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**TOWARD IMPROVED
POLICY MAKING FOR
EFFECTIVE SUPPORT OF SMEs**

Introduction

This paper traces and highlights outcomes of the “Interregional Entrepreneurial Teams (E-teams)” project, co-ordinated by The Karol Adamiecki University of Economics in Katowice, Poland. Main ambition of the project activities was to improve policy making for better support to small and medium size enterprises (SMEs). The documents produced under Project proceedings give also more and more clear picture over the required new approach and a new model of policy making. It became possible thanks to a comprehensive inquiry of implemented practises, in seven regions representing seven different EU countries involved in the project. The undertaken study has allowed to collect *best practises* revealed during exchange of experiences between the regions. This project, which started in 2004, was thought to produce activities in a period of three years and effectuate with final evaluation of all the outcomes in 2007. Findings and comments presented in this paper express the work done up to the middle of 2006. This project, being still in progress, is part-funded by the European Union under the Community Initiative Programme INTERREG IIIC East Zone.

Due to the major intensions of the project, the aim of this paper is to present both the conceptual and the empirical findings produced under project proceedings. The already undertaken activities of the Project caused some clear consequences for the intellectual design of the overall study and then, the following results of the empirical inquiry, gave an essential basement for further conceptual solutions regarding new ways of policy making and effective provision of support for SMEs.

There are two main action components of the project running simultaneously in seven involved regions¹. These include works with Multi-Actor Partnerships (MAPs) and Entrepreneurial Teams (E-teams). The final results of the overall set of activities are expected on 2007.

As the first step, Multi-Actor Partnerships (MAPs) were built on regional level consisting of policy-makers (heads of regions, mayors, MPs, public administration top managers), universities, development centres, SME support organisations, etc.

MAPs members led by Regional Co-ordinators contribute to the operation by analysing:

¹ Regions represented by Project Partners which were analysed are: Sachsen, (German); West Midlands, (UK); Kriti, (Greece); Centro, (Portugal); Klaipeda, (Lithuania); Catalonya, Pohjois, (Finland), Slaskie, (Poland).

- the organisational structures for SME support with a focus on internationalisation;
- the role of local and regional policy-makers as well as universities in these structures;
- correspondence of local and regional development policies to the needs of SMEs in the knowledge society in their regions.

MAPs identified obstacles for SMEs to access knowledge intensive networks on regional/interregional level and opportunities for internationalisation of SMEs in key sectors/clusters. Best practices as well as areas of improvement were recognised and reported.

In the next step, the partners and their MAPs groups engaged themselves in an interregional benchlearning and exchange program in order to reflect upon their own region in light of another European region. The program reinforces transfer and implementation of experiences, methodologies, know-how, and innovative solutions between regions. All that lead then to drawing up action plans for future policies and practices.

E-teams (Entrepreneurial Teams) are informal groupings of companies located in single region, operating in leading and/or prospective sectors or clusters. They play a key role in the project, as they provide real business environment for:

- observing obstacles for the development and internationalisation of SMEs;
- designing and testing the new approaches for SMEs support.

E-teams activities aim at describing best practices analysing development plans, policy documents and support structures as well as at observing how these plans, policies and structures influence SMEs, how SMEs utilise the support structures, what the gaps in support structures are, what the obstacles for development of SMEs and for them to enter international markets are, what the obstacles for accessing knowledge intensive networks are? The E-teams co-operate with and provide constant feedback for MAPs to improve existing policies and practices and implement new ones.

This paper follows the main steps of the project. The main concern of all the planned and undertaken project activities was to set up a rational process of *benchlearning* which would take advantages both from the specific actions and experiences tested in all regions involved and from the dialog and exchange arranged thanks to project proceedings.

For the first, that what was needed, at the initial stage of the project, was a basic concept of policy making as well the logic model of policy for support of SMEs. Such model was proposed to the participants of the Project and was developed then as a relevant framework for the empirical study.

For the second, the inquiry was carried out in seven regions involved. The regional inquiries had followed the designed model of the study, following the logic model, formed in the first step, and became formulated in form of common comprehensive questionnaire (the structure of the document is presented in tab. 1 below) accepted during a Search Conference in Coimbra 2005.

In the third step all the regional reports (following the common questionnaire) were done, following respective inquiries and the findings and recommendations produced there were presented. Due to the heterogenic character of the regional characteristics the process of *benchmarking* as such was complicated but offered an opening for reflections in *benchlearning -perspective* which in its turn have allowed to produce some substantial generalisations. A summarising view on the regional outcomes was presented in Joint Benchlearning Report², during the conference in Chania in May 2006, which was then delivered to all MAP groups in respective region for further evaluation. The *benchlearning* approach turned to be a proper one for evaluation of regional *best practices* since its focus was not on simple comparisons but on the contextual character of the practises, described in the regional reports. The major intention of the Joint Report was to offer to the MAP groups a proper framework for further works to be done in the period of 2006-2007 in order to adapt in all the regions, involved in the Project, relevant actions and activities improving the policy making and offering more effective support for SMEs.

1. Modelling policy making for effective support. The concept and the logic model of the study³

All questions regarding rational policy making and effective support can be legitimately studied provided that there is consensus around the pivotal question as supporting the “navigation” of all further works, namely: WHAT SHOULD BE SUPPORTED?

This main question was a subject for meany deliberations made during workshops attended by representatives of the partners involved in the project. One might assume that all aims, purposes, objectives, formulated during the

² Responsible for the Join Benchlearning Report as well as for the structure of the questionnaire leading to the commented outcomes was author of this essay. Large part of this paper follow his joint report.

³ The conceptual model of policy making and effective support as well as the structure of the questionnaire are elaborated by Author of this essay.

scheduled workshops might be gathered as some crucial directives presented as follow:

1. Support rise of enterprises and entrepreneurial successes.
2. Support regional business dynamics.
3. Support integration of local/regional business community.
4. Work for better capabilities of the region and for stronger region's competitiveness.
5. Facilitate improvement of collective learning among partners involved in the support system.

While asking and then answering WHAT should be done, an inevitable and consequent question is: WHO *should make what*. Although we approach an essential question about the policy making for effective support for SMEs. The essential issue is to how to set up a process of policy making which in its turn provides relevant framework for effective support for SMEs. In other words the initial step is to assume a logic model of policy making and support system as basic for local diagnosis.

Pivotal for successful support are both Policy Makers and Support Providers with their different roles, specific profiles, but working within determined framework of rules and games.

Policy Makers stand for intellectual capacity and visionary prospects for region's SMEs, for correct guidance lines and for use of relevant set of means and instruments following the major declarations and intentions. While producing strategies, programs and policies, the negotiated development path for the business in the region is presented as well as the actors (stakeholders) of the process are identified. Their major roles, which express practical interrelations and interdependencies between them, are preliminary assumed. The intellectual resources which gave basis for creation of specific framework for expected actions and activities following strategic choices, are mobilised. Employed policies and programs of support usually prefer some obvious areas of empowerment which can be categorised as: legal framework, finance, knowledge, competence and business dynamism. In all of the aggregated areas there are plenty of specific detailed realms of support and support. In order to verify the successfulness and progress of the support the process of policy making has to be completed by correct evaluation of the inputs. To make it operationally possible the strategic intentions and declarations need to be followed by measurable goals describing the real changes in the position and results produced by the SMEs. That what is expected is the ability to measure the above named goals with specific marks, grades, indicators.

