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M.C.J. Caniëls, H.A. Romijn & M. de Ruijter-De Wildt

Eindhoven Centre for Innovation Studies, The Netherlands

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Marjolein C.J. Caniëls¹, Henny A. Romijn²
& Marieke de Ruijter-De Wildt³

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¹ Open University of the Netherlands (OU), Department of Business Economics and Business Administration (EBB), P.O. Box 2960, 6401 DL Heerlen, the Netherlands.
Tel: +31 45 572724; Fax: +31 45 5762103.
E-mail: marjolein.caniels@ou.nl

² Eindhoven Centre for Innovation Studies (ECIS), Faculty of Technology Management, Eindhoven University of Technology (TUE), DG 1.02, P.O. Box 513, 5600 MB Eindhoven, the Netherlands. Tel: +31 40 2474026; Fax: +31 40 2474646.
E-mail: h.a.romijn@tm.tue.nl

³ Consultant-researcher at the Center of Rural Development Studies of the Free University Amsterdam (CDR-VUA), Apartado 2032-2050, San José, Costa Rica.
Tel: +506 2241990; Fax: +506 2830719. E-mail: cdrula@racsa.co.cr

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Abstract

Business Development Services programmes for non-financial support to small enterprises in developing countries recently have become big business for development donors and NGOs. The approach revolves around the idea that so-called 'demand-driven' interventions are the key to successful market development. Yet, the impact of many of these programmes continues to be limited. In this paper we suggest a possibly important cause for this impact problem by examining the current best practice BDS support model in the light of modern theories of innovation and current approaches to services marketing management. The insights emerging from these literatures point towards a still simplified understanding, in the current BDS support paradigm, of how new markets for services actually develop. We suggest that BDS practice should move away from its current short-termist 'gap-filling' approach towards service introduction, with its overriding concern about sales volume and short-term profit generated through short-term market transactions. Instead we suggest that BDS should move towards an evolutionary approach, which is built on the recognition that service innovations evolve in iterative fashion through continuous interaction between the market parties. In this alternative model, BDS customers are no longer seen as mere buyers of services and respondents in one-shot market surveys. They co-develop and co-produce new services in partnership with suppliers.

JEL codes: L8, M31, O22, O31

1. Introduction

During the past couple of years there has been a surge of innovative thinking and practice about design and delivery of non-financial support interventions for small enterprises (SE) in developing countries. We are now reaching the stage where the accumulated experiences with new forms of service delivery of these so-called Business Development Services (BDS) are beginning to evolve into a more or less consistent best-practice support model. Many have even begun to hail the model as a 'new paradigm' of small enterprise support. The basic contours of the new approach seem to have crystallized out by now (de Ruijter de Wildt, 2002, p.3; Hileman and Tanburn, 2000, p. 6).

Put briefly, the essence of the new approach revolves around the development of commercial markets for Business Development Services. By and large, donors, NGOs, governments, BDS consultants and other agencies are expected to play an indirect facilitating role, nurturing the development of private BDS providers who will offer services to small enterprise-clients at commercial rates. The aim is to quickly phase out initial subsidies as demand builds up and markets develop. Since the SE clients decide which services will be offered by paying for them, the approach has been dubbed as demand-driven (for example, Hileman and Tanburn, 2000; McVay and Miehlsbradt, 2002).

The approach has been widely welcomed as a major step forward in the organization of small enterprise support. Yet, many small enterprise programmes that have tried to deliver new services based on this philosophy continue to struggle for impact. In the words of a BDS practitioner: "Whilst the principle or aim of a more demand-driven and business-like or private sector-oriented approach to SME development is widely accepted ..., there is less agreement on the BDS prescriptions. In particular, there are very few models ... to demonstrate many of the concepts being put forward" (Manu, 2002, p. 69). Similar observations were made in the latest Annual BDS Turin Seminar (de Ruijter de Wildt, 2002). The observed lack of success cases based on the new approach illustrates that our understanding about the factors driving BDS success is still incomplete, and that we need to continue to actively explore different avenues to improve BDS effectiveness.

