

# The globalization of technology

## Opportunities for SMEs

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**Technological innovation is considered a critical factor for the sustenance and growth of enterprises in a competitive and globalized economy. Globalization has exposed small and medium enterprises (SME) to technological developments and innovations across national boundaries in recent years. Today's enterprises look more and more to the international market for technologies, know-how, technical training, and new ideas. This has become a necessity for enterprises to become globally more competitive. This article discusses how Philippine SMEs can become technologically more competitive in a global economy.**



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### Introduction

Perhaps the most significant development we have had in recent years, which will also shape future developments, is the way technological innovations have changed our lives.

For consumers, the explosion of technological innovation means more choices and higher expectations. If Brand A cannot give us what we want, we get Brand B. If Company X cannot deliver, we turn to Company Y. Excellence in every aspect has simply replaced loyalty as clients' criterion.

Computers have to be faster and more powerful. And in this age of multi-tasking, cellular phones have to be more than telephones; they are also calculators, stopwatches, timers; they

function like personal assistants, reminding us of appointments, birthdays and anniversaries; they provide traffic reports, breaking news, and connect us to the Internet; they immortalize momentous events with built-in cameras.

Technological innovation has also led to globalization, which in turn has led to the rapid elimination of geographic boundaries.

All these have affected our small and medium entrepreneurs. Globalization has exposed our SMEs to global competition; they will have to be world-class to compete with other producers all over the world. This is such a tall order, as it requires everyone to be as productive as the SMEs in the other parts of the world. It is a great challenge

for us. We can only say, “*puede na ‘to,*” (“this will do”) at the risk of suffering, by comparison with other products, in the global market.

It is a challenge to which many of our SMEs have risen and proven to be equal, with assistance from the government, under the National SME Agenda, also known as *Sulong Pinoy*. Under the programme, entrepreneurs undergo training on international marketing and entrepreneurship, and later enjoy opportunities to join international trade fairs as well as buying and selling missions.

Through this, many of our innovative handicraft makers, woodcraft manufacturers, and food producers have graduated to global business. A particularly exciting development is that some of our entrepreneurs sell cut flowers and delicacies like *danggit*, *dried squids* and *pastillas* online.

Now, in what we call the global knowledge economy, technology and knowledge are the key factors of production. They have replaced capital and energy as the primary wealth-creating assets, in the same way that capital and energy replaced land and labour two centuries ago. Groundbreaking business ideas, therefore, are those that derive value from information. When utilized effectively, technology is a powerful instrument for enhancing SME competitiveness. And for SMEs to become truly engines for growth, they will have to harness technology and knowledge to the utmost.

### Role of SMEs in economic growth

Collectively, SMEs pack more economic strength than corporate giants: they make up 99.6 per cent of all registered firms in the country and employ 70 per cent of labour force.

This makes SME development so important to national growth that President Arroyo, in her 10-Point Agenda for the next six years, vows to support three million entrepreneurs through financial and other forms of assistance, to enable them to contribute to the generation of six to ten million jobs. This will give tremendous boost to the diversification of industries and the equitable distribution of wealth.

### The National SME Agenda

SMEs’ productivity, however, contributes only 32 per cent to our Gross Domestic Product (GDP), and this has to improve if we are to make the SME sector truly an engine for economic growth. The National SME Agenda seeks to achieve the expansion of the SME sector by graduating small and medium enterprises to higher levels of business undertakings and upgrading their productivity and value-added capabilities.

The National SME Agenda has five elements:

- Financing;
- HRD/Entrepreneurship training;
- Market development;
- Product development; and
- Advocacy for enabling environment.

The Plan brings together the different agencies of the government, under the Department of Trade and Industry (DTI) as lead agency for implementation.

Specifically, the bureaus involved are:

- Bureau of Domestic Trade Promotion (BDTP);
- Bureau of Small and Medium Enterprises Development (BSMED);
- Philippine Trade and Training Center (PTTC);
- Product Development and Design Center of the Philippines (PDDCP);
- Regional Operations Group (ROG);
- Small Business Guarantee and Finance Corporation (SBGFC);
- Bureau of Export and Trade Promotion (BETP);
- Center for International Trade Expositions and Missions (CITEM); and
- Cottage Industry Technology Center (CITC).

Although each of these agencies has the mandate to focus on one element of the National SME Agenda, the Plan is being carried out in such a way that it is not only comprehensive but integrated as well. The right hand always knows what the left hand is doing. In practice, the Plan is seamless.

### Success story: La Herminia Pina Weaving Industry

The experience of La Herminia Pina Weaving Industry in Kalibo, Aklan illustrates how the National SME Agenda’s integrated approach translates into actual assistance to SMEs.

