



ADB

SMEs and Start-Ups in Korea

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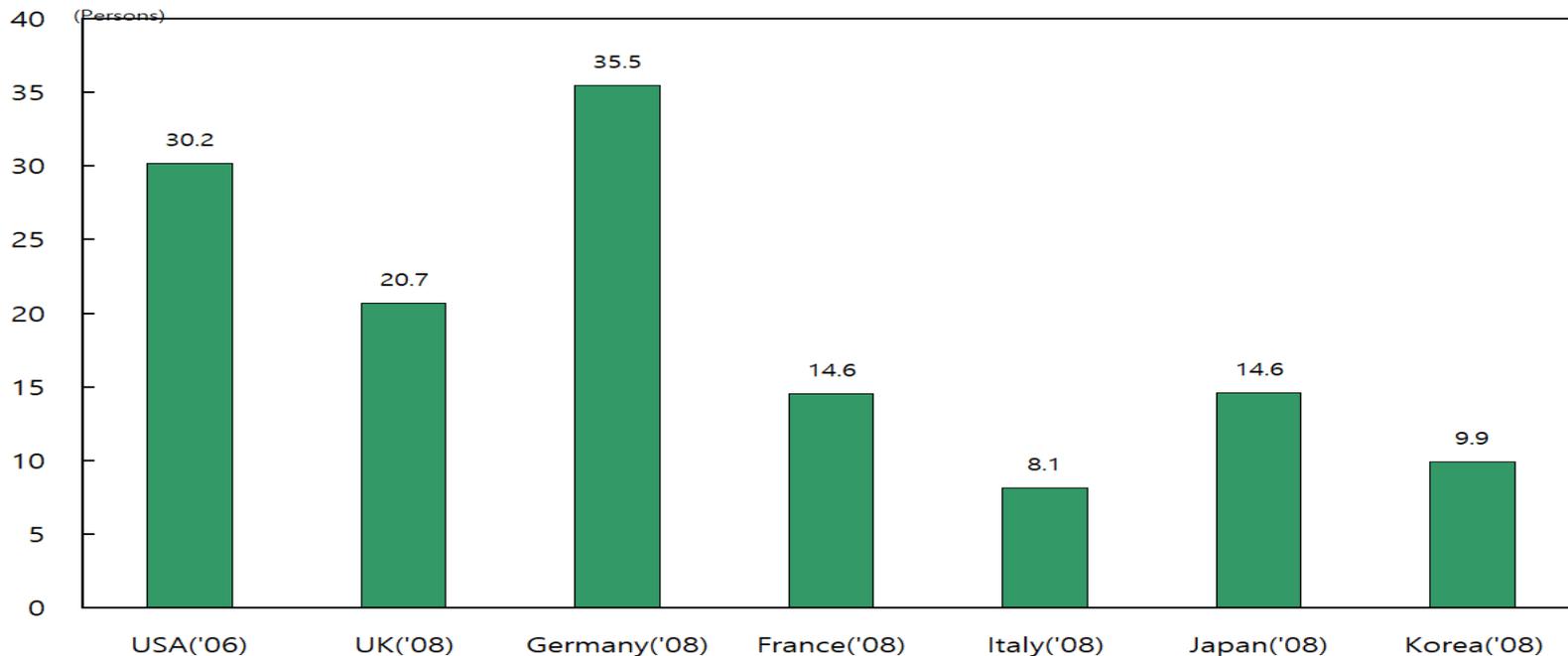
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□ Characteristic of Korean SMEs

❖ Multi-layer Subcontractors

- SMEs are...
 - (1) ordinary small-sized firms in local businesses
 - (2) suppliers to big firms, in particular manufacturing exporters
- Exporters utilized SMEs of low wages for competitiveness

