



DERREG

Developing Europe's Rural Regions in the Era of Globalisation

*An interpretative model for better anticipating and responding to
Challenges for regional development in an evolving international context.*

WP1:

Global Engagement and Local Embeddedness of Rural Businesses

Deliverable 1.3

Network Brokerage and Good Practice.

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INTRODUCTION

This working paper describes and reports on Task 1.3 of the DERREG project. Its focus is upon the activity of 'network brokering'. This task is described in the Technical Annex as follows:

- T1-3a: Identification of regional development initiatives in the case study areas linked with the development of local business networks.
- T1-3b: Interviews with a small selection of organisations behind these regional development initiatives (target of 5-10 interviews in each region).
- T1-3c: Analysing and Interpreting the interviews.
- T1-3d: Identifying of best practices in the case study areas.
- T1-3e: Characterisation of best practices and possibility to extend conclusions to other rural areas in Europe.

In addition to the above activities, the work Package 1 partners contributed a number of 'fiches' to the DERREG Best Practice database describing network brokering initiatives in their case study areas.

The 'fieldwork' for Task 1.3 was carried out in the Swedish, Dutch, Czech, Slovenian, and Lithuanian case study regions during the winter months of 2010-11. The work package lead partner provided a set of guidelines for the task, defining key terms, explaining the objectives, advising on procedures for collecting information, and setting out the key questions which should structure the interviews. These guidelines are reproduced in full as Appendix 1. Broadly speaking four steps were involved:

- (i) Mapping the 'institutional landscape' of the case study region, with particular focus upon business support and entrepreneurship.
- (ii) Identifying initiatives to support the development and strengthening of business networks. The target was 15 initiatives per case study region.
- (iii) Structured interviews with (5-10) key actors in each case study region, using a snowballing procedure to identify interviewees.
- (iv) Reviewing and reporting the findings for each case study area, using a qualitative/discursive approach.

The following report has a straightforward structure: In the next section the 'state of the art' of network brokerage, based upon the academic literature, is briefly summarised. Five chapters reporting the findings from the individual case study areas follow. The report concludes by drawing out some conclusions from the experiences in the different case study contexts, and relating these to the conceptual framework presented at the beginning.

1. CONCEPTUAL FRAMEWORK: 'THE STATE OF THE ART'

Before presenting the accounts of the five case studies, and their findings. It will be helpful to briefly remind readers of some key conceptual issues and structures relating to business networks, beginning with the nature of business networks themselves, and working towards some general points regarding the way in which they are commonly addressed by policy. For a more in-depth review of the academic literature readers are recommended to consult Deliverable 1.1.

1.1. What are Business Networks?

This is a very difficult question to answer clearly and comprehensively. Business networks have been studied by a number of different disciplines, and have been defined in a variety of ways. At the margins the networking literature merges with that relating to clusters, innovation systems, the role of different kinds of proximity and so on. Rather than trying to restrict ourselves to a single definition, it is perhaps more helpful to simply be aware of the variety of approaches and interpretations. The salient dimensions which may be distinguished are:

- (a) *Transaction - non-market*. Transaction networks are defined by market exchanges, sometimes referred to as "dyadic linkages" (Anderson et al 1994). Non-market networks include contacts for the exchange of information (Virkkala 2007), and social interaction. The former are associated with economic explanations of networking, featuring transaction cost minimisation. The latter tend to be emphasised by those who argue that 'embeddedness' within social structures is a crucial factor in local networking.
- (b) *Formal - informal (Kingsley and Malecki 2004¹)*. Formal networks, sometimes referred to as 'alliance networks' (Huggins and Johnston 2009) are established and regulated by some kind of legal or quasi-legal agreement, sometimes associated with a membership fee. Informal 'contact' networks (Ibid) include 'communities of interest' which spontaneously emerge between entrepreneurs facing similar issues, and with similar but not competing objectives. In this case they would usually be non-market forums for exchanging information and mutual support. On the other hand networks based upon dyadic transaction linkages may be recognised and 'constituted' by researchers, without any awareness on the part of the participating businesses. In the sense that there is no long-term

¹ "A formal network is one where the participating organizations have explicitly agreed to a shared objective requiring some level of coordination of actions and resources. An informal network is not bound by an explicit agreement that links all participants but rather is bound entirely by mutually reinforcing self-interests." P72

legally binding commitment to continue to make transactions, these are also informal networks.

1.2. Is there anything special about Rural Business Networks?

It is important to notice that much of the literature focuses upon networks which are clustered in a geographical sense. There is a vast literature which explores the reasons why networking (especially of the non-market kind) is associated with geographical proximity (see for example Tallman et al 2004 for a review). This association (if it implies that networking is conditional on proximity) obviously has important implications for networking in sparsely populated and peripheral regions (such as some of our case study regions).

Recently a number of authors have stressed the need for an appropriate balance between 'local buzz and global pipes' (Bathelt et al 2004, Huggins and Johnston 2009), recognising that geographical clustering is not a sufficient pre-condition for growth. Davenport, (2007) takes this reasoning a step further. Based upon evidence from rapidly internationalised SMEs in New Zealand, she suggests that in 'sparse' environments, where the benefits of spatial proximity are not available, dynamic, innovative firms rely instead upon networks structured around 'organisational proximity'. This idea of dependence upon organisational proximity networks, enforced by paucity of local opportunities for interaction, is also explored through a Danish case study by Drejer and Vinding (2007). It seems likely that networks based upon organised, rather than geographical proximity, are increasingly facilitated by new communication technology. In the words of Tallman et al 2004:

"As the construct of closeness changes in the postindustrial economy, and as firms begin to relate to other firms that are close relationally—through networks of alliances—or virtually—through intensive information exchange—the relevant concept of space may move away from physical geography..."

Similarly Huggins and Johnston (2009 p252) speculate that *"...the constraints of distance on knowledge flow may be fading..."*.

1.3. How are business networks created?

The two key dimensions of variation in business network highlighted above are helpful as a means of structuring a discussion of the origins of networks. Clearly, if one takes a transaction orientated view of business networks the 'story' of business networks involves acknowledging the accumulation of dyadic relationships within the supply chain, rather like building a family tree (Anderson et al 1994).

The processes by which networks are built upon, or incorporate, non-market interactions, are more difficult to pin down. Here we are concerned (on the one hand) with processes of socialisation, and (on the other) with the way in which different kinds of information are disseminated or diffused between entrepreneurs or firms

(Virkkala 2007). The former connects to a literature on embeddedness (Grannovetter 1972, 1985) or industrial districts (Belussi 1996), and the latter to the concepts of innovation systems, (Crescenzi 2005) milieu innovateur, (Maillat 1998), and learning regions (Morgan 1997, Asheim 1996, and Keeble *et al* 1999). Lechner, Dowling and Welppe (2006) distinguish a range of different kinds of non-market linkage (social, reputational, market information sharing, 'co-opetition', and technology cooperation) and argue that mix is more important than network size, and that mix varies through a series of firm life cycle stages.

A rather different strand of literature, which emphasises the increasing importance of networking as part of a 'mainstream' structural trend, (and not simply a feature of the SME sector), is perhaps most clearly presented by the writings of US marketing experts Charles Snow and Raymond Miles (Snow *et al* 1992, Snow 1995). However, similar perspectives had been for some years advocated by others in the field of management theory. For example the approach is very reminiscent of Piore and Sable's (1984) 'Second Industrial Divide', based on 'flexible specialisation'. The advocates of this perspective all rehearse the idea that in the context of the fast changing globalised market environment of the late twentieth century the giant, vertically integrated and hierarchically structured multi-national companies of the 1970-80's appeared increasingly 'sluggish' and unable to adapt. Their place, it is argued, will increasingly be taken by more agile '*networked organisations*' (Snow *et al* 1992, Snow and Miles 1995, Jones *et al* 1997) '*strategic networks*' (Jarillo 1988) or '*value added partnerships*' (Johnston and Lawrence 1988). Anderson *et al* (1994) used the term 'deconstructed firms' to emphasise the shift away from vertically integrated companies. The process is thus described by Jarillo:

"If a firm is able to obtain an arrangement whereby it 'farms out' activities to the most efficient supplier, keeps for itself that activity in which it has a comparative advantage, and lowers transactions costs, a superior 'mode of organization' emerges: the strategic network. This mode of organization enjoys some of the properties of markets and some of the properties of hierarchies." (1988) p39.

Snow *et al* (1992) distinguished three kinds of networks; *internal, stable* and *dynamic*. The first two of these are roughly equivalent (respectively) to 'traditional' vertically integrated firms, and to structures centred on large firms which subcontract out many operations or services to SMEs. Virkkala (2007), for example, describes the network centred on Nokia in South Oulu region, Finland. The third type, '*dynamic network organisations*' (DNO), take the form of flexible alliances of specialised firms, each looking after different functions (design, manufacturing, marketing etc) and mediated by 'brokers'. These, they argue, are the most adaptable arrangements, which are likely to succeed best in the globalised market conditions of the twenty-first century. In reality clear examples of DNOs are probably still rare, and it is not easy to apply Snow and Miles typology in practice. Nevertheless the influence of

these ideas, and those of the other authors mentioned above, on the policy community should probably not be underestimated.

1.4. What can policy do to stimulate business networks?

The above very brief reflection on the logic of how business networks are defined, and how they are created, already provides some strong hints that policy activities relating to business networks are likely to be very complex, and this is indeed the case. However, in the interests of clarity, three principal kinds of network building activity may be distinguished:

Match Making: The most direct approach is to provide assistance to firms in finding new customers or suppliers, so that they can extend their transaction networks. Clearly this reflects the notion of transaction networks which are built from numerous separate dyadic relationships. If such matchmaking focuses upon supporting distant or international links it can in effect facilitate the shift from spatial to organised proximity in business networks.

Forum Facilitation: A second kind of activity, this time deriving its rationale from concepts of non-market networking and embeddedness, involves providing a forum for social contact between local entrepreneurs, often themed around presentations about issues of common concern, or opportunities to share experiences and discuss problems (Phillipson et al 2006, Huggins 2000, 2001). Such interventions may be used in contexts where spontaneous interaction, typified by the Italian 'industrial districts' (Seremetis 1994) fails to develop, for whatever reason. Thus Wolfe and Gertler, (2004 p24) in a study of clusters in Canada, found that non-market interaction between firms within a local context was relatively weak, and that "where such interaction occurs, it is indirect and mediated through civic associations and other local organizations." Although in a sense this form of intervention directly addresses organised proximity, it is ironic that because it draws inspiration and legitimacy from the 'industrial districts' literature, its objectives are usually framed in terms of increasing interaction within a relatively localised area.

Alliance Building: The third approach seems to draw on the Network Organisation concept of the Miles and Snow school, and involves brokering of formal agreements between a set of firms. The collaboration concerned may relate to tendering for contracts, collective marketing of products, or cooperation along a supply chain (often, but not necessarily, within a relatively local area).

Kingsley and Malecki (2004), for reasons which will become clearer below, refer to Forum Facilitation and Alliance Building as 'Italian' and 'Danish' approaches respectively.

Huggins (2000, 2001) has argued that alliance building interventions do not have a very strong track record in terms of initiating sustainable networks, and, recommends the facilitation of informal networks as a preparatory step, through

which to build trust and 'organised proximity'. (Knobens and Oerlemans 2006), which are essential preconditions. Kingsley and Malecki (2004 p82), "found no evidence of informal networks evolving into formal networks", (in the US), and concluded that this was a strong justification for interventions to nurture formal alliances.

Many policy initiatives incorporate two or more of these activities. Most combine network building activities with other forms of intervention, based upon different concepts, such as clustering, or the knowledge economy. Nevertheless it is helpful to be aware of, and to separate, the different kinds of network-building interventions, and to reflect upon their different rationales.

1.5. The Current Policy Landscape

It was not part of Task 1.3 to review the business linkage policy landscape of the EU or, even of the Member States in which we have case studies. However it will perhaps be helpful, and give a 'flavour' of the context, to mention a small number of examples of network brokering initiatives which feature in the academic literature.

The Danish government implemented a network brokering scheme during the late 1980s. This scheme was very much based upon the Network Organisation concept, and centred upon the efforts of a set of professional brokers to search out opportunities for building formal alliances between Danish SMEs (Chaston 1995, Seremetis 1994). It is hard to assess the long-term achievements of this scheme, but early promising signs attracted interest from the UK and elsewhere. However in the UK the less centralised governance, and contextual differences resulted in a range of variations on the Danish model, some of which are described by Huggins (2000, 2001). It is clear that in the process of translation to the UK context the 'model' became diversified, since Huggins' examples point to at least two of the above rationales (forum facilitation and alliance building). Furthermore Huggins' overall assessment of the network initiatives he studied was rather 'luke-warm': *"the key facilitators of inter-firm network initiatives in the UK have faced a number of highly problematic barriers... resulting in the level of inter-firm interaction being generally fairly low and unintensive. This has severely limited the number of firms that have benefited from participation, as well as the overall level of economic impact on performance and growth. More positively, it has been shown that the initiatives have resulted in substantial gains for albeit a small number of participating companies."* (Huggins 2001 p455-6). He went on to assert that this small number of firms were probably ones which would have succeeded in networking even without policy support. Phillipson et al (2006) studied similar forum facilitation efforts among rural micro-businesses in the North of England, also finding relatively modest benefits, indeed some dis-benefits as the introduced networks disrupted longstanding spontaneous ones.

At an EU level the Enterprise Europe Network² (EEN) has, since 2008 brought together a range of national and regional business support organisations (580 agencies in 49 countries) to provide a very extensive 'match-making' service to SME's seeking to develop international networks. Clearly this is a potentially very powerful tool for expanding the transaction networks of European firms. This is reflected in the case study reports below. However we are not (as yet) aware of any independent impact evaluation of this initiative.

² http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

2. REPORT ON ÖVRE NORRLAND (SWEDEN)

2.1. Regional Policy landscape for business and networking support

The aim of this section is to present the main 'public' actors that are involved in activities supporting small firms located in the most rural and remote part of the Övre Norrland region. By 'public' we do not mean solely actors that belong to or represent administrative authorities or level, but also organizations whose aim is to serve the 'public good'. Consequently, even private or semi-private actors like trade associations or university innovation incubators belong to this group of actors.

When it comes to business support and networking activities, the 'public good' usually at stake is the economic development of the region. The overarching line of thought is that the growth of firms and the improvement of their economic performance have positive spillovers for the development of the region as a whole (e.g. more jobs).

But focusing on regional initiatives does not mean that we are only looking at actors located within the region. Actually, it has become evident when conceiving the policy landscape that regional initiatives are undertaken through a complex relational process between actors representing different scales from the local (municipalities) to the global (the European Commission), involving of course private and semi-private actors (e.g. individual firms or trade associations).

As a matter of consequence, networking initiatives benefitting small firms located in the rural and remote parts of Övre Norrland are often taken at a higher level. The reason for this is rather straightforward: supporting firms necessitates substantial financial means that few authorities other than the national and European ones (except for some metropolitan areas) can afford to mobilise, and due to rules and regulations for fair competition, authorities are limited in how they can support their regional enterprises (e.g. National Aid rules). In that respect, networking, i.e. the act of bringing together one firm with other firms, is seen as the most efficient activity that public actors can do to support the growth of firms as it implies 'only' to facilitate the relation between two (or more) firms and not interfering in the internal processes of the firms themselves.

Although listing the public actors involved in firm networking support seems rather straightforward, it is much more difficult to provide a clear-cut mapping of the policy landscape. As we just claimed above, firm networking support activities constitute a rather complex and intricate web of relationships between actors. Indeed, it rarely happens that one actor has the capacity, both financial and operational, to design and implement networking support initiatives on its own. Consequently, networking support is in itself a relational process between actors. If some of these relations are

based on long-term or institutionalized commitments, many of those are based on temporary, project-based initiatives.

In the present section, we will first present the network facilitators or brokers by territorial scale, i.e. the local, regional, national and European ones. Then, we will provide a policy landscape that aim at synthesizing the most common ways that network support functions. As argued before, the network support process is very much connected to the motion of subsidiarity. In concrete terms, it means that entrepreneurs, even if they benefit from a European initiative, do not actually deal with the European Commission... the process is usually facilitated or brokered by local or regional actors on behalf of the Commission...

When looking at the policy landscape related to networking and support to small firms located in remote and rural parts of the Västerbotten and Norrbotten counties. Yet, all the actors identified actively work with those firms, as well as with firms located around the main regional centres.

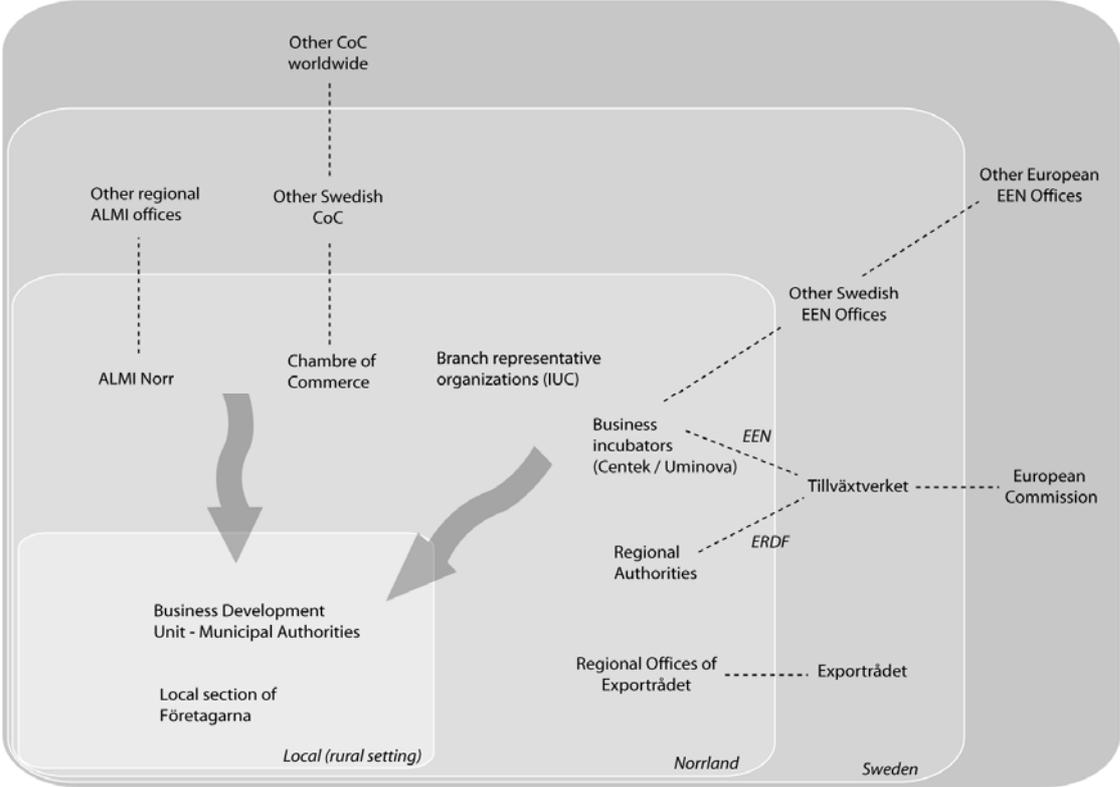


Figure 1: Business Support Policy Landscape in Övre Norrland

Local

The municipal authorities play an important role as catalysts for local economic development. This strong engagement in economic development issue is emphasized by the fact that all the municipal authorities have a dedicated department that deal

with business development issues. The objective is to provide support for the existing companies located in the municipality, for instance when it comes to market regulation or taxes. But it is as well about supporting entrepreneurship and fostering the establishment of big firm activities in the municipality (i.e. the starting up of new economic activities). Consequently, the objective is the growth and expansion of economic activities in the municipality.

