
Abstract

SME Policy Directions and Tasks for Implementing the Creative Economy in Korea

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The Park Geun-hye administration put forward the “creative economy” as a new growth strategy for the sustainable growth of Korea. To achieve this goal, SMEs and start-ups are regarded as key players in fostering the creative economy ecosystem, and new policy directions and alternative policy measures need to be addressed.

From the perspective of the creative economy, this report rigorously reviews and evaluates on-going SME policy measures and programs in Korea. It also discusses some SME policy directions and tasks to support the ‘creative economy action plan’.

The creative economy agenda is aimed at switching ‘catch-up type’ strategy to a new growth strategy founded on innovation, technology and creative ideas. A more concrete concept of the creative

economy is required and essential for policy implementation as well as coordination with the Korean economic environment and policy demand.

President Park's creative economy agenda reflects the current economic environment of Korea. Indeed, the potential growth of the economy is challenged by a number of factors such as a high dependency of SMEs on chaebol, widening economic and social imbalances between chaebol and SMEs, slowing down of the growth engines and so on. This calls for the new concept, the "Korean creative economy", which includes creating new industries and markets, accelerating firms' innovative activities, stimulating creative ideas, and creating quality jobs index.

In order to foster a creative economic ecosystem, the active role of SMEs is critical; this will be achieved by SMEs' business 'growth strategy' and 'tools'. Their growth strategy should aim to boost exports and trades in both global and domestic markets, and the tools would be backed up by their specialization and knowledge management in businesses.

The on-going SME policies and direction in Korea need to be carefully addressed in order to encourage SMEs to play a key role in the creative eco-system. In coordinating SME policies, structural conformity with the elements of the creative economy and that of SME policies needs to be stressed. In addition, more creativity is required in the new SME policy making process.

This report proposes the following alternative policy directions and strategies: First, 'quality' measures rather than 'quantity' should be

emphasized in setting policy direction and in the process of achieving policy goals. This implies that qualitative growth and quality jobs are more desirable for sustainable and healthy growth than input-driven growth and part-time jobs. Second, in order to enhance policy performances, policy priorities should be narrowed down by discerning policy options. That is, policy should target innovative SMEs (i.e., mid-sized firms and start-ups) that have growth potential but require government supports due to market failure. Third, in order to harmonize policy target with policy action, the government needs to reorganize its policy portfolio. For example, establishing an innovative system for SMEs is the highest priority. The budget allocation for SMEs needs to be reallocated as well, as it has given too much emphasis on the manufacturing sector. Fourth, policy measures and actions should shift from 'funding-based' policies to 'service-based' ones. This changes will be achieved by establishing a proper SME support system and utilizing a 'support network' for SMEs. Finally, policy measures need to be designed to strengthen SMEs' ability to enter global markets. That is, SME policies should spur SMEs to pioneer new market and new industries.