Average Firm Size in Manufacturing Sector

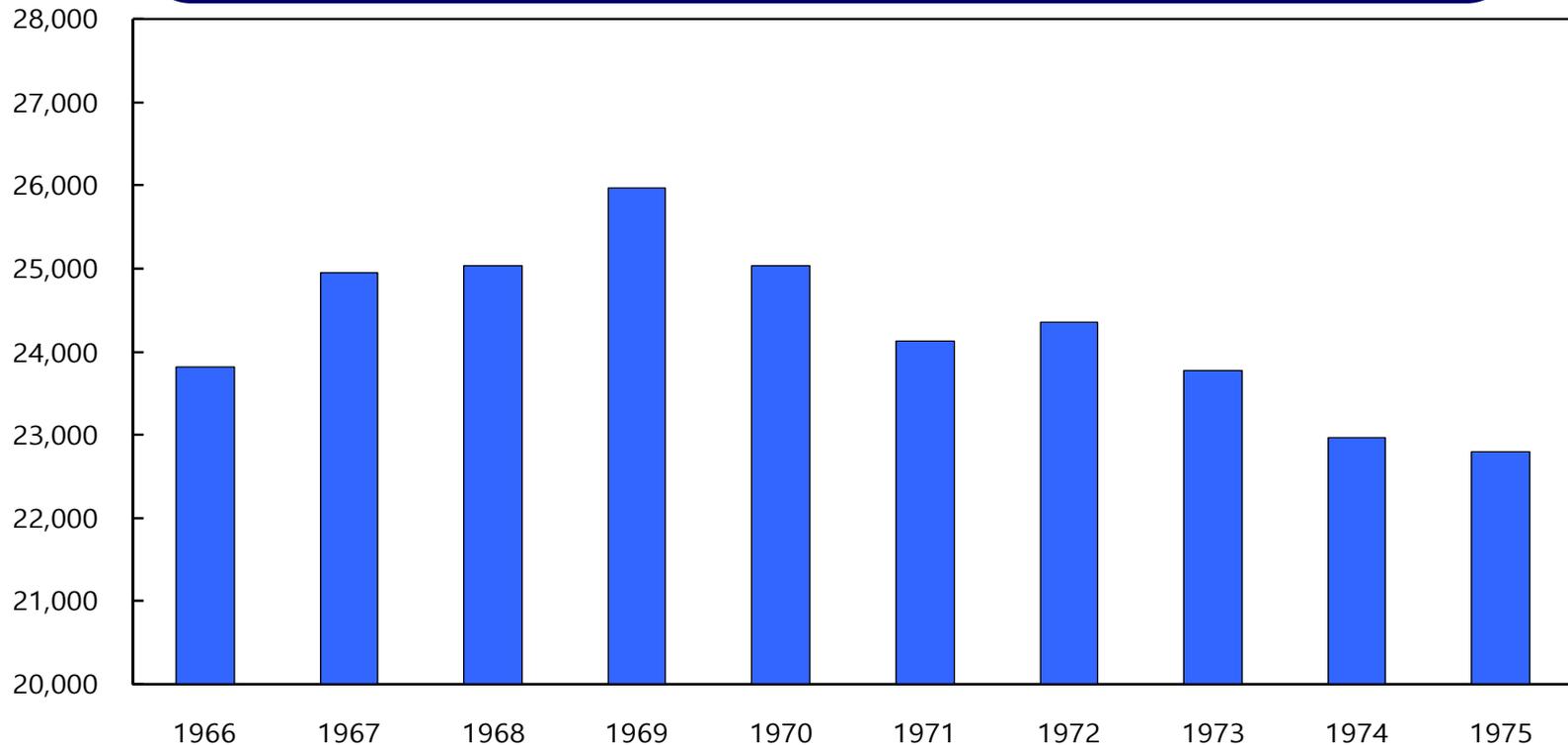


□ Initial Era of Industrialization in 1960s

❖ Large Firms in growth

- SMEs with low skill and backward management were stagnant
- Large firms were preferred by Government