In this paper we contribute to this by taking a closer look at the conceptual foundations of the new paradigm. We examine the validity of these foundations in the

light of two bodies of economic theory, namely innovation theory and services marketing theory. The relevance of innovation theories derives from the fact that a new business service constitutes an innovation in the local setting in which it is being introduced; while the services marketing literature offers the additional insight that business services are innovations of a specific kind. Service innovations have certain attributes that differentiate them from product innovations because they are *non-tangible*. As a consequence their successful implementation needs to be treated differently in some respects from commercialization of new product innovations.

Armed with insights from these theories, we argue that the current model of BDS interventions still has some shortcomings. In particular, when viewed through the lense of these theories, current BDS thinking and practice are still less demand-driven than is claimed. The locus of BDS interventions remains largely at the supply side of the market, as BDS facilitators and suppliers assume responsibility for initiation, creative thinking, development and the organization of the effective delivery of new services. In contrast, the BDS consumers at the demand side of the market can only pull their purse strings, but they have no influence at all over de party agenda.

We then offer suggestions for an alternative market development model, based on key insights from the innovation and service marketing theories we reviewed. This approach revolves around active ongoing interaction between suppliers and customers. We conclude that BDS programmes may increase their impact by putting customers centre stage, recognising their vital role as co-developers in the generation of new services.

In section 2 we outline the conceptual principles of the current BDS model. In section 3 we proceed to discuss key insights from theories about innovation and services marketing. In section 4 we highlight the weaknesses of the current BDS approach in the light of these theories. We illustrate the discussion with some experiences from BDS programmes (to be added). In section 5 we draw out policy suggestions from our findings and formulate overall conclusions.

2. Basic principles of the current BDS approach

A key feature of the new BDS approach is that service delivery should be organised along commercial lines, and that this requires indirect facilitation (see Figure 1). Donors, NGOs and other developmental agencies (commonly called BDS facilitators) target private-sector service suppliers (called BDS providers) with technical assistance and incentives, to encourage them to design, initiate and launch new services and enter new markets (McVay and Miehlbradt, 2002). Activities are diverse, but all are meant to help SME clients to start and improve their businesses. The main types of BDS are: market access; input supply; technology and product development; training and technical assistance; infrastructure; policy/advocacy; and alternative financing mechanisms (Miehlbradt, 2002; <http://www.seepnetwork.org/bdsguide.html>, downloaded on 20 May 2003).

