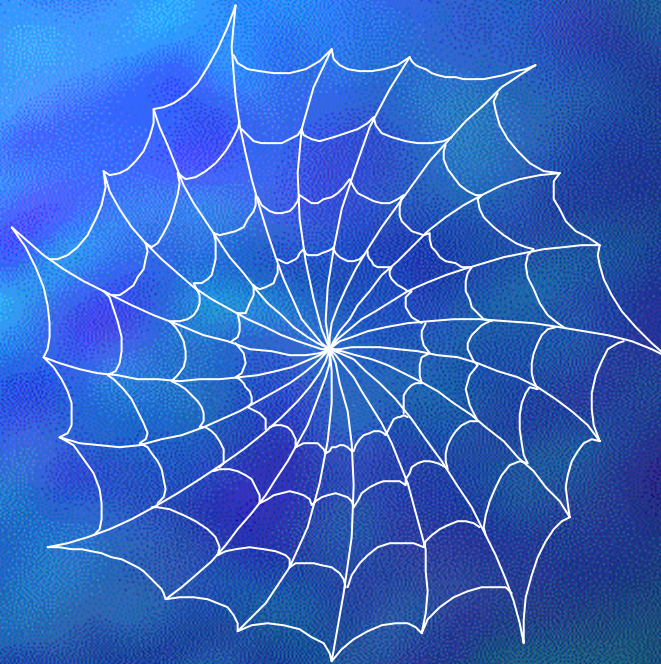


# PROMOTING SUSTAINABLE TNC/SME-LINKAGES



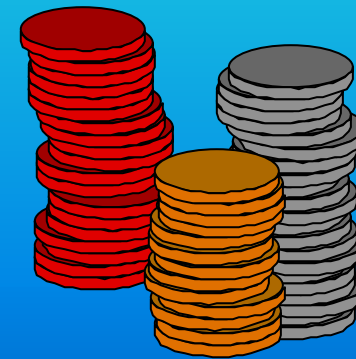
presented by  
Lorraine Ruffing and Jaques Ferriere



# TNC/SME-Linkages

## Motivations for TNCs to develop linkages with SMEs

- TNCs focus on core activities and outsource of non-competitive activities
- Reduced transaction and factor costs for TNCs through operations with local firms

