

# Operational aspects of support programs for the digital transformation of exporting SMEs in the Republic of Korea

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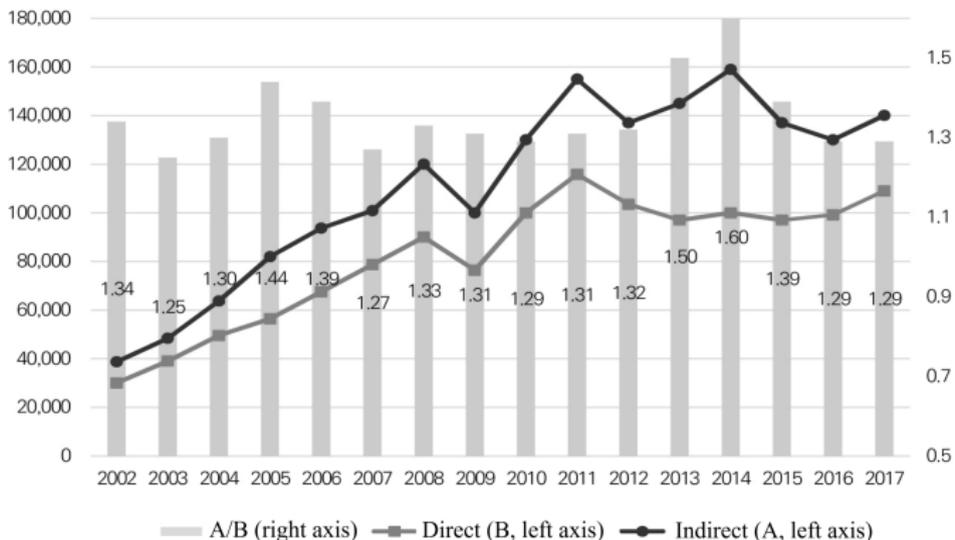
- 1 Introduction to the report
- 2 Korean SMEs' exports
- 3 Support system for SMEs' exports in Korea
- 4 Operational aspects of support programs in Korea
  - Budget
  - Application
  - Selection
  - Coordination among different players
  - Evaluation

- Purpose: review the operational aspects of Korea's support programs for SMEs' export, especially through cross-border e-commerce
  - ▶ Focusing on operational supports
- Contents
  - ▶ Literature review
    - ★ Obstacles for SMEs in Korea to participate in cross-border e-commerce
    - ★ Effectiveness of support programs in Korea
  - ▶ Role of Korean SMEs in comparison with large enterprises
  - ▶ Overview of support programs for SMEs' e-commerce export in Korea
    - ★ Focusing on two major agencies, KOSME and KOTRA
  - ▶ Analysis of important operational aspects of support programs in Korea
    - ★ With concrete examples from KOSME and KOTRA

# Korean SMEs' exports

- More active in *indirect* export than in direct export
  - ▶ i.e., by supplying inputs (e.g., raw materials or intermediate goods) to exporters, or through export agencies

## Direct versus indirect export values of SMEs in Korea



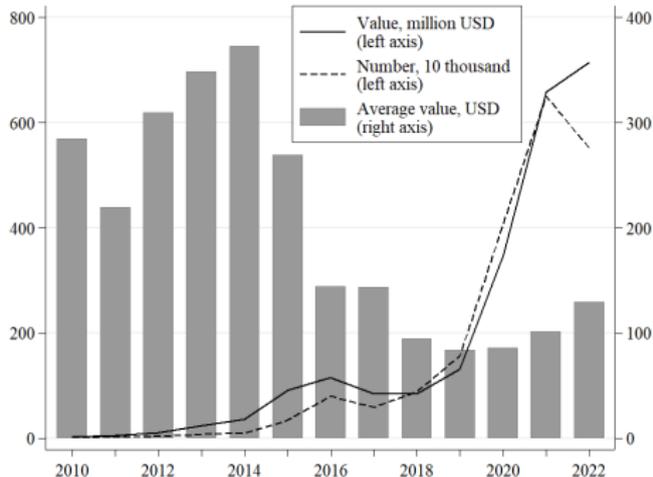
Note: export values in million USD. Source: Koo et al (2019), Figure 2-3.