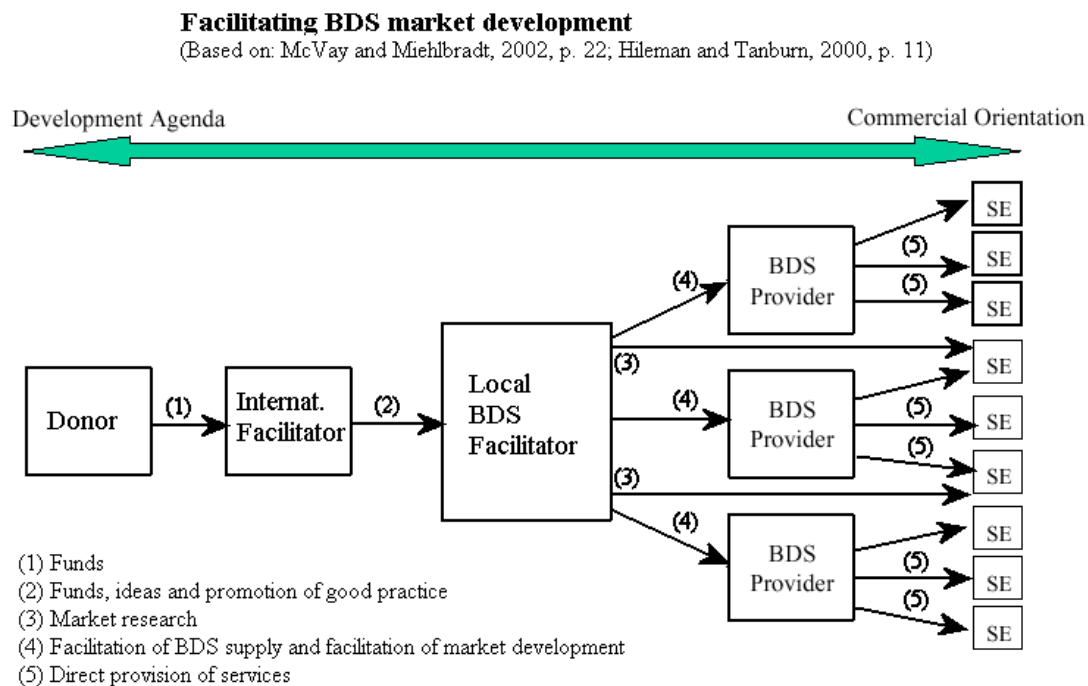


Figure 1

Figure 1 illustrates that the BDS facilitators frequently comprise a whole chain of actors. Several steps removed from the ultimate SE clients are “international donors” who contribute public development funds. Donor funds are used by

“international facilitators”, whose role is to develop new ideas, promote good practice and initiate innovation. These organisations in turn finance programmes and projects in developing countries in partnership with “local BDS facilitators”, local organisations which promote the actual suppliers of BDS services (BDS providers) by developing new service products, exploring new markets, setting standards, or influencing government policy. The role of local BDS providers lies in the actual service delivery itself. BDS providers are the supply-side actors that are in direct contact with small enterprise clients (Hileman and Tanburn, 2000, pp. 11-12).

The most significant improvement of this organisational set-up over older supply-driven programmes for small enterprise development is perceived to lie in the fact that the development and delivery functions are performed by different actors (the local facilitator and the local provider, respectively). This enables one and the same facilitator to serve a wide range of local providers. It also avoids direct market-distorting interventions by developmental agencies (Ibidem). Instead, these agencies indirectly stimulate market development activities which are undertaken by parties operating in the private sector. In older small enterprise programmes the development and delivery functions were carried out by one and the same development agency. This required in-depth knowledge of a wide range of industries and expertise in all different kinds of service-functions. Not surprisingly, these generalist organisations frequently degenerated into huge ineffective bureaucracies which supplied services that were of limited use to the small enterprise sector. It also frequently led to severe market distortions, as many programmes could rely on continuing subsidies, which were passed on to clients in the form of highly subsidised services. This led to highly wasteful programmes (UNDP *et al.*, 1988).

In addition to the separation of the developmental and the delivery functions, new-style BDS programmes seek to ensure effective service provision by being “market driven”. Unlike earlier programmes, stringent commercial criteria are imposed. New services should quickly prove their worth in the market, by means of a demonstrated willingness to pay on the part of small enterprise clients. Services which fail to pass this test within a short time span after their launch, will automatically disappear as BDS facilitators withdraw their support to BDS providers (McVay and Miehlsbradt, 2002). Another important aspect of market-drivenness is the emphasis on market surveys among the target groups by BDS facilitators to find out in advance about market potential for services.

On the face of it, then, the new-style organisation of small enterprise support constitutes a major step forward in terms of needed flexibility and functional specialisation, incentive structures, market-orientation and organisational principles. Yet, in practice many programmes still experience a range of problems which impede high coverage and impact. Often heard complaints include, among other things, weak markets for many services (particularly in rural areas), mismatch between BDS supply and demand, and discrepancies between small enterprise BDS needs and their willingness to pay for these services (e.g. Miehlbradt, 2002).

