

# Senior Advisor Brian Outlaw Speaks at Boao Forum for Asia SME Conference 2013

## TAGS

Chemicals, Commercial services, Construction

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On January 18 Brian Outlaw, senior advisor to the EU SME Centre, gave a talk on the Centre and its services at the Boao Forum for Asia SME Conference 2013, a conference focusing on SMEs in Asia and themed “Persistence, Innovation and Excellence: the Way Forward for SMEs”. Out of the 1,000 official participants, 600 were representatives of SMEs. Mr Outlaw in his speech highlighted the importance of SMEs as major providers of employment and value creation before turning to the EU SME Centre in China, the underlying rationale and examples of how the Centre supports SMEs looking to enter the market. The following article is based on the speech given by Mr Outlaw:

## The EU SME Centre in China

### Assisting small and medium-sized companies enter the Chinese market

Small companies, big impact

Small and medium-sized enterprises (SMEs) are the backbone of any economy. In Europe, more than 98% of all firms are SMEs – a category that encompasses all companies with fewer than 250 employees and an annual turnover of less than 50 million Euros. In turn, most of these are very small companies with no more than ten employees. Chinese SMEs account for about 60% of GDP and employ 80% of the country’s population, while the numbers in Europe are somewhat smaller (58% of GVA<sup>[1]</sup> and 67% of employees). In short, SMEs are essential to the functioning of a healthy economy and therefore deserve the attention of policy-makers around the world. In addition to their role as reliable providers of employment and value creation, they are a prime source of creativity and innovation.

Of course, not every SME, no matter how innovative its products may be, grows into a huge multinational corporation. Some fail, but many choose to remain very tightly focussed, serving a well-defined market. Companies like this abound in the engineering sector, in design, architecture and in high-tech industries. It is not the case that companies with world class products or services to offer are necessarily in the Fortune 500 list. But it is generally true that an SME finds it harder to break into the international market than a large company. There are many reasons for this, but a key constraint is that an SME needs to commit substantial resources to exploring and developing new markets. A similar commitment of money and staff time in a large company represents a much smaller percentage of the company’s resources.

The European Union and SMEs

The European Union (EU) has recognised the importance of SMEs to the growth of the economy. There are more than 23 million SMEs in the 27 member states and the European Parliament and the European Commission have adopted a number of initiatives to encourage and assist their development. Many of these initiatives are set out in the Small Business Act. One of the areas in which the EU seeks to encourage and assist SMEs is helping them to take advantage of international markets. Today there are only around 250,000 European SMEs that have any engagement with the Chinese market. Whilst it is true that China is not a market for all European SMEs, we do believe strongly that there are real opportunities in China and other international markets for many more European SMEs than those currently involved – and the EU seeks to encourage these SMEs to explore and develop such opportunities. There are obviously advantages to both sides in the further development of international trade. Making the creativity and innovation offered by European SMEs available to a wider markets brings benefits to the purchaser as well as the supplier.

### The EU SME Centre in China

One of the ways in which the EU sets about helping SMEs internationalise has been to establish EU SME Centres in some key markets. The first Centres were set up in India, China and Thailand, and others might follow. The EU SME Centre in China is operated by consortium an of national chambers of commerce – from Belgium, Britain, France, Luxembourg, Germany, Italy, Spain and the Netherlands, together with the European Chamber of Commerce in China and Eurochambres in Brussels – and is funded entirely by the EU.

The small team of the Centre, located in Beijing, consists of experts in the fields of business development, legal, standards and technical compliance, and HR and training, all with extensive experience in Europe-China trade and supported by invaluable Chinese staff, adding local expertise and networks. This core team works closely together with the Centre's communications department (based both in Beijing and Brussels), whose task it is to spread the word throughout the 27 Member States of the European Union.

The Centre has two key roles. The first is to provide information to SMEs in Europe about the China market and to encourage them to think about whether or not they should be thinking about China as a potential market. Once the company has decided that China is indeed a market worth considering, the Centre's second role comes into play. At this stage, more detailed information is necessary. The company will need to find out if there is a market for its product and what needs to be done to reach that market.

