



Working Paper Series



IN-SAT Laboratory

Piazza Martiri della Libertà,33
56127 Pisa (Italy)
Phone: +39 050 883 805
Fax: +39 050 883 839

<http://www.insat.sssup.it/>
Scuola Superiore Sant'Anna

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Introduction

The relationship between the enlarged European Union and the regions and countries that are just beyond the new borders of the Union (and that do not have currently the perspective of membership of the EU) is emerging as a complex, but strategic policy area, at the intersection between European regional policy and development cooperation. As pointed out in two important communications from the Commission, issued in 2003¹, “all the neighbouring countries should be offered the prospect of a stake in the EU’s Internal Market and further integration and liberalization to promote the free movement of persons, goods, services and capital”. In the direction towards a “Neighborhood Instrument”, the Commission has strongly advocated the co-ordination of cross-border and transnational programs under the INTERREG Community Initiative with cooperation programs such as PHARE, TACIS, CARDS and MEDA².

The present paper was developed in fact in the framework of a Euro-Mediterranean INTERREG IIIB program, called “Euromedsys”³. The authors have coordinated a working group, whose task was the assessment of the possible use of business support services as a tool for cooperation policy with the neighboring regions of the Mediterranean. The following paper provides an account of some results of this assessment. In particular we discuss the conceptual framework of our work and the main opportunities and constraints to programs in this field.

¹ Commission of the European Communities, *Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, COM(2003) 104, March 2003; Commission of the European Communities, *Paving the way for a New Neighbourhood Instrument*, COM(2003) 393, July 2003

² Cf. also Commission of the European Communities, *A new partnership for cohesion. Convergence competitiveness cooperation. Third report on economic and social cohesion*, February 2004

³ Full information on this program can be found at: <http://www.euromedsys.com>

1. The importance of real services for local and regional economic development

“Business support services or real services”⁴ are those services that aim to assist enterprises or entrepreneurs to develop successfully their business activity, to increase competitiveness and to respond effectively to the challenges in their business environment. Business support services are a common feature of industrial and innovation policies at national, and especially regional and local, level in all industrial economies, as well as a increasingly perceived requirement for supporting industrial growth and competitiveness in newly industrialized and developing economies. Examples of business support services are: the Manufacturing Extension Partnership (MEP) in the US, Business Link - Small Business Service in England, Syntens in the Netherlands, ALMI in Sweden, the “real service” centers in Italy etc. Also the European Union has identified the creation of “top class business services” as one of the main priorities in its policy for small and medium-sized enterprises⁵.

⁴ In English these services are usually called “business support services” or “business development services”. Other terms used are “external assistance” or “external advice”. In the US the term “(industrial/manufacturing) extension services” is commonly used. In other languages we find: “services de soutien” or “services d’accompagnement” (French), “Unterstützungsdienste” or “Wirtschaftsförderungsdienste” (German); “servicios de apoyo” (Spanish).

⁵ Updated information on business support services and economic research on this topic can be found at: http://centrolink.interfree.it/support_services/. A basic bibliography on this subject should include: Bellini, N., *Business Support Services. Marketing and the Practice of Regional Innovation Policy*, Cork: Oak Tree Press, 2003; Shapira, P., *US manufacturing extension partnerships: technology policy reinvented?*, “Research Policy”, 2001 - 30, 977-992; Sheikh, S., Pecher, I., Steiber, N., Heckl, E., *Support Services for Micro, Small and Sole Proprietor’s Businesses. Draft Final Report*, Bruxelles - Vienna: European commission - Austrian Institute for Small Business Research (IfGH), 2002; Glasmeier, A., *Territory-based Regional Development Policy and Planning in a Learning Economy: The Case of ‘Real Service Centers’ in Industrial Districts*, *European Urban and Regional Studies*, 1999 - 6 (1), 73-84; Bryson, J., Daniels, P.W., *Business Link, strong ties, and the walls of silence: small and medium – sized enterprises and external business – service expertise*, “Environment and Planning C: Government and Policy”, 1998 - 16, 265–280.

These services transfer knowledge to user firms and trigger learning processes, enabling structural and non-transitional modifications of the company's internal organisation and its relation to the market and the socio-economic environment. Therefore, business support services are used as instruments of economic and industrial policy: they can increase and/or accelerate the quality of development and innovation.

Several research findings confirm the importance of business support service policies. Undoubtedly, the starting point is the recognition - at the level of the individual firm - of the positive relationship between the establishment of extensive and diverse collaborative arrangements with external service providers and the "learning orientation" of the company, which in turn leads to improved innovativeness and competitiveness.

At the territorial level, comes the recognition of the localized nature of knowledge formation and of the role of local clusters, industrial districts and regional systems of innovation. Within regional and local systems, the phenomenon of business support services is relevant for two reasons:

- business support services can help in identifying and building new linkages and cooperative interactions *within* the territory;
- business support services may contribute to identifying and building linkages with actors *outside* the territory.

Internal linkages may concern more or less traditional issues: e.g., in the field of innovation, business support services may be instrumental to link companies to the sources of technological knowledge (like universities, research institutes etc.). By evaluating and assessing the technical creditworthiness of a company or of a project, the service provider can allow the linkage between, on the one side, companies and, on the other side, banks and governments for the provision of equity and investment capital.