Since the proof of the pudding is ultimately in the eating, such signals from practitioners who try to apply the new principles evoke questions. One question one could raise is whether these problems are merely transitional, resulting from inevitable lags between conceptualisation and practical implementation according to the new principles. Effective application of the new BDS model inevitably requires improvisation and adaptation in order to make it work in specific contexts. Undoubtedly, there is an element of truth in this, as it takes time for practitioners to get used to the new ideas and grasp their essentials, and then to fine tune them to meet local market needs.

However, we have reason to believe that teething troubles may not be the primary cause of continued impact problems experienced by BDS programmes. Well-known innovation theories and theories about services marketing suggest that the current BDS paradigm itself is still in some respects at variance with the principles which are identified in these theories as the key factors driving successful (service) innovations. We briefly review the key insights from these theories below, and confront these with current BDS practice.

3. Theories of innovation and services marketing

A central claim of innovation theory, widely corroborated by practice, is that making users an active partner in innovation leads to higher uptake of new products and services because they satisfy user needs in a better way. This insight has grown in reaction to early innovation models which adopted a linear perspective on the innovation process. In a stylized view of these early models, innovation begins with research, which is followed by development, in turn leading to production and finally

marketing. There are no feedback loops in this system (see Figure 2). There is also a clear division of labour between the different stages in this sequence of activities, particularly between those involved in ‘knowledge seeking’ and those pursuing activities geared towards ‘knowledge use’ (Clark, 1995, p. 250).

The conventional linear model of innovation

(Based on Kline and Rosenberg, 1986, p. 286; Rothwell, 1994, p. 41)

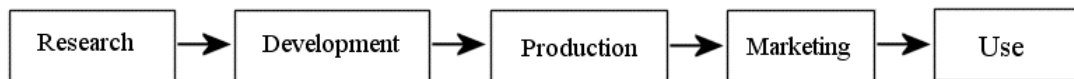


Figure 2

However, the hierarchical notion that innovation is initiated by research whose results are then pushed downwards in the fashion of a ‘pipeline’ has proven wrong, most of the time. Rather, in a world characterised by imperfect information, innovation is inevitably an iterative process full of trial and error and incremental adaptation at every stage. Ongoing feedback at all stages of the process is an essential ingredient of the learning process that creates innovations of all kinds. This evolutionary view of innovation has gained widespread acceptance, variously denoted as the coupling model of innovation (Rothwell and Zegveld, 1985) or the chain linked model of innovation (Kline and Rosenberg, 1986). In the words of Clark, in these models “... knowledge is not best conceived of as ‘stuff’ flowing down a pipe, but rather as a more ‘entropic’ substance whose value has the ‘non-linear’ property that it depends ultimately on the interplay between the supplier and the recipient [of the innovation]” (1995, p. 253).

A particularly important feature of evolutionary innovation models is the recognition that active end-user involvement throughout the innovation process is crucial for success, and that supplier-dominated markets promote unsatisfactory innovations (e.g., Lundvall, 1988, p. 356 and p. 365; Gardiner and Rothwell, 1985; Rothwell and Gardiner, 1989). The crucial contribution made by users is well illustrated by Von Hippel’s famous study about innovation in the scientific instruments industry. Here, users typically perceived the requirement for an advance in instrumentation, invented the instrument, built a prototype, proved the prototype’s value by applying it, and diffused detailed information on the usefulness of his

invention and how it could be reproduced. Only after all these stages had been passed did an instrument manufacturer enter the process to conduct engineering for improved design, and carry out production and marketing. This pattern deviated starkly from the conventional linear innovation model, in which the manufacturer is supposed to start with an idea, which he develops into a workable new product that he will then bring to market. Clearly, then, in some industries users assume the leading role in the development of innovations, while the suppliers who are ultimately responsible for producing the innovations play only a subsidiary and facilitating role (Von Hippel, 1976, pp. 220-1).