1.1. The logic model of policy making.

The logic model of policy making makes a clear distinction between that what is *action/activity/issue – oriented* and what is *actors-oriented* process of supporting (fig. 1). First, while taking to consideration the “actors in action” although Providers of Support: intermediaries, facilitators and pure providers of all means of support, it would be possible to verify the coherency between intentions and declarations proclaimed by the Policy Makers and practical results of the support. In the *actors-oriented* process of supporting, the intellectual capacity of the support is translated and transformed to the practical set of actions, activities, procedures, projects and so on. The main attention, therefore, is paid to the Support Providers and the offered services including service packages and other integrated actions and activities. In this perspective, of pivotal significance is the character and timing of the support with relevant addressing to correctly selected and well focused groups of SMEs.

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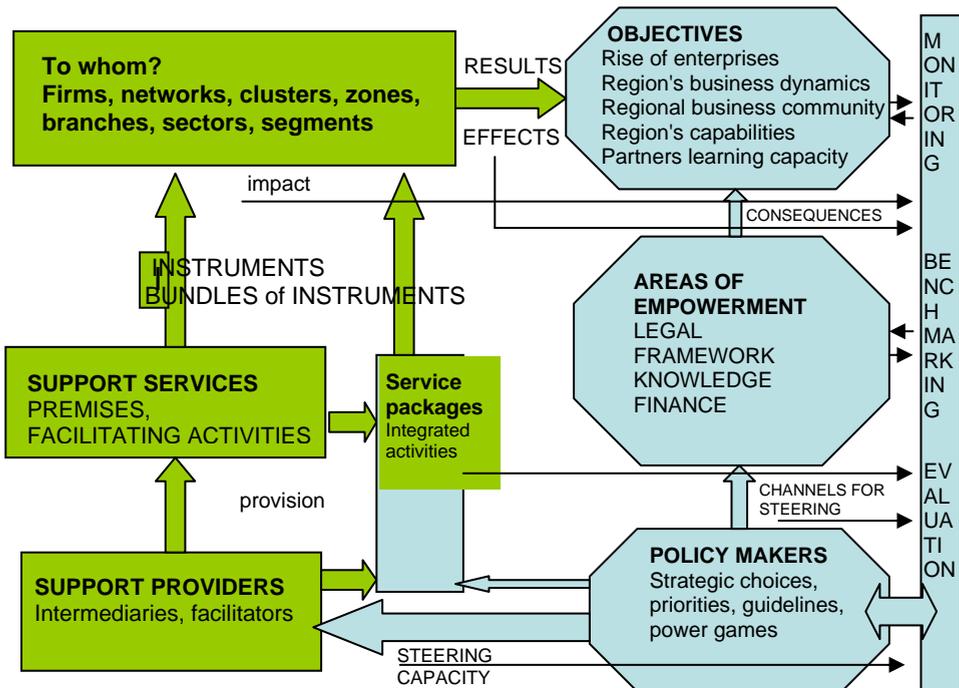


Figure 1. Policy making for effective support
Source: Author's elaboration.

The major question emerging is TO WHOM WITH WHAT? Considering both firms, branches, sectors and specific clusters and zones of business activities the major question is how to ensure provision of right means, correct timing, relevant instruments and right addressees. Monitoring *the actors-oriented* processes give us substantial basis for evaluation made due to the measurement of objectives formulated while initiating the programs and policies.

1.2. Logic model of the system of support

Consequently, having the model of policy making as a framework for further study, it would be possible to specify an *recipient-oriented* logic model of building up support system for SMEs, although an model of implementation of the accepted policies seen from users perspective. What kind of add value for the SME could be achieved and in which areas of empowerment, while offering concrete services and activities, is the major question to be asked even in terms of successful policy making. Thus the general answer on the adequacy and the effectiveness of the declared programs, strategies and policies can be given first while monitoring and then evaluating the practical effects for concrete SMEs. It might open for changes in accepted programs and strategies as well it should lead to re-positioning in the power field determining the roles of actors involved.

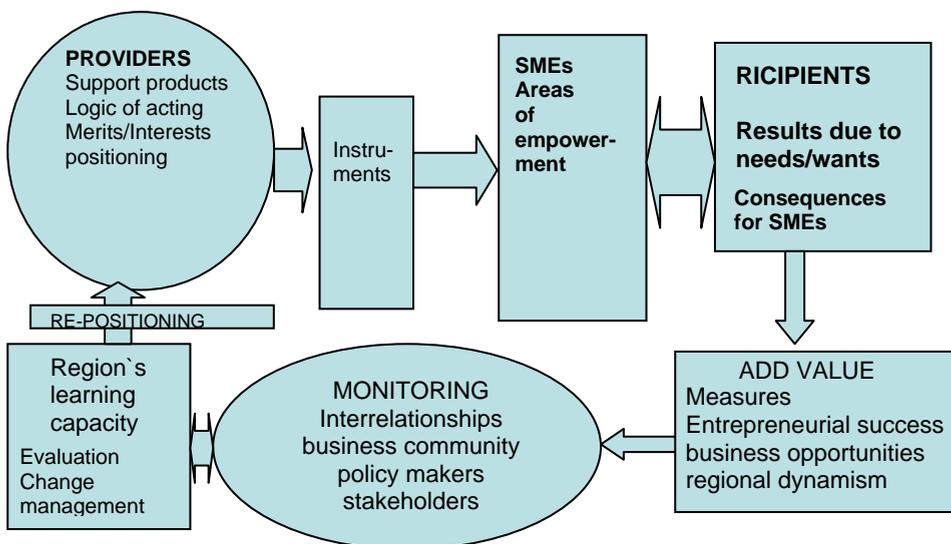


Figure 2. Logic model of the system of support for SMEs
Source: Author's elaboration.

The logic model of policy making as well as the logic model of the system of support for SMEs were treated as the basic framework for setting up and logic structure of the empirical study of the Project. It had resulted in an comprehensive questionnaire guiding respective MAP groups to such investigations which would offer a common basis both for the collection of *best practises* and for a common knowledge needed to set up the benchlearning process.

2. Benchlearning as an interregional process of evaluation and improvement of policy making and support of SMEs

2.1. The structure an the process of the empirical study

The benchlearning process was based on seven regional empirical studies (following the mentioned questionnaire (see table 1) which resulted in findings presented in the regional reports produced and delivered at the beginning of 2006⁴.

The basic documents in form the regional reports called: “Reports on SMEs Support Policies and Practices”⁵ have followed a structure presented in a questionnaire (see table 1) discussed then and accepted by all partners involved, during the interregional meeting in Coimbra in march 2005.

Table 1

Questionnaire for report on SMEs support policies and practises

I. MAPPING A REGION

KEY ISSUES, KEY RELATIONS AND STRUCTURES

I.1. Region’s profile and attributes-from business point of view:

- Region’s basic data.
- Type of the region. Interregional context of region’s profile.
- Basic business profile of region.
- Employees and prerequisites for labour market dynamics.
- Costs of location.
- Legal profile in business making context.
- Innovation profile.
- Communication standards.
- Some other specific attributes.

⁴ The full size reports following this questionnaire and filled in all regions involved are available on the webpage of the Project. <http://www.eteams.ae.katowice.pl/>

⁵ The full size reports from all regions involved were delivered to the Project Co-ordinator and were available for all interested on the Project’s webpage.