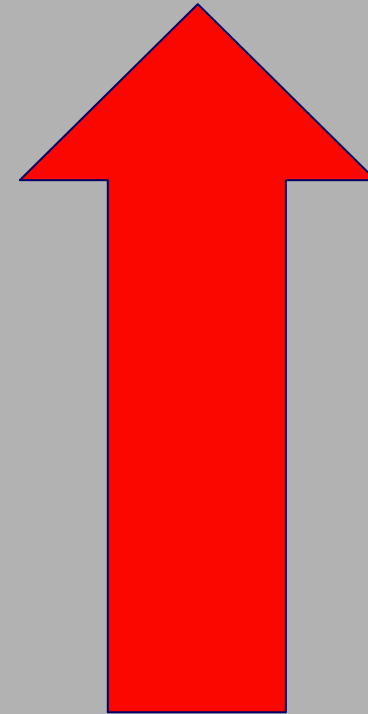




# TNC/SME-Linkages

## Motivations for TNCs to develop linkages with SMEs

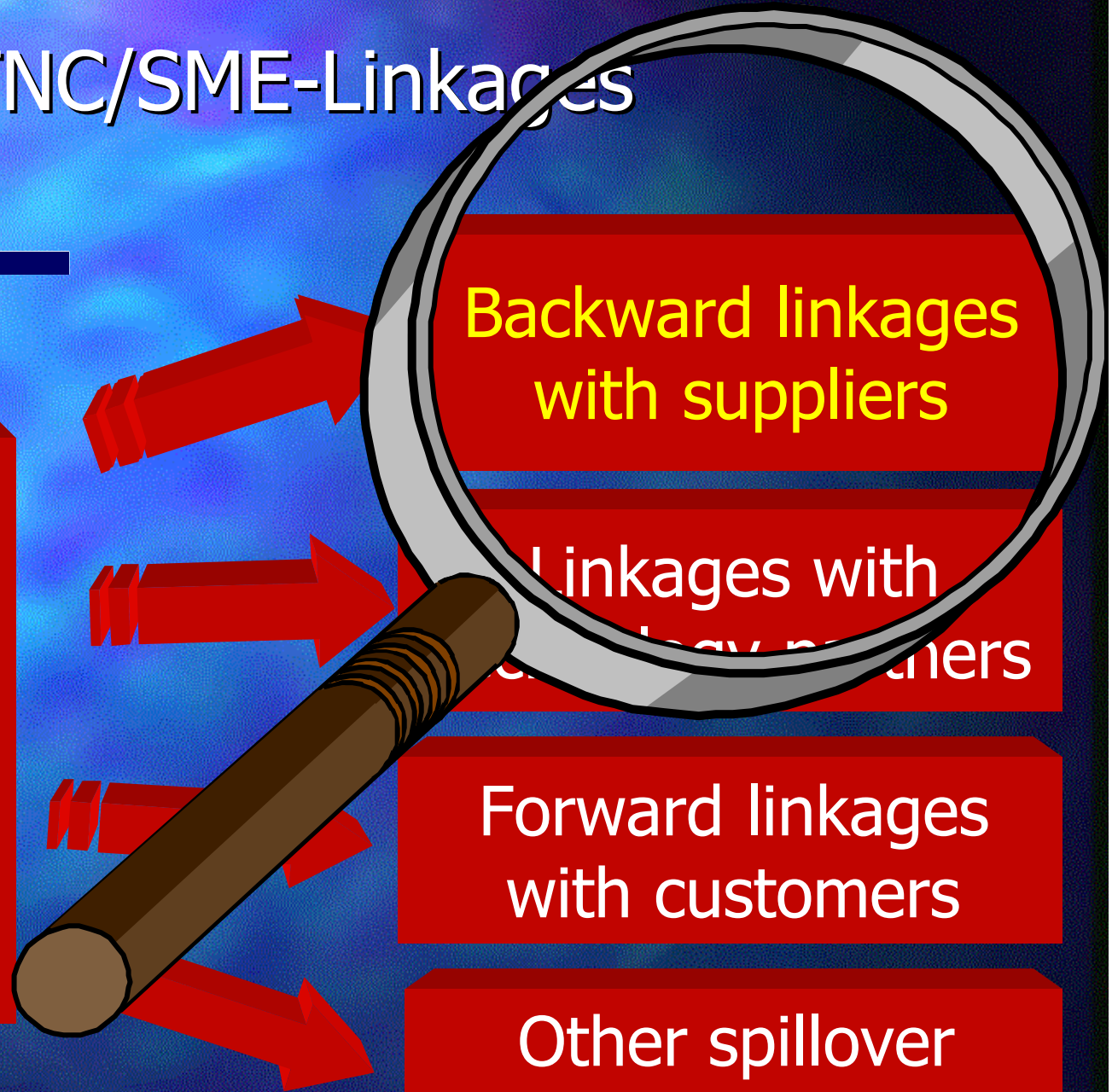
- Increased flexibility / speed by off-loading some operations
- Productivity gains





# TNC/SME-Linkages

Linkages  
and  
Spillovers  
between  
TNCs and  
SMEs





# TNC/SME-Linkages

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- TNCs increasingly tend to perceive the building up of SME supplier networks as a long-term investment





# TNC/SME-Linkages

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Transnational Corporations that carry out an  
Corporate Supplier Development Programmes:

- Hitachi
- Intel
- Motorola
- Philips
- Toyota
- Unilever
- Anglo-American



# TNC/SME-Linkages

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- Linkages with transnationals have **benefits** for small and medium-sized enterprises but also some **risks**