The importance of active user involvement is by no means limited to high-tech innovations in economically advanced countries but applies equally well to simple adaptive innovations in less developed economies. There are manifold examples of close user-producer interactions contributing to innovation success in that context as well. For instance, Biggs (1989) has noted with reference to agricultural innovations that farmers and extension agents have complementary knowledge and skills. When they support and strengthen each other's search for improvement in an ongoing process, innovations will evolve in ways which will make them most suitable for user requirements. On the basis of a broad survey of innovations in health, agriculture, irrigation in a variety of developing countries, Gamser (1988) notes that "the central task for technological assistance to developing nations should be to enable them to make better use of the enormous resource of user knowledge they already possess" (1988, p. 719). Bruton (1985) articulates the same view when he says that "initiation of search for new knowledge by the user is the first step in creating a continuing flow of new technologies... The initiation of search by prospective users is the most effective way to ensure that the knowledge that is created is demanded, and therefore is appropriate" (p. 92). More recent studies (Douthwaite, 2002; Douthwaite *et al.* 2001) have come up with various examples of industrial and service-type innovations, both from advanced and developing countries, which show that 'throwing an innovation over the wall' (i.e., adopting the pipeline model) leads to limited effectiveness. Douthwaite contrasts this with what he calls a 'learning selection' approach to innovation based on evolutionary principles. Danish windmills, Philippine farm equipment, Linux open source software, and Local Exchange Trading Systems are examples of innovations that were allowed to evolve over a period of time. This gave the innovations a chance to be perfected. More often than not, this

incremental adjustment process took several years (Douthwaite, 2002; Douthwaite *et al.*, 2002).

The above authors have emphasized the importance of active and ongoing user involvement for the development of suitable new artefacts that will meet customers' needs. But there is an even more profound reason why user participation in innovation is so vital. The process of interactive search and improvement itself also yields the enhancement of "...the ability of the informal systems to do research, and of informal systems to request information and services from formal ones" (Biggs, 1989, p. 8). Lundvall (1988) likewise points to the importance of adequate (re)search capabilities of users for a well-functioning national innovation system as a whole. In his words "...lack of competence of users and the tendency of producers to dominate the process of innovation might be as serious a problem as lack of competence on the producer side" (p. 358). Clark likewise points out that building the capacity for assimilating, processing and using relevant information which is crucial for economic competitiveness and sustainable growth, cannot depend on hierarchical organised systems. Rather, it needs to rely on local actors as they alone have the expert knowledge of their local context that is the key to successful innovation (Clark, 1995, pp. 255-6). Bruton even goes so far as to identify the acquisition of such widespread capability to search effectively for improvement by all major stakeholders, including end-users, as the essence of the development process in an economy (Bruton, 1985a and 1985b).

While intensive user involvement is generally important, the actual extent of user participation and initiative does tend to vary across sectors. Von Hippel's instruments industry is an example of a user-dominated sector, in which the locus of innovation is clearly to be found among the users of the innovations. The services sector, which has special relevance for the theme of this paper, has also been widely noted for its high user-involvement. Unlike physical products, services constitute processes that are produced and consumed simultaneously, requiring the physical presence of the consumer during their production (Grönroos, 2000, p. 6-7; Zeithaml and Bitner, 2003; Heuvel, 1999, p. 20). The link between service production and its consumption is so close that the togetherness and interaction of service producers and their consumers in the process has been labelled as 'prosumership' (de Vries *et al.*, 2001, p. 30). Customers have a dual role. They are the users of a service, and at the same time they participate in the service production process. In that sense they are co-

producers (Heuvel, 1999, p. 20). Since each customer to some extent has unique individual characteristics and perceptions, their demands for services also tends to be idiosyncratic and heterogeneous. This means that each act of service provision has to be in a sense tailor made (Zeithaml and Bitner, 2003, p. 21).