- Region's attractiveness- uniqueness.
- Regional/local competitive advantage.

I.2. Business profile of region:

- Main relations and proportions.
- Business structure dynamics.

I.3. Mapping the SMEs in regional context:

- SMEs – basic data.
- Business profile of SMEs.

I.3.1. Key factors affecting SME sector dynamics:

- Cultural codes affecting patterns of enterprising.
- Access to labour. Skills and competence.
- Innovation as a change and success factor.
- Creativity as a factor. New trends in making business.
- Large companies impact (Strategic partners, investors, market creators).
- Public demand as basic stimuli for making business. Private operating-public funding. (New standard requirements and new fields for call for tender).
- Clustering and networking as processes facilitating accessibility. Factors profiling business access and development.
- Summing up: Availability as a location factor.
- Summing up: Tendencies/structural changes.

II. SUPPORT SYSTEM FOR SMEs

BENCHMARKING – ACTORS, PROGRAMS, POLICY DOCUMENTS

POLICY MAKING PHASE

PROVIDER'S PERSPECTIVE

II.1. Strategies policies, programs, actors, interrelations, interdependencies

II.2. Specific programs and policies SMEs-oriented: women, disabled and exclusion

III. SUPPORT SYSTEM FOR SMEs

BENCHMARKING – PRACTISES. IMPLEMENTATION PHASE

USER'S PERSPECTIVE

III.1. DIRECT SUPPORT to SMEs

III.1.1. Improving access to the capital. Financing, funding, capital supply, financial and market expertise

III.1.2. Improving access to knowledge and market/business information

III.1.3. Improving innovation support

III.1.4. Improving access to labour market

III.1.5. Improving access to good institutional standards for making business.

III.1.6. Demand strengthening activities (market extension and diversification): new market opportunities:

- Regional/local authorities as creator of demand and facilitator of market extension for SME products and services.
- Regional/local authorities as facilitator of market extension for welfare services and municipal services.
- Regional/local authorities as facilitator for start ups and spin offs.

III.1.7. Improving business environment and spatial arrangements

III.1.8. Improving access to technical infrastructure and communication standards

III.1.9. Improving organisational/administrative support

III.1.10. Improving educational support and training – supporting higher competence standards

III.1.11. Supporting networks and clusters

III.1.12. Encouraging networking and clustering

III.2. INDIRECT SUPPORT TO SMEs

III.2.1. Learning capacity of regional local authorities. Consequences of plans, programs strategies

III.2.2. Managing quality standards due to the strive for regional/local attractiveness

III.2.3. Projects and arenas of networking/partnerships in support of SMEs

Process of studying and reporting the SME support systems in all the regions involved was above all perceived as a process of *benchlearning* although as a collective process for continuous improvement. The overall goal of the undertaken inquiry and the contacts established by respective regional MAP group was to reinforce the implementation of best practices, methodologies, know-how, and innovative solutions for SME support policies and practices between regions.

An outlined set of issues and indicators and the proposed procedure facilitated the explanatory part of the process of *benchlearning*, with focus on learning capacity both within the regions and between them. It would result in recommendations regarding both the regional and local policy and the multi-level inter-organisational support system for SMEs (due to strive for “best practice”).

2.2. The stages of *benchlearning* approach

Due to the construction of the presented model of inquiry the structure of the document the presentation of the scrutinised characteristics and findings from the regional studies was thought as an expression of a common benchmarking approach and was perceived as a process containing some specific stages, as follows:

- I. *The first stage – “mapping the region” – presents the selective characteristics of the analysed region. Focus was on regional profile and its attributes in the perspective of regions competitiveness and the major attention is given on regions prerequisites for business success within SME sector.*
- II. *The second stage – “mapping the SME sector” – was oriented on detailed mapping of assets, structures, processes that could identify the dynamics of SME in the light of the major factors affecting business development in the region.*
- III. *The third stage – was oriented on “benchmarking of support system for SMEs” as such. SME support would be identified both on the level of policy making and on the level of the operational services for SMEs sector. Key actors, their decisions and activities in building up the support system were identified through setting up a set of indicators and issues to be analysed as the major part of benchmarking procedure.*
- IV. *The fourth stage – would show the point with the process of “benchlearning” itself. It means that the benchmarking procedure will be completed with a contextual analyse of benchmarked issues, processes and phenomena. The benchmarks will be included in a wider perspective of specific regional con-*

text for each region in line with the preferences and activities identified due to actors, issues, processes and structures described in the former stages. Consequently, the prerequisites for best practice will be identified due to the contextual analyse of all indicators and issues outlined and described in all the stages passed while implementing the benchmarking procedure. The contextual analysis in the fourth stage is indispensable to provide correct framework for the final product of the benchlearning process.

The studies carried out in the regions and the results presented in the reports show a wide range of issues, as well as clear differences in profiles, traditions and institutions and their regional impact on implemented policies and practices of support.

Generally, the essential issue for the overall process of benchlearning is not to compare the regions but to reflect on the specific contexts of support in order to make legitimate generalisations on prospects and substance of policy making and effective support due to the specific local prerequisites. Consequently, even the Joint Benchlearning Report was thought more as supportive material for further analysis and diagnosis than as an simplified attempt to make a simply generalisation on collected best policies and practices.

Basic ambition of the join report was to take advantage of the knowledge coming from the collected “best policies” and “best practices” in order to give a suitable basis for further evaluations and choices undertaken by local MAP groups in line with their local specific contexts. Thus, some correct generalising conclusions to be made after the presentation of all the local reports, can be made only among the local partners involved in the support system. The essential work has to be made locally in respective regions.

2.3. Reflecting on the outcomes

Presented material from all the studies and regions participating in the project evokes some questions worth to consider in further local works connected to the next step due to the fourth stage of benchlearning process: These questions are as follows:

- What we mean actually with an effective support? (definitions, criteria, logic models?).
- Who want to achieve what? And why?
- How can we know that the system of support is a proper one? What we means with – good or correct, or enough good? Who’s opinions should be prevailing on a legitimate way?

- How we can know what should be changed? Who and why should change – and how?
- How we can recognise the changes done. How we will evaluate them. How to learn from them? With which consequences for policy making?

Reading the Regional Reports on SMEs Support Policies and Practices, provided for common knowledge in the beginning of 2006 one could realise that some significant steps were done, namely:

- Characteristics of the Actors: Providers and Recipients of the support.
- Characteristics of the support and the main interrelations between providers.
- Characteristics of exploited means and examined instruments of support.
- Evaluation of main outputs and the consequences of implemented support according to both the providers and the users opinions.

That what is expected as a work following the regional reports could be scrutinised as next step in benchlearning process containing, as follows:

- Concluding remarks from the reports-which were the real findings, while being acquainted with all the regional reports?
- Main prerequisites, indicators, guidelines, for continuous improvement of supports services. Evaluation of the whole system of support.
- Re-thinking policy making for effective support for SMEs. Actors legitimacy, profile, merits, role models, interrelated decision making, instruments, areas of enterprise's empowerment, governance, learning.

These massive expectations give space for next and final stage of the project as well as call fo more restrictive view on the further analysis to be made in all the regions. The model of analysis, showed below, was presented also to the MAP leaders.

2.4. Model of analysis

In each of seven presented regional reports one can find enough of background dates and relevant facts to set up a procedure which can contribute to a local diagnosis of implemented policy and of existing system of support in order to promote an altered practical policy solutions and improved practises.