Number of SMEs in Manufacturing Sector

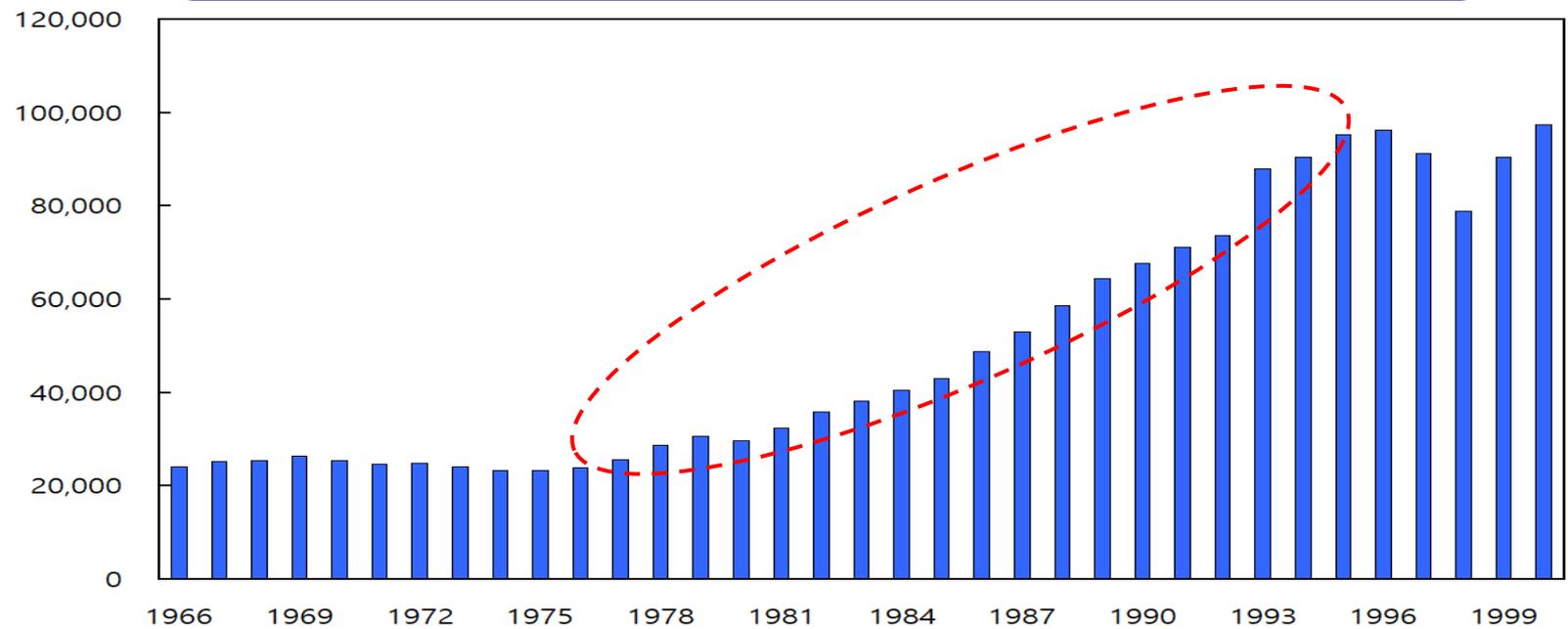


□ Heavy & Chemical Indust(HCI) in 1970s

❖ Role of Suppliers

- Import substitution of parts & components were encouraged for price competitiveness during the era of HCI
 - * Incentive of big firms: foreign imports were more costly