However, some municipal authorities have externalised the work on local economic development by creating 'development companies' that are owned entirely or partly by the municipal authorities. This externalising approach enables to be more flexible when interacting and supporting private businesses in the locality, although it fulfils the same duties than when it is internalised in municipal agencies.

Another strong local actor is the municipal branch of the firm-representing organization Företagarna (The Entrepreneurs), managed by companies, for companies, representing all sectors of activities. Företagarna is both a national and local organization. At the national level, the organization represents the interests of firms and entrepreneurs and has a lobbying purpose. However, Företagarna has a local branch in almost all the Swedish municipalities. These local branches represent a forum for local firms to discuss various issues regarding the development of firms in the municipality.

Regional

The main institutional actors dealing with economic development at the regional (i.e. county) level are the state representative authority for each county (länsstyrelse), and in some counties the regional self-governing authorities initiated through municipal cooperation (Region Västerbotten is an example of this). The main prerogative of the regional authority is to elaborate and implement the regional development plan (Regional Utvecklingsplan). Another important actor for economic development affairs in the county of Västerbotten is the organization Region Västerbotten. Members of the organizations are the 15 municipalities of the county and the elected county parliament. The organization provides a framework for cooperation between the local and regional institutional actors. An equivalent organization does not exist in the Norrbotten County.

Other important actors for firms at the regional level are Chambers of Commerce. In Sweden, Chambers of Commerce are organized by county, and the participation of firms in those structure is based on free willing participation. The main task of the CoC is to strive for the best possible conditions for enterprises to develop, and provides counselling to the firms on regulatory matters, for instance when it comes to internationalisation of business activities.

ALMI Nord is a very important business support organization that operates in both the Västerbotten and Norrbotten counties. ALMI is a national organization that

operates in a decentralised manner, with 17 regional offices across Sweden. The main prerogative of ALMI Nord is to support business development through incentives targeted to entrepreneurship (starting new firms) and innovation (developing the business activities). ALMI Nord also gives firms access risk capital and financing to support strategic investment for their future business activities.

Finally, two regional organizations appear to be important for fostering firm networking in Övre Norrland: Centek, located in Luleå, and Uminova, located in Umeå. The two organizations are owned entirely or partly by respectively Luleå Polytechnics and Umeå University, and they both act as regional innovation incubators. Both organizations are in charge of animating the Enterprise Europe Network initiative (see under the European heading) for their respective counties (Norrbotten and Västerbotten). Although many of their activities are targeted to businesses located around Luleå and Umeå, they also provide support to small businesses located in the rest of their county. Developing firms' business network is their main objective.

National

To some extent, it is difficult to separate the regional level from the national one. Indeed, many national actors have a decentralised structure, enabling them to cover the different parts of the country. This was for instance the case for ALMI. But in the case of ALMI, it appears that each regional office operate autonomously from the others and the national level. In that regard, it makes them more like a 'real' regional actor.

An important national actor supporting the process of internationalisation of firms' business activities is the Swedish Trade Council (Exportrådet). The aim of the organization is to support firms to find new foreign markets in order to sustain their growth. The aim of the Council is to raise the awareness of Swedish firms to possible development opportunities abroad. It is structured through a network of decentralised offices both in Sweden (in each of the 20 counties) and abroad (in 60 different countries).

The National Agency for Growth (Tillväxtverket) is a public agency whose goal is to promote development policies leading to growth and enhanced innovation and entrepreneurship in Sweden. The Agency is a key actor in Swedish regional policy as it is in charge of the implementation and operationalisation of EU programs, such as the ERDF or Framework Programme. Tillväxtverket have regional offices that are mainly focusing on the implementation of ERDF and ESF in each county.

Sectoral associations are important actors for fostering the networking of firms. The main objective of those associations is to bring together firms operating in the same branches, and thus enabling them to build a 'critical mass' through networking and exchanges of experience. Industrial Development Centres (Industriella Utvecklings

Centra – IUC) represent the most important in the Swedish business context. The majority of the owners consist by 78% of small and medium-sized enterprises. Although the association is national, it is organized through 15 regional entities operating independently. The 15 regional entities cover the entirety of the national territory. Each of the 15 regional offices have a particular sectoral focus adapted to the specificity of the regional business environment: IUC Norrbotten targets small and medium-sized firms in the manufacturing, wood-processing and electronics industries; IUC Trä Västerbotten focuses exclusively on wood-processing industries.

European

At the European level, the European Commission is the main actor when it comes to business support initiatives. Such initiatives are undertaken through three different programmes. Indeed, the fact that the fostering of entrepreneurship and economic growth has become an overarching objective of the European Union (see the Europe 2020 strategy) implies that 'business support' is tackled from several angles.

The most important, especially in the case of Övre Norrland, is the implementation of the ERDF Structural Funds, a prerogative of DG Regional Policy. The Övre Norrland Operational Programme identifies regional competitiveness and employment as its overarching goals. 6 growth sectors are also identified, in order to concentrate available resources towards those sectors (e.g. ICT, energy and 'basic industry'). A specific sub-priority advocate for increased international cooperation, i.e. aiming at developing possibilities for small firms, large firms or researchers to benefit from exchanges with actors located in other regions, and especially within the EU.

Another important European programme is the Regional Aid program, under the responsibility of DG Competition. The aim of this program is to provide a framework for regional and national authorities to support businesses in regional with specific 'handicaps', i.e. economic laggardness or geographic specificity (mountain, sparsely populated areas...) while ensuring 'fair competition' across Europe. The aid provides investments for starting up new activities but also developing existing one, and it is targeted essentially to small and medium-sized firms, but large firms may as well benefit from such a support initiative.

Finally, the Enterprise Europe Network programme promotes the networking of small firms across national borders both within the European Union, and outside. The programme is set up as a network of public organizations located in EU regions, in other European countries (e.g. Iceland, Switzerland or Balkan states) and on other continents (e.g. the US and China). The main mission is to match small firms in Europe with business partners outside their region according to their precise needs.

2.2. Brokering networks

This section has been drafted based on the interviews that the research team had with representatives of the main public actors involved in network brokering (=NB), as pictured in the 'policy landscape' above: the Swedish Trade Council, ALMI, Centek, the Västerbotten Chamber of Commerce, IUC Trä Västerbotten, IUC Norrbotten, Kalix municipality and Strukturum Jokkmokk. The interviews were performed during the period December 2010-January 2011. The interview was made on the basis of a predefined set of questions that were sent to the interviewee in advance.

On network brokering

The increasing importance of the EU as an actor in business support policies provides both a stronger framework for doing so, by mobilizing more resources through specific instruments and programmes, and a more constrained horizon for public actors to support firms, by monitoring the help provided to firms so that firms compete on the same grounds across Europe. In that respect, Network brokering, i.e. the activity of connecting firms with other firms, becomes de facto one of the few efficient processes that public actors are 'allowed' to undertake in order to support businesses.

But in practice, network brokering is not only about one actor connecting two firms with each other. This might happen when the two firms are within the same locality, but in general, network brokering necessitates a close cooperation between the brokers from different territorial setting (local, regional, national, European...). This is due to the fact that all firms (and individuals by the same token) belong to multiple spaces: the local one, the regional one, the national one... Consequently, there are a multitude of support initiatives that can be activated in order to connect firms with other firms: Network brokering is a process of complex multi-level relation-building. This process is both horizontal (e.g. regional NB need to cooperate with similar NB from other regions) and vertical (i.e. local NB need to cooperate with regional NB, who need to cooperate with national ones). Consequently, the actions of multiple actors that have the possibility to support companies need to be coordinated in order to be made efficient (e.g. SKL, Landsting, Länsstyrelse, Chamber of Commerce and Företagarna).

For most actor involved in NB, brokering networks means to act as a 'growth engine' for the firms, and thus the region at large.

For trade associations, such as IUC, the main task of the network broker consists in gathering together regional firms around issues connected to product- and process-development but as well relating to new market entries. Consequently, internal networking and external networking are not two separate processes, but rather two processes that are imbricated with one another. Networking within the region is thus a stepping stone for networking outside the region. In that process, the task of the

network broker is mostly as a coordinator, i.e. to facilitate the networking between firms, but not as a leader for the initiative.

The most common way of brokering networks is through the design and implementation of temporary projects, with the broker as the coordinator. Initiatives shaped as formalized projects are often more able to identify joint objectives and goals than loose or ad hoc cooperations. But most of the time, the original idea for network initiative comes from the firms themselves, i.e. that initiatives is a response to an identified joint need from the firms themselves.

One of the main assets of the NB lies in their web of contacts, both nationally and internationally. For instance, network brokers show varying degrees of 'embeddedness' in international networks. Exportrådet and Chambers of Commerce (CoC) belong to those which have the widest and densest contact network. For instance, the worldwide network of CoC consists of thousands of national and regional organizations. Yet, as in the case of CoC, network brokers need as well to develop tight links as well with local business development organization in order to be able to efficiently reach out to rural firms.

Efficient network brokering is thus based on the capacity of the broker to grasp the specific needs of firms, to gather together firms in groupings that show similar needs, e.g. due to geographic proximity or sectoral belonging, and then, in a second stage, to work out the matchmaking process through searching their web of relations with other NB. Building groups of firms seems to be an important step in order to make internationalisation of small firms successful.

Different NB work with firms in different stages of maturity. For instance, ALMI works essentially with established firms or with entrepreneurs wanting to start a company, while Centek work with newly started firms.

Publicly-induced network initiatives are not able to replace relationships based on spin-offs of buyer-supplier (transactional) relations. In the latter case, the building of the relation occurs directly between firms. For instance, many firms identify existing customers or suppliers as the most important network catalysts, as they usually enable them to be connected to other firms. But in many cases such catalysts do not exist: for instance for firms that have few business partners that have limited connections outside the region. The need for a network 'catalyst' is especially important for smaller firms, and especially the ones located inland, where the possibilities to interact with other firms on a day-by-day basis are limited. In that context, publicly-induced network initiative have an evident value-added.

Involving rural small firms

The main focus of our empirical is to understand how small firms located in remote rural parts of Övre Norrland are able to be part of wider network-building processes, and thus how they are able to benefit from public-induced network initiatives.

Good cooperation between different NB seems to be essential in order to reach out efficiently to rural businesses. Especially, the role of local actors, such as the Local Development Units of the municipal authorities and the firm-representative organizations (Företagarna) act as the local bridge between the rural firms, i.e. providing a joint platform for them to meet and interact, but also between those firms and regional and national NB who need this local knowledge to identify firms that may be interested in participating in brokered network initiatives.

As municipalities in Sweden are rather large in terms of area, and especially in Northern parts of the country, in many of them there are both urban settlements and rural areas. Consequently, many municipal authorities have resources directly involved in working specifically with issues linked to rural development, and thus developing projects and initiatives targeting small businesses located in those areas.

From the perspective of the NB, small firms located in the inland, remote parts of the region are often more willing to participate to brokered networks than firms located in the more populated coastal areas. Indeed, such initiatives give them the possibility to interact with other entrepreneurs in the region, which would otherwise be difficult for them to meet on an ad-hoc basis due to sparsely populated nature of the territorial setting. However, coastal firms are often more numerous in brokered network initiatives than inland ones due to the simple fact that they represent a larger share of the regional business population.

An important point raised regards the knowledge of inland small firms on NB initiatives. In general, those seem to be less up-to-date on what sort of support and service the NB can offer them. Raising awareness by reaching to all firms in the region is the main reason why all NB perceive that it is important for them to travel across the region to meet directly with entrepreneurs onsite.

'Public' network brokers are especially welcomed in the remote rural parts of the county. Indeed, in the regional centres, there are many private business consultants that provide similar types of services. But those consultants hardly reach out to remote places.

Initiating the networks

The main engines of regional growth are the basic industries of forestry, mining and energy. Those industries are dependent on many subcontractors, both in the region but also internationally. For manufacturing or service small firms, whose markets are not those three pillars, then, due to the small size of the regional economy, their markets are located outside the region. In the context of Övre Norrland, incentives to develop interactions across these three pillars are thought as a way of reducing the vulnerability of regional small firms to the economic fluctuation within one specific sector, by providing opportunities to develop transactional linkages across sectors.

Firms are often the ones that take the initiative of contacting a network broker, bringing in their own ideas making it possible to give substance to the networking activities. However, most network brokers are also active in getting in contact with firms, for instance by travelling across the region despite the fact that it is time and resource consuming for them; but the large number of small firms in the local and regional economy is a constraint for contacting ALL the firms. In that respect, the role of municipal and local entities is important as contact points in order to identify small firms that could be potentially interested in participating to networking activities.

Internationalisation has become increasingly mainstreamed in local economic development processes. For instance, local authorities are increasingly involved in transnational projects (e.g. through the Interreg programmes) serving as a platform for 'matchmaking initiatives' between small firms and other small firms located in other countries. Cross-border projects, with Norway and Finland, are especially common in Norrland.

At the local level, networks are developed both within a certain branch of activity, but also across branches, as for the latter case the focus is essentially put on market or regulatory issues while for the former on product and process development. In practice, municipalities initiate temporary projects or seminars during which relations between firms are made possible.

The contact network of the broker is important in order for the network initiative to be successful. For instance, in the case of IUC or ALMI, important contact points consist in the other equivalent regional organizations making it possible to develop national-wide projects. For the CoC, the vast network of worldwide CoC provides the ground for regional firms to be connected with firms worldwide, depending on their specific needs. In the case of Centek and Uminova, the fostering of international firm matchmaking is made possible through the Enterprise Europe Network contact-points, as they themselves are the contact-points for respectively Norrbotten and Västerbotten.

Most NB also organize fairs and seminars, or at least makes it possible for firms to attend similar event in the rest of the country, Europe or the world. Contacts between regional firms and external actors are initiated through participation in fairs (with international guests) and international study trips. Consequently, internationalisation of business networks occurs essentially in processes of temporary geographical proximity .

Some branches seem to be more prone to networking, for instance manufacturing and tourism-related firms. Both sectors are dependent on external actors: the former due to the need to find larger markets for selling their offering; and the latter due to the need of afflux of international guests in the region.

With regards to internationalisation of business activities, the main role of network brokers is to serve as catalysts for finding business partners abroad, not about steering the process after that.

National and European organizations involved in NB usually do not meet directly the firms. Their role is mainly to design support system and programs that makes it possible for regional and local NB to support small firms. For instance, Exportrådet is a central organization when it comes to the internationalisation of small firms, but the regional representatives (one in each county) act more as gateway for the NB than for the firms directly.

There is no single way in which the NB process functions. However, in most cases, companies get in touch first with regional or local business support actors (e.g. municipal development organizations, ALMI or CoC) before being linked to other organizations, through activities developed by, for instance, Exportrådet.

Another way through which the broker-firm contact is initiated is during on-site visits by the broker to the firm, or based on acquaintances from previous projects. This is especially the case when the project is in its early phase, i.e. recruiting the first participants may require more targeted efforts from the broker than in later stages, when the network starts to get more established and becomes more attractive for other firms to join.

It seems that the NB functions through two main processes: (1) matchmaking of one local firm, seeking for a business partner, with another one (thus on a more ad hoc basis), and (2) building up of groups of firms with similar needs through more organized network initiatives.

If internationalisation is an overarching aim of most NB, they also enhance regional networking. For instance, in the case of Centek, the organization looks if there are possible 'matches' in the region first, before trying to connect local firms with foreign actors. Internationalisation of the network needs to bear an added-value compared to regional networking.

The European program Enterprise Europe Network (EEN) is an interesting case of European initiative having potential important benefits for rural businesses. The aim of the program is to foster the increased networking of European small firms with other small firms in Europe and worldwide. Through the EEN database, firms have the possibility to identify possible business partners with profiles matching their needs. The firms in the database are kept anonymous and the request goes to the EEN-offices, but at least the firms can be proactive in seeking to establish foreign relations.

Managing the network

The NB put the emphasis on the fact that their role is not to steer the networking process, but rather to coordinate it: when it comes to the substance of the network, the firms should take the joint lead. In many instances, one can see the role of NB as an interface between the needs of the firms and the ones of the European, national and regional authorities in fostering sustainable economic development. Network initiatives managed by the broker are thus often partly financed through public development programs, such as the Structural Funds, the Rural Development Program or national project funding. Consequently, the network broker supports the work of public institutions by operationalising the business support initiatives.

Networking activities may be managed in an 'open' manner. It means that the participation is flexible: participants decide to join when they see a clear benefit in getting involved in such cooperation. This type of 'open' networks is common at the local level. This flexibility is especially beneficial to small rural firms. Indeed, long distances in the region may prevent entrepreneurs to participate systematically to events or meetings. Moreover, for the NB, this open flexible type of handling network initiatives forces them to make the initiative always more attractive and pertinent in order to ensure that firms will participate. In that respect, initiatives become interfaces for interactions between firms, rather than pure alliances.