That what is exercised below is an attempt to identify the right levels and segments of the analysis in order to collect facts, marks and findings from all the reports in a way which can be supportive for relevant diagnosis and further local activities. The analysis is to be produced by going from one to another segment of interest in order to catch up all factors affecting the way of changes (see table 2).

Table 2

The levels and segments of analysis of support of SMEs

1.	Mapping the programs, policies and strategies Objectives, purposes, priorities, planned activities and means.
2.	Actors involved – mapping providers of support Their profile, role models, merits, inherent logic and inner and outer context of acting. Their products, criteria for effective provision, range of activities. Adequacy to needs and requirements. Sensibility for market signals- working on demand. Benchmark the providers.
3.	Instruments/mechanisms implemented in terms of effects/consequences for the recipients of support. Hard and soft means, “easy” and “difficult”. Receptiveness. Adequacy. Efficiency.
4.	Areas of empowerment of SMEs – identifying and describing the attributes of various arenas representing specific prerequisites: in terms of competence, resources and capabilities exploited in enterprises and in the business environment as prerequisites for the creation of new values for local business and for the region.
5.	Consequences of the implemented support for the users Measured impact. Perceived and monitored results. Analysed experiences and expectations.
6.	Interrelationships among stakeholders of the support system Evaluating standards for community co-operation, governance, partnerships.
7.	Learning capacity among the partners of the “local/regional game” Ability to produce good standards of support due to strategic choices and right prerequisites for region's competitiveness. Adequate programs for facilitating and effective service packages.

All the levels and segments of the analysis were already exercised in respective region and reported admittedly. They are composing the basic material for the joint report of benchlearning. Next chapters of this paper will just follow the above mentioned structure of analysis.

3. Analysing support

3.1. Findings and suggestions due to strategies, policies and programs produced in seven regions involved in the study

Reading the regional reports one can get insight in a wide spectrum of declared and implemented strategies, policies and programs due to the scrutiny made locally. The documents are providing different focus and more or less de-

tailed characteristics. Basically, in all the reports one can find descriptions and statements on assessment of analysed strategies and policies. There are even descriptions of actors involved and in majority of the reports there are characteristics of interrelations between them. The major aims, objectives and proposals declared in many strategic and other documents can be presented, due to the collected suggestions from the regional reports, as follows:

Support rise of enterprising and entrepreneurial successes

1. **Inspire the pre-start activities, stimulate start-ups, encourage spin offs**
Activities: pre-start mentoring, pre-incubation, universal support services packages for business creation, improving commercial relations between enterprises and academies, proximity of research centres, stimuli for local innovation culture.
Harmonisation of new installed businesses in existing networks.
2. **Encourage entrepreneurial behaviours.** Perception of business opportunities, identifying of talented locals, prizing, promotion of success stories.
3. **Stimulate improvements of business environment,** new job opportunities, social inclusion, entrepreneur-friendly local standards for living and work, entrepreneur -friendly local governance.
4. **Improve legal premises, and administrative procedures and arrangements for adequate support services, facilitating rise of profitable businesses.** Initiatives in private-public partnerships, first advisory shops for SMEs searching public and semi-public support, advisors-facilitators for business creators.

Support region's business dynamics

Support growth and excellence, long term competitiveness

1. **Support even strong and still growing/expanding firms on all stages of life-cycle, even while “going beyond”.**
Tailor –make support system for stepping up: start up-entrepreneurial phase-managerial.
Task due to expansion-managerial phase-turning point – further growth/expansion-intrapreneurship, -re-thinking business, reformulating strategy.
2. **Support processes for strong and attractive business profile of the region,** support an emergence and consolidation of business sectors, facilitating internalisation of business, facilitating clustering, niches, unique capabilities, internalisation.

3. Promote better access to knowledge, facilitate “break- thorough” over market asymmetries.

Mentoring, stimuli for transfer of knowledge, sharing costs and risks, proximity to research centres, facilitating networking for know-how transfer to the region, better involvement in these networks.

4. Work for reinforcement of the local/regional financial environment.

Arrangements for rise of local/regional financial operators capacity for strengthening and better diversity of sources of capital.

Support integration of local/regional business community

1. Facilitate business communication. Networking, clustering, associations. Improve quality standards of local networks of decisions makers and business partners.
2. Support formal and informal relationships between economic players, thematic networks, business clubs, sponsor clubs, business-academia clubs.

Work for better regions capabilities and stronger region`s competitiveness

1. Support strategic strengthens of the region by working for prioritised sectors.
2. Catalysing, transfer of know how, emergence of inter-company networks.
3. Availability of venture capital and – more business support resources to segments/niches perceived as to risky for commercial support activities.
4. Create better prerequisites for infrastructural improvement governance, proximity of services for business, entrepreneurial and business culture.

Facilitate t improvement of collective learning capacity among partners involved in the support system

1. Improve relations among actors involved – better models and, practices, guidelines, standards, measures-efficient monitoring of an effective system of support.

3.2. Actors and the role models. Identifying special interests, analysing behaviours

It turned to be an complicated task to produce some legitimate generalisation on the characteristics regarding actors, interrelationships between them,

while following the produced regional reports. Nevertheless there are some reports available which can give us a “taste” of the character and the complexity of this issue. One of the working teams, gathering representatives for SMEs within this Project, called *Task Forces* carried out an critical inquiry of specific roles played by actors involved in the support system. Its major task was to collect the prevailing opinions on Providers of Support, made just from SMEs perspective. The SMEs voice is gathered in a serie of claims and complains and that what is stated below is a arbitrary choice made for the Joint report reason, coming form the original document delivered to Project Co-ordinator⁶.

SMEs voice. Claims an complains on Policy Makers and Support Providers role:

1. The SMEs are experiencing confusion in accessing an ever-increasing web of support.
2. SMEs see no clear division of tasks between organizations offering support.
3. More investment support, as there is an overload of soft supporting activities.
4. More tailor-made grant schemes for specific sectors.
5. The financial support for working capital is in most regions viewed as poor and non-supportive.
6. Difficulties in co-operation between R&D institutions, universities and SMEs.
7. Support made by local authorities and administration is experienced more as passive.
8. Professional training institutions usually provide very expensive services.
9. SMEs to resign from the training programmes because they feel *these are not useful*.

One can guess, after being acquainted with this document, that there is a “rich flora” of various people, organisations, interests, cultural and institutional codes involved. Due to complexity of this issue one can even fail in a misleading analysis and wrong conclusions while characterising the architects of the support system. Therefore it is worth of attempt to improve the characteristics of the actors and identify correctly the interrelationships in order to secure a correct framework for further diagnosis and improvement of their roles and profiles.

That was is needed is a relevant way of mapping of the actors with clear concern for their real interests, ambitions, intensions, tension, conflicts, role

⁶ The whole document as an outcome of the workshops gathering regional teams of Task Forces is available on the webpage://www.eteams.ae.katowice.pl/

models, etc. Each region is in the position to offer map of the actors due to the local premises. See an example coming from region Centro in Portugal), as quite typical for giving the impression of the complexity interrelations and interdependencies (see fig. 3).