### The Centre's publications and services

To assist in the decisions SMEs will have to make along the way, the Centre publishes reports, guidelines and case studies, holds seminars and arranges trainings for SMEs in Europe and in China. All of these materials and events are tailored specifically to the needs of SMEs, small companies without the financial and human resources to engage in time-consuming research and without the legal knowledge necessary to manoeuvre the intricacies of international trade law. The Centre's publications are therefore focused on real world day-to-day challenges small companies will likely have to face when entering the Chinese market, avoiding legal jargon wherever possible and

offering solutions that are efficient in terms of both time and money. Events are presented in a variety of formats – from personal trainings to large conferences – and follow the same guidelines: they are organised to deal with concrete problems, offer practical solutions and serve as a platform to share best practices. Thus, topics cover everything from setting up an online store in China to managing income taxes and retaining highly qualified employees. Relevance and efficiency are the two benchmarks against which all of the Centre's activities are measured.

A good example of this approach is the recently launched diagnostic kit entitled 'Are you ready for China?'. This tool set for newcomers to China consists of four reports introducing different aspects of market entry accompanied by an online quiz tailored to help entrepreneurs check their level of readiness regarding the market and pointing them towards further resources to improve their understanding of less well-known business areas. The whole set is thus structured to fit the needs of SMEs with only a basic understanding of the Chinese business environment and serves as a step-by-step guide to be used along the way.

Another way in which practical support is given to SMEs new to China is the provision of temporary office space within the Centre's hot-desking area, which is located within the Centre itself. European companies are able to use all facilities necessary to conduct preliminary market research and are welcome to use the Centre's meeting rooms, with the added advantage of having all the Centre's experts and their knowledge at hand within the same room.

All publications, tools and services can be accessed from the Centre's website at [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn). Besides a download section for sector reports, practical guidelines and case studies on European SMEs already active in the Chinese market, the site offers an abundance of additional tools. Registered users are able to find background information on upcoming events and webinars (including recordings of past webinars), have access to databanks on trade shows and service providers, and can explore selected content in the form of electronic learning modules and interactive infographics.

### The EU SME Centre and its partners

The Centre's network of partners plays an essential role when it comes to reaching and engaging those SMEs who really should be thinking about the China market, but are currently not doing so. To cover all 27 Member States, the Centre works closely together with a variety of intermediaries, chambers of commerce, trade associations, national government organisations, EU institutions and the media. These partners serve as essential multipliers – without them, reaching 23 million European SMEs speaking 23 different languages would be impossible. These partners are not limited to the role of messenger, either, as the Centre collaborates with many of them on a regular basis – be it the publication of 'special interest' articles, the organisation of trainings at their venues in Europe or the provision of support to trade delegations in China.

When it comes to business support provided to individual SMEs, partners are involved as well. Even though it is not within the EU SME Centre's remit to provide in-depth consultancy to individual firms, SMEs are able to post specific questions to the Centre's experts, which are generally answered within seven days. More comprehensive enquiries, though, are referred to the Centre's partners, the members of the implementing consortium or other chambers of commerce or industry

associations, who are generally better positioned to handle larger and more intricate cases.

#### SME Centres as facilitators of economic recovery

As Europe works hard to recover from the recession, it is important that European SMEs take a broad view of the opportunities available to them before they make decisions on their future. Internationalisation is often a difficult step and exploring markets a long way from home, with different cultures and languages, presents daunting problems. For some companies, though, China offers real, long-term opportunities, and the EU SME Centre and other national and private organisations are in place to help those companies enter and succeed in the market. The establishment and promotion of freely available support services such as the EU SME Centre in China is an effective and sustainable step towards more internationalisation amongst SMEs, and therefore the strengthening of a vital segment of the global economy. The European Union has understood this and will continue to support its small and medium-sized companies in a variety of ways.

[\[1\]](#) Gross Value Added is the remaining figure when intermediary costs are deducted from the sales turnover.