

Investment Opportunities in the Business Consulting Industry in Taiwan

I. Industry Definition and Scope

The business consulting industry provides business consulting and coaching services for business entities and other membership organizations. The industry offers consulting services in a variety of areas including financial decision-making, marketing strategies, human resources planning, production management, and public relations.

II. Taiwan's Industrial Environment

According to the results of a survey conducted by the Small and Medium Enterprise Administration (SMEA), Ministry of Economic Affairs (MOEA), there are a total of 1,706 firms in the business consulting industry currently operating in Taiwan. The gross industrial output value of the industry is estimated at approximately US\$910 million.

Generally speaking, business consulting companies in Taiwan are relatively small operations. In fact, nearly half — 45.02% — are staffed by four employees or less, and companies with 5 to 9 employees account for 34.14% of the total. Larger companies, including those with 50 to 99 employees or more than 100 employees account for only 0.91% of the industry. In addition to employing full-time consultants, business consulting companies also often engage part-time consultants to increase their service capacity and to satisfy cost considerations. About 49.55% of the business consulting companies in Taiwan hire part-time employees.

In terms of the major service items of the Taiwanese business consulting companies, “Business Consulting and Diagnosis” is the mostly-focused item (76.74%) and is followed by “Training” (43.50%) and “Investment Financing, Taxation and Financial Services for Enterprises” (30.21%). Other service items include “Government Commissioned Projects”, “Certification and Coaching Services”, “Meetings, Events and Exhibition Services”, “Information Systems Installation Services”, “Advertisement and Media Planning”, and “Industrial Research and Survey Services”.

Major Services Provided by Business Consulting Companies in Taiwan

Type of Business or Project	Portion of Companies which Provides this Service or Function
Business Consulting and Diagnosis	76.74%
Training	43.50%
Investment Financing, Taxation and Financial Services for Enterprises	30.21%
Government-Commissioned Projects	12.69%
Certification and Coaching Services	9.37%
Meetings, Events and Exhibition Services	8.76%
Information Systems Installation Services	8.16%
Advertisement and Media Planning	7.55%
Industrial Research and Survey Services	5.44%

Source: Small & Medium Enterprise Administration, MOEA

III. Analysis of Industry Chain Gap

Overall, the existing business consulting companies in Taiwan are sufficiently competent to satisfy the current demands of the domestic market. However, some large-sized companies still require in-depth services from international business consulting companies. The rich experience of the Japanese and US companies in international output, such as franchise arrangement and global mergers and acquisitions, would greatly benefit the service industry of Taiwan if they could be introduced to the local market through international business consulting companies, especially considering the great efforts made by the local service industry to improve their international output.

IV. Investment Advantages in Taiwan

The bulk of the business consulting industry is in fact based on a variety of different areas. Taiwan's service industry benefits from its highly diversified development environment, which is well-integrated with the global market, and includes agriculture, forestry, fishing, animal husbandry, manufacturing, service industries, and more. Most of these industries are operated on a global scale. These factors ensure a diversified and stable market for the business consulting industry. Taiwan's high-quality education system as well as its diverse and international environment successfully nurtures the talents required in this industry. The thawing of cross-strait relations has also helped further develop the business consulting industry in Taiwan

by opening up more avenues for expansion. In summary, Taiwan has the appropriate environment, talent, and market conditions favorable for developing the business consulting industry.

Moreover, many industries in Taiwan are in the midst of undergoing transformations, upgrades, and globalization. They need support and guidance from business consulting companies to incorporate new technology, management concepts, procedures, and systems into their businesses. There is also a tremendous demand in Taiwan for information collection and human resources development services.

V. Business Opportunities and Potential

The business opportunities and development trends of Taiwan's business consulting service industry are summarized below:

(1) *Providing international-standard and in-depth business consulting services to large-sized enterprises in Taiwan.*

Based on a study conducted by the Small and Medium Enterprise Administration, currently, there are demand from large-sized companies in Taiwan for in-depth business consulting services from the international business consulting companies, so as to cope with the sharp competition in the international market.

(2) *Experience-sharing in the aspect of international output*

The rich experience of the Japanese and US companies in international output such as franchise arrangement and global mergers and acquisitions will be of imminent and substantial help to the service industry of Taiwan if they could be introduced to the local market through the international business consulting companies, considering the active efforts made by the local service industry to improve their international output and to accommodate to the demand of the internal market of China.

(3) *Business Consulting Services Required by Overseas Operations of Taiwanese Companies*

According to a study conducted by the Small and Medium Enterprise Administration, there is considerable demand for business consulting services from Taiwanese companies in China which require business transformations and upgrades. This is because R&D organizations are not yet allowed to provide localized service to Taiwanese business entities in China according to current regulations.

VI. Policies and Incentives Measures

The business consulting industry is one of the twelve major service industries being promoted by the Ministry of Economic Affairs (MOEA). In order to actively and comprehensively improve the quality of consulting and coaching services provided to consulting companies by the Taiwanese management and increase their international competitiveness, the MOEA has established a “Business Consulting Services Technology Development Plan”. The plan is also aimed at assisting with the business transformation of relevant service providers; fostering good development environments for the industry; cultivating new talent; improving the expertise of existing business consultants; facilitating friendly cooperation among business consulting companies; inspiring innovative business management by introducing creative service approaches from local consulting companies; and providing guidance to small and medium enterprises to improve their management capacity. These measures will help the industry gain further competitive advantages.

To achieve the goals outlined above, the SMEA has incorporated the following strategies into its planning: (1) Knowledge Networking, including research on the supply and demand of the industry; maintaining a platform for knowledge in business consulting services; analysis on the certification mechanism, etc. (2) Establishing a Service Platform for Processing Orders from China: Establishing a single-window for the Taiwan-based business consulting services in China to provide more timely consulting services to the Taiwanese companies in China. (3) Establishing strategic alliances among the business consulting companies, etc.