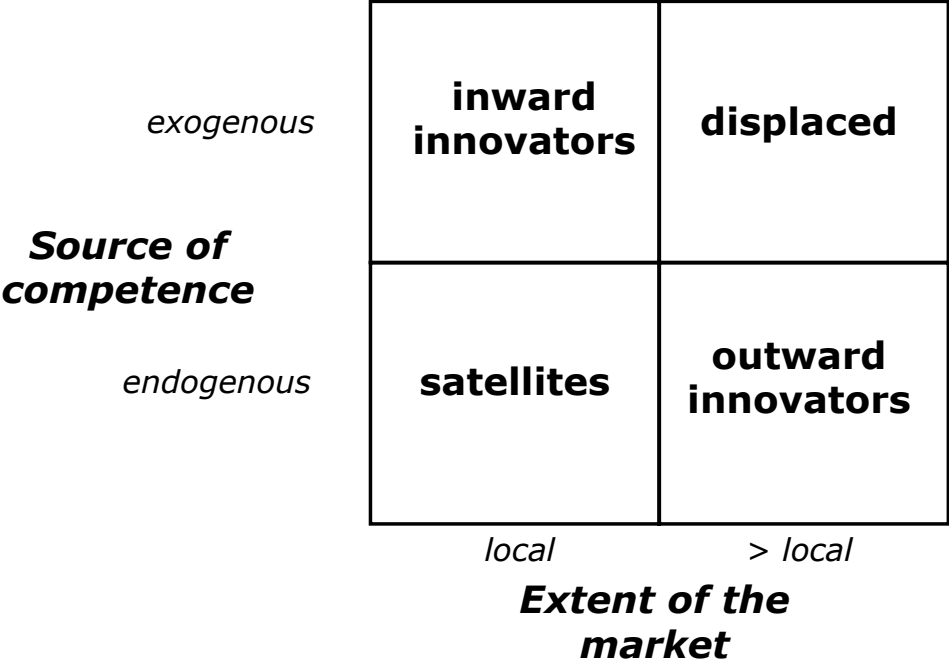
External linkages allow to establish global connections for the SMEs and the local / regional economy. In the matrix of fig. 1 service providers are identified according to the origin of their competence and to the extent of the market in which they operate. "Satellites" and "displaced" types are the least relevant for industrial policy. "Satellites" are providers of standardized (and mostly technical) services and operate on the local market. They are the result of the outsourcing of non-strategic

functions, that are managed by specialized companies. "Displaced" providers are operating in the area, possibly exploiting some localization advantage or other externalities, but do not impact on the local system, as they operate for a wider market starting from exogenous competence.

Business support services are in the other two quadrants:

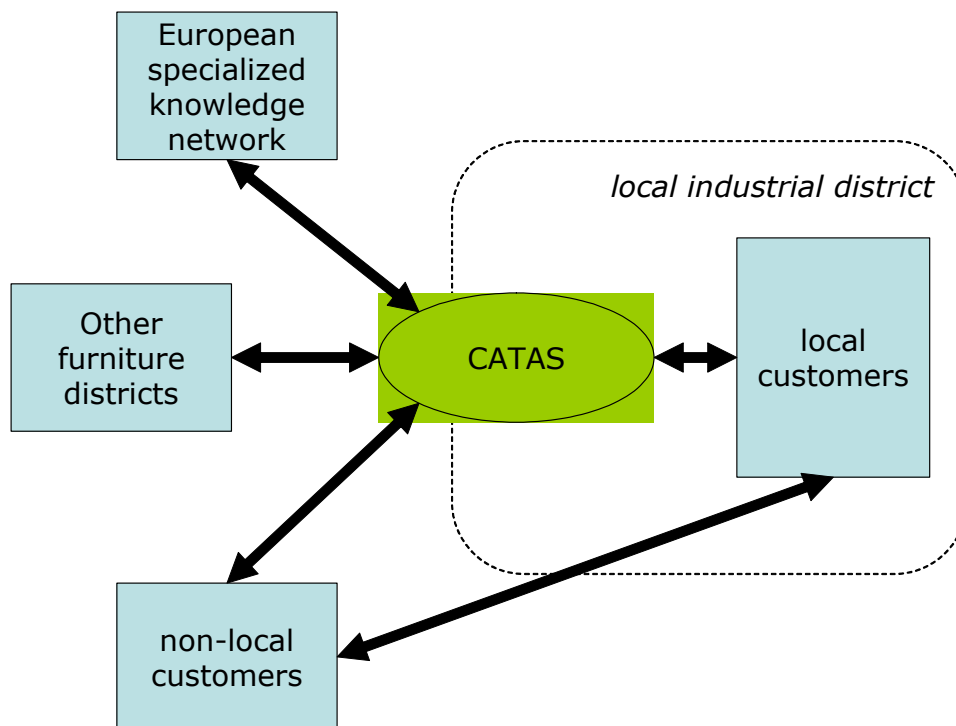
- "inward innovators" are those service providers that "import" in the local system exogenous competence and therefore have an impact on the local industry by adding opportunities, knowledge, relations etc.;
- "outward innovators" are those local service providers that have developed specialized and innovative expertise and are "exporting" it to other areas and sectors. They impact on local industry by increasing the range of actual and potential business networks. Moreover they are relevant for industrial policy makers at supra-local levels.

Figure 1 – The contribution of service providers to the global connections of the local economy



A more specific illustration of how a service center may become a node of local and global network is provided by CATAS, a laboratory for testing furniture and wood-based products that has evolved in a research center and a supplier of consultancy services to that industrial sector (www.catas.com) (figure 2).

Figure 2 - CATAS as a network node⁶



CATAS links with:

- the companies of the local industrial district in the North of Italy (the "chair district" in the Region Friuli - Venezia Giulia);

⁶ source: Grandinetti, R., *Evoluzione del distretto industriale e delle sue formule imprenditoriali. Il caso del distretto friulano della sedia*, "Economia & Management", 4 - 1998, 79-98

- the companies outside the local district that operate in the same industrial sector and buy CATAS services. In this way CATAS helps the establishment and maintenance of production networks between local and non-local producers;

- other (old and new) industrial districts: CATAS operates in the Italian region of Lombardy (with a subsidiary) and in Latin America, where the joint-venture CATAS Chile has been established and provides similar services to local producers. Here again CATAS creates opportunities for business relations, mostly as an “outward innovator”;

- the international networks of specialized knowledge: CATAS is an active member of the European Association of Research Institutes for Furniture - EURIFI. This means that CATAS can import the most updated knowledge worldwide, monitor the evolution of technologies and markets (also thanks to the participation to standardization processes at European level) and promote methodologies and routines that are compatible with the local know-how, therefore defending the local competitive advantages.