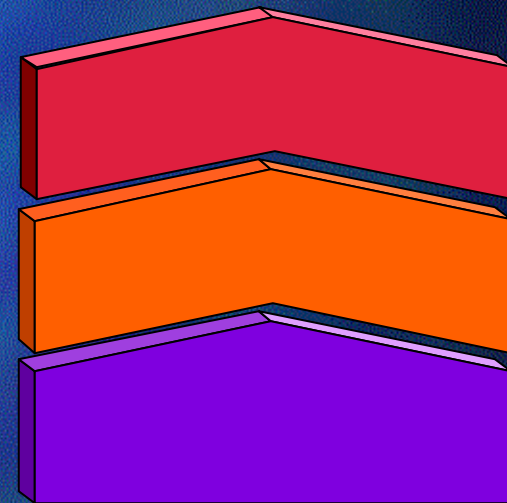


# TNC/SME-Linkages

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## BENEFITS

- Technological and managerial upgrading of SMEs

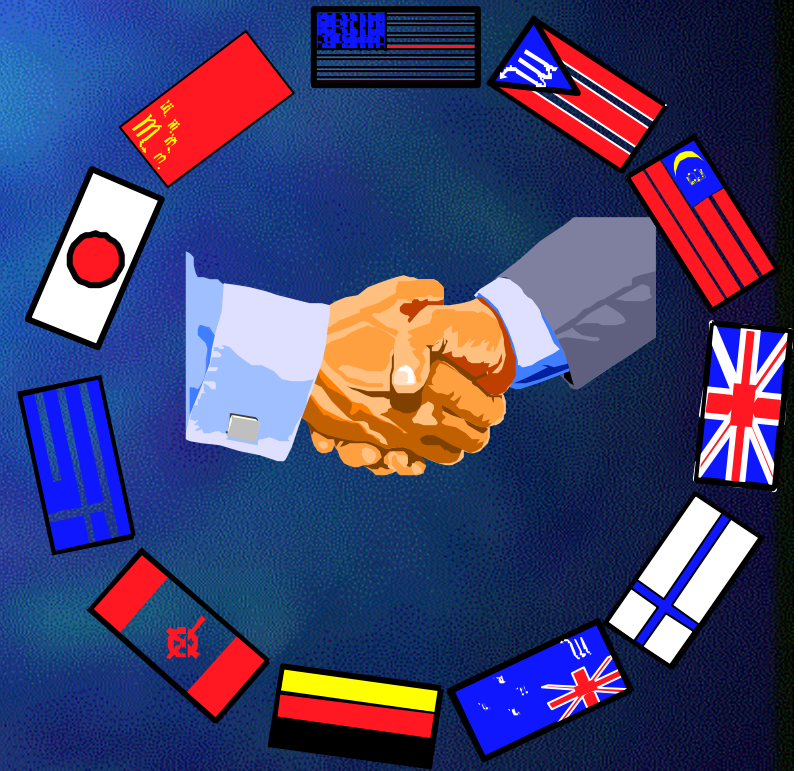




# TNC/SME-Linkages

## BENEFITS

- Facilitation of other business alliances
- Transformation into internationalized SMEs