Prosumership is necessary even for the delivery of well-established services, for example delivery of annual training courses, consulting or advertising services. But it is all the more vital in the design and development of new services. “Beyond just providing input on their own needs, customers can help design the service concept and the delivery process” (Zeithaml and Bitner, 2003, p. 222). Knowledgeable and demanding customers are a valuable asset to the service producing firm by supporting the development of new ideas, solutions, and technologies by sharing their requirements, strategic insights, information and knowledge (Grönroos, 2000, p. 9). However, these benefits will not occur spontaneously. A vital requirement is the establishment of durable relations with customers. Provider and buyer have to earn each other’s trust and loyalty, and they have to become used to each other’s way of thinking and acting. A shared understanding of problems and opportunities is needed for effective interaction. This mutual way of thinking and doing does not develop overnight and needs to be cultivated. The two parties need to learn to view each other as partners. “The marketer must not view the customer as an outsider who should be persuaded to choose the seller’s solution whatever it takes” (*Ibid.*, p. 34). The relationship needs to be nurtured on a continuous basis. In this relational perspective, a customer should be treated as a customer at all times, also in periods when no services are actually purchased (*Ibid.*, p. 34).

This being said, companies cannot realistically expect to create ongoing partnership relations with their whole customer-base. Some customers – perhaps even the majority – may not be interested in, or capable of, establishing and entertaining close contact with their service suppliers on an ongoing basis (*Ibid.*, p. 34). Only a minority of customers tend to be truly articulate and motivated to maintain close linkages with service providers. However, active partnering with a small group of active and enterprising customers is generally enough for a service provider to build a successful customer-driven service strategy. Innovation diffusion models have widely noted that the initial uptake of new products and services tends to be driven by a few highly motivated pioneer adopters who can handle risk and who have an inherent

interest in co-experimentation and contributing to incremental improvement of early prototype designs, without caring much about financial gain. The key to successful market development for a supplier lies in identifying these key lead users, who will be prepared to act as its early development partners. More risk-averse users will be enticed to adopt the innovation once the innovation has evolved into a more or less workable robust design, when they are able to observe its practical usefulness through demonstration by the early adopters (Rogers, 1995).

In conclusion, the above process-based philosophy, in which the strategic orientation of the service-producing firm is integrally geared towards customer relationship management and networking as the foundation for long-term competitiveness, clearly contrasts with the short-termist view that is characteristic of the older transactional approach to marketing. In the latter approach, the main task of marketing is seen as selling goods and services to a somewhat anonymous ‘market’. The main effort is geared to achieving short-term sales and profit. Making customers buy is what counts. There will often be a trade-off between a focus on short-term value creating activities and the investment in long-term sustainable customer partnerships that the relational view of customer marketing management implies. The latter strategy cannot work if the firm’s shareholders change their portfolio at the first sign of disappointing quarterly results. For relational marketing to work, a company’s financiers need to be patient, and they need to be committed to the long-term development of the firm (Grönroos, 2000, p. 10).

4. Implications for BDS delivery

We proceed to compare the extant BDS paradigm as depicted by leading practitioners (section 2) with the innovation and marketing theories described in section 3. A striking resemblance between the BDS model and the traditional linear model of innovation is evident. One gets a definite impression from the key publications on the subject that the best way develop new BDS markets is to push them down a pipeline, which runs in top-down fashion from donors through facilitators and providers to end-users. We have also noted that there is a clear-cut division of labour between these parties in the pipeline. Notably, the facilitators are seen as the prime sources of new ideas and initiatives; while the providers are

essentially seen as the implementers of these ideas, and the main role of the users is to accept (or reject) what is being offered to them. The conception of the user as more or less passive receptor is well illustrated in Hileman and Tanburn's elaboration of the new BDS model. They visualise end-users in BDS projects as "The entrepreneurs who run small enterprises [who] invest their time and money in business development services which they hope will increase incomes or secure survival" (2000, p. 12). From our perspective, what is missing in this description is the acknowledgement that small enterprises are also *innovative producers* in their own right, who undoubtedly are capable of forming their own ideas about their business requirements, and who could also play a crucial role in the actual *design* and *development* of new BDS solutions. Instead, Hileman and Tanburn see the importance of small enterprises in the development process in terms of non-innovation related characteristics, such as a large workforce and a major consumer group (p. 9).