When Alan Tumbokon was laid off from his work at the Department of Public Works and Highways (DPWH), he turned that setback into an opportunity. He noted the number of skilled weavers in their community in Kalibo, Aklan, and decided to set up a pina cloth production business. He persuaded his mother Herminia, a skilled weaver, to hire another weaver in the neighborhood for a start. He himself learned weaving from his mother, but being an engineer by profession, he noted the long tedious processes involved in the production, and wanted to do something about it. Initially they had to be content weaving plain pina cloth, which they sent to Lumban, Laguna for design. Because supply exceeded demand, the price they were getting for these cloths was low.

Alan’s opportunity to improve and speed up the production process came when the DTI and Canada International Development Agency Linkages for Enterprise Development and Advancement (CIDA LEDA) Program sent him on a one-month study mission to Canada. There, he was exposed to the different weaving equipment at Le Centre des Textiles Contemporains de Montreal.

When he got back, he wasted no time in putting his newly acquired knowledge into practice. He mechanized the spooling process by fabricating an electric bobbin winder. Later, with the help of DTI, he was able to establish linkage with a local fabricator. Together they devised semi-mechanized wider looms with flying shuttles that can be operated by one person instead of two, a multi-harness loom with black pipe that can weave fabrics of up to 60 inches, and a warping machine with capacity of 100 meters.

No longer content with plain weave, Alan sought the assistance of the Product Development and Design Center of the Philippines (PDDCP) and Center for International Trade Expositions and Missions (CITEM) on product design and development, in preparation for the DTI-sponsored National Trade Fair in March 2003 and Manila FAME International the following month. The company also participated in the Kalibo Ati-atihan Product Showcase, Source-it Trade Fair, 4<sup>th</sup> Aklan Fiber

Festival, Aninag Fashion Show, and the March 2003 Shanghai Fair.

At the fairs, the 60-inch wide cloth became a big hit. A French buyer ordered 2,000 meters of the 60-inch wide pina seda cloths. To serve the order, the company invested in the fabrication of 20 additional units of 60-inch wide looms, established satellite weaving centres in two more municipalities, and employed additional 30 weavers and one sewer.

This marked the company's venture into export market, including France, Japan, U.S., Hong Kong, and South Africa. It now counts among its clients top fashion designers in the Philippines and in France.

The company's growth means more employment - from a workforce of three, it now has 144 direct workers and about 400 indirect workers, including fibre extractors and knotters. Many of them have been able to renovate homes and provide better education for their children.

This is what an integrated SME programme means - the confluence of efforts that led to the growth of La Herminia Pina Weaving Industry approaches the art of weaving itself: with the warp and filling threads interlacing smoothly, the seams undetected. The orchestration of support services was performed by the key agencies moving in unison and in partnership with the entrepreneur, and one can hardly tell where one agency's effort ends and another's begins. With this integrated assistance, La Herminia has raised the ante and found its niche in the global market.

### Working together towards global competitiveness

This is just one SME, but it is representative of SMEs that have benefited from the National SME Agenda. To date, 2,875 SMEs have been reached by 31 SME Opportunities Caravans, and 2,169 have been assisted on product

design and packaging under the programme. In addition to skills trainings being conducted by the CITC, the PTTC provides ongoing seminars on the different aspects of business and management for entrepreneurs. The Programme's financing component, SU-LONG, has assisted 438,632 SMEs through P 39.64 billion worth of loans.

However, much remains to be done. There are 800,000 SMEs in the country, and we have barely scratched the surface. The work goes on towards making SMEs more globally competitive. One of the important things the knowledge economy has taught us is that it is no longer beneficial to be self-contained; that unlike other resources that diminish when shared, knowledge can even be enhanced when made available to others. With the government and the private sector sharing knowledge, and working on this knowledge together, we shall advance faster to making our shared vision of a vibrant SME sector a reality. □

### Small Enterprises Technology Upgrading Program

The Small Enterprises Technology Upgrading Program (SETUP) aims to promote countrywide development by upgrading productivity of SMEs through technology application/upgrading. The strategy is to focus on 5 industry sectors (food processing; furniture; fashion accessories, gifts-toys-houseware, and marine and aquatic resources and horticulture); rationalize the implementation of such programmes in the regions by consolidating the components of existing programmes and have regional offices manage and/or implement these programmes.

The prospective participants of the Program could include:

- Any company or individual firm that is based in the Philippines and wholly owned by Filipino citizens.
- Any small and medium-scale business firm that can be classified under the identified priority sectors.
- Any individual firm that is willing to apply technological improvements in their existing operations.

The beneficiaries of the Program will be able to:

- Address current problems;
- Get free technical advice from the consultants;
- Avail of technical training courses for workers/employees;
- Acquire new equipment to mechanize and/or improve production line through venture funds;
- Standardize and improve the quality of products; and
- Be competitive.

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