Objectives and expected outcomes of networking

As strange as it may sound, networking is not the ultimate finality of the networking initiatives. Networking is a means for achieving a sustained growth and development of regional firms. Consequently, the objective of network activities is to improve the performance of the firms, and thus the overall competitiveness of the regional economy. That network relations may be sustained in the long-term is perceived as a 'bonus' by some NB.

When it comes to objectives and expectations linked to the networking activities, we will look at those of the Network brokers and public actors on the one hand, and those of firms on the other hand.

One of the main goal for the network broker is to strive for the development of firms, i.e. in fine striving for the settling of new contracts between small firms and potential clients (i.e. big firms), even if the NB is not involved in actual transaction negotiations between firms. The role is to act as a bridge between regional firms and potential markets.

Because the regional market in Övre Norrland (and in Sweden by the same token) is rather small, finding new market opportunities means enhanced internationalisation. This is why one of the main objectives of the NB is targeted with connecting small regional firms with actors and firms outside the region.

For the network brokers, a central goal is to ensure that regional small firms find the right match corresponding to their actual needs.

For the local authorities, the main expected outcome is increased employment through the growth of small (but also large) firms. Increased global competitiveness of the region is the underlying objective. The idea is that regional growth can only be achieved if small businesses thrive, the sought socio-economic spillover of this process being increased employment. Through networking, the actors aim at creating a larger market for firms to evolve in.

For sectoral associations, the main objective is to help firms to find new markets in order to broaden their customer basis and make them less vulnerable to different crisis, by diversifying their market. Sectoral associations also see regional networking as a way to ensure that firms in the sector will grow together, i.e. as a win-win game, thus limiting the possibility for some firms winning big, and the other ones losing.

An indirect aim of the NB is to change the attitude of small firms towards internationalisation: from perceiving it as a potential threat to a business opportunity.

For firms, the main objective for getting involved in brokered networks is to seek growth, i.e. increase in their sales and turnover by finding new possibilities to sell their offering. Most firms acknowledge the fact that such opportunities are to be found in foreign markets. Yet, regional networking is seen as a platform for enhanced possibilities for further international networking. Through mutual exchanges of experience and information, firms' expectations is to 'develop together' and to foster more opportunities for entering new markets, which would not have been possible for the firms on their own. For firms, the number 1 priority is to increase their sales and expand their web of business partners, thus gaining more stability in their transactional space, but also to learn from other's practices in order to improve their production process.

In that respect, the expectation from firms is to improve their working methods, so that they are more competitive internationally, for instance through new ways of managing their business activities, both production and market-oriented.

Focus on the promotion of exports has been increasingly prominent in the broker's scope of work. In that respect, actors such as Exportrådet and the CoC are important international interface, which makes it possible for the broker to develop contact outside the national boundaries. For firms, international networking is essentially a matter of increasing exports. Enhanced cooperation with firms within the region is a step for enhancing global competitiveness and for build up contacts in other countries, especially by finding new openings for selling their products. Regional networking is a 'springboard' for internationalisation.

Many firms are interested to develop their business activities through export in the rest of Europe, i.e. to take advantage of the Single Market more efficiently. A main role of the network broker is to keep the firms up to date with these kinds of opportunity through dedicated courses.

Firms are also aware that there are potential subsidies available in Northern Sweden. One reason for firms to contact network brokers is to get help and advice regarding how they can secure important investments through, for instance, European programs.

Main challenges to network brokering

The fact that the Övre Norrland region is sparsely populated, with long distances between the small settlements, is a challenge for brokering networks. As stated earlier, an important part of the work of the NB is to meet the entrepreneurs on-site, i.e. where their firm is located. Consequently, the need for travelling to firms within the region means, for the NB, that it is time and resource consuming.

Yet, if the lack of 'physical proximity' is an evident constraint, it is not seen by the NB as a limiting factor for establishing networking activities. Indeed, they deem that developing networks is not difficult as usually both local public actors and small firms are willing to get involved in such cooperation processes. As one of the NB stated, distance is a parameter that firms in Norrland are used to cope with.

However, one of the most pressing problems is that, through on-going depopulation processes in the parts of the region outside the close neighbourhood of regional centres: key competences are leaving or no new competence is brought in into the rural parts of the region, and thus undermining the opportunity for long-term economic development. Depopulation trends put pressure on the local economy: local small businesses need to be strong and grow, so that they can employ more persons, which will make the local economy more attractive in the long run.

One challenge in the eyes of the NB is to shift the attitude of regional small firms with regards to cooperation and internationalisation. Economic development in the region should not be perceived by the actors as a zero-sum game, i.e. with losers and winners. Increasingly, firms see competition with other regional firms from a different perspective, i.e. not as 'pure opponents' but rather as 'sparing partners' pushing them to be better.

One challenge in the future, raised by NB, concerns the potential 'project fatigue' in the region. A lot of initiatives and actors are 'out there' proposing their services to companies. Too many network initiatives and too many brokers may reduce the actual impact of individual initiatives, as it might dilute the potential effects and resources available. But on the other side, the diversity of brokers and initiatives provide a larger diversity of options for firms willing to get involved in brokered networking activities, thus increasing the possibility for a firm to 'find its match'.

Finally, firms participating to the initiatives are so different in terms of size, maturity, offering or expectations, that it is a challenge for the NB to find a way to live up to everybody's expectations.

The network after the initiative

Publicly-induced networks provide an efficient way for small firms to initiate contacts with other firms in other markets. Yet, networks can only be durable if firms are actually benefitting from the newly built contact network, i.e. if its performance is improved.

From the experience of the NB, within the region, the relations that seem to survive the end of the 'formal' network activity are the ones based on more informal contacts between firms that have developed export activities during the same process.

Some initiatives started by network brokers can become institutionalized and become, in their turn, important actors in network brokering. For instance, the sectoral organization IUC Trä Västerbotten, which regroups almost all wood-processing firms in the county as co-owners, was initially launched as a project by ALMI.

2.3. An overview of main network initiatives (Good Practices).

The Best Practices presented here are to be seen as examples of well functioning initiatives and does not represent a comprehensive list of initiatives in Övre Norrland. A large number of networking promotion activities are carried out,; the case study area covers two administrative regions, namely the two counties of Norrbotten and Västerbotten. The two counties cover 14, respectively 15 municipalities. In many of these municipalities activities to improve internationalization of businesses through development of new contacts are carried out. And as the review above shows there are also a number of actors at county, 'Övre Norrland' and national level. But after our initial study of actors and their work we singled out the following, as these initiatives were covered by our interviews both with network brokers and also in previous interviews with entrepreneurs (DERREG task 1.2). We make no claim to comprehensive coverage, especially of activities carried out and or initiated at municipal level. Rather, it is intended to provide examples of interesting local public initiatives.

Some of the examples relate to small and medium sized firms in specific rural areas, others represent firms of all sizes in all parts of Sweden. EEN (implemented by Centek), Kvarken Global Business (ALMI), Design Västebotten (ALMI), Steps to export (Swedish Trade Council), Globac (Chamber of Commerce) and Nordic Business Link (Chamber of Commerce among others) all explicitly stated that only SMEs are to be involved, while Internationaliseringsguiden (guide to internationalization, implemented by national public actors), Kosmopolit (Swedish Trade Council), RUG

(Chamber of Commerce), Bothnian Arc (regional and local public actors), Kalix cooperation with China (Municipality of Kalix, Chamber of Commerce), InternetBay (IT companies in the region) and Swedish Lapland (regional and local public actors) are open to firms of all sizes.

Hence, the selected initiatives all represent networking activities involving SMEs located outside the larger towns in Övre Norrland. In addition, internationalization is also a part of them all, either as an explicit aim or as a means of achieving other goals.

Actors and initiatives

Eight out of thirteen Best Practices presented are implemented by actors based at regional level but as part of a nationwide organization. Four of these; (Kvarken Global Business, Nordic Business Link, RUG and Globac) are also initiated by actors at regional level. These initiatives are mainly initiated and developed by regional and local public actors (for definition of 'public' see page 2) based on their knowledge of the needs of businesses in the region. The other four; (Internationaliseringsguiden, Steps to export, Kosmopolit and Design Västerbotten) are initiated at national level. The first three of these are implemented in all Swedish regions while the last is based on an initiative directed towards some specific regions in particular.

Four of the thirteen networking activities are implemented by regional and local actors and are also initiated by the same. The one called InternetBay was started by private businesses themselves. These developed both a cluster, and a company with employees in charge of implementing the network activities. New organizations have also developed in order to implement the two initiatives Bothnian Arc and Swedish Lapland. The idea behind these activities comes from regional and local public actors. The cooperation between the municipality of Kalix and the Chinese city of Lanzhou was initiated by the local municipality and is implemented by the same. However, as the networking project has grown, Kalix has also included regional actors for support.

One of the selected initiatives, the EEN, is carried out by the public regional organization Centek in the county of Norrbotten (and Uminova in the county of Västerbotten), but is initiated by the European Commission. This network has network brokers all over Europe.

Funding

Only one of the thirteen networking activities presented (the cooperation between the municipality of Kalix and the Chinese city of Lanzhou) is not funded to any greater extent by national or European funds;. It is mainly funded by the participating actors but has also to some extent received funding from Swedish Association of Local and Regional Authorities.

Four of the Best Practices are funded by national funds. Three of these, (Kosmopolit, Steps to export and Internationaliseringsguiden) are also implemented and initiated by national public organizations. EEN on the other hand is also funded by national means but is implemented by a regional organization. EEN is however carried out, by different regional offices, in all parts of the country, not just in Övre Norrland.

Six networking initiatives are built around EU funding. Kvarken Global Business, Nordic Business Link and RUG are cross-border Interreg projects. Swedish Lapland, Design Västerbotten and Globac are also funded by the EU regional Fund (although not through Interreg). At least the first two, Swedish Lapland and Design Västerbotten have the ambition to continue their activities after the EU funded project has ended.

Bothnian Arc and InternetBay also receive some EU funds. These are however directed to some specific projects carried out within the larger initiatives and their organizations are not specifically designed for these EU funded projects. Bothnian Arc receives funding from local and regional public actors as well, and from the Nordic Council of Ministers. InternetBay on the other hand is funded (in addition to European means) by local municipalities, county council and membership fees.

About half of the initiatives are designed as projects with clear starting points and ends. Among these Design Västerbotten has already planned for a prolonged project time and the plan is eventually also to include the current project in the ongoing ordinary work of the organization. The cooperation between the municipality of Kalix and the Chinese city of Lanzhou is also "open ended". Since it is not core funded by European or national money the development of the project is flexible.

Three of four more permanent initiatives have been initiated by national and European actors while only one was started and implemented by actors at regional level.

Geographical coverage

When it comes to geographical coverage of the networks, some initiatives enable contacts between single firms in Övre Norrland and actors in other markets directly. Others build local networks within the region and use these as tools for internationalization. A number of the initiatives focus on the northern Nordic markets and cross-border activities, in other words the closest international markets in Finland and Norway.

Kvarken Global Business, Nordic Business Link, RUG, Bothnian Arc and InternetBay are all implemented by cross-border organizations covering different parts of Övre Norrland as well as northern Finland and Norway. The networks built by these organizations automatically connect firms in two or three countries. In addition they also focus on development of contacts between firms in northern Norden and actors in other markets.

The five initiatives EEN, Steps to export, Kosmopolit, Globac and Kalix cooperation with China all develop international networks. There are EEN offices all over Europe, (in EU member as well as non-member states), and also in other parts of the world, and they all contribute to developing connections between SMEs. The initiatives Steps to export carried out by the Swedish Trade Council, has no specific geographical focus. The Trade Council has offices in about 60 countries and helps firms to find suitable markets and contacts all over the world. The other initiative implemented by the Trade Council; Kosmopolitan, is based on already established international contacts among the participating entrepreneurs, hence it has no geographical focus either.

The remaining three Best Practices are basically focusing on contacts within Sweden. Within Design Västerbotten and Swedish Lapland contacts are primarily established between firms within Övre Norrland. Internationaliseringsguiden on the other hand enables contacts to be developed with actors all over Sweden at different levels.

All the initiatives studied share a degree of success in involving firms in rural parts of Övre Norrland. It is worth noting that firms in more rural and peripheral parts of the case study area are generally small. Hence by reaching out to these parts of the region a number of SMEs are approached. Internationaliseringsguiden succeed in doing this through an entirely internet based approach. However, the importance of physical meetings when inviting firms to participate in networking initiatives was stressed by many of the interviewees. Övre Norrland covers a vast area, and for a network broker with only one or two offices within the region, developing contacts with firms requires a lot of travelling. Various strategies have developed in response to this. The municipality of Kalix avoids the issue, since it functions only at the local level, in a single municipality. Some of the initiatives such as InternetBay and Bothnian Arc are carried out by groups of actors which bring them close to firms in a number of areas. The Chamber of Commerce have a comparatively dispersed office structure, which brings them closer to many firms in the rural inland areas. The other actors are located in cities by the coast.

Aim of networking activities

In line with what is stated on page 2 economic development of the region is repeatedly an overall theme among networking activities singled out here. Strengthening of firms, and SMEs in particular, is often a more specific aim . Increasing business opportunities, enhancing the attractiveness of region (especially in the case of Swedish Lapland networking among firms in the tourism sector), internationalization, increasing the skills of firms, and improvement of business strategies are all seen as ways to strengthen firms.

Most networking initiatives aim at finding new markets for the firms and new customers in particular, some also seek to establish other kinds of contacts such as

common product development projects, or exchange of experience and spread of knowledge. The initiative Internationaliseringsguiden aims (initially) to develop contacts between firms and public support institutions. However the longer term ambition is to increase export activity through establishing links to new customers in foreign markets.

Implementation

Among the Best Practice examples the Export Council, Kalix cooperation with China, Globac as well as EEN, offer to help the local and regional firms with establishing the contacts through arranging meetings with potential partners in other markets, and also taking part in the first meetings etc. The other initiatives focus on establishing arenas where local and regional firms can meet external actors but without supporting further development of the contacts.

Most of the initiatives aim at developing loose "forums" where a large number of actors can come and go as they please, and thus choose to take part in some of the activities arranged while not in others. One exception here is Kosmopolit where the ambition is to develop an independent network with well defined core members that carries on with the activities after the first meetings with the network broker. Other exceptions are InternetBay and Design Västerbotten, both of them have come to develop both a loose network and a closer network of paying members that gain access to more common activities and support. Regarding Design Västerbotten a closer network, based on the former loose one, but made up of the most strongly motivated firms willing to pay a membership fee, is about to be developed at the moment. This is a result of the wish of the network broker to see more activity and commitment among network participants, as well as a network that can become sustainable over time.

The ambition of the network brokers in relation to international contacts is often to enable the development of contacts between one firm (or several cooperating) in Övre Norrland and firms in a foreign market. These contacts will naturally be more regulated as the ambition in general is to find customers/suppliers. No large international networks involving large numbers of firms are presented in the Best Practice cases.

The main tool used for network brokering of the EEN is an international database where SMEs from all over the world can be matched. The network of EEN offices is another valuable tool. They also have some methods in common with most of the other Best Practices; international conferences, seminars, trade fairs and match-making activities as well as study trips. Meetings with groups of firms, e.g. in the form of study circles, internally within Övre Norrland and the surrounding areas are another common activity., as are individual meetings between the network broker and a single firm interested in an extended international network. In Kosmopolit an

internet based knowledge bank has also been developed, where the skills of the members (that might be useful for other firms) are presented.

2.4. Lessons for successful networking practices

The following are specific examples of good practice, derived from the interviews carried out in Övre Norrland.

Lesson 1

The Network Broker employs one person from the foreign country to which it aims at developing sustained economic relations. For example, in the case of Kalix municipality, one person from China sits in the local economic development unit, enabling to make the relation between local small firms and Chinese firms easier, but also to initiate contacts with authorities in China.

Lesson 2

The sectoral organization IUC interacts with firms in a systematic manner, by building a tailored “personal development dialogue”, which enables the organization to better understand the specific needs of each firm. Moreover, IUC maintains a database of regional SMEs enabling its brokers to have a better overview of the firms that have been contacted and the ones that could be contacted.

Lesson 3

Network brokering is not simply about connecting one small firm with another one. Network brokers need to develop and maintain their own contact network with other network brokers. This is especially important when it comes to brokering international relations. The network broker should have a broad contact network other NBs, both nationally and internationally, in order to efficiently ‘connect’ the regional firms with ‘the right match’ in other region

Lesson 4

NB having a decentralised structure, i.e. with offices located in different locations in the region, are better able to ‘cover’ more efficiently the region. In this way, the NB is more embedded in the local economic context, and it provides a sense of proximity, based on trust, that would not be possible if the organization were only located in a single location in the main regional centre.

Lesson 5

The Chamber of Commerce holds evening meeting across the region, which makes it easier for entrepreneurs to meet with brokers and other entrepreneurs without losing a day at work.

Moreover, the CoC has set up ‘export-clubs’. It provides a forum for firms that are interested in developing export activities through exchange of experience and learning from each other.

Lesson 6

The project Kosmopolit brokered by Exportrådet supports entrepreneurs with foreign background to establish business relations with actors in the home-country market, thus drawing on the extent of their personal contact networks to provide an added-value for the regional economy at large, with possible spill-over effects to other businesses.

Lesson 7

Solid networks are the ones that are constructed from the bottom up!

It is difficult to build a network with a top-down approach. One needs to build the network stepwise: one starts working with two firms and develop a solid cooperation between. Then, this may lead to larger groupings if the companies see the benefit in getting other firms involved. Top-down approaches are more likely to lead to a diffuse and short-lived network. (ALMI Nord)

Lesson 8

Local actors need to provide a platform within which firms may interact. Jokkmokk Strukturm business organization proposes a Friday Coffee, to which firms and civil servants are invited every Friday morning to meet, discuss issues, listen to relevant speakers. It is assumed that this would enable trust to be built between actors and firms, and would also sustain the diffusion of best practices throughout the locality.

Lesson 9

Increased internationalisation also means that firms should be better at protecting their intellectual property through formal means, such as patents. Centek, for instance, raises the awareness of small firms on this specific point, and how firms can work on it.