In one respect, from the point of view of evolutionary innovation theory the recent BDS model has actually introduced a new problem compared to old-style small enterprise support practices. This stems from the idea that local BDS facilitators should no longer be involved in direct service delivery. This obstructs direct interaction between the chief generators of ideas for new services and the potential users of these services. The communication runs through the intermediary of the BDS providers, who are essentially supposed to implement the new ideas furnished by the facilitators but who are not the chief idea initiators. This advocated set-up runs counter to extant innovation theories and services marketing approaches, in which direct ongoing interaction between generators and users of innovations is *the* key to the evolution of new products and services that will truly meet market needs.

The way in which market-drivenness is currently put into practice in BDS programmes is also at variance with modern theories of innovation and service marketing. Due to stringent donor requirements of quick commercial sustainability, there is a clear risk that potentially valuable ideas are not given sufficient chance to undergo the required incremental improvements that will arise only from a prolonged period of active user-producer interactions. Evolutionary theory indicates that new market development is an evolutionary and iterative learning process, in which relationships are formed and institutionalised. It is not a one-shot activity based on a quick try-out of a new service that is conceived as a final "off-the-shelf" design, meant to maximise the number of short-term commercial transactions. Many practical

case studies of successful innovations around the world support this perspective. The question “How can *practitioners select* appropriate services?”, posed in the latest BDS Turin Reader (McVay and Miehlebradt, 2002), is clearly irrelevant from an evolutionary innovation perspective. Locally appropriate services are not amenable to ‘selection’ by external agencies. At the most, such agencies could make initial suggestions, in collaboration with the other concerned local parties. These suggestions could form a *starting point* for further exploration and development by the market parties involved in an *evolving process of prosumership*.

By limiting itself to quick and simple interventions, the current BDS approach can address only a very limited range of superficial market failures. The agenda of donor organisations is perhaps less genuinely ‘developmental’ than what is claimed. In fact, the current priorities of BDS donors in fact show a rather striking resemblance to that of commercial shareholders of many western corporations, obsessed as they are by short-term financial impact. It is perhaps understandable that preoccupations with pay-back criteria have come to dominate the donor agenda, given the poor financial sustainability record of earlier small enterprise support programmes and a political climate which favours rigorous commercial exploitation of service organisations. Yet, in the zeal to achieve rapid financial sustainability of BDS, it is likely that the most promising options are now being foreclosed – options that offer opportunities for genuine lasting improvements in people’s welfare, and that can contribute to local capacity building for sustained innovation. There seems to be a need for a more responsible, balanced and nuanced approach that navigates between the two extremes.

Another aspect of the demand-driven concept in the current BDS approach is the approach taken to market research. BDS concentrates on getting basic information about demand, supply and the interactions between them through conducting a market survey, usually by BDS facilitators. The outcome of this is claimed to be a picture of a BDS market, showing how it works and where the main problems are. Weaknesses could be, for example, that small enterprises are unaware of available services or unclear about their benefits, or that providers are offering services that have characteristics that are not valued by potential users (*Ibid.*, p. 20). Surveys concentrate, therefore, on capturing the desire by small entrepreneurs for the services, the features and benefits that a service should have in their perception, and their willingness and ability to pay. In this set-up, therefore, the potential clients’ role is limited to providing information to BDS facilitators and suppliers. There is no

perception that potential users could also be active co-developers of new services, along with the parties on the supply side. The modern services marketing literature offers a clear alternative model for the BDS supply-driven view of market research, which views users as mature and equal partners in market development activities. This model revolves around the building of ongoing supplier-customer relationships, which facilitates the creation of new ideas and their exchange as a result of active ongoing interaction between the market parties. Market research is not a one-shot activity which is separated from the actual service delivery. It must be an ongoing interactive process which is part and parcel of the actual service provision itself (Zeithaml and Bitner, 2003).