# Korean SMEs' exports

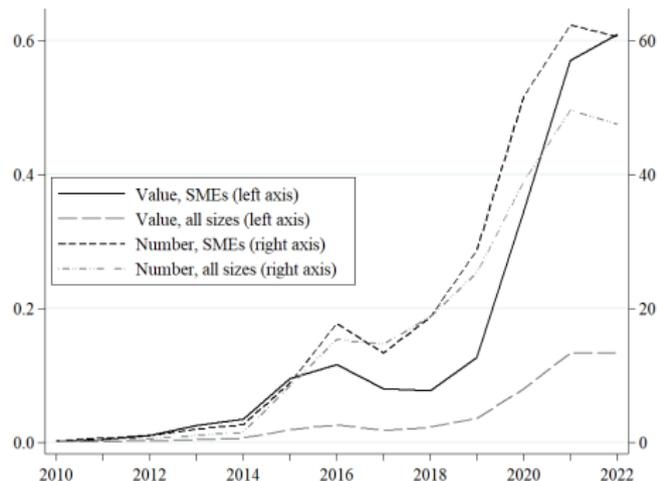
- Rapid take-up of e-commerce as a means to export

## SMEs' e-commerce exports

### Value and number

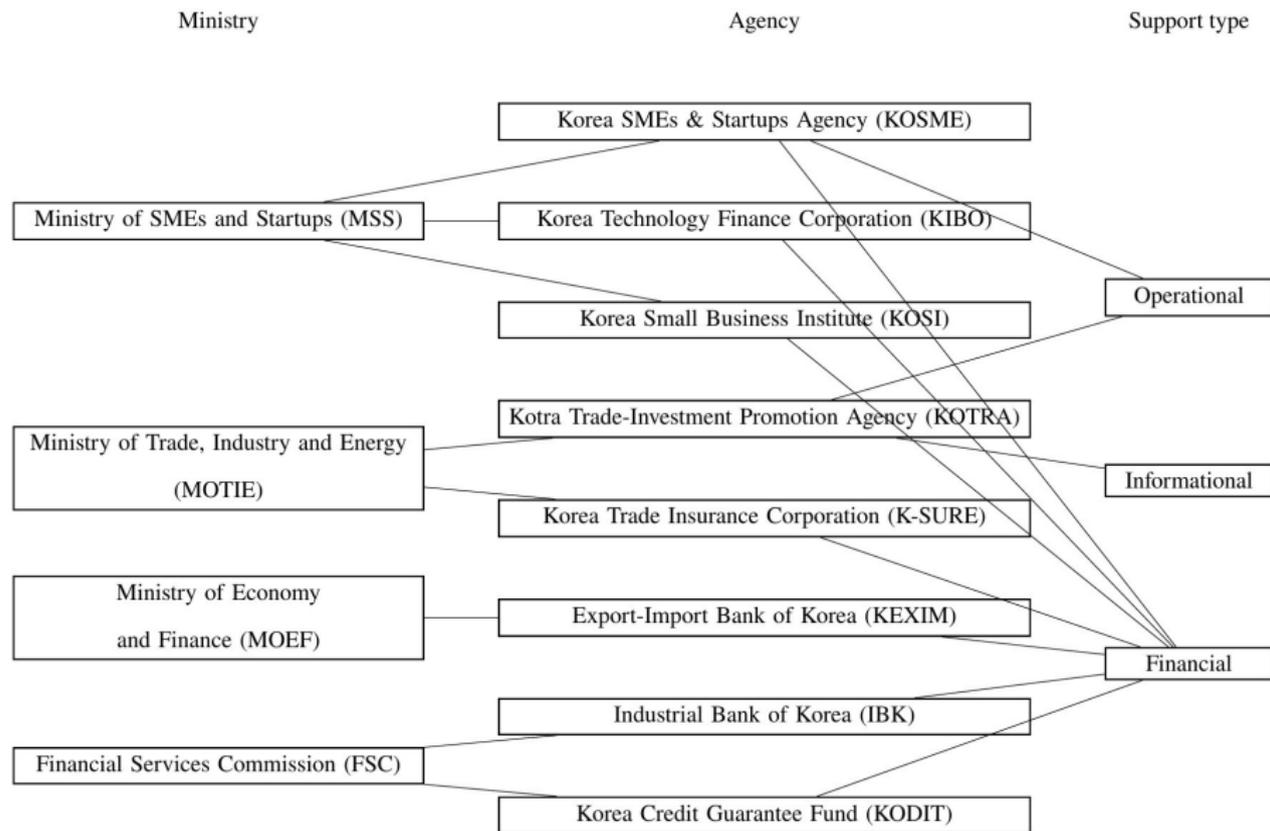


### % share in exports



Source: Author's calculations using the data from the Korea Trade Statistic Promotion Institute (KTSPi)

# Support system for SMEs' exports in Korea



- Key features

- ▶ Adequate amount necessary for effectiveness (e.g., fixed costs)
- ▶ Increasing demands for efficient use of public funds and performance evaluation against budget

- Notable examples

- ▶ Discounted fees for e-commerce export by KOSME
  - ★ No separate budget → less (if any) public-finance concern
  - ★ KOSME working as an intermediary between exporting SMEs and logistics providers to create economies of scale
- ▶ Reimbursement of service fees by KOSME
  - ★ Preset target number of beneficiaries, to guarantee a minimum per-beneficiary budget

- Key features
  - ▶ Burden to SMEs without enough human resources
  - ▶ Needs to extract necessary information for the selection of the right applicants
- Notable examples
  - ▶ KOSME's online application system
    - ★ All steps of application process made online
    - ★ Application support centers
    - ★ Semi-automatic submission of necessary official documents

- Key features
  - ▶ Targeting (e.g., more likely to succeed or in larger need for support)
  - ▶ Selection criteria↓ → application & utilization↑
- Notable examples
  - ▶ Online export platform by KOSME
    - ★ Scoring system of 100 points: competitiveness (50), readiness and willingness (20), contribution to employment (30)