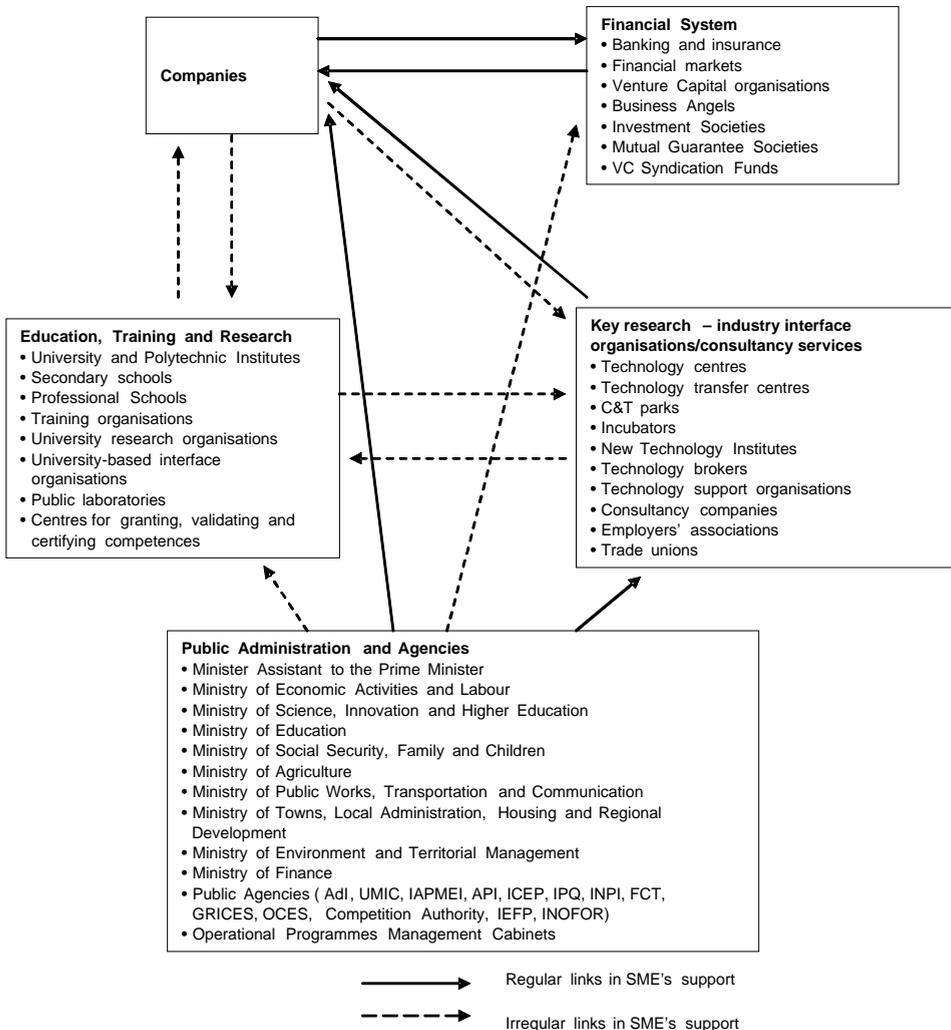


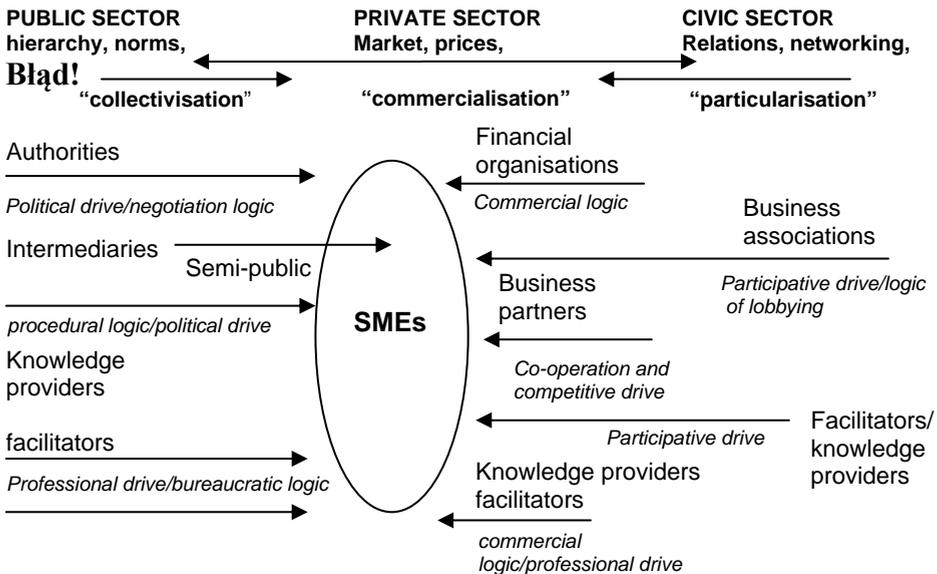
Figure 3. The actors/stakeholder's and the interactions
 Source: The Report on SMEs Support. Region Centro. Portugal.

Regardless local prerequisites there is an analytical need of a comparable characteristics of actors involved in the whole support system. Therefore a recommended structure of investigation was produced, as follows:

Attributes and characteristics of the actors:

- Profile and focus. Objectives.
- The intended product of support.
- Merits.
- Logic of acting.
- Special interests.
- The major relationships.
- Analysability, measurement, routines for evaluations.
- Self-reliance, image, self-criticism.
- Receptiveness in users perspective, perceived effects.

Main intention of such inquiry would be to set up a mechanism of evaluation which would allow to select out “bad” supporters confronting them with “good“ supporters. Moreover, while being acquainted with their “anatomy” it would be easier to realise and predict their motives, attitudes and behaviours, due to their own logic of acting. See fig. 4 as an attempt to present a model of potential “landscape” of the actors involved in support system, due to their various role models, drives and logic of acting. Implementation of such model thinking might facilitate more precise mapping of the actors.



**Variation in: Legitimacy * logic of acting * role models * special interests * outcomes * instruments *
How to make the support effective and how to select out “bad supporters”?**

Figure 4. Mapping the actors providing support. Prerequisites for the perception of an adequate support

Source: Author`s elaboration.

3.3. Areas of empowerment and implemented instruments of empowerment

Next step of the proposed analysis refers to the “channels of support”, providing that the characteristics and the logic of the actors – working as *providers of the support* are already examined, special interests and priorities of the providers are recognised and are analytically usable for further diagnosis of the support for SMEs.

“Channels of support” inform us about the *areas of empowerment* of the SMEs and about the suitable mechanisms and instruments of empowerment to be used. In the regional reports, following the questionnaire, whole empirical material was divided into two chapters – called: *Direct support to SMEs* and *Indirect support to SMEs*. The regional MAP groups had marked and graded various ways of empowerment, selected and categorised then in line with the structure of the mentioned questionnaire. The main intention of this stage of reporting was to produce evaluation due to the local prerequisites. That what was done then in the Joint Report and what is presented below can be seen as a list of interesting priorities and activities according to specific area of empowerment. The areas are identified and then described, as follows:

AREAS OF EMPOWERMENT OF SMEs

Channels for implementing the instruments and measures:

- **LEGAL FRAMEWORK AND THE ADMINISTRATIVE ENVIRONMENT,**
- **RELEVANT UP-TO-DATE INFORMATION,**
- **KNOWLEDGE,**
- **FINANCIAL OPPORTUNITIES,**
- **ENTREPRENEURIAL AND MANAGERIAL COMPETENCE,**
- **REGIONAL DYNAMISM.**

For each of these areas there are activities, listed out as priorities to be perceived in respective region and selected from the regional reports, as follow:

- 1. Legal framework and the administrative environment (including local premises and administrative standards for running the businesses)**
 - Facilitating and stimulating business start ups and widening access to resources, opening for job opportunities and business opportunities, for contacts and contracts.