Lesson 10

The widening of the market through internationalisation reduces the risk of vulnerability of small firms to external swings, as they are able to 'play' on different markets, and thus less dependent on a single market and few clients. (IUC)

Lesson 11

It is important to link the process of cooperation between small firms within the region (horizontal) with a process of integrating them vertically (supplier-customer) in the global production chain.

3. REPORT ON THE WESTERKWARTIER (NETHERLANDS)

3.1. Regional Policy landscape for business and networking support

Economic development in the Westerkwartier is stimulated by rural and regional development policies. Both policies are formulated and operationalized separately. Rural development objectives are operationalized at national and realized at provincial level. Regional development objectives are operationalized and realized at regional level (i.e. by the region Northern Netherlands, comprising the provinces Drenthe, Friesland and Groningen).

Rural development policy

With regard to rural development policies, there is only one national operational development programme, called the "Multi-Annual Programme 2 of the Agenda Vital Countryside 2007-2013". This development programme combines national rural development goals (as formulated in the "Agenda Vital Countryside") and European rural development goals (as formulated in the "Rural Development Plan 2"). The programme also includes rural development objectives as stated in the "Nota Ruimte" (written by the Ministry of Housing, Spatial Planning and Environment) and related documents such as "Humans for nature", "Nature for humans" and "Choices for Agriculture".

The Rural Development Plan 2, the Agenda Vital Countryside and Nota Ruimte all contain objectives for economic development in rural regions of the Netherlands. The Rural Development Plan 2 (as formulated by the European Union) contains four development axes. Three are related to economic development. Of these, axes 1 and 3 have been allocated the biggest share of fund while axis 4 has been allocated the least share of the fund.

- Axis 1: Improving the competitiveness of the agriculture and forest sector
 - o E.g. Improving entrepreneurship and innovative capacity, improving quality of products and processes to strengthen chain
- Axis 3: Quality of life and diversification of rural economy
 - o E.g. Encouraging diversification of agriculture, strengthen micro-businesses and improve access to countryside
- Axis 4: Improving Governance (LEADER)
 - o E.g. Mobilising existing development potentials, bottom-up initiatives

The "Agenda Vital Countryside" aims to broaden rural economy by:

- Administration needs to give space to rural entrepreneurs (Reduce number of regulations, disseminate knowledge, create business start-up programmes, use spatial planning policy...)
- Provide support for agriculture (also in form of subsidies if necessary)
- Develop green services as new development perspectives for rural entrepreneurs

The national spatial planning policy "Nota Ruimte" envisions a strengthening of the international competitive position of the Netherlands by:

- Removing spatial bottlenecks from economic growth
- Ensuring full use of innovative potentials in knowledge clusters

The "Multi-Annual Programme 2 of the Agenda Vital Countryside 2007-2013" was jointly written by the Ministry of Agriculture, Nature and Food Quality, the Ministry of Economic Affairs (now joint into the Ministry of Economy, Agriculture & Innovation), the Ministry of Housing, Spatial Planning and Environment, the Ministry of Transport and Infrastructure and the Ministry of Education, Culture and Science. Since 2007, the provinces have been given control over the execution of the multi-annual programme through the administrative and funding system called Investment Budget for Rural Areas (ILG).

The realization of the multi-annual programme in the Westerkwartier is thus ensured by Groningen Province. In the "Provincial Multi-annual programme for the Agenda Vital Countryside 2007-2013", Groningen Province specifies the national development goals to be aimed for within their province. For the Westerkwartier, the provincial programme identifies agriculture, nature and landscape, and tourism as potential economic development sectors. The programme thus suggest to improve agricultural structures, develop touristic and recreational structures (such as hiking/biking networks) and to strengthen the socio-economic vitality of the Westerkwartier. A provincial programme manager ensures the realization of the national rural development goals.

Regional development policy

Groningen Province-together with Friesland and Drenthe- also forms part of the region Northern Netherlands (NN). These three provinces collaborate as the Northern Netherlands Provinces (Dutch: Samenwerkingsverband Noord-Nederland, short SNN) in operationalising and implementing regional development policies in the region Northern Netherlands.

Economic development objectives at regional level are pre-defined at European and national level. At European level, the regional development goals are formulated as a) creating attractive regions and cities, b) creating innovation, entrepreneurship and knowledge economy and c) creating more and better jobs. The European Fund for Regional Development (ERDF) and European Social Fund (ESF) are important for

realizing these regional economic development goals in the Netherlands. These two funds are complementary. While the ERDF is concerned with spatial development, the ESF is concerned with the development of human capital. Taken together, they are aiming to achieve the European development goal 2 "Regional competitive power and employment opportunities" and goal 3 "European Territorial Cooperation" in the Netherlands.

The European development goals are taken up into the "National Strategic Reference Frame 2007-2013" (Dutch: National Strategisch Referentiekader) and subsequently into the strategic development agenda "Peaks in the Delta" (Dutch: Pieken in de Delta) of the Dutch Ministry of Economy, Agriculture & Innovation (Dutch: Ministerie van Economie, Landbouw & Innovatie (E, L&I)). Here, the national goals for regional economic development are formulated as:

1. Strengthening innovativeness and entrepreneurship;
2. Increasing the supply of labour;
3. Increasing adaptability and investing in human capital;
4. Effective cooperation with neighbouring countries.

Following the "National Strategic Reference Frame 2007-2013", regional policy does not make a distinction between rural and urban areas in the Netherlands. In place of distinguishing between rural and urban areas, the Northern Netherlands Provinces thus focus on developing their identified economic spearheads. As stated in the "Strategic Agenda Northern Netherlands 2007-2013", these are 1) Agribusiness, 2) Energy (e.g. Energy Valley in Groningen), 3) Multi-Sensory systems (e.g. STRON/LOFAR in Drenthe), 4) Water (e.g. Water Cluster in Friesland) and 5) Healthy Ageing. Further development objectives include the strengthening of regional SMEs, the optimization of education, the creation of an employment market and schooling, strengthening the power of agriculture and broadening and renewing the rural economy. To accomplish the latter point, the SNN proposes a stimulation of fitting economic SME activities (i.e. supporting activities related to the spearheads and key areas outlined) and to improve services in rural areas.

Next to the different economic spearheads, the Northern Netherlands Provinces further identified economic core zones in Northern Netherlands. As Figure 1 shows, only small parts of Leek and Zuidhorn form part of such an economic key area (as part of the project Regio Groningen-Assen).



Figure 2: Operational Programme North Netherlands 2007-2013 (ERDF)

The outlined regional development goals within Northern Netherlands are operationalized in two separate programmes, both being subject to execution by the Northern Netherlands Provinces. The European ERDF goal 2 “Regional competitiveness power and employment opportunities” is operationalized by the Northern Netherlands Provinces in the “Operational Programme North 2007-2013”. Related to economy, this programme aims to stimulate innovation and transition into a knowledge economy (including SMEs), to improve business locations and to create locations for knowledge-driven enterprises. To realize these goals, the Northern Netherlands Provinces (SNN) has access to an ERDF budget of 169.400.000 Euro and an own contribution of 372.680.000 Euro (SNN, retrieved 2011). These are exclusively used to develop the identified spearheads and key economic areas in the provinces of Northern Netherlands.

Next to the “Operational Programme NN 2007-2013”, the Northern Netherlands Provinces has a second operational programme “Course North: Towards Spearheads in the Delta 2007-2010” (Dutch: Koers Noord: naar pieken in de Delta) which follows the national strategic agenda “Peaks in the Delta”. The goal of this programme is to strengthen the (inter)national competitive power and European territorial cooperation of the Northern Netherlands Provinces. This programme is especially directed towards developing the competitive power of regional SMEs and operates along three lines:

1. Developing knowledge within the economic spearheads energy, water and sensor-technology.

2. Transition into a knowledge-intensive business life. This line is again directed towards the spearheads of economic development but also towards developing a niche markets with spin-offs for the regional employment market.

3. Transition into a high-quality knowledge economy. For this line, an additional, temporal innovation policy (2007-2010) for innovative development within SMEs in the Northern Netherlands Provinces was formulated. This policy is directed towards increasing the innovative capacity and volarization of knowledge amongst SMEs. Furthermore, the policy is aimed at stimulating export activities and improving the education level of potential employees.

Projects within the operational programme "Course North" are financed through European Funds (ERDF), national funds (Spearheads in the Delta) and regional transition programmes. In addition, INTERREG funds are used to stimulate cross-border cooperation. Starting with an emphasis on creating partnerships, recent years have witnessed a shift towards funding economic projects of international partners. The Westerkwartier, however, is (to our knowledge) not involved in INTERREG programmes.

The development goals of the Northern Netherlands Provinces are specified for Groningen Province in the "Provincial Spatial Plan 2009-2013". This plan outlines the spatial and economic development plans for Groningen Province in the years 2009-2013. In this document, industry and dairy production are identified as the most important economic sectors in the Westerkwartier. These economic sectors are mostly found in Leek and Zuidhorn municipalities. Also, tourism and recreation is regarded as a potential development sector in the Westerkwartier.

Policy objectives for economic development in the Westerkwartier

The "Provincial Spatial Plan 2009-2013" and the "Provincial Multi-annual programme for the Agenda Vital Countryside 2007-2013", form the basis of the "Development Programme West Groningen 2008+". In this document, the Steering Group West (comprised of members from the municipalities Leek, Marum, Grootegast and Zuidhorn, Groningen Province, water boards and the regional manager of the national rural development agenda) outlines the development opportunities of the Westerkwartier within the rural and regional policy frames. As a LEADER region, the Local Action Group (consisting of members of the Steering Group West and the Westerkwartier Initiative Group (Dutch: WSI, civic and business members) acts as advisor to the Steering Committee for socio-economic development objectives. With regard to economic development, the Steering Group West identified the following development opportunities for the Westerkwartier:

- Development of business terrains (Note: these are situated in the municipal capitals and along the motorway A7, crossing the Westerkwartier)
- Revitalisation and increase of attractiveness of existing business terrains

- Continued land consolidation to strengthen agriculture
- Strengthening the recreation and tourism sector
- Developing care farms
- Increase schooling and employment opportunities for disadvantaged people

To reach these development objectives, the Steering Group West has developed a "Multi-Annual Programme Region West-Groningen 2008+". It lists a number of projects which, depending on their nature, are either financed through rural or regional development policy funds.

Regional development funds are used for stimulating:

- Exploitation of business terrains (i.e. efficient spatial use, accommodation into landscape and quality of terrains)
- Realizing a trial project for the adaptation of business development (Space for entrepreneurs with an adaptation of businesses into the landscape with regard to spatial quality in and outside living areas)
- Use of bio mass (Use of sustainable energy, management of hedgerows (Sector Energy))

Rural development funds are used to stimulate development, such as:

- Land consolidation (Axis 1)
- Care farms (diversification of rural economy) (Axis 3)
- LEADER programme (11% of the budget is allocated to stimulate the rural economy)
- Tourism and recreation

Rural and regional network brokers

As Figure 2 shows, public actors working within the rural and regional development policy frames are independent of each other. Public actors involved with rural development policy are indicated on the left hand side of the figure. Public actors involved with regional development policy are illustrated on the right hand side of the figure. The role of the different actors will be explained in the text.

In D4.2 an extensive overview has been provided on the public actors involved with facilitating and ensuring development initiatives within the rural development objectives. As Figure 2 shows, these are primarily situated in the rural house of the Westerkwartier (for a more detailed description see D4.2) and include the programme manager and project advisor of the national rural development programme, the Local Action Group, the Government Service for Land and Water

Management, a representative of the four municipalities of the Westerkwartier, the Association Groningen Villages, the Westerkwartier Initiative Group and the touristic catalysts. The national farmer’s association (not situated in the rural house) supports and facilitates initiatives that aim to strengthen the economic power of the agricultural sector.

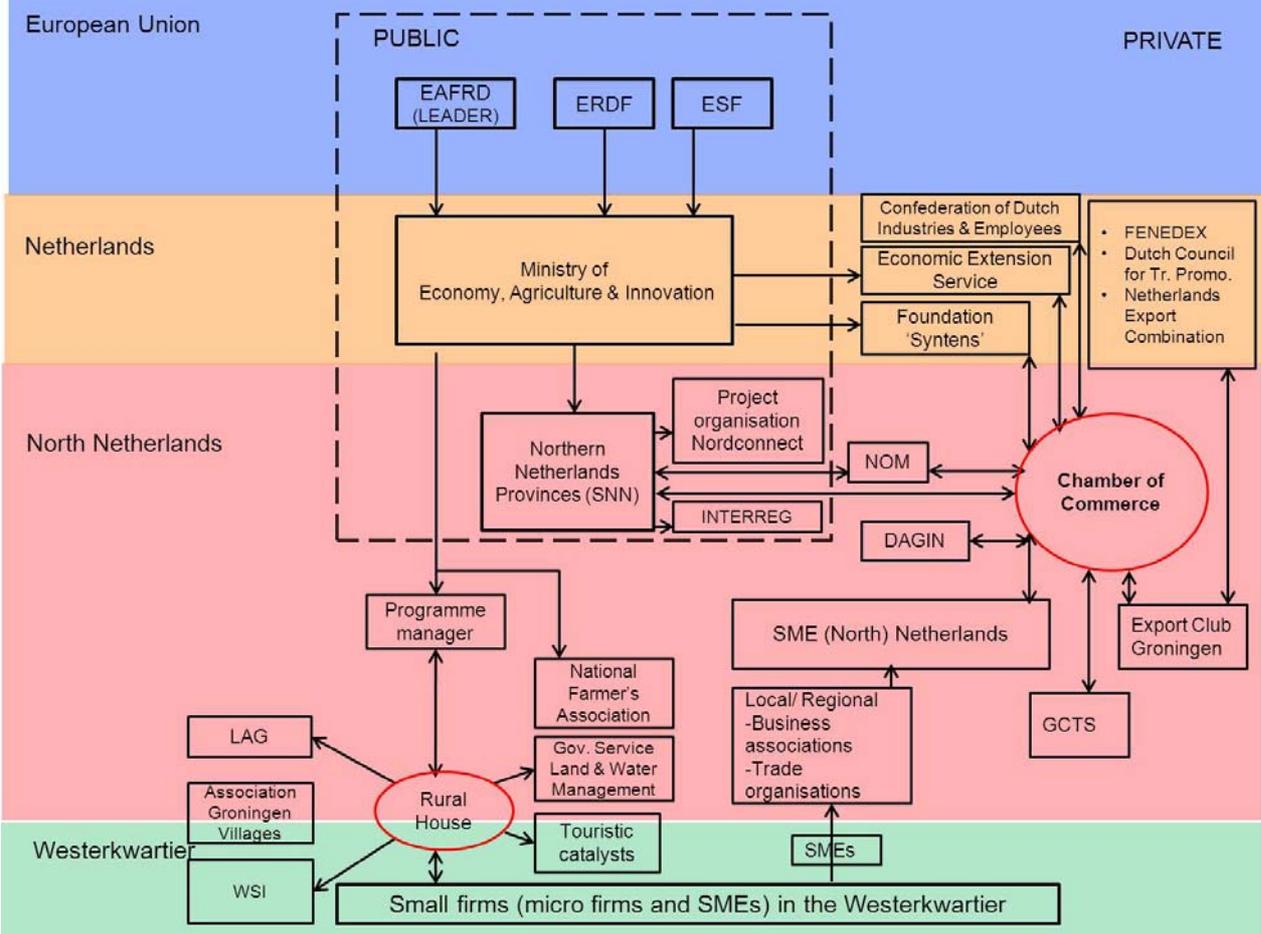


Figure 3: Public and private actors able to facilitate networking activities among firms

As table 1 shows, the programme manager, the Local Action Group and the Government Service for Land and Water Management are mainly responsible for allocating funds to development initiatives that contribute to the achievement of the proposed rural development goals. In addition, the programme manager, Government Service for Land and Water Management, the Association Groningen Villages and the touristic catalysts also act as advisors for initiators to write subsidy requests and to develop a business plan for their initiative. Furthermore, the Association Groningen Villages, the touristic catalysts, the programme manager and the national farmer’s association act as initiators and process managers for initiatives that can contribute to the development of the rural economy in the Westerkwartier.

Information on rural network support actions in the Westerkwartier were gathered during interviews held for D4.2. Information obtained during these interviews will be used to identify network brokering activities for section 2.

Table 1: Public actors (potentially) involved in rural network support actions

Public Actor	Function	Support/Facilitation able to provide
Programme Manager (Project advisor)	Realize national rural development goals	Fund allocation, Initiation
Government Service for Land and Water Management	Manage LEADER funds, ensure land consolidation, spatial and agricultural development	Advice, Process manager, Land Consolidation
Local Action Group	Ensure socio-economic vitality	Grant funds
Representative of municipalities	Represent interests of municipalities	Advice on projects & subsidy requests
Association Groningen Villages	Lobby for interest of villages in Groningen Province	Create village vision, initiate initiatives and process management
Westerkwartier Initiative Group	"Think tank" for innovative development initiatives	Represented in LAG, network function
Touristic catalysts	Initiation and process management of touristic activities in the Westerkwartier	Initiation, advice and process management
National Farmer's Association	Lobby for interests of farmers, realize national development goals regarding agricultural production	Initiation of projects, financial support for projects, advice

Network brokers operating within the regional policy frame are presented on the right side in Figure 2. As table 2 shows the Northern Netherlands Provinces and the Chamber of Commerce Northern Netherlands are the most important public actors to promote international networking activities. While the Northern Netherlands Province mainly facilitates international networking activities at public administration level, the Chamber of Commerce acts as network broker between individual firms. The Chamber of Commerce also acts as network broker between the different organisations facilitating firm networking activities. They consider themselves therefore a "spider in the web" (Chamber of Commerce, 2011).

There are several other private actors working in collaboration with public administration in order to facilitate (international) networking activities of firms in the Westerkwartier. At regional level, the 'Investment and Development Association Northern Netherlands' (Dutch: NOM), the 'Export Club Groningen' (since 2010 part of foundation Platform International Enterprising Northern Netherlands), the 'Great China Trading Strategy' (founded out of a foundation) and the organisation DAGIN also stimulate networking activities in Northern Netherlands. As an example of the

private sector, the company "Great China Trading Strategy" was interviewed since this company is knowingly engaged with rural businesses in the Westerkwartier.