The business support services endowment contributes therefore to the collective assets of a region or locality and to its “institutional thickness”⁷: there is positive relationship between the nature and strength of local / regional innovation systems and the knowledge-intensive service endowment. On the other hand, a vicious circle may emerge in the relationship between economic development and business support service endowment of a region or locality. This is related to the tendency of professional and business services to spatial clustering. Less developed production systems generate a limited and less qualified demand for services. Consequently, local service supply is likely to be limited and less qualified and this, in turn, does not help the development of the local production system⁸.

⁷ Amin, A., Thrift, N., *Living in the Global*, in Amin, A., Thrift, N. (ed.s), *Globalization, Institutions, and Regional Development in Europe*, Oxford: Oxford University Press, 1994

⁸ Keeble, D., Nachum, L., *Why do business service firms cluster? Small consultancies, clustering and decentralisation in London and Southern England*, W.P. 194, Cambridge: ESRC Centre for Business Research, University of Cambridge, 2001; Pellegrini, G., *Domanda di servizi*

However, the provision of business support services suffers from market failures. Market failures occur both on the supply and on the demand side. The consequence is that an adequate level of supply and of adoption by manufacturing companies is not assured:

- the private sector providers are predominantly orientated to large firms. In fact, private actors are often impaired by the impossibility to standardize services. If this is not possible, small companies often exit the strategic horizon of private service providers: they are (or are perceived as) difficult, risky and scarcely profitable customers, compared to larger corporations. Large firms are also the most important source of demand for new specialized business service firms. Furthermore, the information needed by small and medium-sized firms often is of a generic character – it thus has public good characteristics. As a consequence, the private sector fails to produce the type of information needed by SMEs;
- SMEs need external support more than large firms, but they are less able to make effective use of it, less able to search for specialist providers (and tied into the local network of generalist and less qualified providers), less able to specify their needs and, in too many cases, also less open to external advice (because of individualistic and self-centered attitudes). The gap may be difficult to bridge: demand may not search a supply, that is not searching for demand either⁹.

Furthermore, economic research gives evidence that the best response to market failures takes place at the local and regional level. The spatial structure of business services depends on two variables:

- the mode of interaction between provider and user, which in turn depends on the nature of the service;

e struttura del sistema produttivo del mezzogiorno, "Rivista economica del Mezzogiorno", 1997 - 2, 417-449

⁹ The market failure argument is discussed extensively, among others, by: FSMED - Foundation for Small and Medium Enterprise Development, University of Durham, *Business Support Services and Market Failure*, Bruxelles: European Commission, 2002; Bellini, N., De Laurentis, C., *L'offerta di servizi innovativi alle imprese*, Firenze: Unioncamere Toscana, 2000; Brusco, S., *Small firms and the provision of real services*, in Pyke, F., Sengenberger, W. (ed.s), *Industrial districts and local economic regeneration*, Geneva: ILO, 177-196, 1992.

- the frequency of usage of the service, which in turn depends on the specialization of the service¹⁰.

Business support services are obvious candidates for localized delivery, because of the importance of close and frequent interactions for long-term relations to develop and because of the necessity to impact first on the local "strong ties" of SMEs. Furthermore, using an interactive view of the process of innovation diffusion, which is based on technology as tacit and firm-specific knowledge, it follows that: "The service relationship in technology transfer is closely dependent on the concrete context of the local innovation system within which it develops. The nature of this local innovation system (i.e. the habits, routines, institutions and rules specific to a given milieu) must shape the development of technology transfer services"¹¹.

The analysis of various regional innovation plans and operative programmes of Mediterranean regions leads to the conclusion that business support services become most relevant when the following relevant strategic aims are set:

- to improve regional competitiveness, sustainable development and quality of life;
- to promote development of networks of firms and of innovative firms;
- to support development of human resources and training;
- to support the creation of innovative, diversified and technology-based firms;
- to develop research, development and innovative projects;
- to create the infrastructure required to support innovation;
- to promote the rational use of ICT in society and companies;
- to develop and support clusters and traditional sectors;
- to stimulate the development of observatories and monitoring systems;

¹⁰ Tordoir, P., *Transactions of professional business services and spatial systems*, "Tijdschrift voor Economische en Sociale Geografie", 85 (4), 322-332, 1994

¹¹ Cohendet, P., *Transfer of technology to Small and Medium Enterprises (SMEs): Conceptual Changes and lessons from the Two banks of the Rhine*, in Teubal, M., Foray, D., Justman, M, Zuscovitch, E. (ed.s), *Technological Infrastructure Policy. An International Perspective*, Dordrecht: Kluwer, 1996, 271-283

- to give an impulse to internationalisation.

These initiatives can be categorised according to the following strategic aims:

- to create a culture of innovation,
- to develop entrepreneurial networks,
- to develop an infrastructure of technological support,
- to support schooling and training of human resources.

Regional Governments can use business support services with the following objectives:

➤ *Culture of innovation*

1. Enables companies to access assistance
2. Stimulates the access to information regarding innovation and R&D
3. Sensitises companies to innovation
4. Sensitises society to innovation

➤ *Entrepreneurial networks*

1. Stimulate technological development in firms (supporting R&D projects)
2. Stimulate application of advanced management systems and techniques (quality management, project management, etc.)
3. Stimulate cooperation between companies and technology suppliers
4. Stimulate the demand for technology in companies

➤ *Infrastructure of technological support*

1. Facilitates development of financial tools for innovation
2. Facilitates development of technological institutes (technology transfer centres, etc.)
3. Facilitates development of companies supplying advanced services
4. Facilitates development of centres offering high quality telecommunication infrastructure and services

➤ *Schooling and training of human resources*

1. Increase the ability of workforce to acquire, use and exploit technologies

2. Facilitate the realisation of training for new/young entrepreneurs
3. Develop the knowledge necessary in order to use information technology

2. Business support services and inter-regional cooperation: why are they relevant

An important approach to stimulate co-operation between areas surrounding the Mediterranean Sea could be the creation and reinforcement of real services. In this section we will explore why.