Number of SMEs in Manufacturing Sector

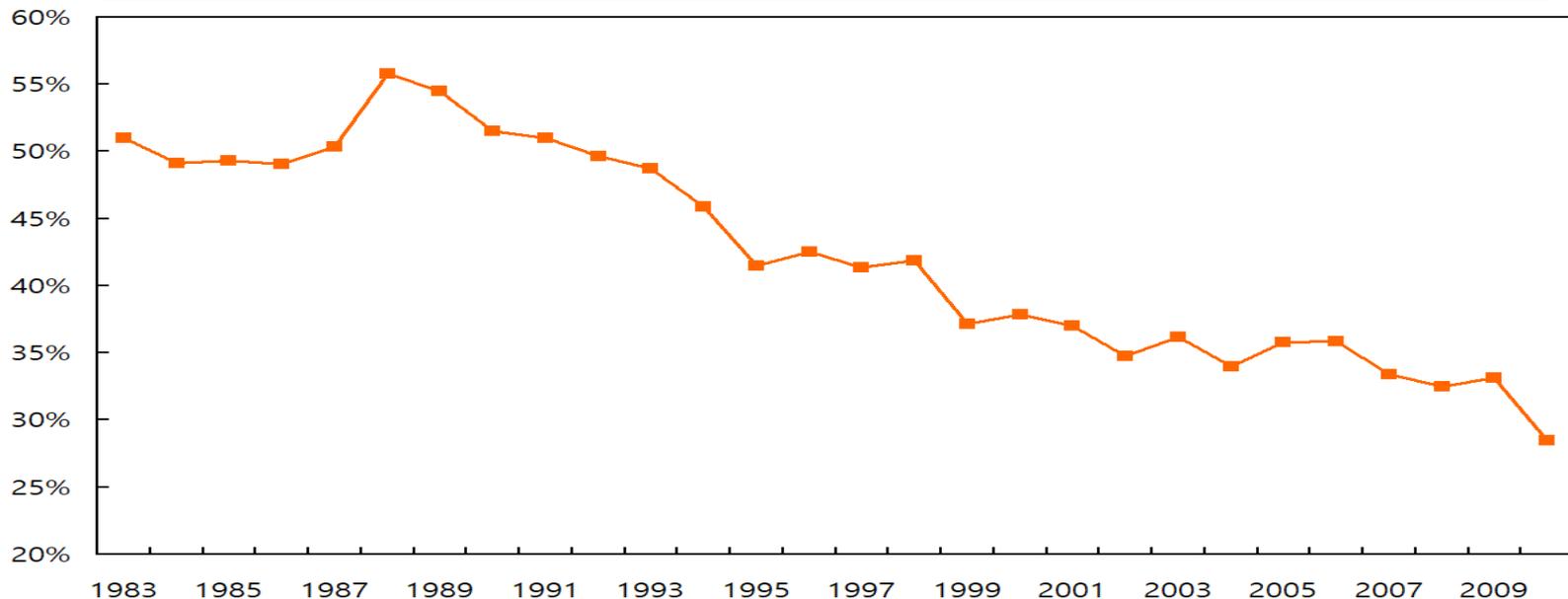


□ Productivity Gap : Big Firms v. SMEs (1) ⁴

❖ Industrial Restructuring in 1990s (1)

- Industrialization of China → collapse of Korean labor-intensive industries such as textile, footwear etc.
 - * Prior to 1990s twin pillars of Korean exports were [textile and footwear] + [electronic equipment, auto, shipbuilding]

Productivity Gap btwn Big v. SMEs (Big Firm=100%)