  - ▶ Discounted fees for e-commerce export by KOSME
    - ★ Minimal selection (because no separate budget involved)
  - ▶ Reimbursement of service fees by KOSME
    - ★ Evaluation by KOSME and service providers, giving favors to minorities
    - ★ Upper bound for each candidate set by evaluation
    - ★ Final decision by a selection committee of experts

- Key features
  - ▶ Division of labor among specialized players, coordinated by the agency
- Notable examples
  - ▶ Joint logistics for e-commerce export by KOSME
    - ★ KOSME's negotiation with logistics companies for discounted fees
    - ★ Direct contract, payment, services delivery between the beneficiaries and the logistics companies
  - ▶ KOTRA's K-Studio
    - ★ KOTRA's design and organization of different actors
    - ★ Local governments and public organizations offering physical space for studios and recruiting participant SMEs
    - ★ Local universities recruiting their students as production staffs to create digital marketing contents

- Key features
  - ▶ Incentives for performance (operators) and efforts (participants)
  - ▶ Feedback into operators' payoffs and participants' benefits
- Notable examples
  - ▶ KOTRA's evaluation system based on KPIs
    - ★ Performance at each level evaluated based on KPIs and fed back into payoffs, with real-time online evaluation system
    - ★ Considered to be the key to KOTRA's success
  - ▶ Sanctions in KOSME's support programs
    - ★ Exclusion from current and future programs, and recall of benefits from current program, in case of a misconduct or misreporting

Thank you very much for listening