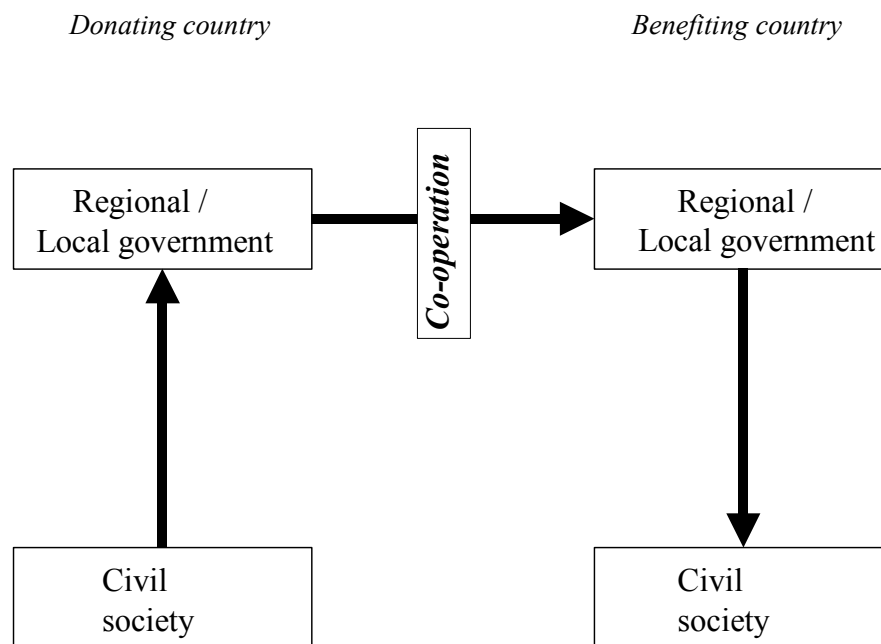
In the framework of policies of “proximity” within the European Union, the support to development of local *clusters* and of small and medium companies, involved in interregional co-operation programmes, have become particularly important. However it became immediately clear that in order to be effective, interregional cooperation should comply with a specific condition, that is: “the search for complementarity between internationalisation processes of regional clusters in the EU and the development of local production systems in neighbouring countries, within a free market system” (Ancona Document, October 18th 2003). In other words, “strategic alliances between territorial systems” have to be established. The challenge is to build upon the various interlocking frameworks for cooperation, exchange and economic partnerships that involve in an efficient way the most dynamic part of Italian production, consisting of small and medium sized companies and artisans, and their territory (the “industrial districts”). This is a critical opportunity, as by this way, growth trends leading to the internationalisation of industrial districts and SMEs that, if abandoned to themselves may proceed towards pure and brutal delocalisation, can be “halted”.

Regional governments can play an important role in this process, which can be consistently related to emerging models of “decentralised co-operation”. In many Southern European countries (and certainly in some Italian Regions) “decentralised co-operation” is experienced as a complex process. It cannot be reduced to a simple transfer of resources, but involves a more *diffuse exchange of competencies, experiences, and resources* between public and private actors in a country (or region) and their counterparts in other countries (an exchange set within

a mutual framework that allows for monitoring and weighing the contributions of different partners and that enables to increase the efficiency of single initiatives).

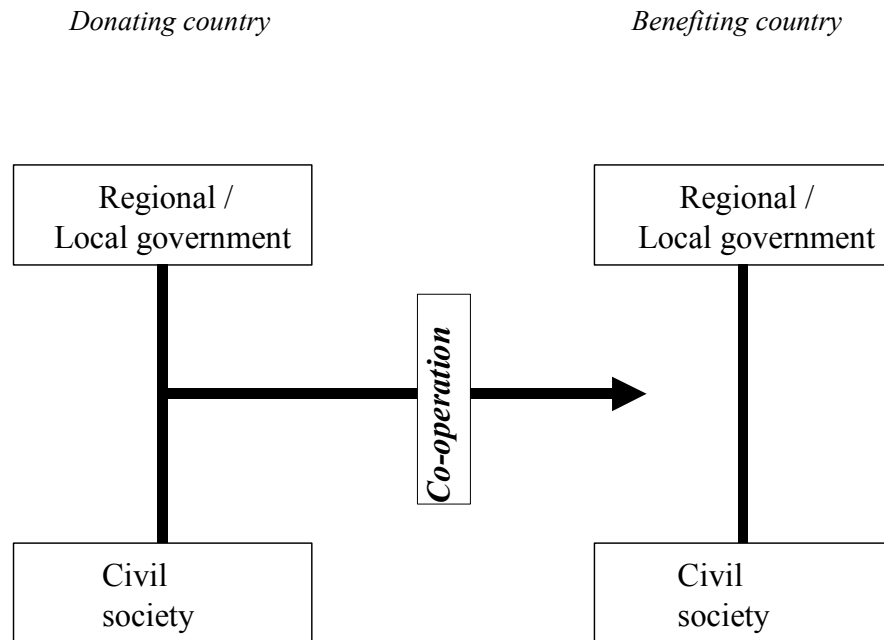
Decentralised co-operation originates from local needs and integrates local capacities with competencies of agencies located in industrialised countries. Briefly, the model of decentralised co-operation has evolved from a simple relationship between public agencies (figure 3) into a model of relationships between territories (figure 4)¹².