2. Information. Access to relevant, consistent and up-to date information (facilitating overcoming of asymmetries affecting competitiveness)

- Access to suitable information: first-stop-shops, one-stop shops, info-packages, initial diagnosis.
- Targeted professional information services (legislation, market info, technical, certification, patent and copyright, regulatory requirements for specific areas).
- Interactive web-sides.
- Regional information about the decision making parameters used by each type of financial intermediaries.
- Advisory activities before approaching banks and other financial operators.

3. Knowledge provision and dissemination. Transfer and proximity

- New technologies and new profiles. R&D, innovation, prototyping, demonstration, new technologies, technology transfer, environmental standards, energy saving etc.
- Proximity to innovation and research centres and academia.
- Access to sectoral business services.
- Economic intelligence, technological watch services.

4. Financial opportunities

Funding opportunities

- Financing programs and investments opportunities-funds. Guarantees. Direct and mutual guarantees, grants and subsidies, tax incentives. Availability of seed capital. Semi-public venture capital funds, co-investments mechanisms. Setting up guarantee schemes.

Banking

- Loans and overdrafts, packages for start ups, foreign currency accounts, various discounts, factoring, invoice discounts. Microcredits.
- Availability of adequate equities. Equity finance, loans, Cash flow availability.

Arrangements

- Arranging matching schemes between entrepreneurs (companies) and regional financial community.
- Promoting investments forum for businesses and financial community.

Interventions

- Identifying and intervening in market segments that private operators consider hazardous or uninteresting.

Advice and Direct Support

- Advice on functional areas of business activity. Linking investors sponsors, business angels and companies “Banking beyond banking” – network opportunities.

5. Entrepreneurial and management competence

- Entrepreneurial competence-pursuit of opportunities, exploitation of opportunities.
- Improving skills in business transfer, succession, quality management, financial (re) structuring, export strategy.

Managerial capacity – skills for business growth, harmonisation and maturation, long term expansion

- Intrapreneurship, new re-entrepreneurial strategies, re-structuring.
- Cluster management and network management.

SME- specific Training and Education

- Start-up, conversion courses, targeted training for various sectors and profiles.
- Job creation, foster entrepreneurs (young, women, disabled, ethnics minorities).
- Training for entrepreneurial and managerial skills due to requirements for start-ups, spin offs, for growth and stability.

Region’s specific competence – success stories, clubs, mentoring, business culture local development standards.

6. Prerequisites for regional dynamism

- **Special arrangements in region's spatial and functional perspective** – territorial organisation of business, programs with focus on business constellations in the region- Corridors, zones, clusters, networks, spatial and functional aspects of business environment.
- **Unique resources and capacities** affecting SMEs options.
- **Availability and proximity to relevant standards of the region's business Infrastructure, access to various type of resources.**
- **Institutional arrangements** in forming interrelated and interdependent policy making, supporting the SMEs Entrepreneurship – friendly governance standards in relation with other partners. Support schemes and collaborative agreements.
- **Cultural/social potential for enterprising.** Promoting entrepreneurial culture. Good stories, carriers, competitions. Champions of changes. Political

and social climate for business on various levels of interests. Living standards and environmental and transport and communication factors.

Above collected priorities for the practices, as well as some recommendations articulated further on, were presented in the Joint Benchmarking Report. It was mostly thought as a supportive material for continued works of MAP groups in the next stages of the Project to be carried out 2006-2007. As essential for the works will be to find *sequences* that tie “right” providers of the support with “right” means and “right” instruments reinforcing “right” areas of empowerment. All that with clear positive consequences for the recipients of the support in terms of *add value*.

For summing up, what was suggested in the model for analysis, see fig. 5 providing an aggregate picture of the overall concept of the diagnosis delivered to MAP groups. One can find there a gathered picture of a recommended analysis, following the work already done, but intended too to be a proposal for own local procedure of seeking specific solutions and practices for the next steps of works undertaken in all the regions involved in the project.

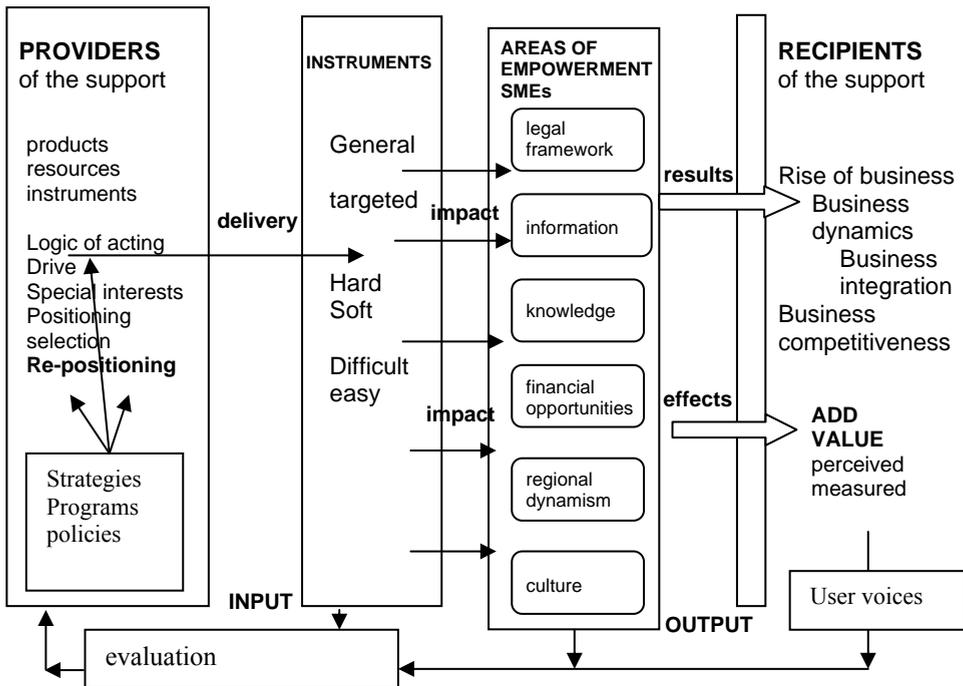


Figure 5. Toward effective support and improved support system
 Source: Author’s elaboration.

4. Recommendations and proposals

4.1. Toward revised strategy for policy making. Proposals for an effective support for SMEs

During the preparations to the Joint Report there were opportunities to penetrate the issues of improved support thanks to many discussions and workshops following the works with regional reports.

See below extracts from OECD material elaborated for West Midland region as well as following recommendations for further policy designing and improvement of the support, thanks to discussion led in Silesia region (Slaskie).

Characteristics on actors involved in system for support for SMEs (from West Midlands report, OECD 2004):

- System offers complexity due to many examples of interrelations and interdependencies between actors involved.
- Actor and their role models should be translated to offered delivery frameworks for clients (SMEs).
- General experience of overlapping an copying of declared services that evokes confusion and dissatisfaction.