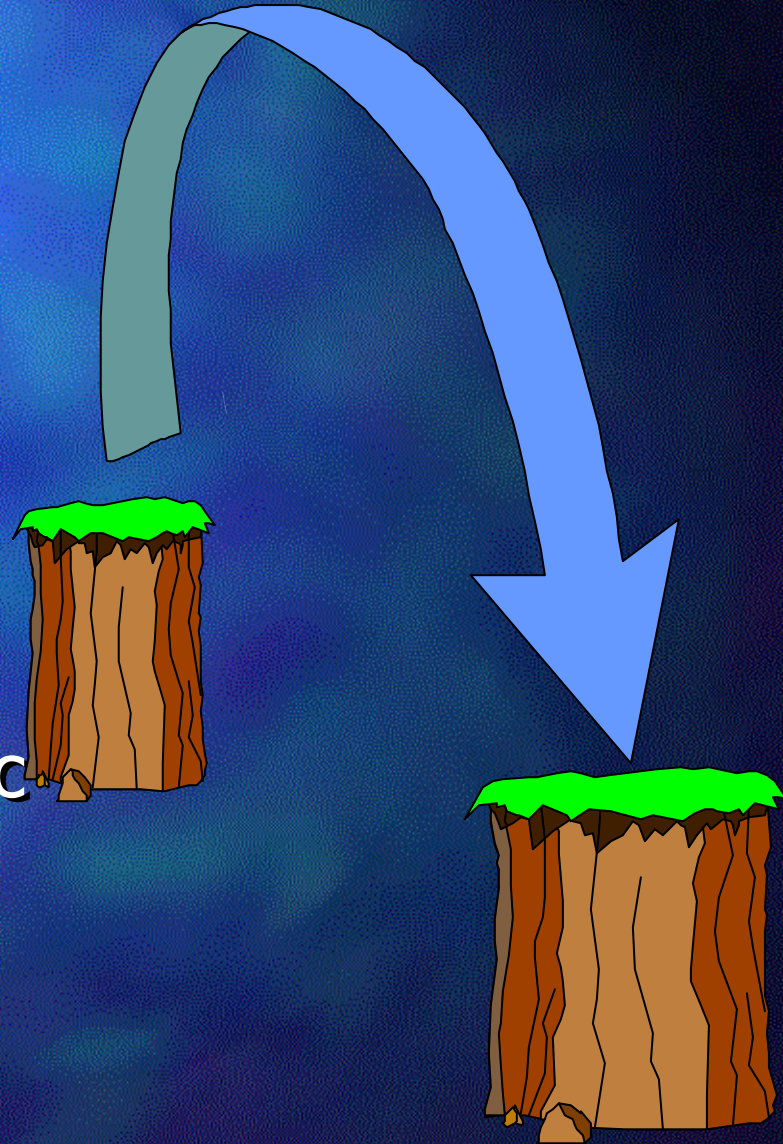




# TNC/SME-Linkages

## BENEFITS

- Market access, guaranteed outlet for production
- Information on market trends for SME strategic positioning