Figure 3 - Decentralised co-operation: the model of the relationship between agencies



¹² Bellini, N., Danesi, G., *La cooperazione decentrata*, in Ongaro, E., Valotti, G. (ed.s), *L'internazionalizzazione di regioni ed enti locali. Contenuti, esperienze e prospettive*, Milano: ETAS, 2002

Figure 4 - Decentralised co-operation: the model of relationships between territories



The modified approach:

- allows for a focus of managerial and financial project resources on smaller-sized projects;
- recognises a supporting role played on economic diplomacy by sub-national governments (which in some cases tend to follow the push towards internationalisation generated by the economic system or by other actors in civil society, whereas in other cases they assume a role of reference and initiative)¹³;

¹³ *"Partenariati territoriali per lo sviluppo economico locale. La esperienza delle Regioni italiane"* (Partnership for local economic development. The experience of the Italian regions), document prepared for the international conference organised on the occasion of the Italian Presidency of the Council of the European Union, called *"Il partenariato interregionale"*

- allows for accessing other dimensions of development usually neglected in traditional approaches: the territorial governance, the formal and informal training institutions, the social and health care system, and the local production systems;
- requires a *bottom-up* approach also in the donor region, bringing about a greater awareness of co-operation and related topics (for example immigration) and increasing political consensus within the local civil society.

On the other hand, co-operation in order to contribute to local development, requires:

- to realise effective knowledge transfer, in particular involving training of local participants and more in general reinforcing the local capabilities, closely related to the challenges of the “knowledge economy” that developing countries have to face;
- to establish long-term collaboration between companies with potential of qualitative and quantitative growth;
- to generate a positive integration in global production systems (starting with global subcontracting networks).

In this situation public and semi-public agencies (but also in many aspects private companies) supplying services to SMEs, play a key role:

- they represent already existing partnerships rooted in the region, which makes it possible for them to swiftly and efficiently take up the role of securing the development of an entrepreneurs' network;
- they present an accumulation of technical capabilities and, as a result, are particularly appropriate contributors to a concrete and operational kind of cooperation.

nella politica di prossimità: il Mediterraneo ed i Balcani" (The Inter-Regional Partnership in Neighbourhood Policy: the Mediterranean and the Balkans), Ancona, 17-18 October 2003

3. Which services

A complete and exhaustive classification of “real” services does not exist and will never exist as long as services are defined by their effects and not by their technical contents. In other words, any “list” of real service is and must be country- or region-specific and sector-specific.

An important distinction must be made between services that respond to an *enabling* logic and those responding to a *relieving* one¹⁴. In other words, service providers may either enhance the customer's competencies and capabilities to perform a certain task or perform non-core functions of the customer's business directly, more efficiently and cheaply.

Business support services belong to the first category. They transfer to user firms new “sticky” knowledge resources and competences related to their core business functions. The exposure to the relationship with the service provider triggers learning processes within user companies, thereby modifying in a structural, non-transitory way their routines, their organization of production and their relationship with the market.

Business support services:

- *induce learning*, i.e. a learning process is activated within the customer company. Services may either bring to light the unconscious, “hidden needs” of the companies or – more often – give shape to needs that are perceived, but only roughly articulated;
- *have positive “externalities of consumption”*, in the sense that, as a consequence of imitation mechanisms and network relations, higher standards are introduced both within individual companies and in industries and regions. Therefore real services are supposed to contribute to the speed and quality of economic development.

¹⁴ Normann, R. (1991), *Service Management. Strategy and Leadership in the Service Business*, 2nd edition, Chichester: Wiley

Currently, in advanced industrial economies, business support services tentatively coincide with “knowledge-intensive business services” (Wood, 2002)¹⁵, which typically deal with:

- corporate strategy, organisational and managerial development;
- finance and administration;
- production;
- research;
- human resources;
- information technology;
- marketing and communication.

A four-dimensional taxonomy of business support services has been recently proposed¹⁶, based on:

- *user*: may be an individual company or a group (network) of companies;
- *function*: the business support service package typically includes one or more core services, that perform one of the following functions:
 - the creation, selective activation and management of linkages;
 - specialized technical support, that is added to the internal capacity of the client;
 - transfer of knowledge, that enables the customer to interact with the provider and possibly to perform the service independently in the future.
- *activity*: activities may consist of:
 - “information”: providing analysis, key information for decisions, options, recommendations etc.,
 - “assessment” (e.g. check-ups),

¹⁵ Wood, P. (ed.), *Consultancy and innovation. The business service revolution in Europe*, London: Routledge, 2002

¹⁶ Bellini, *Business Support Services*, p. 26

- “development” of new solutions,
 - “implementation” of known solutions,
 - client “skill development” of human resources (training etc.);
- *contents*: business support services may focus on:
- the “organization” of user company,
 - the “technology”,
 - the relationship with the “market”.

The following table summarizes the proposed typology:

User	Function	Activity	Contents
Individual	Linking	Information	Organization
Group	Supporting	Assessment	Technology
	Knowledge-transfer	Development	Market
		Implementation	
		Skill development	

A possible list of services includes:

- financial advice (particularly advisory services for non-ordinary financial operations);
- services regarding promotion, marketing and internationalisation (assistance in preparing bids for European or World Bank tenders, etc.; assistance with direct investment abroad; assistance to inward investors; market research; organisation of and participation in trade fairs and other promotion events; partner search; quality certification);
- services for innovation (analysis, testing and certification; environment management consultancy; patent consultancy; assistance to application for grants; assistance to R&D activities; technology brokerage; technology fairs; evaluation of innovation);

- services for managerial and organisational innovation (organisational, logistical assistance; interim management; assistance to enterprise creation);
- innovation and communication services (advanced information systems; EDI).

Areas characterised by a low level of development have different needs of services (different or adapted content, lesser focus on technology, different financial needs, etc.) and of their implementation or execution (for example, attributing more significance to training on those using technologies, or using less complex technologies).

In search of commonalities between services offered on the “Northern coast” and potential needs on the “Southern coast” of the Mediterranean Sea, it is considered important to focus mainly on those services contributing to:

- the creation and consolidation of new companies;
- technological development, particularly regarding traditional or “mature” products;
- export promotion and linkage of companies to international networks.

4. The actors

Business support services can be provided by a variety of actors:

- governmental bodies or specialised public agencies;
- public-private partnerships and agencies;
- other public institutions (for example universities or research centres);
- corporate or mixed consortia;
- agencies deriving from (or functioning within) employers associations;
- private companies (dealing with consultancy, technical assistance, marketing, etc.).