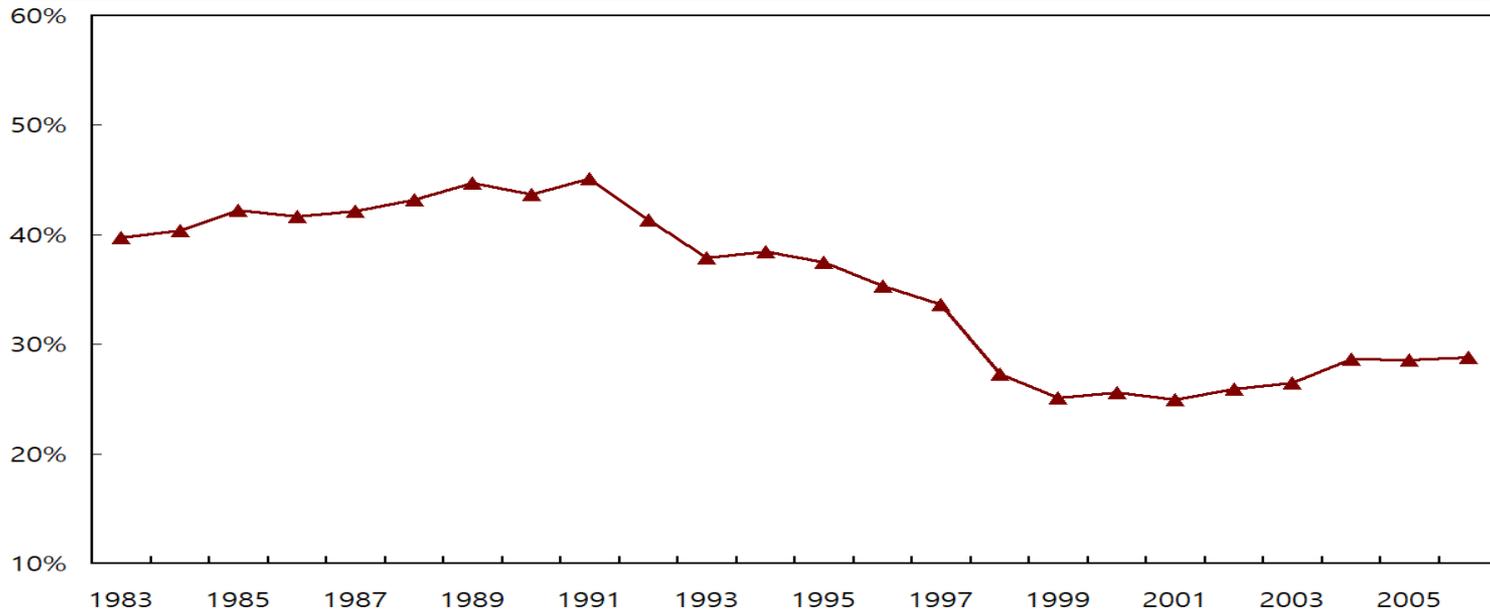


□ Productivity Gap : Big Firms v. SMEs (2) ⁵

❖ Industrial Restructuring in 1990s (2)

- Big firms entered into capital-intensive production with R&D
- SMEs remained in labor-intensive processes due to
 - 1) lack of financial resources
 - 2) procurement policy of large firms

Equipment Gap btwn Big v. SMEs (Big Firm=100%)



□ Digital Transformation since 2010s (1)

❖ Emerging industries

- Emerging industries based on digital transformation
- New participants: start-ups and venture businesses