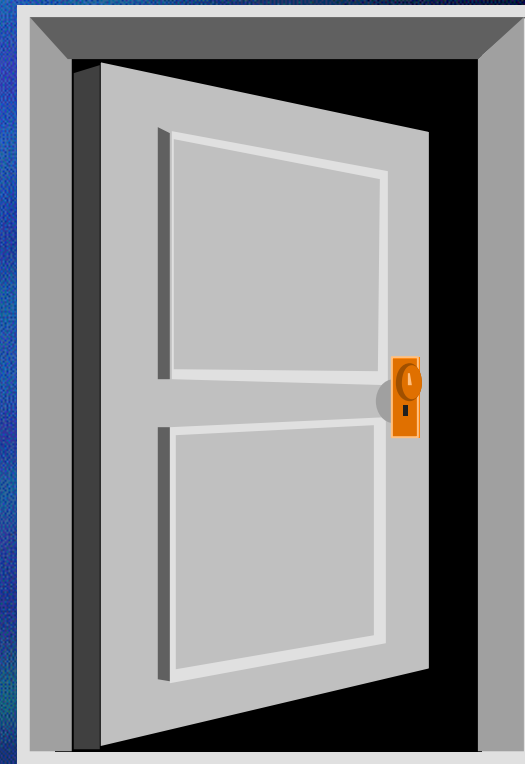


# TNC/SME-Linkages

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## BENEFITS

- Facilitated access to credit or other financial support



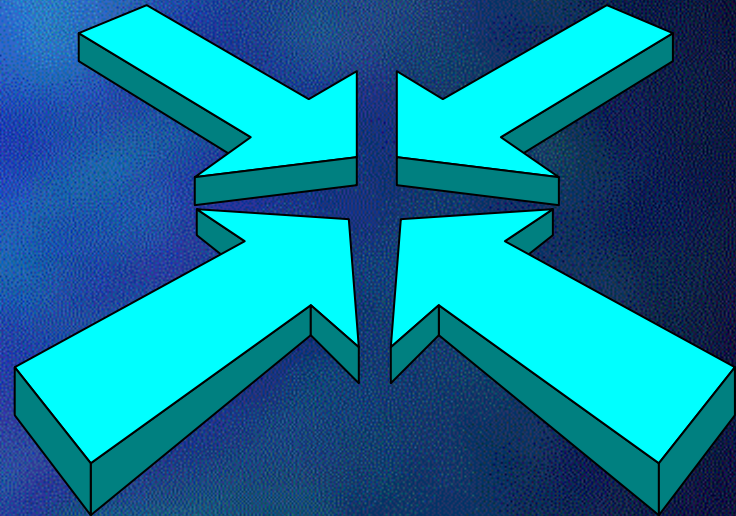


# TNC/SME-Linkages

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## BENEFITS

- Dynamic entrepreneurship, and specialization by SMEs

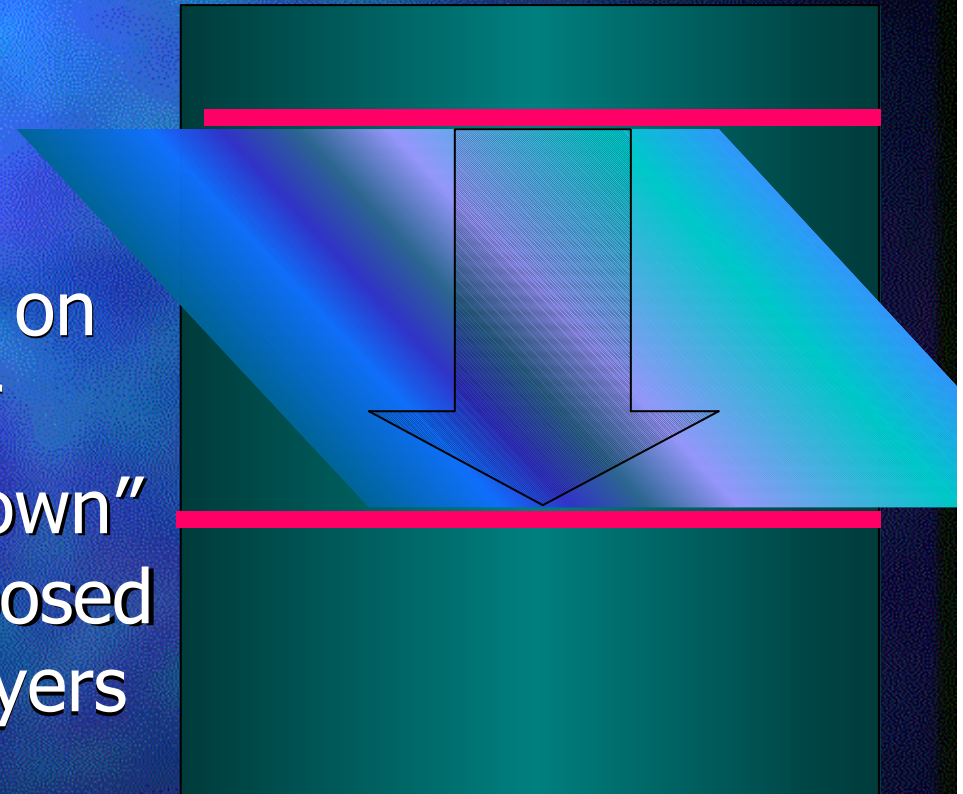




# TNC/SME-Linkages

## RISKS

- Overly dependent on the TNC customer
- Caught in “cost down” market cycles imposed by TNC global players