Finally, the current BDS approach still has a rather limited view of customer heterogeneity. Some attempts to introduce flexibility in service delivery have been made, for example in the form of training voucher schemes. However, there is no conception of dynamic market development, in which venturesome lead (or pioneer) users could play a leading role.

In this assessment of current BDS practice, we have generalised extensively, which means that we have probably overdrawn the contrasts between the two approaches in some respects. Certainly, not all BDS programmes adhere to the same degree to the current BDS paradigm as we have depicted it here. In fact, some BDS programmes appear to exhibit important evolutionary features. They appear to have a distinctly more process-oriented orientation than the best practice general BDS model as such. For example, in the well-known Farm Tools and Implements (FIT) programme executed in Kenya and Ghana by the ILO, "... the specific outlines of a particular service, and how it can best be delivered, are open-ended – improvement and adaptation to a particular market are dynamic and continuous processes" while "...the ideas must be tested, developed and/or adapted in partnership with providers and their MSE clients". Moreover, "seeking opportunities to expand or develop the area where the ethic of profit can intersect with a development agenda means placing a premium on innovation building on what is already functioning in the marketplace." (Hileman and Tanburn, 2000, p. 23). It may well be that the success of the FIT programme has a lot to do with its evolutionary deviations from the 'standard BDS model'.

Some additional examples from BDS projects still to be elaborated.

5. Towards an truly market-driven approach to BDS: Conclusions and policy suggestions

Prominent BDS practitioners claim that their programmes aim to “build on the dynamics of the market” (de Ruijter de Wildt, 2002). If this indeed their objective, in our opinion a more realistic conception of market development is called for – one which rests on a more balanced view of the role of suppliers and customers. In this paper we sketched out the contours of such a model, drawing on insights from modern innovation and services marketing literatures. Our model is best described by the expression that ‘it takes two to tango’, following the widely accepted adagium in economics that market development is an ongoing process, the dynamics of which are shaped by the continuous interaction between supply and demand forces.

Underlying this model is the recognition that entrepreneurs who exercise (potential or actual) demand on emerging BDS markets have a much more active and complex role to play in the development of markets than what is currently being acknowledged by BDS experts. When small entrepreneurs exercise demand for a certain good or service, they do a lot more than what can be perceived in that one visible moment when they articulate their needs by voting with their purse. That snapshot moment when the actual market transaction takes place is merely the culmination of a long and ongoing process of interaction between the market parties.

We conclude that BDS programmes should move beyond conceiving BDS users as more or less passive respondents to a quick market survey, and as buyers of services who “... reward [suppliers] with sales, contracts or business deals” (Hileman and Tanburn, 2000, p. 12). In the design of BDS programmes there should be a role for customers to co-determine innovation directions and priorities, act as partners in the actual design of new services, and to provide feedback. This set-up also requires a reordering of priorities on the part of donor organisations. They will need to move away from the current mechanistic gap-filling approach, in which BDS projects that yield quick results are being kick-started. Instead they will need to be willing to commit themselves to programmes that aim for the organic development of services over longer periods of time, and that allow for a learning process in which fledging markets are institutionalised and relationally embedded. This will automatically address the concern, often voiced in BDS discussions, that BDS programmes may

inadvertently crowd out private sector initiatives (e.g., *Ibid.*, p. 20). Recent discussions among BDS practitioners and donors in fact emanate a desire to move in this direction (see, e.g. de Ruyter de Wildt, 2002), but as yet there seems to be no clear awareness of what this would involve. It seems to us that the exploration of extant innovation and services marketing theories as done in this paper could be valuable first step in this direction, as these literatures can help practitioners to gain a more accurate and profound understanding of how markets for new services actually develop, and what vital role users play in that process.

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