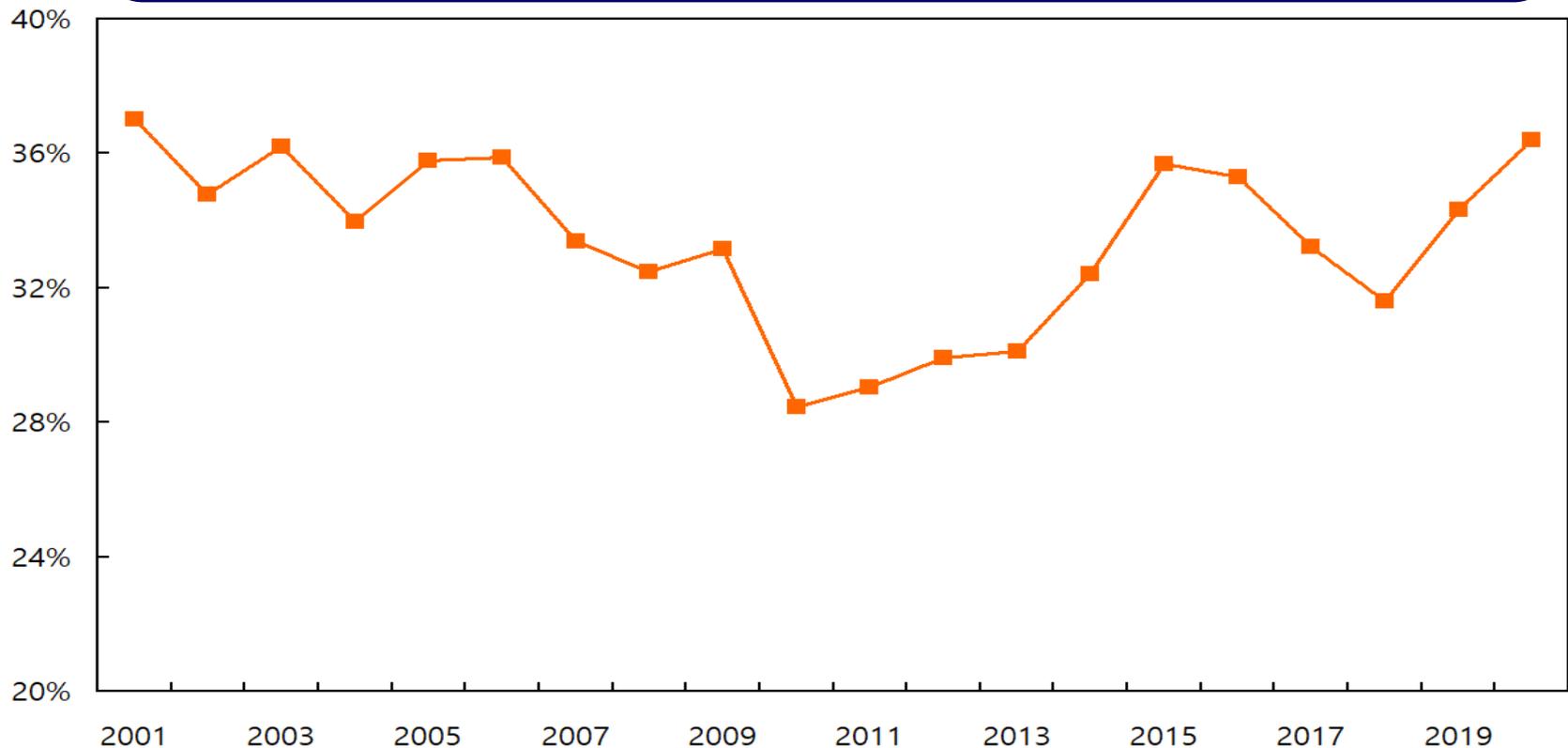
Employment	2009	2019	CAGR
Manufacturing Industries	2,452,880	2,928,289	1.8%
Medical chemicals , biological products	3,863	7,450	6.8%
Medicaments	2,742	4,940	6.1%
Medical instrument	21,803	37,783	5.7%
Industrial robots	2,524	5,395	7.9%
Industrial process control equipment	25,531	45,795	6.0%
batteries	8,463	24,748	11.3%
cosmetics	9,861	26,748	10.5%
Semi-conductor	91,906	129,386	3.5%

□ Digital Transformation since 2010s (2)

❖ Rebounding SMEs

- Productivity of SMEs rebounds owing to performance of start-ups

Productivity Gap btwn Big v. SMEs (Big Firm=100%)