There are, too, some interesting suggestions regarding what might be needed for further improvement of the practises:

- Segmentation of market for proper focus and better support.
- Clarity, transparency, consistency of structures of the service providers.
- Focus on demand for services rather than delivery on account of supply.
- Relevant control and measurement of impact of undertaken actions.
- More entrepreneurial management of support agencies.
- Primary points of contacts.
- Business advisors as champions for SMEs in search for support and for guidance.
- Focus attempts and resources on segments of market demonstrating most potential.

Regional reports as well as the workshops following the schedule of the project have opened for proposals, suggestions and recommendations regarding the financial, business environment, as well as premises for practises within the

scope of public sector actors. The major proposals, which were collected and delivered in the joint report, are listed out as follows:

Recommendations suggesting good financial environment for strong support of SMEs

- Support incubators and associated follow-up programs (mentoring schemes).
- Support SMEs with growth potential – including investments made by local/regional.
- Funds which provide seed capital.
- Encourage proximity in financing.
- Develop networks of Business Angels.
- Arrange matching schemes between the entrepreneurs and the regional financial community. Disseminate relevant information about the investment priorities of all financial organisations operating in the region.
- Promote investments forums for entrepreneurs and financial actors.
- Recognise people's behaviours on the financial market and their saving/investment profiles in regard to demand of working capital in the local businesses.
- Provide specific training on access to external equity sources.

Other recommendations:

- Policy of strengthening of the financial capacity of regional/local actors in order to extend and enrich the financial environment and support for SMEs.
- Provision of proper activities to not to be hit and competed out by stronger financial competitors acting from outside of given region. Venture funds, patent funds – incomes for whom? In the supported region or outside.
- Adequate role of commercial versus non- commercial organisations in providing financial support. How the non commercial support can affect creation of add value for the business.
- Shift of “*sectoral thinking*” to “*territorial/regional*” thinking in distribution of financial means from central levels to SMEs.
- Facilitation of commercial intermediaries and commercial verification of distribution of the means limiting administrative procedures of granting SMEs activities.
- Means emerging from non commercial sources (national and or international funding) ascribes actors working on financial markets to be intermediaries for further distribution to SMEs.

Supporting the dynamics of business and business environment

- Various instruments needed while:
- Transferring concept to commercial product.
- Expanding, stabilising business position in an given market segment.
- Facilitating internalisation of business.
- Facilitating clustering.
- Arranging positioning among external competitors.
- Support the growth and the maturation of business/firms – to strengthen the capacity to develop step by step.
- Ability to support excellent firms to grow up even beyond the framework of SME.
- To implement devices and facilities and conceptual solution on all levels of policy making and creating of financial environment and in business environment and in governance processes:
- To tailor – make support system for stepping up: start up- entrepreneurial phase- managerial task due to expansion-managerial phase-turning point – further growth/expansion-re-thinking business and the strategy-intrapreneurship-new entrepreneurial strategy-new business strategy for expansion and impact-handling crisis in life cycle – new premises.
- To have a sensitive policy making and programs of support due to various premises for business dynamics and complexity in different sectors and regions.

Role of Public Actors and Intermediaries

That is of essential value to precise the role of public actors and the intermediaries, behaving in a way which is crucial for the overall success of the policy making and for a successful support. During the talks and workshops organised in the process of exchange of experiences and opinions between the regions involved in the project, there were a lot of comments giving an important fuel for further improvements in policy making. Let us summarised them as below:

Local/regional authorities favour the payment of direct subsidies

- *Move toward the capitalisation of specialised regional credit funds, venture capital funds, or guarantee schemes.*
- *Prefer financial engineering schemes. Public cost per new job is lower than by using direct subsidies.*

There is need for trust between the users/applicants and financial providers.

- *Stimulate confidence building strategy for private operators and help the entrepreneurs in drafting their business plans and introducing themselves to different type of financial organisations.*

Issues to be regarded with further studies:

These essential points evoke need of improvements to be examined during the next stage of MAP works. The relevant questions, while dealing with reforms, are:

- 1. Regarding Providers of support:**
 - **How to ensure provision of an effective support.**
 - **How to select out “poor” providers.**
- 2. Regarding Recipients/Users interests:**
 - **How to facilitate success.**
 - **How to get add value.**

Providers of the support are producing strategies, programs, creating policies, distributing means of support, but at the same time, the more involved they are, the more they are bounded to special path of policy making. Reconstruction of the paths, while considering earlier reflections on profiles, special interests and role models of the Policy Makers, is not a simple task. That what is required is a careful monitoring and evaluation of the whole system of policy making in each regional specific context. The „locality” of the context is of pivotal value for improvement of the overall system of support.

In many cases presented in the Project, there is a reach flora of providers of support involved, and, due to critics presented above, there is difficult to clear up if all of them are „right providers”, with proper merits, competency and conducive special interests. There is too a comprehensive range of critical views on the relevancy of the support products, and on adequacy of the used instruments. There are even many doubts about the fit of the ways

and procedures of facilitating and/or provision of support to the real needs of SMEs. Moreover, policy making and support of SMEs is not enough transparent and lack of proper tools and processes of monitoring and evaluation can be observed.

The more the system is complex and difficult for a comprehensive grasp, the more important is the revision of the overall approach to the support. The guiding issue for this kind of considerations can be a simple question – *who is really gaining from this system*. The second question is – *who is striving for gaining control over the system of support and why?* One can reflect even on

another issue – *is this system constructed mostly accordingly to the Providers logic or Users Logic?* Or more exactly – *Are there the interests of the local business which are prevailing?*

4.2. Beyond the findings. Ideas for improved policy making and better support

Mapping the actors, instruments and mechanisms of support on various arenas of empowerment one can notice that there are many arenas of contacts due to emerging interrelationships. Character of these arenas depends on category of the empowerment and on characteristics of the actors establishing the patterns of relationships. Moreover, there many various motives, interests and approaches involved. Therefore it is of substantial value to identify the major arenas of contacts and monitor the established patterns of interdependences. That might be a well structured platform for systematic improvement of policies and for better system of support (see fig. 6 as a general view on the issue).

Among many issues evoked one seems to be of pivotal importance, namely: *How important is to intensify the process of commercialisation of the support?* Even if there many voices, postulating more commercial solutions, that what can not be neglected is to realise how sensible or even touchy this question can be for the major providers of the support.

An analytical and methodically systemised approach to the specific arenas of contacts would be helpful for more precise addressing and fit of aims, purposes, means, expectations and achieved results. The essential issue in this regard is how to move the accent from the still prevailing Provider`logic in order to reinforce te User`s logic in the overall game of supporting.

There are solutions well known from the municipal sector applied in many countries, where the ambitions to make the welfare serviceas more effective, led to some reforms accentuating the more commercial (semi-market oriented) approach to delivery of the services. The Client Choice Model⁷ can be perceived as such concept where the client/user/recipient can get stronger role against the politicians and administrators.

⁷ The Client Choice Model became a popular solution in many countries as: Danmark, Sweden, Netherland. One of the primary characteristics is available in: J.E Lane: The Public Sector. Concepts, Models and Approaches. SAGE Publications Ltd., London 1993.