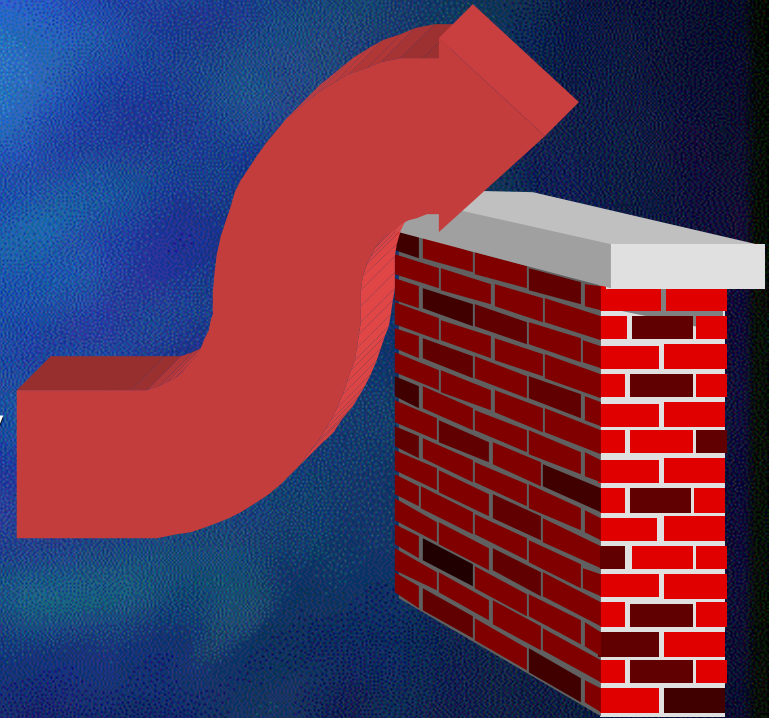


# TNC/SME-Linkages

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## RISKS

- Exposure to constantly increasing non-trade barriers (high corporate and international quality standards)





# Partnerships for Sustainable Linkages

## Roles of Partners

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- Government: vision, commitment, policies (economic incentives, skill development)
- TNCs: monitoring and coaching
- SMEs: vision, commitment, financial stability
- Support agencies: Global Supplier Programme



# Role of Government and support institutions in linkage development

## Business environment

- Re-orientation for globalization
- Political and economic stability

## Robust educational system

- Multi skilled and agile workforce
- Promote learning organization

## Financial Aids

- Incentives
- Tax exemptions

## Good Infrastructure

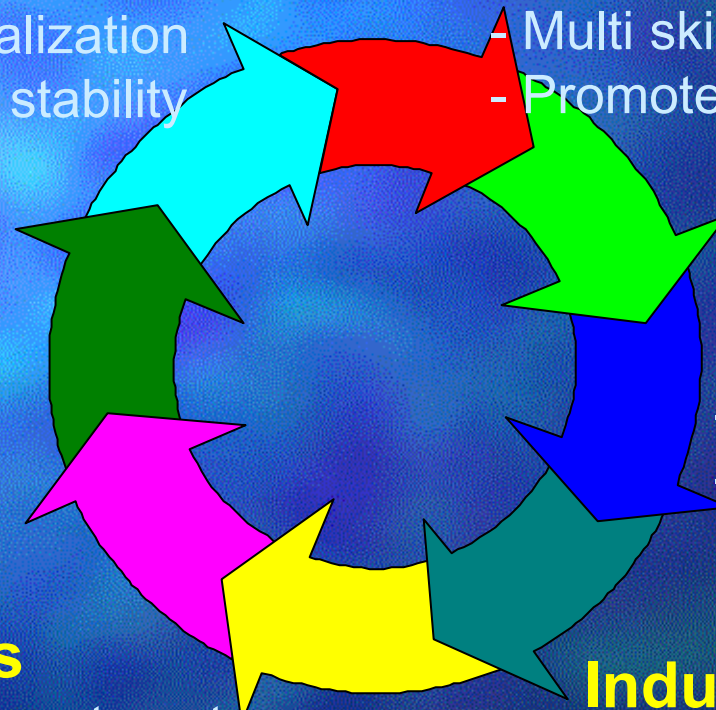
- Access/ transportation
- IT capability