Therefore, rather than identifying business support services on the basis of the provider’s characteristics, we suggest to refer to the contents-based definition given

by the European Commission, according to which “*business support services*” are: “those services, originating in a public policy initiative, that aim to assist enterprises or entrepreneurs to successfully develop their business activity and to respond effectively to the challenges of their business, social and physical environment”¹⁷.

It turns out that independent, profit oriented actions developed by the private actors are also monitored, stimulated and supported actively by industrial policies and as a result can be instrumental to reach policy objectives.

Furthermore, not all support service providers do actually produce services. Very often, the agencies or companies that deal directly with users are only brokers of services, actually produced by someone else. A service broker may add value to a service or may simply take care of its promotion and distribution. With respect to promotion, brokers can manage important information flows between the (potential) demand and supply of services.

For example, the broker may negotiate the cost with a service supplier, as he is able to ensure a certain amount of customers, he avoids the need to advertise the service and he facilitates the purchasing of follow-up services by user companies. The Knitwear Development Group (KNIDGRO), an association representing various textile clusters in Ludhiana, India, has been assisted by UNIDO on IT. Once capacitated, KNIDGRO has been able to reduce the technological gap between the local textile clusters and IT providers by signing the best deals on the creation of a local POP, on the development of an “enterprise resource planning” software by a large software house, etc. All these activities would have been inaccessible to individual members of the clusters, but the presence of a local broker has made possible for Ludhiana to reach now the highest penetration level of IT in the textile sector in India¹⁸.

The broker may play an essential role in the search for demand, mainly by structuring the demand in such a way that coherent and specific requests emerge

¹⁷ CEC – Commission of the European Communities, *Creating top-class business support services*, Commission Staff Working Paper, SEC (2001) 1937, Bruxelles, November 2001

¹⁸ UNIDO, *Cluster Development and BDS Promotion. UNIDO's Experience in India*, April 2000

from generic demands of potential users. Finally, the broker may play a key role in revealing the needs of the users, resulting in the formulation of common projects of pre-competitive nature (*multi-client*).

Policy-makers are increasingly interested in the opportunities arising from rendering services as brokers rather than providing them directly. The brokerage approach allows for supplying geographically dispersed users and at the same time takes into account that *knowledge intensive* services tend to remain geographically concentrated (on an international scale). Furthermore, it is possible to give qualified answers to the needs of small companies operating in market niches, and experiencing specific technical or market related problems.

Last but not least, faced with topics like internationalisation or technological innovation, the building-up of *linkages* may actually become itself a real service, particularly when linkages are established between different local actors and between local and global actors. For service providers the building-up of these linkages, involves the complex tasks of selecting partners, structuring the relationship, monitoring and ensuring the evolution over time.

The type and quality of the actors involved in providing business support services becomes particularly important when we focus on the "Southern coast". Dealing with the topic of SME service centres in industrialising countries, a wide variety of factors in support of development must be taken into consideration, such as¹⁹: a stable macro economic context, a micro economic context based on competition, the quality of infrastructure and minimisation of transaction costs and trade barriers.

The development of service centres in industrialising countries should not disregard the importance of the role played by the government as the main actor involved in the reform of the private sector. However, the efficient development and functioning of service centres requires the involvement of other, often underestimated, actors: the parliament and the *policy-making* institutions that need to be made aware of their important role in managing programmes for the

¹⁹ *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*, Committee of Donor Agencies for Small Enterprise Development, February 2001, Washington, USA

development of SMEs, and even more of the possible impact of laws or regulations on SMEs; the judiciary system, considering that courts are often the places where commercial controversies are solved. On the other hand also small and medium sized companies need to be made aware of their rights and duties.

Besides private sector organisations at national level (such as chambers of commerce, industrial associations, commercial associations, etc.), other institutions, such as regional development agencies and associations, need assistance particularly to improve the skills of the local staff. These organisations/associations mainly need to be reinforced in order to supply services to small and medium sized companies, and need to be given an appropriate and recognised legal status.

Academic institutions, too, can contribute to improve the institutional framework of small and medium sized companies, mainly by facilitating links with international research and academic institutions. Furthermore, non-governmental organisations at local level can contribute to the mobilisation of groups of local entrepreneurs and promote laws and regulations addressed to small and medium sized companies, above all, in the informal sector or in marginal sectors.

The parties involved in SME support services are obviously small and medium sized companies and centres that provide those services, which can be individuals (consultants) or private or semi-governmental agencies, non-governmental organisations, industrial associations, etc.

Service brokers operate between these two parties. They are generally involved in the development of new services, in the promotion of *best practices* or in *capacity building* of SME service centres. Brokers can also focus on the demand side or sensitize small and medium sized companies to use services and service centres specialised in dealing with these types of companies. Moreover, brokers can deal with the evaluation of efficiency of service centres and impact of supplied services.

Last but not least, in the cooperation with industrialising countries, we need to mention the national and/or international donors who no longer focus only on financial and technical assistance to their beneficiaries, but also assist the actors active in beneficiaries' countries.

To resume and simplify the above concept, we can say that the involvement of a variety of actors, all crucial for the development of SME services, requires a strong interaction and collaboration between actors at four levels:

- government and institutions,
- companies and service centres,
- brokers and facilitators of services to companies,
- organisations and/or programs of bi/multilateral donors.

5. Problems

The provision of business support services is a well-established procedure in all major industrialised countries. The problems and critical issues related to these practices and their implementation are therefore basically the same, and although there might be some important differences, similar problems can also be met in developing countries. In our opinion, the most important issues are the following:

- to approach the demand for services of SME in a correct way. If on one hand, approaches imposing bureaucratically designed services on the market should be rejected, on the other hand it is important to keep in mind that services have to be innovative and must respond to needs that are not often considered immediate or that are sometimes not even recognised as needs at all. This problem is particularly apparent when research agencies or universities provide services (as a result of a different mission, different language, different type of organisation);
- to stimulate a culture of innovation particularly in small and medium sized companies, which will enable the emersion of adequate partners either at individual level or at aggregate level (by stimulating associations or groups of companies);
- to stimulate cooperative behaviours that will enable the formulation of solutions to problems collectively-felt and the design of services requiring a certain threshold of users. This has been the case faced by a group of Tunisian entrepreneurs in the automotive sector who aimed at analysing an export market in West Africa. UNIDO has carried out a technical assistance creating a Consortium "C8" of eight car-parts suppliers. In addition to other activities, the eight companies have joined their cooperation efforts on export promotion to Africa by creating a double synergy in terms of cost and staff.