The national organisation 'SME Netherland' (Dutch: MKB Nederland), the national advisory organisation 'Syntens' and the 'Confederation of Netherland Industries and Employees' (Dutch: VNO-NCW) all have regional offices in Groningen to stimulate innovation and networking activities amongst SMEs in Northern Netherlands. As a representative of the national organisations, "Syntens" was interviewed regarding their involvement as network broker for firms in the Westerkwartier.

At national level, the international economic extension service EVD, the association 'FENEDEX' (association of exporters), the 'Dutch Council for Trade Promotion' and the 'Netherland Export Combination' are trying to promote international networking activities amongst business in the Netherlands.

Table 2: Public actors (potentially) involved in regional business networking activities

Public/ Private Actor	Function	Support/Facilitation able to provide
Northern Netherlands Provinces	Pursue joint policies for Northern Netherlands and negotiating with governments concerning Northern Netherlands	Stimulation and coordination projects which strengthen the economic position of Northern Netherlands at public administration level
Chamber of Commerce	Management of trade register	Provide entrepreneurs with information, stimulate regional trade & industry; advise local and regional governments
Investments and Development Association Northern Netherlands'	Development of employment opportunities in Northern Netherlands through stimulating profitable economic activities within identified spearheads	Network broker between firms, clients, suppliers and partners; advise on subsidies
Export Club Groningen (As part of Foundation 'Platform International Enterprising Northern Netherlands')	Platform for im- and exporters of Groningen Province to meet and exchange knowledge	Organisation of meetings and business visits
Great China Trading Strategy	Establish contact with business partners in China for im- and export	Market research, outsourcing, information about trade fairs, organising business travels, support and advice for import, quality inspection of business in China, workshops, network broker , translator ...
DAGIN	Organization of specialist companies to combine knowledge and experience in international activities	Network broker to help businesses in Northern Netherlands do international business within the field of agriculture, dairy processing, water and marine technology and environment
SME (North) Netherlands	Lobby for interests of SMEs in Northern Netherlands	Create opportunities for businesses in Northern Netherlands, also provide advice on international trading activities, regional network of SMEs
International Economic Extension Service EVD	To inspire and support Dutch SMEs, public administration and knowledge institutes that want to engage in international trade	Information, subsidies, accrediting and positioning of international market, use of national and international network
Syntens	Assigned by Ministry of Economy, Agriculture and Innovation to advise SMEs on innovative business ideas (for free)	Personal advice, organisation of inspiration sessions and innovation groups
Confederation of Netherland Industries and Employees	Lobby for Dutch business concerning national and international issues	Network broker between interests of businesses and politics, gives advice to politics
FENEDEX	Non-political organisation to exchange knowledge concerning export and international business relations	Knowledge and advise, network broker, education and training, legal support, information, meetings, research
Dutch Council for Trade Promotion'	Independent, non-governmental organisation for promoting trade	Networking sessions, trade missions, Dutch participation in EU-sponsored programmes, participation in international trade fairs, consultancy
Netherland Export Combination'	International trade promotion	Individual advice, trade missions, translation, legal advice, subsidies

3.2. Brokering networks

Regional and rural development funds are both used to install brokers to support and facilitate the creation of business networks in Northern Netherlands and the Westerkwartier, respectively. The objectives of rural and regional network brokers are, however, different.

Regional network brokers are aiming to facilitate international business networks. According to an interviewee at the chamber of commerce, the Northern Netherlands show 50% less international networking activities than other Dutch regions. It was therefore argued that it is necessary to stimulate international networking activities in order to ensure economic strength. The motivation to initiate international business networks at regional scale is “[...] primarily economic. It is about the development of new markets and new products. Social aspects and the exchange of knowledge is not a big factor yet, that is tedious work” (Chamber of Commerce, 2011). Next to individual firm contacts, there are ambitions to create regional knowledge exchange through the involvement of universities (e.g. Silicon Valley). For example, through the “Foundation Innovation Alliance” which involves the Hanzehogeschool in Groningen, international knowledge exchange is promoted in the field of technology. Firms can also take part in this programme.

Rural network brokers are aiming to facilitate local business networks. The main aim of these network stimulating actions is to enable contact between the different local entrepreneurs within one or more economic sectors in order to facilitate cooperation and the development of new products which can strengthen the local economy: “A network is necessary to show what possibilities there are and what other entrepreneurs can offer in order to make nice arrangements with each other” (Alderman, Zuidhorn, 2010). Furthermore, by organising local business networks “the visibility of the Westerkwartier shall be increased and placed in the wider context [of Northern Netherlands]” (Touristic catalyst, 2010).

Regional and rural network brokers focus on different types of firms. Rural network brokers attempt to initiate networking activities amongst firms residing in rural areas of the Westerkwartier. These firms are micro-firms with less than ten employees: “We have a lot of business activities going on in the Westerkwartier but most of them only have 1 or 2 employees and are run as economic side-activities” (Alderman I, 2009).

According to the chamber of commerce, the smallest firms engaged in international networking activities have between 10 and 15 employees. Smaller firms do usually not engage in international networks because they first need to position themselves well on the Dutch market before being able to deal with the competition on international markets. In the Westerkwartier, firms with more than ten employees reside in the industrial terrains along the motorway A7 and in the municipal capitals. Firms operating within business terrains are also more likely to be engaged in one of the economic spearheads identified by the Northern Netherlands Provinces. Regional network brokers thus focus on business terrains and not on businesses within rural Westerkwartier: “The Westerkwartier is part of Groningen Province which forms part of Northern Netherlands. We receive money from the EU to stimulate economic growth in Northern Netherlands. We do not distribute this money evenly across Northern Netherlands but we focus it on economic core zones. In the Westerkwartier,

only Leek forms part of the economic core zone." (Manager national rural development programme, 2009). An exception is firms working in the ICT sector. Since these firms fall within the economic spearheads of the regional development framework, these firms are also considered by regional policy.

The manager of the national rural development programme (2009) further states: "Regional policy is directed towards economic carriers. Economists are not interested in small firms in rural areas. That is interesting for local development but for regional development or European development, the Westerkwartier is unknown. Rural areas are left with subsidies from the rural development programme." Indeed, an interviewee at the national advice service Syntens (2011) states: "It costs too much energy to connect firms with less than five employees and to lift them to a higher level. There are also many small firms who do not have the ambition to grow. Many entrepreneurs make the conscious choice for a one-man business and do not want to grow".

Regardless of the scale of networks, it was argued that network brokers are important for the initiation of networking activities. It was thus argued that entrepreneurs do not show own initiatives to form networks with other firms because "they are too busy doing their own business" (Touristic catalysts, 2010) and because "they often do not see the advantages that joining a network entails for their firm" (Syntens, 2011; Touristic catalysts, 2010).

With regard to the 75% of firms in rural Westerkwartier with less than ten employees, it was also stated that "micro-firms in the Westerkwartier are not keen on working together and regard each other as competitors" (Alderman, 2009). Even though the small size of the firms in rural areas of the Westerkwartier is promoted by regulations, the alderman recognizes the necessity of these small firms to start networking and argues that a catalyst is necessary to stimulate networking activities: "[A catalyst] is simply necessary. If you take a look at the SMEs in the region, they regard each newcomer as a competitor and not as an addition. Looking at the recreation firms, we have 200 firms that work quite independently. They do not have a business network and do not receive communal support. They do everything on their own and are missing a link between them" (Alderman II, 2009). A further alderman added: "I think there is need for good functioning networks because good functioning networks mean that entrepreneurs can strengthen each other within the network. As the municipality, we also have a clear contact person because we have concrete evidence that something is developing which is functioning well. By appointing the touristic catalysts, we have contributed to this development" (Alderman III, 2009).

Regional network brokers are operating within the regional development framework and have thus access to European and national funds for regional development. The funds are administered and monitored through the Northern Netherlands Provinces.

Rural network brokers are financed through rural development funds. Here, LEADER is particularly important to fund network brokers. Furthermore, European and national funds allocated to development axis 1 (agriculture) and axis 3 (diversification of rural economy) are used to stimulate networking activities. Network brokers can thus be installed as a LEADER project or the task can be given to NGOs or sectoral organisations (such as farmers unions) which are able to reach the entrepreneurs of interest.

In the rural as well as regional context, network brokers aim to lower perceived networking barriers to facilitate contact between firms. They do this by forming clusters of firms with a common interest: "We are, of course, very busy with the formation of clusters. We are busy with clustering firms that are able to strengthen each other" (Syntens, 2011). According to the interviewee at Syntens (2011), "we are of the opinion that we can obtain greater impacts if we cluster. The impact of making connections will be larger for firms but also for us. We cannot support all firms individually. We therefore choose to build our work on firms that want to work with each other." With regard to rural networking activities it was also stated that "to know about other enterprises in the Westerkwartier can be very important for individual entrepreneurs because it can stimulate the creation of bigger projects and plans" (Interviewee WichterWest, 2010).

In order to support networking activities, network brokers are involved with initiating networks and assisting in the starting phase of the network. Thereafter, they retreat and the network needs to work independently. According to interviewees at Syntens and the chamber of commerce (2011), the most important factor to initiate networking activities is to lower the perceived barriers for firms to engage in international networks. Help is thus offered with organising trips to international trade fairs or organising visits to businesses in other countries. Firms are also able to receive advice on regulations and are offered match-making activities to find the right business partners. Here, the European Entrepreneur Network was mentioned as being highly important.

With regard to support for rural networking activities, network brokers also stimulate the formation of networks by taking the initiative and offering meetings free of costs to the entrepreneurs. Furthermore, the network brokers assist in the starting phase of the network as organisers and provide advice on forming legal entities so that the network will be able to receive funds from public sources and run independently.

Since firms often lack knowledge about the added value of joining networks for their firm, all network brokers perceived the initiation of a network as difficult: "We see it in the Export Clubs, there are few new entrepreneurs joining. We try to lower the barriers and to invite entrepreneurs to join meetings but it feels a little bit like 'trying to get a cat out of a tree'" (Chamber of Commerce, 2011). A further difficulty is the large time frame necessary to establish well-working networks: "We are busy for five

years now and we can start to harvest fruits from our network. You can encounter someone every once in a while, but a real network starts to form when you have more time to get to know each other. After five years, we can identify a small piece in the network that we can consider our hard core. If you meet these people, or if you e-mail or call them, then you will know each other well and you will quickly arrange things. To get to this stage costs time because you need time to get to know each other and to form agreements before you know what you can find in each other. Therefore, it is important to have a long-term vision. [...] The problem is, however, that our board consists of politicians and they want to see results within a short period. During four years, they need to show the people what they have realized so that they can use it for their next election campaign [...]” (Nordconnect, 2011). The coordination between different networking support activities was a further point of complaint by some of the interviewees.

Nevertheless, the key to support successful networking activities is to get firms to share something with each other: “[A network] will survive once the entrepreneurs share something like knowledge, technology or new businesses” (Syntens, 2011). However, “knowledge and exchange of experience is often not sufficient. [...] I think that if you develop something together, like new products or services, then networking activities will have a more lasting effect. Knowledge exchange can happen everywhere” (Syntens, 2011). A network brokering action will thus be successful “at the point in time at which we manage to get the firms together, we reach a lot. If we manage to get all firms together, then we will show them the added value for their firms. Then everything will be OK” (Syntens, 2011).

3.3. An overview of main network initiatives

In total, six networking support actions were identified in the region Northern Netherlands and the Westerkwartier. Apart from these, there are potential other network support actions organised at national level, particularly by branch organisations. In this section, we will focus on network support actions in Northern Netherlands and the Westerkwartier.

Three initiatives have been identified to stimulate rural business networking activities in the Westerkwartier. These are the network “Paardenkwartier” (English: horse quarter), the “touristic platform” and the rural entrepreneurial women network “WichterWest”. As the names suggest, each initiative is directed towards a different economic sector. The “Paardenkwartier” is aimed at horse businesses, the “Touristic Platform” is open to non-commercial and commercial actors within the tourism and recreation sector, and “WichterWest” aims at rural entrepreneurial women of diverse economic interest.

All network initiatives have been started within the past three years. Depending on the sector of interest, each network was initiated by different public actors. The "Paardenkwartier" is the most recent network initiative and was jointly initiated by the manager of the national rural development programme and the national farmers union in 2009. To start the network initiative, Groningen Province provided money to organise initial brainstorm activities with the horse entrepreneurs in the Westerkwartier. In 2008, the "Touristic Platform" was initiated by the touristic catalysts. The touristic catalysts were three independent development advisors operating in the Westerkwartier from 2008-2010 as a LEADER project in order to develop the tourism and recreation sector. As part of their project, the touristic platform was set up. The touristic catalysts initiated the network, facilitated their meeting for two years and provided money via their allocated LEADER budget. "WichterWest" was an initiative of the Association Groningen Villages, an NGO who received a budget of Groningen Province to stimulate the creation of rural entrepreneurial women networks throughout the province. With their allocated budget, the association initiated the first network meeting free of costs to the participants and assisted the network in their starting phase.

All of the initiatives have survived their starting phase and are now operating independently of network brokers. To be able to do so, each network has become a legal entity in order to be eligible for public funding schemes. In all cases, the network brokers have provided advice and support to help the networks become a legal entity and to write subsidy requests. The "Paardenkwartier" was assisted in forming into a foundation. Now, the "Paardenkwartier" receives several subsidies for various activities, amongst others from the RABObank, the province and LEADER. In April 2010, four of the five entrepreneurial women networks in Groningen Province set up a foundation "Foundation Enterprising Women Groningen Hinterlands" through which the individual networks can apply for public funds. The touristic platform has recently been converted into a business association.

All network initiatives operating within the rural development framework are directed towards creating synergy and contact between firms within the Westerkwartier. The outlined initiatives are thus not focussed on international networking activities but focussed on strengthening different economic sectors within the Westerkwartier. Even though the different initiatives aim to strengthen different economic sectors, all are concerned with bringing entrepreneurs of shared interests together, organizing meetings in order to stimulate knowledge exchange, facilitate contact and new, joint product development.

The network "Paardenkwartier", for example, has identified four spearheads to develop the horse sector in the Westerkwartier. They organize "entrepreneur cafés" four times a year to stimulate an exchange of ideas, knowledge and to facilitate the contact between individual entrepreneurs active in the horse sector: "We speak about how to run a riding stable, how to manage a firm. You need to know how to manage

your firm and how you can do the bookkeeping. There are many people that turned their hobby into a profession and they do not know a lot about these issues" (Interviewee Paardenkwartier, 2011). The "Paardenkwartier" also organizes promotion campaigns to increase the degree of awareness for the Westerkwartier as an area with the highest horse density in the Netherlands. The network also joins forces to develop a web of riding routes and to stimulate horse tourism in the area. Finally, the "Paardenkwartier" aims to develop an equestrian education centre.

The rural entrepreneurial women network "WichterWest" shows similar activities. During their network meetings, women who think about starting a business, women that are in the process of starting a business and women who have recently started a business are encouraged to help each other by exchanging knowledge about rules and regulations, experiences and ideas. During their meetings, several workshops are offered which are directed towards different entrepreneurial stages. One workshop is concerned with identifying personal strengths; another workshop is concerned with writing business plans and getting an overview of regulations. A further workshop is concerned with marketing and business manifestations on the market. Following these three lines, the board of WichterWest is planning to set up an education programme called "Wicht in Zicht" (Women in Sight).

The "touristic platform" was created with the intention to develop the tourism and recreation sector along three lines: a) by exchanging knowledge and experience, b) by developing new products and services and c) by developing marketing and promotion schemes. The "touristic platform" serves as a base to realize these goals. As one of the touristic catalysts (2010) explains "the idea behind creating a touristic platform was not a question of not being good but a question of improvement possibilities. It is always possible to work more efficient, to have higher arrangements. As a working group, you work together and you get new ideas and people can learn from each other or they can suggest someone to contact etc. These sorts of things are very important, a network is very important. From the moment that you create a network, all sorts of new ideas arise. If, for example, you think on your own how to win more guests, then it costs a lot of money. If you think about it jointly, then you can split the costs and you get new ideas. If you are in a group, then these ideas grow and synergy will be created. This is why we stimulate this very strongly, the creation of networks, meeting each other, creating new ideas. Entrepreneurs understand that this will help them to perform better. [...]" (Touristic catalysts, 2010). The touristic platform serves as an open platform for entrepreneurs in the tourism and recreation sector. Meetings are organized three times a year. During these meetings, information is provided and networking stimulated. Interesting to note is that out of the touristic platform, a "core team" has been formed. The core team consists of leading recreation and tourism entrepreneurs in the Westerkwartier (micro-firms) and several other recreation and tourist micro-entrepreneurs. This team meets up to eight times per year to organize meetings of

the touristic platform and to discuss and evaluate their proceedings. During the past two years, the touristic platform and core team have been chaired by the touristic catalysts. Now, the core team has been upgraded into a business association, encouraging the touristic entrepreneurs to continue the networking activities on their own.

Three further networking support actions were identified at regional level. These are the project organisation "Nordconnect" of the Northern Netherlands Provinces, the export stimulating programme "WIN!" of the chamber of commerce Groningen and the national subsidy regulation "Prepare2start" of the international economic extension service. Each initiative is focussed on different activities that may facilitate international firm networking activities. The project organisation "Nordconnect" is concerned with the establishment of international networks at public administration level in order to agree on favourable international trade regulations. It is especially concerned with strengthening the collaboration between Northern Netherlands and Northeast Europe. The export stimulating programme "WIN!" initiates the creating of international firm networks and the subsidy regulation "Prepare2start" offers free-of-cost advice and subsidised services to prepare the firm for international networking activities.

International networking initiatives at regional level have started with a precursor of "Prepare2start" in 2003. The project organisation "Nordconnect" followed in 2006 and the programme "WIN!" was launched in 2008. Like the rural networking initiatives, these initiatives were also initiated by public actors. "Prepare2Start" was thus initiated by the International Economic Extension Service and "Nordconnect" has been created within the Northern Netherlands Provinces. "WIN!" was the idea of an employee at the chamber of commerce Groningen and is carried out in collaboration with various regional actors (e.g. Business Development Friesland, DAGIN, Syntens, World Trade Centre Leeuwarden, MKB Noord, Export Club Groningen, Export Club Drenthe, Friese Export Club). The chamber of commerce in Groningen (together with Syntens and branch associations) also act as advisors for the subsidy regulation "Prepare2Start". The Northern Netherlands Provinces and the chamber of commerce are thus central figures for the stimulation of international networking activities.

