judged by the number of employees, it is said that the American and the European definitions are the same, under 10 employees. The APEC's definition is less, under 5 employees, that may be why Taiwan's criteria for identifying micro business adopted 5 employees in commerce and service sector. The criterion for identifying Taiwan's SMEs & micro business, were showed as follow (see table 3). Apparently, the complicated definition of SMEs shows that the authorities are aware of the importance of the precise distinction of enterprise scale and business type. However, in the policy practice, these specific terms may not work effectively. For example, when micro-enterprise start-up loans in 2002 is launched and claimed for people who are high-aged and want to create a new business, the purpose of this measure just turned to resolve the high-unemployment problems of the high-aged. The policy neither gets the point of what micro-enterprise concerns about, nor emphasizes creating an innovative environment for enterprises, but just concentrates the policy goal in reducing the high-unemployment problem.

Meanwhile, when micro-business was introduced, the micro-enterprise start-up loan was then launched in 2002, and it just claimed for people who are high-aged and want to create a new business. The purposes of the measure thus go far from creating an innovative environment for enterprises. In the meantime, many small businesses in Taiwan also face a problem that they are not eligible for the governmental supporting scheme, including almost all self-employed artists such as authors, composers, playwrights, musicians, actors, theatrical companies, and so forth. It provided us an inspiration that SME policy should broaden the sector range and define the criteria more specifically and exactly for SMEs really need support.

5 Inspiration from the definition

Since 2000, Taiwan government has set several national plans to give fresh impetus for SMEs. In 2001, the government first held the Economic Development Advisory Conference (EDAC). The meeting concluded in 322 consensuses, relating to 8 directly relative to SME, such as 'promoting the traditional industry and strengthening R&D in SME'. It comprised the suggestions of technology, e-enablement, strategic alliance for SME, and additionally proposed that Taiwan should refer to the European Innovation and SME Program for encouraging the international technological exchange and cooperation of SMEs.

And in 2002, facing a loss of investment with skilled managers to the Mainland China, by focusing on economic growth and environmental protection, the Cabinet approved the 'Challenge 2008 Six-year National Development Plan' and formulated ten major areas of emphasis, comprising 'Developing the Cultural Creativity Industry', 'Double the number of Tourists visiting Taiwan', 'Construct New Hometown Communities' and the others. Major effort of the internet use is directly correlating with

the SME policy. However, the four major investments including cultivating talent; research & development & innovation; international logistics; and a high-quality living environment, all are important agenda relative to SMEs.

In 2004, the CEPD held the national conference for service industry, the Cabinet then approved 'Guidelines and Action Plans for Service Industry Development' with strengthening the 12 categories of SERVICES. Indirectly responding to the gradually upgrading and transforming of SMEs to knowledge-intensive, technology-intensive, innovation-intensive industry and service sector, then in 2006, with globalization intensifying international competition and the rapidly changing socio-economic environments, the government held the national Conference on sustaining Taiwan's economic development (COSTED). The meeting concluded in 516 consensuses, relating to 2 directly relative to SMEs, such as strengthening aid for SMEs as SERVICE SECTOR, and concerning about the interests of SMEs while reforming the structure of banking market. Whilst emphasizing the service sector, there were several suggestions indirectly relative to SMEs, such as developing the important, emerging strategic industries, supporting the green industries, and emphasizing cultural, sports and leisure services industries and so forth.

At the end of 2006, acting upon the conclusions of the COSTED, Taiwan government formulated the 'Economic Development Vision for 2015' and mapped out its 'First-Stage Three-Year Sprint Program' (from 2007 to 2009). The program approved five package plans for industrial development, industrial human resources, financial markets, social welfare, and which together with the public infrastructure scheme. In the Industrial Development Scheme, the 'Industrial upgrading and transformation' appeals to the provision of assistance to link SMEs with large enterprises. By developing common technologies and materials, the chapter of 'Balanced industrial development' appeals to assisting disadvantaged industries and SMEs, supporting local industries, and setting up the vision with goal for SMEs in 2009.

While economists justify government intervention in a market economy when there is evidence of 'market failure'. Liberal economists, however, would argue that the presence of market failure is a necessary, but not sufficient, condition for government intervention. For liberals, intervention can only be justified where post-intervention welfare improvements can be demonstrated, after taking account of the costs of bureaucratic intervention.

These arguments have some validity. Policy interventions by government to assist small firms therefore have to be examined very carefully. To justify intervention in a market economy it is necessary to identify precisely where the market failure exists, and whether it is possible to rectify that market failure through intervention. The costs of the intervention have to be carefully assessed and the benefits estimated. It is also important to assess who are the beneficiaries of the intervention and who are the losers. Ideally this has to be placed within a macroeconomic framework to yield an overall assessment.

The fact that there are so many small firms in most developed economies leads to further problems, most notably that of measuring precisely about how many exist in the economy at any point in time. Many small firms deliberately do not register with the state authorities. Others have such a short lifespan that the state authorities do not have time to register their existence before the business ceases trading. Finally, many of the businesses are so small that the state does not deem it worthwhile to register their existence, and such enterprises are exempted from registration on grounds of size. This causes problems for those given the task of estimating the size of the small firm sector, its contribution to output and employment, estimating whether this has changed over a period of time and making comparisons with other countries.