They have minimised the cost for market prospection in Africa by sharing staff of their small export departments. Furthermore the enterprises member of the C8 have managed to participate to various trade fairs in West Africa represented by the Consortium, thus avoiding the displacement of limited available staff²⁰;

- to integrate services in more diversified “packages” including training, information and adequate financial instruments;
- to ensure continuity, in order to make SME instruments more reliable, to make people familiar with these instruments, and to allow for continuous improvement and bureaucratic simplification in order to increase their capacity to influence the strategic choices and opportunities of user firms;
- to *target* users not only to identify and promote services but also to select partners that have the best opportunity to successfully implement innovative projects and, on the opposite, to avoid the risk of “adverse selection”; the lack of adequate partners can be a disadvantage particularly for developing regions with a fragile industrial structure;
- to give priority to issues concerning human resources, particularly the availability of technical and managerial competencies, but also of “political” skills to raise awareness and to interact with institutions.

6. Opportunities and conditions for successful inter-regional cooperation

Several suggestions can be made with respect to the development of service centres for SMEs in industrialising countries on the basis of accumulated expertise and insight deriving from the analysis of *best practices*:

- cooperation should focus on centres that have already accumulated specific competencies and experiences in support of small and medium sized

²⁰ UNIDO, *Guide Pratique pour la Création de Consortia d'exportation en Tunisie*, Vienna, December 2002

companies and, as a result, have generated a significant amount of “relational assets” in their field of expertise, gathering technical and managerial credibility in the supply of real services;

- SME centres should not assume a bureaucratic or “public welfare” approach, but should adopt a “market conform” behaviour. It is important that opportunities for individual or corporate growth are created for SME service centres and their staff, allowing for a degree of flexibility in the achievement of set goals. Furthermore, it is important to adopt the “subsidiarity” principle, and for public agencies to avoid as much as possible to be directly involved in private sector activities. Whenever possible, service centres should be run directly by the private sector and/or by non-profit companies;
- SME centres, particularly those in developing countries, cannot realistically become self-sustainable; nevertheless, from the very beginning, it is important to plan and monitor the cash flow and the relationship between costs and revenues;
- cooperation with service centres needs to be specific and relevant, in brief, based on a careful analysis of the local needs and of the specific industries. Otherwise, the risk is to start generic initiatives with little impact instead of initiatives aiming at a small group of users, which in turn may function as an example to launch systematic operations on a larger scale. In other words, the process of creating a “Mediterranean market space for business support services” should not have generic foundations, but requires a careful identification of those industries, which, particularly on the Southern Coast, are more dynamic in terms of modernization;
- better results are obtained utilizing a participatory approach between public and private actors, starting from planning a technical assistance to its further implementation;
- impact of service centres could be maximised using socially relevant existing networks, even if they are not necessarily related to the world of business. This is often the case of religious associations in Africa. In Madagascar, the Jesuits' College Francois Xavier has played a major role in promoting awareness entrepreneurship seminars and in the market research phase for the

implementation of a UNIDO assistance on the set-up of an SME support centre in Fianarantsoa.

- to prevent confusion and overlapping of tasks in the eyes of the end-users. This is possible by adopting a clear focus and by positioning the initiatives of the service providers in an appropriate way. This has been often the case of Tunisian counterparts implementing business incubator projects in the country. At the beginning, at least four different Ministries were responsible in the country of the Technology Parks and Incubation Program with related implementation Agencies. Addressing each Ministry to a focussed specialized initiative and coordinating the overall programme under an Inter-ministerial Committee, reporting to the President, have reduced this overlapping of tasks.
- to strive for the integration/interaction of local, national and international processes of cooperation between actors through the co-ordination of bi/multilateral co-operation agencies, the collaboration between different supply service centres, and the creation of supplier relationships between generic and more specialised service centres;
- a process of continuous evaluation and *benchmarking*, capable of identifying and monitoring outcomes, is also very important. It will stimulate progress and dissemination of best practices. However, it is important to keep in mind that nowadays many development projects in this field are just taking off, thus it is difficult to identify real and proper best practices. Despite significant differences in the geographical context, it is often necessary to make reference to examples of co-operation in other continents (Asia, Latin America), where sometimes programmes have been operating over longer periods of time.

7. Six possible axes for Euro-Mediterranean cooperation

In this final section we would like to emphasise six “axis” for Euro-mediterranean co-operation in the field of business support service on the basis of a variety of ideas and proposals that have emerged from the EUROMEDSYS project:

1. Creating a Euro-Mediterranean market space for business support services through virtual brokers
2. Transfer/adaptation of service packages
3. Construction/reorganisation of service centres
4. Participation of centres on the north coast in service centres on the south coast
5. Training of the personnel of service centres
6. Forum for the exchange of knowledge and good practices

1. Creating a Euro-Mediterranean market space for business support services through virtual brokers

“Virtual brokers” could liase services offered on the Northern Coast with the demand expressed on the Southern Coast, generating a “Euro-Mediterranean market space” for support services to SMEs. This will aim at transferring on Internet the “first orientation point” for potential users. Obviously, resorting to virtual brokers necessitates the development of the technological facilities in the beneficiary countries and requires that their institutions facilitate access to information. Therefore, attention has to be primarily focussed on reinforcing the ICT infrastructure qualitatively and quantitatively, on facilitating both logistically and financially the access to information, and on avoiding possible restrictions that could result from censorship that some countries apply to information transmitted through internet²¹.