Funds to realize the different initiatives have been drawn from different sources. "Prepare2start" receives funds administered by the international economic extension service, "WIN!" is facilitated via the Northern Netherlands Provinces through ERDF funds and funds of the national programme "Course North". "Nordconnect" is financed through provincial funds. In contrast to the outlined rural networking initiatives, the regional networking initiatives all target different aims thus being complementary to each other. Furthermore, they do not stimulate networking activities within Northern Netherlands but are merely focused on facilitating international networking activities.

The project bureau "Nordconnect", for example, stimulates international networking activities between countries within the Northeast Corridor, ranging from the West of the Netherlands along the coastline to St. Petersburg, Russia. The Northern Netherlands Provinces regard themselves as an important mediator in this axis and are also represented with an office in St. Petersburg. "Nordconnect" tries to stimulate contacts between public administrations in different countries: "First of all, we are a broker for contacts between actors of public administration" (Interviewee Nordconnect, 2011). "Nordconnect" has therefore no direct contact with individual firms but collaborates with the chamber of commerce North-Netherland to combine their international networking activities. The focus of creating international networking activities within the Northern Development Axis is specifically centred on the identified spearheads: "The reason why we focus on our spearheads it that this works best within Europe. If you specialise in a number of clusters. This development is visible in a lot of other parts of Europe. In Northern Netherlands, we want to transform our spearheads into clusters. We are very good in agri-business, energy, water, sensor technology and healthy aging. Campuses are built for water technology and also agri-business is supported a lot" (Nordconnect, 2011). The question that arises, however, is whether the focus of "Nordconnect" on five selected spearheads helps rural micro-firms in the Westerkwartier to engage in international networking activities. According to the interviewee at Nordconnect (2010), also businesses in the Westerkwartier profit from their networking activities. According to the interviewee, firms participating in international networking programmes are located in the business terrains along the A7 and of municipal capitals. However, can these businesses be considered part of the rural economy? As the interviewee states: "You can almost say that the businesses located in the business terrains of Leek are extensions of Groningen city" (Interviewee Nordconnect, 2011).

The export stimulating programme "WIN!" is focussed on stimulating international export activities amongst SMEs in Northern Netherlands. The aim of the programme is thus to help SMEs access international markets and to remove perceived barriers associated with export activities by providing knowledge to firms about export activities. To facilitate international activities, the chamber of commerce Groningen organizes diverse subsidised activities such as the provision of advice (juridical, taxes, export, regulations...), networking and knowledge sharing activities (meetings, seminars, workshops), congresses in region to receive more knowledge on export, trade excursions (tailor-made programmes to different countries, including firm visits for matchmaking meetings), trips to international trade fairs (organise trips) and the simulation of collaboration (subsidy for firms (min. 6) who have a joint plan to engage in a foreign country to do market research, export manager, participation in trade fairs...). Each activity is tailor-made for groups of SMEs with similar interest in a different country. According to the interviewee at the chamber of commerce (2011), the smallest SMEs participating in "WIN!" have 10-15 employees. The interviewee

was further able to state one firm in an industrial terrain of the Westerkwartier to make us of the initiative. Further participating firms in the Westerkwartier were unknown to the interviewee. The success of "WIN!", also regarding possible spin-offs still needs to be evaluated but the interviewee states that one of its successes is its ability to address a wide range of different firms. The programme is therefore not limited to the clusters defined by the Northern Netherlands Provinces.

Finally, the subsidy regulation "Prepare2start" has been installed to provide free of costs advice and process monitoring for starting export activities. The intention of the regulation is to encourage SMEs in international supply activities, production, collaboration and sale. Next to providing free of cost advice and process monitoring for interested SMEs, the initiative also provides up to 50% subsidies for preparatory activities such as translating websites, market exploration, partner selection, product presentation, presentation material, courses and training, juridical advice and registration of brands. According to an interviewee at the chamber of commerce (2011), there is great demand for this regulation and all dossiers were sold out by September in 2010. The speedy support and broad range of SMEs that can apply for the subsidies, hence it is not spearhead dependent, are regarded as success factors of the regulation.

3.4. Successful networking practices

International networking activities in Northern Netherlands are stimulated by regional network brokers. These are focussing on firms with more than ten employees, residing in the economic key areas of Northern Netherlands and engaging in one of the identified economic spearheads. Although important for the employment market of the Westerkwartier, regional networking support actions are not aimed at micro-firms within the rural areas of the Westerkwartier.

Micro-firms in the Westerkwartier are not considered by regional network brokers because they are too small for international networking activities and because they operate outside of the economic spearheads of the Northern Netherlands Provinces. An exception is the numerous web shops and ICT firms residing in rural Groningen, including the Westerkwartier. Networking activities dealing with micro-firms in the Westerkwartier are initiated by rural network brokers. They aim to engage micro-firms in local business networks in order to facilitate local contact and new product development.

When looking for successful network support actions that are able to reach firms operating in Europe's rural economy, activities of rural network brokers need to be considered. Here, it is particularly interesting to highlight the broker function of the touristic change agents, the Association Groningen Villages and the national farmers union in collaboration with the manager of the national rural development programme. All of these brokers have been installed through different public funding

sources. The touristic change agents were a LEADER project, the others received funds from axis 1 and 3 of the development programme. They initiated different networks by facilitating contact between different types of micro-firms and provided assistance and advice towards becoming independent legal entities.

The key factors to create successful and lasting firm networks appear thus to be based on building networks with firms of shared interest (e.g. economic sector, firm as side-activity etc.) and the creation of a sense of ownership, for example by stimulating joint product developments. Furthermore, "a region has to discover its strength and it has to use this strength to do international business" (GCTS, 2011).

In the Westerkwartier, the efforts of rural network brokers have shown positive effects. For example through the networking support actions of the touristic catalysts, firms have found each other in the touristic platform to offer touristic and recreational arrangements such as cycling tours with stops at different touristic enterprises. The former chairmen of the LAG also states that entrepreneurs start to recognize the benefits of the network and that they are joining to stimulate more recreation and tourism activities in the Westerkwartier. This development, he argues, is positive for the development of the employment market as it creates job opportunities: "There are people who earn their money with these activities and this ensures that people are coming into the area. They invest money into the region which is very important for the economy of the rural area" (Aldermen Zuidhorn, 2010).

Even though members of each network admit that engaging volunteers in the organisation of the network is problematic and difficult, all networks were able to become independent of their network broker and are operating as independent, legal entities. Being a legal entity also helps them to apply for public funds- such as LEADER- on their own.

Furthermore, one can argue that local business networks can act as stepping stones towards international networking activities: "If these firms are there, you can try to strengthen them. Once you start strengthening them, you can bring them up to a higher level. They start so support each other and do things together. This is what I believe in" (Sytsens, 2011).

To illustrate a successful example of how the local network initiatives can act as stepping stone towards international networking activities comes from the network "Paardenkwartier". A number of entrepreneurs of the initiative "Paardenkwartier" have thus established a joint limited company to sell their horses to China. To set up this international network, the entrepreneurs paid money to receive help from the company "Great China Trading Strategy". They further received support from the national initiative "Prepare2Start". The "Paardenkwartier" is therefore a successful example for using local business networks as a stepping stone towards international networking activities: "Through the network we found each other. This is also how

the idea with China developed. In fact, the idea of China needs to be regarded separate from the network even though our board members are involved with it. We always sat together as a board in the foundation and talked to each other. This is how the idea developed and we decided to do it. We prepared a trip to China together with the Great China Trading Strategy (GCTS). Contact with GCTS was established through a further board member. The daughter of the entrepreneur behind GCTS was taking riding lessons at his stables. One way or another they got talking about exporting horses to China. She prepared an 11day trip to China for us and arranged business visits in China. Everything went really fast. In August we had the idea and in October we were already in China. Of course, [the service] cost money. This was not paid out of the foundation but from us as individual entrepreneurs. This is why we decided to start a limited company, an export firm" (Board member Paardenkwartier, 2011). To emphasise the importance of the network for establishing the joint export firm, the board member (2011) states: "As individuals, we would have never done it regarding all the money and effort that needs to be put into it. If you do it together with three people, then you do not want to admit to the others that you think it is too much and then you will just do it as a group".

4. REPORT ON JIHOMORAVSKÝ KRAJ (CZECH REPUBLIC)

4.1. Regional Policy landscape for business and networking support

Support for Economic Development

Important role in the economy of the Region plays small and medium-sized enterprises, which cover about 71% of all enterprises in the Region. The branch with the highest dynamic growth is above all an industrial production, which has a significant impact on the overall economy of the Southeast area in both Regions (South Moravia, Vysočina). The most important position in the Region has a general engineering, particularly power engineering, a mechanical engineering and an electric engineering. There are also others as an electronic and textile industry, however they are in the long-term recession. Important role has also a foodstuffs industry, chemical and pharmaceutical industries, glass, ceramic fibers and woodworking productions. Significant part of the South Moravian Region economy is agriculture, (especially gardening and wine growing/making) and related manufacturing industries. The Southeast Region constitutes a major development center of Brno agglomeration in terms of potential for innovation, research and development. Favorable image of the Region influences the interest of foreign investors (especially in Brno), focusing on high-tech technologies but also increase an interest in the field of science and research.

The county has several tools available to support an innovation in the South Moravian Region. Firstly there are financial instruments, (probably the most important) whose the main aim is to ease an access to a capital for companies in term of business. The second important instrument for an active promoting of an innovation in businesses used by the Regional Office is a provision of specialized services and advices to companies for their effective functioning. The third group of tools to support an innovation of small and medium enterprises makes the institutional and organizational tools, namely the establishment of institutions and organizational structures with the specific aim of providing assistance to businessman in particular areas. This includes primarily the innovation centers, business incubators, industry-oriented consulting centers, technological parks, specialized intermediary institutions, etc.

Financial instruments used in a case of an unavailability of financial resources for a support of small or new businesses are being applied through the Operational Program for Industry and Enterprises and through the implementation structure of this program. Among mentioned individual institutions (business incubators, innovation centers and science and technology parks) only Innovation Centers (BIC),

which also operate as a business incubators, are successfully working in the Czech Republic conditions.

As starting points for "the Economic Development Strategy" ("The strategy") were used the Economic Growth Strategy followed by the Regional Development Strategy respectively. (The Regional Development Strategy of the Czech Republic within 2007-2013; the Development Strategy for Brno Region and the Industrial Policy of the Czech Republic). The global objective of the South Moravian Region is to use a specific potential of the Region to maintain the tradition of an industrial production as a supporting pillar of an economic growth and to increase profitability of agriculture and the long term sustainability of farming. To fulfill it is necessary to create a favorable business environment and to intensify the utilization of internal development resources of the Region.

Business Start-up Grant Scheme

Promoter of the grant program is the South Moravian Region. The purpose of the subsidy program is to develop a business environment in the Southern Region, to support small businesses in the Region at the beginning (founding) or an early stage of their businesses by subsidies and by that to increase the employment rate of the population in the Region. Initial conditions for the announcement of the grant program are focusing on a support of starting entrepreneurs from the Southern Region based on the Southern Region Development Programme:

Range of A priorities: "Entrepreneurship, Research and Innovation".

- A.3 Measures: "Support of new business activities; support of local small and medium business". A.3 Goal 1: "Systematic development of an open business environment that will create conditions for the initiation and a further development of business activities, including development of human resources in businesses."

Range of C priorities: "Human resources and labor market".

- C.2 Measures: "Improving conditions for an employment". C.2 Goal 2: "To increase the employment rate of the population and to improve the utilization of the potential labor force".

Location of the subsidy program: The South Moravian Region. The subsidy can be used for:

- a) an acquisition/purchasing of buildings and constructions
- b) an acquisition/purchasing of machineries and equipments
- c) an acquisition/purchasing of PC equipments including software
- d) advertising and purchases of promotional items
- e) purchasing the land

- f) acquisition/purchasing of furniture for the plant establishment
- g) a purchase of a conveying device
- h) an acquisition/purchasing of tools
- i) an acquisition of licenses and patents
- j) the creation of web pages
- a) the creation of goods catalog
- l) Leasing
- m) the payment of rented rooms where the applicant carries out activities according to the project, equal to time and place

Regional Operational Programme

Regional Operational Programme for the NUTS 2 Southeast is one of seven Regional successors of one common national program called "the Joint Regional Programme" for the period 2004-2006 (SROP). SROP was one of five operational programs during the period 2004-2006, which was implemented in the Czech Republic under the Community Support Framework for the Objective 1. The basis for the preparation of the operational programs for the period 2007-2013 is the National Development Plan (NDP), whose preparation took place in 2005 based on the CZ Government Resolution No. 245/2005. Global aim of ROP NUTS 2 Southeast is "a growth of competitiveness and prosperity of the Region together with an improvement of the quality of life". The purpose of such development-conceived objective is to achieve an economic, social and cultural level of the Region comparable to developed European Regions. Regional Operational Programme sets out three main priorities for the development support of such a Region of cohesion in the Czech Republic under the Convergence Objective of the European Regional Development Fund during 2007-2013. These priorities cover the issues of a transport development, tourism, an urban development and a rural space. A separated priority is a technical assistance. There are also institutions and infrastructure supporting innovative businesses in the Southeast Region such as: The South Moravian Innovation Centre, CTP Modrice-Brno Park, the Czech Technology Park, the Regional Development Agency of the South Moravia, the Czech Academy of Sciences, etc.

Regional Innovation Strategy for the South Moravia Region.

The strategy is being prepared as a long-term document valid until 2013. There are following visions according to the authors of the strategy. The Vision of the Development Strategy for Southern economies (SRH SM) is oriented as follow:

- to maintain and possibly increase an economic capacity, which is ranking the SM Region among the three the most developed Regions of the Czech Republic

- to implement measures that will promote the trend towards sustainable development of the economy in the Region
- to support the development of problematic areas of the South Moravian Region, ,
- to profile Brno as the Regional metropolis and the economic center of Moravia with a strong position within the EU.

The global objective of SRH SM is developed in three main directions:

- 1) Creating and developing of the business environment.
- 2) Building material and technical conditions for a business development.
- 3) Direct support of key business projects.

SRH SM will become an essential reference document for the Regional Innovation Strategy after its acceptance. Objectives of SRH SM are in line with the measures of the Regional Innovation Strategy. Regional Innovation Strategy defines specific steps leading to an improvement of the business environment and creating material/technical conditions for a business development.

Programme for the Development of the South Moravian Region

Regional Development Program is a medium-term programme document for the support of Regional development at the county level with an emphasis on a socio-economic sphere. The program consists of a vision, specific objectives and measures leading to fulfillment of the vision. The vision of Regional development program is "a substantial increase in the global competitiveness of the South Moravian Region emphasizing the comprehensive development of human resources, increasing its economic importance and benefits of tourism, improving a quality of life and sustainable development."

Regional Development Program is conceptually superior to the Economic Development Strategy document (SRH SM), especially problematic topic 1 – an industry, a trade, production services, a labor market and employment it is more in detail comparing to (SRH SM).

Regional Development Programme includes the following nine challenging areas:

- 1) Industry, Trade, Community Services, Labour Market and Employment
- 2) Agriculture and Rural Regions
- 3) Human Resources
- 4) Technical infrastructure
- 5) Environment and Natural Resources
- 6) Tourism
- 7) Intra-Regional relations

The most important for the Regional Innovation Strategy is probably a problematic topic 1 - Industry, trade, production services, labor market and employment and within it then 1.1 measure - Support of business projects with high added value of a production, research development and innovations (including universities).

Measures tools leading to an improvement are following:

- Support of the creation and development of Regional innovative commercial entities (research, development, pre-manufacturing activities), operating in the modern sectors.
- Evaluation of scientific results and new technology solutions in industrial and commercial outputs.
- Support of implementation outputs for the realization of production with high added value

with respect to the growth of the ratio on the finalization of the production.

- Creating the conditions for FDI in the gradual shift of more difficult manufacturing operations and functions (R & D, marketing) to local businesses.
- Fiscal and financial support from the State (Region) in overcoming barriers to enter into a modern industry.
- Conducting an analysis of creative capacities at universities, research institutes and major companies.

4.2. Brokering networks

South Moravian Innovation Centre (JIC).

The institution (JIC) is helping to innovative companies, students with original ideas, researchers and inventors. JIC promotes collaboration between industry, research institutions and public administration. The "Center" creates a friendly environment for an innovative business in the South Moravia Region. Target beneficiaries are starting companies, larger companies, individuals (students, researchers). The main participants in the network activities are business owners who are in charge of growth value of the firms, investment and mergers, top managers of companies and acquisitions, chief strategy officers, who manages growth of strategic projects, marketing and sales managers, and production managers.

The major JIC project is so called *Innovative network academy*. The aim of the innovative academy is the training of managers and owners of companies to face new challenges in sharpen competitive environment in which innovation is just becoming a new source of competitive advantage and society growth. Innovation Academy program is based on a combination of best practices and trends in the field of innovation management, also includes a practical element in the form of workshops

and coaching of specific business projects. Interactive workshops addressing issues of innovation-driven manner - as particularly innovative business strategies, build powerful corporate innovation processes, new markets, products, and a step increase in efficiency of business processes. Also contains workshop elements, called a training section to suggest at least the concept of the project for each participating company. Part of the Innovation Academy is also excursion leading to important companies in the Region. The participants obtain a certificate after the successful defense of his innovative project at the end of the course.

"The purpose of the academy is an understanding of the innovative concept of innovation. It is an understanding that innovations are not epochal technical solutions or patents at patent offices. Innovation begins at the market. Customers must accept it and they must pay for it. Innovation - it is a business, interesting and exciting business for people who like to do things differently. Thus, innovation is not the topic for engineers, inventors and professors, but mainly for entrepreneurs and managers. Innovation is about the future of companies because each company should consist of two companies - a company called "production", which is about productivity, standards and discipline and which is doing business today. Secondly the company called "Innovation", which does a business for the future" said John Košturiak, President of the Fraunhofer IPA Slovakia.