## Effective Policies

- Encourage foreign investment
- Encourage local supplier development

## Industrial Promotion

- Opportunities for linkages & networking (trade missions)
- Foreign collaboration with local industries





# TNC/SME-Linkages

## Best practices in terms of TNC linkage programmes

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- access to TNC innovation centers and engineers/consultants
- assignment of TNC staff to SMEs, sharing of know-how
- phased upgrading from SME plant layout to technological capabilities (design capability, flexible manufacturing, ISO certifications)

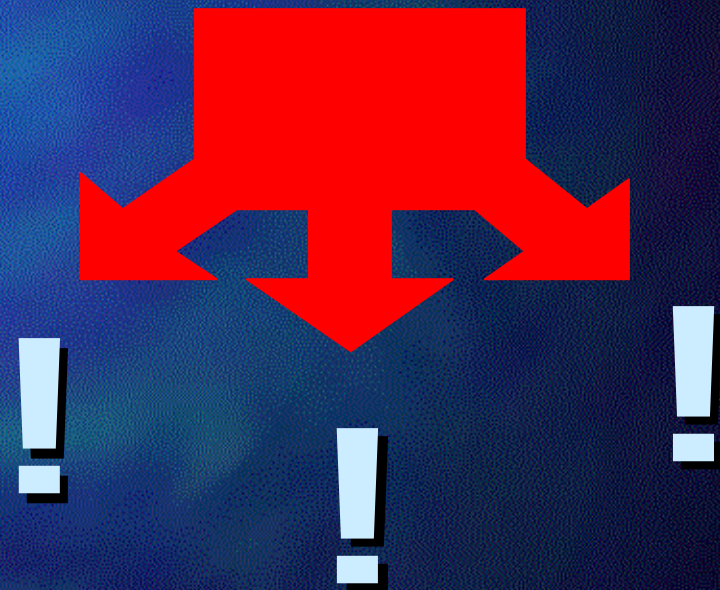


# TNC/SME-Linkages

## Best practices in terms of TNC linkage programmes

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- coaching and mentoring programmes
- periodic evaluation and benchmarking
- facilitate SME access to other business opportunities



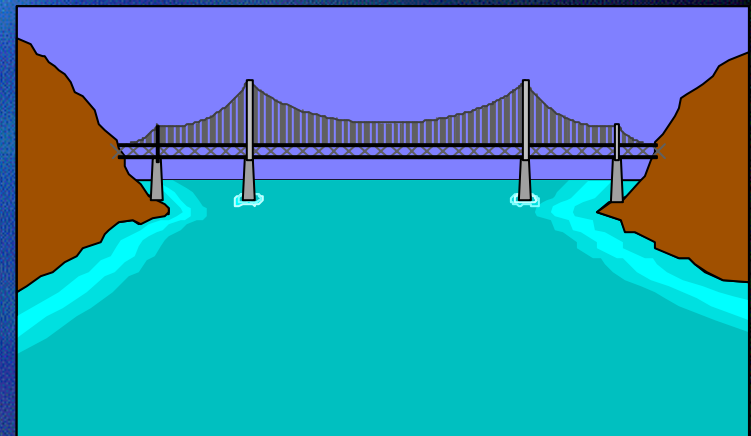


# TNC/SME-Linkages

## UNCTAD's Global Linkage Programme

This project aims at assisting SMEs in:

- stimulating vision/commitment of governments in developing countries
- identifying both potential suppliers from among SMEs and TNCs that are open to forging linkages with SME partners





# TNC/SME-Linkages

## **UNCTAD's Global Suppliers Programme**

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- providing guidance to governments on appropriate economic incentives that facilitate mutually beneficial linkages
- starting coaching programmes with TNCs to upgrade SMEs technology and management
- diffusing information on international best practices