²¹ Within EUROMEDSYS, IMPIVA, the regional development agency of the Valencia Region (Spain) (www.impiva.es), has suggested an approach of noteworthy interest that could lead to the realisation of a “Euro-Mediterranean Park of business support services for small and medium sized companies”. The project will generate an opportunity to set-up a vast network of centres offering a variety of valuable services; to set up a large database of business support services and providers and to use an Internet website, as first access gate. This proposal is inspired by and teams up with already existing projects and projects under development, such as the ISIS network of IMPIVA. Also the MEP programme in the USA (www.mep.nist.gov) gives basic information regarding the centres participating to the programme. It provides links to the centres and supplies contact information. It is interesting to point out that in this case (like in many other cases) in addition to being accessible through Internet, the centres can also be contacted using the toll-free telephone numbers. Other

The implementation of a virtual broker implies one main critical issue: the entry selection criteria of the database. These criteria need to be transparent, clear and chosen carefully. Two approaches can be adopted. Self-registration of service suppliers is the easiest approach to manage. Once some basic, mainly formal data have been verified, it is left to the service supplier a detailed description of its products on the website, assuming responsibility for its supply of correct information. This is a less expensive way of gathering and looking after information, but the disadvantage is that information is not certified and therefore has only a relative value for the potential user. Moreover it could even discourage suppliers of high quality services to participate, as they do not want to be associated with competitors offering a lower quality product and which could try to compete on price. The second approach involves the selection of information to be included, based on precise criteria. This implies (implicitly or explicitly) a certain degree of certification of the centre and/or service. Qualified and certified information has undoubtedly a higher value, but it costs more to be produced and kept updated. Moreover, in this case the problem arises on who is to be entrusted with the evaluation and how to ensure the quality of the evaluation process.

Concurrently the set-up of a comprehensive information portal provides several additional opportunities, like:

- linkages with "access services". It can consist of simple *self-assessment* tools (at an individual or corporate level). These can be made available (free of charge) on Internet. Alternatively, more complex and paid assessment or benchmarking tools can be offered;
- provision of other information services, like newsletters and/or specialised webpages containing more in-depth information with respect to particularly relevant topics;
- availability of forms to be used by potential users in order to apply for specific information;

interesting gates are those of the Portuguese IAPMEI (www.iapmei.pt) and of the Swedish SME-link (www.smelink.se).

- collection of information (opinion polls, surveys, etc.) regarding economic trends, developments in technological innovation and evolution of international markets.

2. *Transfer/adaptation of service packages*

It is possible to adapt service packages already used by Northern Coast regions to the needs and operational framework of the Southern Coast. The adaptation process should consist of a study to identify the most convenient way to *deliver* the services and of instructing and training the new users of the service. An example is provided by the provision of an integrated package of incubator services to start-ups in Tunisia. BIC Tuscany that has successfully experienced this support system in Italy has been called by UNIDO to analyse the possibility of transferring this model to a Scientific and Technological Institution in Tunis, INRST. Following a background analysis, a planning of activities, visits of Tunisian staff to similar Institutions in Italy and in France, and training "on-site", a Technological Incubator has been established by INRST to provide an integrate package of services to star-ups spinning off from Research Institutes.

3. *Construction/reorganisation of service centres*

A further type of intervention regards the promotion of new service centres or the reorganisation of existing centres. This process may include a feasibility study focussing on the possibility to copy the organisational models dealing with the management of corporate support instruments.

4. *Participation of SME centres on the Northern coast in SME service centres on the Southern coast*

Direct participation of SME centres on the Northern coast in organisations dealing with similar activities on the Southern coast, it can be also beneficial. The centre "Catas-Chile" (<http://www.catas-chile.cl>) is a good example of a Latin American institution shaped completely to a developed country one, "Catas", an Italian service centre exploiting its know-how. "Catas-Chile" offers technical assessment, certification, technical assistance and training with regard to the furniture sector.

Catas-Chile is a joint-venture between CATAS and a group of Chilean entrepreneurs. Another possibility is the opening of a "window" in a service centre on the Southern Coast by a service centre of the Northern Coast. This will allow for a gradual participation of the developed country institution in terms of staff and funds in the new initiative of the Southern Coast.

5. *Training of the personnel of service centres*

The training of technical and managerial personnel of Southern Coast service centres can be carried out either on "site" or through internships at SME service centres on the Northern Coast. In the case of a UNIDO project on Technology Parks in Tunisia, two staff members of the nascent Park of Telecommunications in Tunis have been trained for two weeks at Technopolis in Bari, Italy. This training and learning of successful modus-operandi abroad has then facilitated the development of a Manual for service management of the Park of Telecommunications by the local staff assisted by foreign experts. A "virtual university" could be also established, possibly linked to institutions of higher education and technical centres.

6. *Forum for the exchange of knowledge and good practice*

Seminars could be also regularly organised and possibly institutionalised in a permanent forum, independently from training aims, in order to exchange knowledge on "good practices".

On behalf of regional governments, SME service centres could furthermore play a systematic role to co-ordinate and lead collaborative initiatives. This seems obvious in the case of centres with a mission to support the internationalisation process, but it could also be profitably extended to centres with a more or technical and industry-specific mission.

8. *Concluding remarks*

This paper has provided an overview of the economic arguments supporting the relevance of business support (or "real") services in the field of economic and industrial policy and namely for local and regional economic development.

Furthermore we have tried to argue that business support services are likely to be relevant also within the framework of inter-regional cooperation. The latter perspective implies a strong awareness of the specificity required in terms of the characteristics of the actors involved, of the services that are provided and of the operational and strategic conditions for success. If these conditions are met, support service providers may emerge as new strategic actors in development cooperation.

Based on this assessment we have sketched a possible framework for Euro-Mediterranean policy, based on actual initiatives and existing opportunities, but also on experiences worldwide. Further research is needed to keep these experiences monitored and especially to provide a more sophisticated evaluation of their quality and impact on developing economies.

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