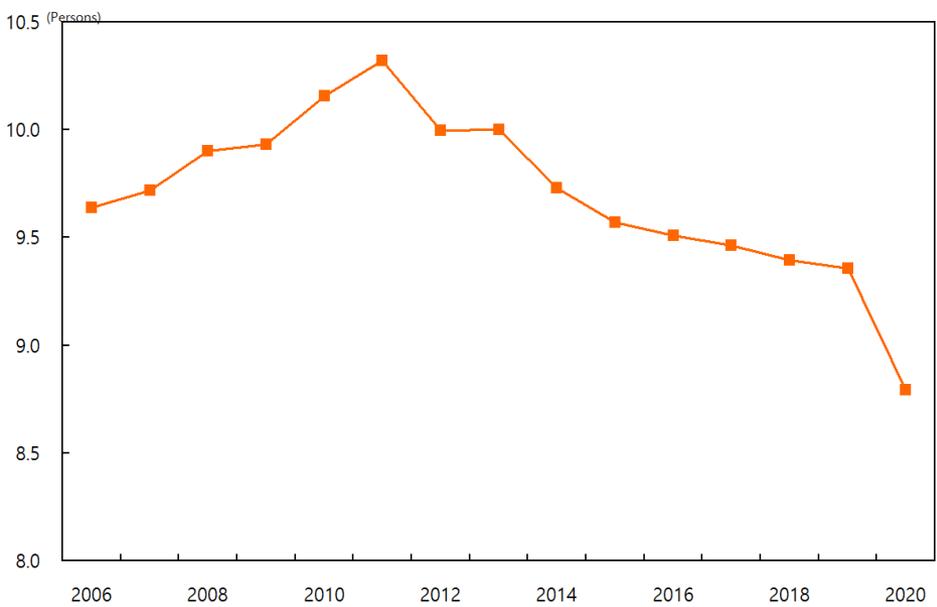


□ Digital Transformation since 2010s (3)

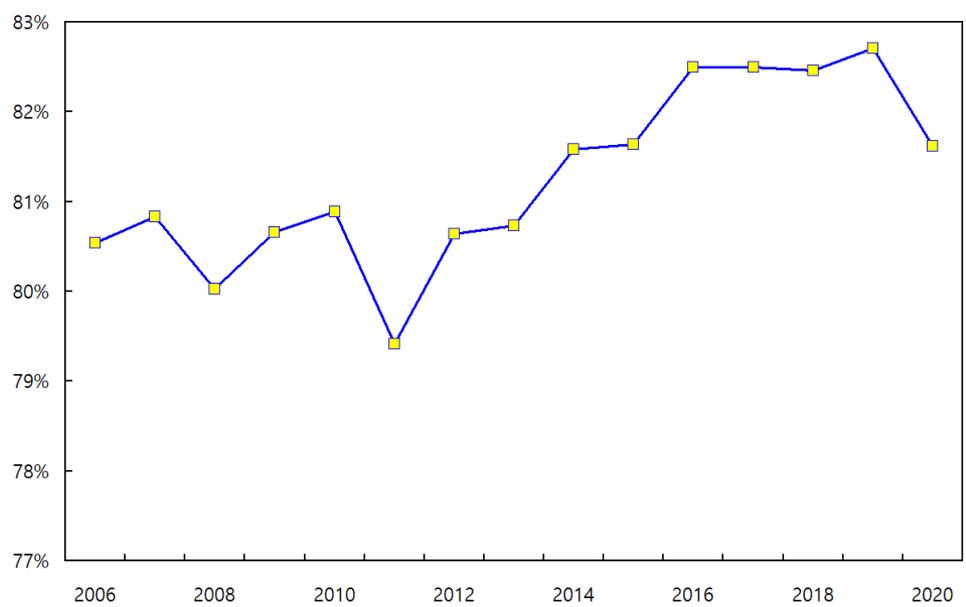
❖ Effect of growing start-ups (1)

- Average firm size of SMEs in manufacturing sector has decreased since 2010
 - ※ The year of 『2010』 : beginning point of digital transformation
- Share of SMEs in manufacturing sector has increased since 2010