Other activities:

Incubation Program - it is not designed for any company, its entire purpose is a complex support for starting-up companies. The business plan suitable for incubation must be built on an innovation and to offer potential return on investments. Companies selected for the incubation program get the best environment for starting a business. It includes assistance with creating a business plan and all company-based trainings, consulting in the areas of: finances, marketing, management, human resources, networking and collaboration with universities in Brno, economic and organizational consultancy, accounting, tax and legal advisory services, incubators, scientific and technological parks, innovation vouchers, technology transfer, patent and licensing fund. Companies involved in the incubation program are for example 3Dim Laboratory Ltd., Bender Robotics Ltd., CESPRO, Ltd., Computer Security Technologies Ltd., DINASYS Ltd. Enantis Ltd, Enjoy spol. Ltd., ENVINET, FLEXICAT TOOLS, Global Business IT Ltd.

Innovation vouchers - are one-shot subsidies to entrepreneurs for their pilot cooperation projects with the knowledge provider. The intention is to build up long term relationship between both parties to be able to work together on challenging projects in the future. Innovation vouchers help on the one hand to increase the competitiveness of small and medium-sized enterprises and on the other hand to make more effective research commercialization at the research institutions.

Brokerage - are international partners meetings allowing gathering of business representatives and academics at one place. They usually focus on one or more disciplines and aim at establishing contacts and searching partners for international cooperation in research, development, production and technological applications. Participants have the opportunity to meet at pre-organized meetings, which are built on their interest in cooperating with other participants. Two days ICT Brokerage was held in Brno in April 2009, which was designated to research institutes and companies all over the Europe, especially from neighboring Regions. This event should allow the establishment of cooperation between the Czech firms and researchers and foreign partners, especially the possibility to be engaged in joint projects under the 7th Framework Programme in the field of Information and Communication Technology. ICT Brokerage 2009 was attended by a total of 98 participants, including 35 foreigners. Most participants evaluated the event as very beneficial, the highest was rated the possibility of finding a partner into a joint project and to make contacts relevant to their research project or activity. The Masaryk University in cooperation with the Institute biostatic and analysis and the Center for Technology Transfer organized in June 2010 the International Partners meeting for companies and research organizations focused on nano-biotechnology, bioinformatics, computational biology and biotechnology in general. This event took place under the SynBIOsis project.

Regional Chamber of Commerce (KHK JMK)

Regional Chamber of Commerce of South Moravia (KHK JMK) is a professional association of chambers of various districts of the South Moravia. KHK JMK is the accredited county Chamber of Commerce in relation to the Economic Chamber of the Czech Republic. Its focusing is on business development - promoting and protecting the interests of members of the chamber of commerce, primarily consulting and advisory services in matters related to business activities. KHK JMK is organizing educational activities and cooperates with state and local governments in providing information services and professional trainings. It participates in retraining and helps in the field of employment. Therefore it is a leading business organization in the South Moravian Region, which supports start-up businesses (from SMR, CMZRB and from EU funds) and it creates an information sites for entrepreneurs, including CzechPoint. It also organizes training seminars on current hot topics, the conferences with a supra-Regional character, and business meetings for entrepreneurs on hot problematic topics in economy. It organizes and conducts trade missions abroad. It deals with economic and financial consulting services, customs and export services, legal advice and arbitration. It is the initiator of improving the quality of education at specialized high schools and universities in accordance to business needs. Target recipients are consisted of the business public. The organization is involved in projects announced by the South Moravian Region, the DTI (Department of Trade and Industry), cross-border projects.

Project Title: Strategic management support in accordance to the strategic objectives for the South Moravian Region

Implementation Period: 04/01/2008 to 03/31/2009

Focus: organizing seminars, workshops for entrepreneurs and aspiring entrepreneurs, organization of thematic conferences on entrepreneurship and business meetings, information, economic and legal advice for entrepreneurs.

KHK JMK activities in the project: organizing and providing seminars, workshops and conferences, information service for businesses.

The program, from which the project was funded: Grants for the South Moravian Region.

Project Title: Joint EU market and innovative products and services - the basis for economic development of the South Moravian Region

Implementation Period: 04/01/2009 to 03/31/2010.

Focus: seminars, workshops for entrepreneurs and aspiring entrepreneurs, organization of thematic conferences on entrepreneurship and business meetings, information, economic and legal advice for entrepreneurs.

KHK JMK activities in the project: organizing and providing seminars, workshops and conferences, information services. Program for entrepreneurs, from which the project was funded: Grants for the South Moravian Region.

Centre for Regional Development of the Czech Republic (CRR)

Allowance organization of the Ministry for Regional Development. The CRR is actively involved in supporting the Regional government policy since its foundation in 1996. As the implementing agency or controlling and intermediary organization provides activities aimed to EU programs opened for the Czech Republic:

- in the programming period 2007-2013
- in the programming period 2004-2006
- in the pre-accession period 1998-2006

Their main activities are consultation, mediation and control of projects selected under the selected grant programs of the Structural Funds and Regional support policies of the Czech Government. CRR provides hardware and software support and an operation of MONIT and BENEFIT monitoring systems for projects financed by EU Structural Funds. CRR also methodically manages and directs the foundation, construction and operation of the Regional Information Service (RIS), which is unique online summary of Regional data from the entire country.

Free access to the data is characterizing an economic environment, an environment, a social environment, an administrative structure, autonomy, governance, funding

opportunities and many others. It was the Center for Regional Development which built CRR Map Server to provide high-quality viewing of specific data showing the development and activity in different Regions of the Czech Republic in connection to the RIS. Furthermore, the C CRR is the hosting organization for one of the workplace of the Enterprise Europe Network in Prague – the member of the European information network and consulting for innovative businesses which provides data on the united European market, legislation and the EU programs and projects for small and medium-sized enterprises.

The target beneficiaries include potential applicants for grants, grant recipients, the broader professional public, local government, businesses, students and teachers. Participants in the network are entrepreneurs, companies and private individuals, municipalities and organizations owned and controlled by them, the associations of municipalities and nonprofit organizations.

Enterprise Europe Network (EEN)

This is a European network of comprehensive integrated services to support the development of innovative capacity and competitiveness in the single European market. It focuses on providing advisory services and information for business development, especially for small and medium-sized enterprises:

- providing advice and information on the single European market and how enhancing enterprise competitiveness,
- assists in the transfer of technology
- offers project consultancy.

Currently EEN network comprises nearly 600 organizations where work up to 4000 professionals from more than 40 countries. It covers not only all European Union member states and candidate countries, but also other countries such as Russia, Switzerland, Egypt, Israel and Norway. The aim of the network is to provide businesses with comprehensive services in one place. In the Czech Republic, this network is supported by the European Union in the EU Framework Programme for Competitiveness and Innovation and Ministry of Industry and Trade. Activities of the Czech part of the Enterprise Europe Network is implemented by a consortium of eleven partners coordinated by the Technology Centre AS CR. Regional distribution of all consortium partners and close cooperation with other institutions in promoting entrepreneurship and innovation ensures optimal availability of quality services and information for Czech businesses. Czech part of the Enterprise Europe Network consists of three modules. The network is supported by the European Union in the EU Framework Programme for Competitiveness and Innovation and Ministry of Industry and Trade.

Regional Development Agency of the South Moravia (RRAJM)

Support the sustainable development of the Region and increase its competitiveness by implementing development projects, cross-border cooperation projects as well as support of an investment and innovation. The main activities within the direct investments support are free services to potential investors, their after-care support, strengthening the links between foreign companies and local contractors and companies as well as research and development institutions. Other activities include cooperation with the Agency promoting business and investment (CzechInvest), preparation of presentations and marketing materials, facilitating contacts with state and local governments and providing the current supply of a suitable industrial estate. RRAJM provides current supply of industrial properties within the Southern Region, where recently keeps about two dozen of industrial zones in various stages of investment preparation, a number of existing industrial buildings and office centers. Target beneficiaries are Municipalities, companies and individuals within the South Moravian Region. Participants in the networks are investors and entrepreneurs. RRAJM focuses on an implementation and support of development projects - the Project division.

Projects are focusing on Regional development. The target beneficiaries are municipalities, private entities and SM with the project objectives having a positive impact on the Region.

Brownfield Regeneration Unit - the division of investment and innovation. It is the basic building block in the regeneration of BF JMK providing mapping, theoretical education, and promotion of regeneration of BF projects. The target groups are the owners of BF in the Region. Currently it has a role of mediator in Brownfield regeneration activities. The aim is to ensure an information channel between end users and institutions having direct connection to potential grants.

Promoting investment and innovations - the main activities in support of direct investments is a free service for potential investors, based on after-care investors, strengthening the links between foreign companies and local contractors and companies and also research and development institutions. Other activities include cooperation with the Agency for the business and investment support (CzechInvest), preparation of presentations and marketing materials, facilitating contacts with state and local governments and ensuring the current supply of suitable industrial real estate. RRAJM provides current supply of industrial property within the Southern Moravian Region. IT currently lists about two dozen of industrial zones in various stages of investment preparation, a number of existing industrial buildings and administrative centers.

Small Projects Fund (SPF) is a part of the Goal called "The European Territorial Cooperation". It is trans-border cooperation OP CBC Austria – The Czech Republic and it is directly connected to the "Disposition Fund" of CBC program from the previous

period. The Czech-Austrian trans-border area is divided for the purpose of a land implementation into 3 separate Regions where there is a designated Manager and Administrator (Secretariat FMP) on each side of the border. This includes the following Regions:

- South Bohemia - Upper Austria - Lower Austria (includes NUTS III South Region, Mühlviertel, Waldviertel, Mostviertel-Eisenwurzen, Innviertel, Linz, Wels, Steyr-Kirchdorf)
- South Moravia - Lower Austria (includes NUTS III South Region, Weinviertel Nordteil Wiener Umland, Wed Pölten)
- Highland - Lower Austria (includes NUTS III Region, is Waldviertel Mostviertel-Eisenwurzen)

The South Moravian Region is administered by the FMP Association of towns and villages in the Southern Moravia (SM MSM). The Regional Development Agency South Moravia is acting as SPF Secretariat. Small Project Fund (SPF) in the Southern Region has 3.1 million Euros available during the period 2007-2013.

Znojmo winery Local Action Group (LAG)

This is a community of people who want to be active in favor of their Region. LAG is based on partnerships building between businesses, public sectors and NGOs. It is a non-political community in which all partners have an equal vote, the large municipalities as well as small civic associations. Such community teaches us that we need each other and cannot be one without the other in the Region. Only close cooperation and partnership of farmers and villagers are a guarantee of quality rural development.

It tries to organize its territory and to ensure its complexity with a maximum effort. This task is quite time-consuming and difficult since it is important to interlink with many other municipalities, businesses and partners. In particular, it mediates through a grant from the RDP RO SAIF Brno, it also offers additional grant guidance, a support to the promotion of their members and outsiders, and to inform the people about their activities. The target beneficiaries are municipalities, non-profit sectors, entrepreneurs and citizens. Communities, non-profit sectors, entrepreneurs and citizens are also participants in the network.

As the benefits and success I see the supply of money into poor rural Region onto specific needed projects and providing necessary consulting accessible to everyone from the mayors or the businessman from the area of interest. Money can receive also businessman or municipalities where mayors do not have time to look for information from various subsidies. They approach us and if they are suitable applicants, we are helping them with an application for a grant, corrections of errors

in the application form, with reporting changes and the final account. We often hear the phrase: "I could not make it alone". We are happy to help where it is needed.

It also implements Leader pulses strategic plan to improve the quality of rural life, focusing on the development of the Znojmo Region, counseling, community associations, NGOs, businesses and grants and providing subsidies through RO SAIF Brno.

LAG LEADER work method:

- Searches for grants according to needs of its members, processes and helps to prepare LAG projects and members projects.
- Training of the LAG members
- Performs project selections (with clear evaluation criteria and procedures of the unique selection committee)
- Verifies the acceptability of the applicant, the acceptability of the project, financial health, etc.
- Checking the progress of implementation before, during and after the project realization.
- Approving projects at its own governing body and at the public hearing, there must be determined order and the next steps of implementation during the selection of projects to be implemented.

A more accurate translation of the local action group (LAG) could rather be a group for a local action, a "bunch of people" who want to do different activities for its Region, which have legal personality and they are willing to carry on the financial and organizational security of this development.

4.3. An overview of main network initiatives

South Moravian Innovation Centre (JIC)

The organization manages the financing of projects and processes and delivers results. The project of Innovative Academy was presented as an example of the best practice. JIC is performing as a mediator of activities. Target beneficiaries who participate in networks are small and medium-sized businesses focused on processing industries (IT, engineering, live science) and a construction. JIC operates mainly at the Regional level. The organization contacts itself individual businesses, because small and medium-sized firms are rather passive. JIC develops a project based on their requirements, if you are interested. It is a partnership. It helps companies to develop contacts with other ones only within the Region, not outside. JIC helps to develop contacts between companies in the Region by using Brokerage

project, which consists of international partnership meetings that brings together business representatives and academics to the one place. They usually focus on one or more disciplines and they are aimed at an establishment of contacts and finding partners for the international cooperation in a research, a development, a production, technological applications and processing. Participants have the opportunity to meet at preliminary organized meetings, which are compiled on the basis of their interest in cooperating with other participants. It is mainly related to information technologies. The first contacts between local companies and external parties were launched through joint seminars or conferences, and through a special Web platform. Aims and reasons to build such network initiatives had been economic gains for the target beneficiaries. The Institution obtained top experts for new jobs. JIC expected an identification of problems in the Region. The problem is that clients must pay for the participation in the project. This project was supported by the South Moravian Region, the Regional Chamber of Commerce of the South Moravia and the CSOB bank. The most challenging problem for the JIC as the network broker was the marketing and convincing the clients to participate in this project. Companies involved in a network (participating in this project) are going through a monitoring and data evaluation and the monitoring of impacts after its finalization is expected. The project has already had benefits for participated businesses in determining metrics, increase of profits and an employment.



Figure 4: Synthesis diagram presenting different actors at the different geographical levels within the South Moravian Region.

Regional Chamber of Commerce of the South Moravia (KHK JMK)

Organization contacts partners in the South Moravia and Slovak Republic. Particularly Trnava, Trenčín and Žilina county. The Trnava Region is in a network (clusters) equal to the District of Hodonín, Břeclav and Znojmo Chamber of Commerce. There is a cooperation made on automobile, tourist and manufacturing clusters within district chambers. The organization helps to enter into various networks. Target beneficiaries who participate in networks, are micro, small and medium enterprises focused on processing industry and tourism. The organization operates mainly at the Regional (centers, towns and villages) and European level. The main motivation for

participation in the network is to meet the requirements of their network members. . . If the aim focuses on foreknowledge of other options on the market, it must focus primarily on the use of modern technologies in a production, and also to lead to the contractual agreement and cooperation of the production. Those are the most important criteria, which provide a proactive approach to networks. At the beginning partners contact KHK JMK and then the Institution approaches them. Firstly by email and then a personal meeting is fixed, where the terms of participation and discussing the benefits of the network takes place.

KHK JMK focuses on providing information within Information sites for businesses and also holds various seminars and trainings. An important element is the business meeting where the exchange of experiences is offered, not only at professional workshops level, but also at subsequent personal meetings between the parties.

The KHK JMK succeeded with organizing of professional conferences nationwide, aimed at the current delicate (hot) topics. Last year it was the utilization of PPP projects where the elements of networks are also applied. Then the conference focused on nuclear power plants. This year is planned to continue on following the successful themes within the conference on renewable resources and their impacts not only on the energy net in this country but also on the impact on electricity prices in the country. KHK JMK will continue with the austerity measures of the government in the areas of transport infrastructure, in sophistication of the system of PPP projects and an important moment in terms of our linkage with foreign companies will be the fair dealing with "Export of investment units" at the Engineering Conference. The topic of nuclear energy is still current, so next year it will re-focus on this area.

Companies involved in these networking initiatives are mostly from the construction, engineering and energy industries. The first contacts with these forms and external participants incurred through seminars, conferences, training and web platforms. Main objectives and reasons for networking initiatives it was especially the sharing of experiences, aimed essentially towards the economic profit. Financial assistance was expected in those projects that brought higher foreknowledge and review of results for individual members of the networks and possibly higher foreknowledge of candidates for these results. KHK JMK expected to obtain new knowledge application in the science, research and innovation, especially from the professional and organizational point of view.

Regarding other support, these were mainly business entities involved in particular project areas, e.g., engineering companies in the field of capital equipment, electrical companies, which have been linked to development and research. From the territorial point of view, it has always been communicated with local authorities, who expressed its view for support of projects and investments within their territories. According to applicable law it stipulated primarily locations in industrial zones and the consequent impact on the environment, transport, energy networks, etc.

The most challenging moment is creation of a suitable plan, which will be beneficial for the particular type of businesses, thus their focus, whether it is a system of clusters in the field of automotive, electronics, energy, tourism, trade, etc. Because there is concentrated over thousands of businesses in KHK JMK, there is a preference to approach mainly member companies and then companies and individuals who are in its business plan oriented to the development areas and objectives of the project aims.

The most companies enter the network with intention to maintain contact with other network participants after the end of the initiative itself. It is about developing plans. Usually, this project takes several years. Those who use the offer of its partners in development, experiences, and after even in commercial intentions become cooperating partners in the development of technologies where a manufacturing continues and sometimes even at sales dealerships.

Centre for Regional Development of the Czech Republic (CRR)

Centre for Regional Development ensures the implementation of selected programs co-funded by the European Union, traffic monitoring and information systems and support Regional government policy. Potential applicants provide consultation and in cooperation with the Regions and cities, provide training and seminars. Information and news and provides the necessary documentation, applicants and recipients of subsidies on its Web site and the various branches of its nationwide network.

Target beneficiaries who participate in networks are micro, small and medium-sized companies operating in the state and local government. It is working mainly on Regional and national level, particularly in the Vysočina Region and the South Moravia Region. Network initiatives involved mostly small and medium enterprises. The main motivation for them is to obtain finances and facilitate the application process for grants. Candidates for consultations and potential applicants contact the office alone. Regarding the feedback controls, then the branch contacts the recipients.