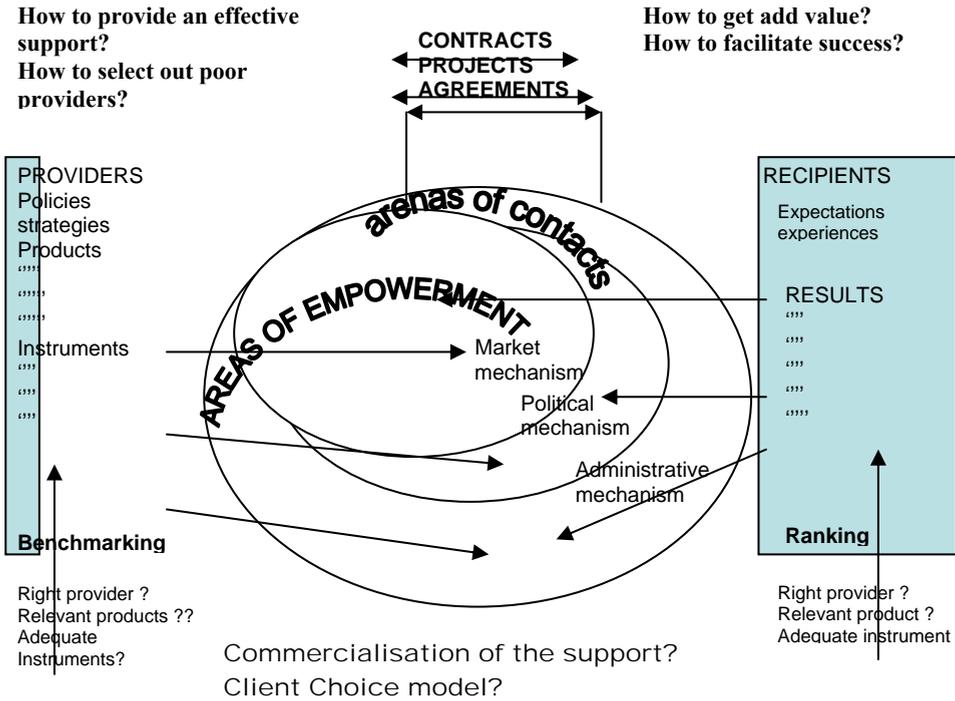


Figure 6. Contracting services in a complex system of support of SMEs
Source: Author's elaboration.

The relevant question is – in which way the User can be seen as a winner of the altered position in the support system. See fig. 7, where the logic model of Client Choice is adapted.

The major aspect of this model is to move the weight from the support system itself to, what can be called, identified demand as an expression of free choice of the recipients of the service. The initial moment is to get expression of the true expectations and requirements and to get knowledge about the real demand of the preferred areas and means of empowerment. Consequently, the providers, while listening to the market-like signals are in position to make their own decisions on the products of the support and to provide attractive packages of proposed services. The market-like situation calls of course for some reengineering of the financial models for transfer of the public money, in line with changes that were needed while implementing client choice model in municipalities involved in this reform.

Even the providers can perceive themselves as winners in the altered situation. Both the politicians and intermediaries are in position to develop their policies and practices toward more targeted support, while using adequate means and instruments. In a longer perspective it can facilitate appearance of contracts, projects and agreements of different character based on satisfactory trust standards, opening for competent and effective support.

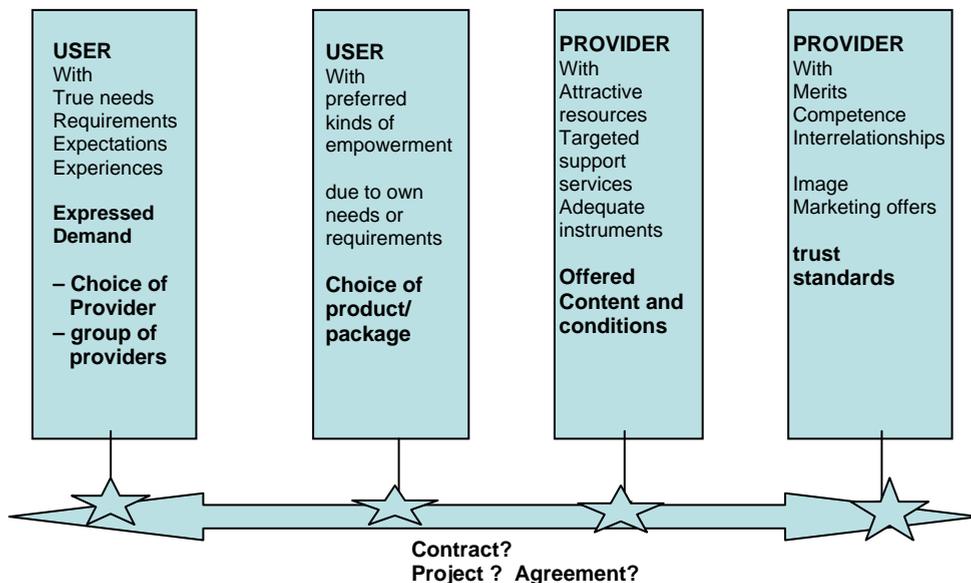


Figure 7. Support for SMEs – client choice?

The issue of revised strategy of policy making for an effective support for SMEs is tightly connected to the issue of best prerequisites for long term competitive. That in its turn has to do with improved standards on local governance. Therefore let us finalise the reflection on further works for better support of SMEs by putting it in a wider perspective of a continuous strive for good local and regional standards of governance as essential for better support of entrepreneurs and higher competitiveness of the regions.

4.3. Reflections on effective support of SMEs and the good standards of governance

Modern approach to regional policy expresses the shift towards endogenous approach in which the role of the internal context to development is em-

phased⁸. A static evaluation of the traditional factors is replaced by the process approach in which the attractiveness of so called “learning region” is viewed through a prism of the regional attributes such as social, economic and organisational culture, behaviours of the inhabitants as consumers and citizens, innovativeness of the economic partners as well as the rise of knowledge infrastructure and knowledge economy⁹. The access to specific and unique qualifications, skills and competency is appreciated more than the range of employment potential itself. The patterns of social integration, the educational, security, housing and communication standards in the municipalities appear as more influential for economic decisions to locate activities in a certain area than the traditional localisation factors. Even the political climate, cultural tensions, access to administrative services seems to have increasing importance for localisation decisions. Moreover, the local attractiveness is more and more stimulated by the standards of local governance, though crucial for the success is local and regional authorities ability to create arenas and alliances for development and integration among the actors perceived as their stakeholders. First in this particular context the issue of comprehensive support for SMEs and the issue of a rational model for policy making should be placed in order to overcome the trivial or only schematic approaches to the support. We may say that the contemporary approach to the regional policy, including policy making for stronger SMEs, stresses the rising significance of the communicative and relationships aspects, which in its turn implies reengineering of the concrete stakeholder approaches. It lets us see the regions prosperity and attractiveness from the perspective of interactions and interdependences with the institutional consequences for all stakeholders. In other words, the comprehensiveness and the quality of the process of governance and its institutional arrangements becomes a sovereign value of essential importance for regions attractiveness and can be both affecting and be affected by the working patterns of the support system for SMEs.

⁸ See: R. Sternberg: *Innovative Netzwerke und Regionalentwicklung*. In: *Europäische Einflüsse auf die Raum- und Regionalentwicklung am Beispiel des Naturschutzes. Der Aenda 2000 und des regionalen Milieus*. ARL Hannover 1999, p. 78-83.

⁹ See: M. Piora, C. Sabel: *The Second Industrial Divide. Possibilities for Prosperity*. New York 1984, p. 15-20. Also see.: K. Morgan: *The Learning Region: Institutions, Innovations and Regional Renewal*. “*Regional Studies*”, Vol. 31, No. 5, p. 491-500.