Firm Size in Manufacturing Sector



Share of SMEs in Manufacturing Sector

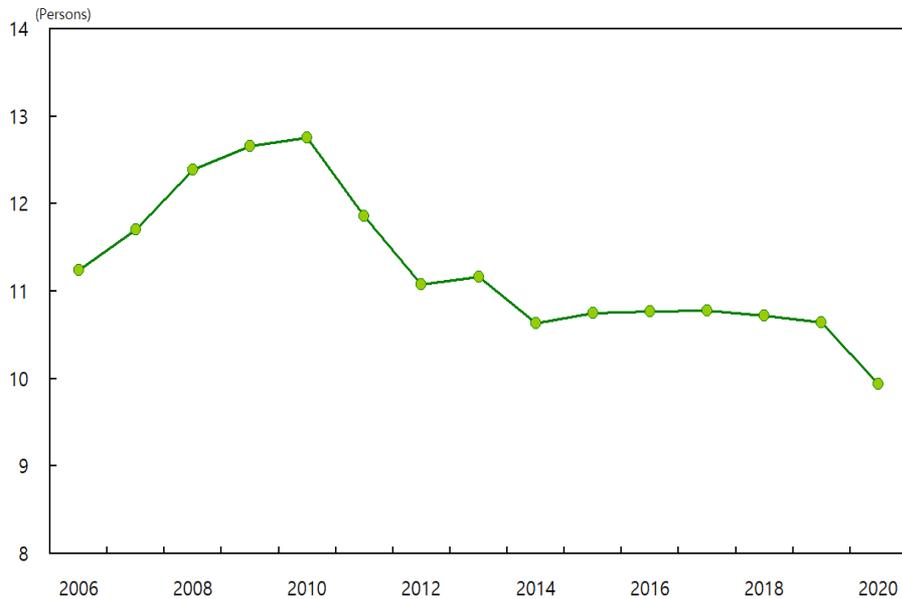


□ Digital Transformation since 2010s (4)

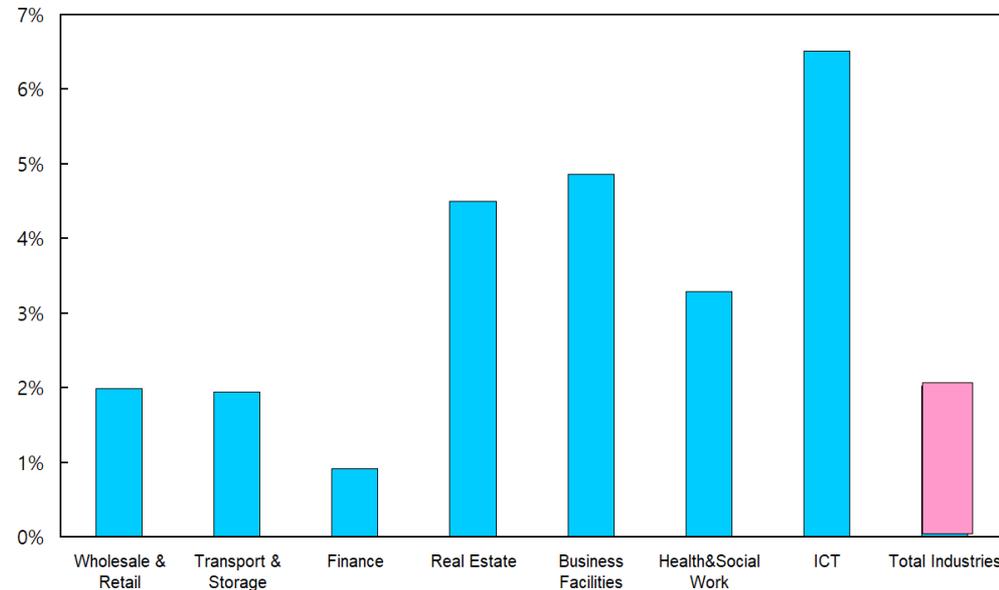
❖ Effect of growing start-ups (2)

- Another decrease in firm size in information and communication industry, symbolic in start-up and digital transformation

Firm Size in Information and Communication Industry



Increase rate of Establishments in Major Industries





Thank you !