For all these reasons, small firm statistics tend to be somewhat speculative. Actually, a key distinction between small and large firms is their role in innovation. The glamorous role which Schumpeter (1934) saw small firms playing – that of initiating 'gales of creative destruction', through the introduction of total new products, does have some basis in fact. Rothwell (1986) showed that the early development of the semi-conductor industry in California stemmed from the establishment of

small firms which were able to grow extremely rapidly. Nevertheless, the much more conventional role which small firms play in innovation relates to their 'niche' role. It is the ability of the smaller firm to provide something marginally different, in terms of product or service, which distinguishes it from the more standardized product or service provided by larger firms. That's why we always discuss about the importance and necessity of small business policy.

Meanwhile, until recently the notion that big is beautiful was still part of entrepreneurial culture. D.J. Storey (1997) indicated that since the beginning of 20 century there has been a steady decline in the number of people working on their own account, either as self-employed or as employers, and in the number of small firms. This decline was primarily due to the economies of scale achieved by larger firms. While the situation began to change in the mid-1970s. At that time, the number of small enterprises in western Europe has in fact in many sectors begun to increase.

There are many reasons. To begin with, the increase in production costs following the energy crisis of the mid-1970s led to a steady increase in unemployment in western Europe. Many tried to solve their acute financial problems through self-employment. They were encouraged by various governments which set up centres, departments and even ministries catering to small enterprises.

Second, there has been a continuing influx into western Europe of immigrants from ex-colonies and the Mediterranean region, many of whom have had experience in running enterprises. They began to develop their own enterprises when their families began to join them after the mid-1970s. A terminology as ethnic entrepreneurs (minority business) here originated. And a third reason for the increase in small firms, has been the emancipatory movement about women's right during the 1970s and 1980s. A growing number of the new self-employed are women. Here we may find the terminology as female entrepreneurs (gender business) derived.

A fourth factor has been the reaction against the continuing growth of big business. To escape the stifling pressure, contributions and regulations, and taxes, many companies split into smaller units. Some moved into the informal (often illegal) sector to avoid regulatory pressures. A fifth factor that facilitated this transition from large to small is computerization and miniaturization. The technological revolution in the last 20 years has given small productive units access to a range of resources and tools comparable to those of a large firm 30 years ago.

The sixth factor is the change in consumer taste. There is growing concern with the quality of life in its broadest sense and a related belief that 'small is beautiful'. Small firms catering to the needs of body, mind and environment have sprouted. Many of these enterprises have been established in direct opposition to large-scale enterprises which produce goods on an enormous scale and thus jeopardize the environment. There has also been a fashion revolution. Consumers are no longer satisfied with the cheaply produced mass product—they now demand individualized shoes, suits, even cars. All consumer goods for personal uses must be slightly different from others. Large-scale enterprises find it difficult to cope with this new demand for variety and customized goods for it entails short runs, frequent re-tooling and flexibility of production and management structures—the prime resources of small companies.

In brief, the structure of production is changing. Thus for various reasons, many large enterprises in western Europe found it difficult to continue competing on the same level. They lack the flexibility to compete with small producers and their profits are being sapped by the fiscal and environmental controls of government, by the ever-increasing demands of organized labor, and by the growing competition from increasingly efficient and cheaper third world producers. These developments have led reference to speak of the 'end of Fordism'. As the structure of society changes, it alters the context in which entrepreneurs function. All above is quit similar with Taiwan or Asian SMEs developing process.

6 conclusion

Apparently, the cultural and structural approaches to entrepreneurship are not mutually exclusive. Here, we chose small business policy and the SME definition as a comparative subject to study. We conclude that, the small business participants themselves and the civil servant of the government all play a important role in the process of policy formation.

As Harvey (1989) and others argued, the growth of small-scale entrepreneurial classes throughout Asia and Europe may be related to the profound transformation in the capitalist world system. The foregoing discussion points to the small business policy practises and underlines the need to develop a theoretical model for the comparative study which as already discussed both structural and cultural types of explanation.

The discussion brings us back to the question of drawing comparisons between European and Asian development. The post-modernization trend has been to emphasize the cultural uniqueness of business organization in different contexts. As Mario Rutten & Carol Upadhya (1997) mentioned: now that a significant body of knowledge about economic development in Asia has been produced, the time has come to revisit European history and contemporary developments.

As Harvie (2002) observed: SMEs have been recognised as a priority area for Asian economies, and more generally within the context of the Asia-Pacific Economic Cooperation forum (APEC) The need to develop more adaptable and flexible economies, as resulted in more emphasis on the development of the SME sector, particularly given the relative resilience of the Taiwanese economy, an economy dominated by SMEs, and the potential platform they provided for the sustained recovery, as well as employment potential and poverty alleviation of regional economies.

Certainly, the vision of Taiwan government is to create an environment beneficial to the establishment and growth of SMEs. Will SME supporting policies work? It seems we still need to wonder that SME supporting policies are likely to face an eternal dilemma as:

- should they become stronger, or larger, or flexible small one?
- should they become international, or keep lifestyle orientated and localizational?
- should they remain technologic orientated or become a more humanly enterprise?

The amount of SMEs is surely plenty and the items for SMEs are manifold, thus the guidance for SMEs can't be single and simple. This research tries to display a preliminary top-down policy discussion. It provided a profound ideation evolving in Taiwan that the definitions for SME have showed trends as:

- From small to large, then add flexible small;
- From narrow defined to broad and cross-sector;
- From old economy to new knowledge-economy; and
- still facing the dilemma of chasing to grow or keep flexible scale;

A first step towards such an analysis is to acquire more in-depth knowledge about small entrepreneurs in different parts of Asia and Europe. Therefore, Taiwan's policy practice may provide a comparative case for other countries. We do hope the preliminary finding in this work would provide a pioneering direction for future multi-effects researches and policy practice. Wish this paper will contribute to small business and all the enterprise, and will stimulate others to undertake comparative studies in different regions.

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