The help is seen in strengthening cross-border, transnational and interRegional cooperation through joint local and Regional initiatives. Network covers potential grant applicants, grant recipients, the broader professional public, local government, business, students and teachers.

The first contacts are made between the two actors, both local and external and they are carried out through seminars, conferences, seminars and special web platform. The main reasons for creating a network of initiatives is to Increase an awareness of the ways the possibility of obtaining subsidies from EU funds.

Main firm expectations were advices on project preparation for the promoters and organizing information seminars. Then development of a risk analysis of projects submitted and to propose measures to minimize them. Ambiguities and omissions in

documents design before concluding the agreement on co-financing from EU funds. Assistance to recipients in the preparation and execution of tenders for services suppliers, supplies and works for their projects. Ongoing review and monitoring during project implementation, working with beneficiaries in resolving problems and any changes in projects. Checking the eligibility of costs, materials and final settlement of payments and ensure that EU funds, including procedures to ensure the return of VAT. They also could use a saving of data into a computer monitoring system and preparation of summary documents at NUTS II level for evaluation of individual programs.

Network initiative support provided the Ministry for a Regional Development and the European Union. The most challenging moment was the role of controller according to Article 16 of Regulation (EC) No 1080/2006 in the programming period 2007-2013 in all the Objective 3 on the entire territory of the Czech Republic. as a network agent to perform the role of controller according to Article 16 of Regulation (EC) No 1080/2006 in the programming period 2007-2013 in all the Objective 3 on the entire territory of the Czech Republic.

They check whether:

- Reported costs are real.
- Co-financed products and services are delivered in accordance with the contract for a grant
from the ERDF.
- Implementation of the project and the project costs are in line with national legislation and
legislation.
- It is impossible double financing with other Community or national programs.
- The request for payment submitted by the grant recipient is in order.

Expected that even after the initiative of actors will be able to maintain contact, especially when, there will be some mutual benefit. The greatest benefit was to obtain funding from grant funds from the European Union.

Regional Development Agency South Moravia (RRAJM)

RRAJM based on its vision did not participated and it is still not participating in network initiatives. The main targets of RRAJM are municipalities. Development and support of network activities are only the second activities. Exceptions might be only partial project within the Region such as EUcity.net or partnership in AIP (Agency of Innovative business) as a supplement for the business support and assistance for the investors.

RRAJM is active particularly in the area of project preparation for Structural Funds, then to promote investments in the Region, in selected information services (Grant Calendar for the municipal sector, RIS - Regional Information Service), the administration of the Small Project Funds in the South Moravia / Lower Austria under the European Territorial Cooperation (the assignee of the INTERREG Disposition Fund IIIA), in development of an environment for the dissemination of an innovation and support for the Brownfield sites regeneration.

It works at the Regional, national and European level.

The network initiative involved mainly small and medium businesses. Companies contact RRAJM. There is an intention to have an individual approach, preparation of a personal plan based on consultations with the client. Payment is after work no interest is taken. They help companies through the Investment Project Support - The main activities in support of direct investments are a free service to potential investors, followed by the after-care service for investors, strengthening the link between foreign companies and local contractors as well as research and development institutions. Other activities include cooperation with the Agency to promote business and investment (CzechInvest), preparing presentations and marketing materials, facilitating contacts with state and local governments and ensuring the current supply of suitable industrial estate. RRAJM currently supplies an industrial property within the Southern Region where currently keeps about two dozen industrial zones in various stages of investment preparation, a number of existing industrial buildings and office centers. Outside the Region the RRAJM acts through the CENTROPE project - includes the geographical area corresponding to the southern part of the Czech Republic (South Moravian and South Bohemian County), Lower Austria (Vienna, Lower Austria and Burgenland) and Western Regions of Slovakia (Bratislava and Trnava Region) and Hungary (Gyor-Sopron-Vas). It aims to contribute to the development of the Central European Region by the cooperation in various areas such as economic development, science research, innovation, labour market, infrastructure development, environment, culture and tourism. South Region had the opportunity to present abroad through Centrope. There have been organized several seminars and conferences in Brussels, Vienna and in Japan focusing on attractiveness of the Region for foreign investors. Centrope project won the prestigious award at the World Investment Conference in La Baule in June 2005. A promotional film was awarded as "The best Achievement in the field of advertising."

The objective of the Regional Development Agency South Moravia is to assist Regional development in the South Moravian Region. RRAJM provides services to public sector, emphasizing the entities in the South County, and other interested parties in consultations regarding Regional development. The companies are doing a business in engineering, information technologies, science and research. The first contacts between local companies and external parties were initiated through seminars, conferences, training and web platforms.

There was expected an expansion of knowledge and education on issues of Regional development, structural policy and project management, also development of consultancy in the preparation of industrial zones and commercial real estates and management of their supply.

Network initiative promoted South Moravian Region, the EU and the Government. The most challenging moment was the creating of a focus and a structure of the network.

It is expected that firms participated in the network; even the initiative finishes will be able to maintain mutual contacts. The main benefit for the firms is obtaining a free service and after-care for based investors, strengthening the link between foreign companies, local contractors and research and development institutions.

Local Action Group Znojmo winery (LAG)

The role of the organization is generally in rural development, namely the Znojmo Region. We bring money to municipalities and businesses through our activity; we also work with the non-profit sector. We provide subsidy offer advice to our members and also non-members from the area of the interest, but mainly financial resources from the RDP.

Target beneficiaries who participate in networks are micro and small enterprises, which are focused on crop production and food processing. LAG operates mainly at the Regional level (specific municipality). Mainly small businesses are involved in the network (initiative). Over the time, entrepreneurs have growing interest in our business. Entrepreneurs are motivated primarily by the possibility to obtaining a subsidy or to get its promotion. Some of them are contacted by the network; some of them are approaching LAG firstly. It depends on the individual cases.

They help companies to develop contacts with other ones at a Regional level, but only partially. They are mainly farmers and vintners. The first contacts between the companies and external parties began by using so-called round-table sessions (discussion with the public) and through a special Web platform. The main goal of the network was and still is the development of the Region. Since the network was founded it was expected to have the opportunity to develop a backward rural Region. It is possible to say they are slowly succeeding. The first experiences were positive - the first supported projects, but as well negative - the first not supported projects or personnel issues. This activity (network) is supported by the members (membership fees). Furthermore, they are promoted by communities on their Websites. The most difficult moment comes when they have to inform the applicant that the project will not be supported. It is expected that even after the network initiative finishes the participants will be able to continue to work (keep your collect contact information). The main benefits for participants in the network are the possibility to obtain subsidies (through LAG as a mediator) and to get grant consulting.

4.4. Successful networking practices

South Moravian Innovation Centre (JIC)

Innovation Academy is a very successful initiative, which highlighted the importance of an innovation and every practice within the firm. It allowed to gain new information and to establish a number of new cooperation's. This project is getting a large number of positive responses. Participants were given the opportunity to test the theoretical knowledge on innovations in practice and under the guidance of experienced teachers they could prepare innovative project fitted to their business.

"Benefit of such an initiative for JIC can be seen in two aspects. The first one is the benefit for individual participants in the project. Many of them had the concept of innovation initially connected only with a product innovation. To find out that this is a complex issue and that innovation of processes and the innovation of business models can be for the company a way how to get a higher profit comparing to a product innovation process was a great discovery for some of participants. The second aspect is the fact that we managed to create quite a large team within the company which is engaged in a systematic innovation and helps to change the internal thinking and business processes in order to achieve a gradual and continuous improvement in all areas of a business," said TON a.s. general director, Ing. Koutsky Peter.

"During our business history we have always tried to think newly about the things. However, the Innovative Academy opened to us a perspective how elementary is the innovation in every area of our business. From innovative products and services up to upgrade of the entire business system" mentioned Icontio representative Mr. Emil Vařeka. " New and very useful is for us also a systematic approach to business innovation where we receive many helpful tips thanks to the Innovation Academy," he added.

"Many companies cannot or are not willing to invest considerable time and financial resources to a demanding project analysis and searches for potential innovation projects and a company development due to strategic reasons in times of economic crisis. Especially for those the South Moravian Innovation Centre prepared the project as the Innovative Academy. Its mission is to provide to a top management a comprehensive overview of the possibilities of innovation in particular business structures in order to increase the interest from the customer side while also reducing costs. Each company will get an initial analysis of options for its own development, which saves its time and eliminates errors, also needlessly spent expenses, but especially will provide a guidance in a possible direction of its development "said main JIC consultant MVDr. Michael Kostka,.

Brno Regional Chamber of Commerce (KHK JMK)

Each network that has been created had several phases.

1st Create goals and enthusiastic entering of candidates;

2nd Real achievement of the objectives and gaining experiences in development, research, surveys but mainly searching cooperation and follow-up steps for each partner;

3rd Implementation of the project outputs, see section 12 and the transition to economic evaluation of the project - the partners' networks.

According to the network opinion the most important outcome is that individual participants in such projects, networks can re-log on or create similar structures and already have clear ideas of what is realistic to expect from these projects for the development of their society.

Centre for Regional Development of the Czech Republic (CRR)

Enterprise Europe Network (EEN) is European network of comprehensive integrated services to support the development of innovative capacity and competitiveness in the single European market. It focuses on providing advisory services and information for business development, especially for small and medium-sized enterprises:

- to provide advices and information on the single European market and how to enhance enterprise competitiveness
- to assist in the transfer of technology
- to offer project consultancy.

According to CRR opinion the initiative of the network is so far successful, but this cannot be fully evaluated, because the project runs continuously until the end of 2013. Only after its completion will be sufficient to evaluate its success and explain.

Currently EEN network comprises nearly 600 organizations where work up to 4000 professionals from more than 40 countries. It covers not only all European Union member states and candidate countries, but also other countries such as Russia, Switzerland, Egypt, Israel and Norway. The aim of the network is to provide businesses with comprehensive services in one place. In the Czech Republic, this network is supported by the European Union in the EU Framework Programme for Competitiveness and Innovation and Ministry of Industry and Trade. Activities of the Czech part of the Enterprise Europe Network are implemented by a consortium of eleven partners coordinated by the Technology Centre AS CR. Regional distribution of all consortium partners and close cooperation with other institutions in promoting entrepreneurship and innovation ensures optimal availability of quality services and

information for Czech businesses. Czech part of the Enterprise Europe Network consists of three modules. The network is supported by the European Union in the EU Framework Programme for Competitiveness and Innovation and Ministry of Industry and Trade.

Regional Development Agency of the South Moravian Region (RRAJM)

RRA JM provides to potential investors (whether domestic or foreign) free information about the entire Region, a guidance for a selection of suitable industrial property fitting to suppliers and potential applicants. RRAJM also provides contacts with state and local governments (municipalities, employment offices, a foreign police, etc.), educational institutions and consulting firms (HR agencies, consultants, real estate agencies). This initiative is definitely a success.

Examples of successful investors:

- IBM (U.S.)
- Motorola (U.S.)
- BenQ (TWN)
- Daido Metal (JPN)
- Honeywell (U.S.)

Znojmo winery Local Action Group (LAG)

Foundation of LAG is successful initiative as it brings money into the county and it develops cooperation between different actors. Money can receive or businessman or municipalities where mayors do not have time to look for information from various subsidies. They approach LAG and if they are suitable applicants, LAG is helping them with an application for a grant, corrections of errors in the application form, with reporting changes and the final account. "We often hear the phrase: "I could not make it alone". We are happy to help where it is needed" said LAG manager Lenka Mrázková.

A promotion is very important action for foundation and maintaining the networks. The focus of LAG in 2011 will be to promote the Znojmo Region.

The aims of promotion:

- to clarify the concept of Znojmo winery LAG in the Region
- to increase the knowledge of LAG and the possibilities of its subsidies
- to approach more businesses and nonprofit organizations
- to clarify it within local producers

Particular steps of a promotion:

- 1) Publication of LAG Znojmo winery logo on web sites of the members.
- 2) Publication of articles about LAG in local newsletters.
- 3) Enlargement of the database to where LAG Znojmo winery sent its e-newsletter.
- 4) Preparation and arrangement of an exhibition of LAG and LAG open day.
- 5) The Special issue of the newsletter as invitation for its members.
- 6) Approaching the local producers and helping them with promoting of local products.
- 7) Participation at the Moravia Garden exhibition - creating a new banner.

5. REPORT ON GORIŠKA (SLOVENIA)

5.1. Regional Policy landscape for business and networking support

In order to identify and understand the enterprise-supporting (institutional) landscape in Goriška region we had to:

- (1) prepare a detailed analysis of various documents (development programmes, laws, regulations) tackling business support, entrepreneurship, rural and regional development;
- (2) focus on extensive media "tracking" (especially since the start of DERREG project in January 2009) on national, regional and local level;
- (3) make an interview (interviews) with relevant regional and local actors (business support institutions, regional development agencies, entrepreneurs).

There are several fundamental national documents for entrepreneurship development: National Development Programme of the Republic of Slovenia (2007-2013), National Strategic Reference Framework, Resolution on National Development Projects for the Period 2007-2023, and four Operational Programmes (Developmental potentials, Human Resources, Environmental and Transport Infrastructure, Territorial Cooperation). Herewith, we would like to emphasise an important role of the Resolution on National Development Projects as the first national document trying to follow the objectives of polycentric development on project level (although the concept of polycentric development has been introduced in 1970s in the former Yugoslavia). This document is leaving behind classical hierarchical and centrality model and is aiming at the model of decentralised network of various development nodes mostly in urban regions, but with functional and gravitation connection to rural areas. It determines vision and goals of the country within common European regulations, policies and strategies, in particular Lisbon Strategy. The main feature of this policy is its inner-policentricity: there are several pools where some centres are being specialised on the basis of their local amenities and potentials. National development projects are focused on creating opportunities for dynamic economic environment where 5 priorities have been recognized:

1. competitive economy and faster economic growth,
2. efficient creation and application of knowledge for economic development and high-quality jobs,
3. efficient and cheaper state,
4. contemporary social state and increased employment,

5. development and renovations of infrastructure (road, rail, information network, energy).

The Resolution contains 21 key projects (large and concentrated planning of investments with multisectorial results) whose implementation at the national and regional level will be focused on development initiatives and resources. Strategic documents are the basis for institutional and financial framework of entrepreneurship development on national, regional and local level.

For Goriška region, regarding the regional policy landscape and relation between the actors, one could argue on two hypothesis:

- (1) there is no hierarchy model of institutions that represent the business support environment at regional level,
- (2) the practical operation of business-support institutions on regional level has not been harmonized.

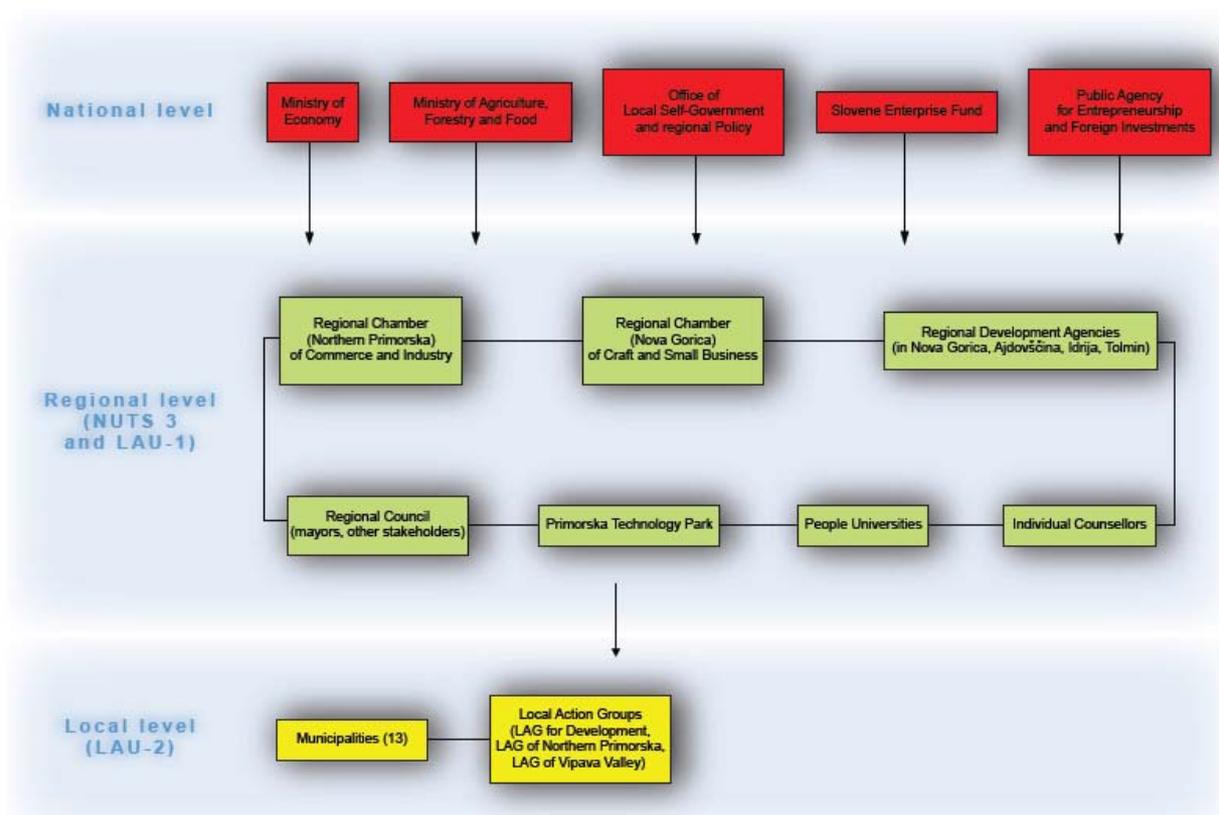


Figure 5: Scheme of business-support institutions in Goriška region.

As it can be observed in Figure 5, there are several above mentioned documents that determine operation of sectoral institutions on national level (Ministry of Economy, Ministry of Agriculture, Forestry and Food, Office of Local Self-Government and regional Policy, Slovene Enterprise Fund and Public Agency for Entrepreneurship and

Foreign Investment). On regional level we should emphasise the role of following institutions:

- Chamber of Commerce and Industry (a regional branch for Northern Primorska region in Nova Gorica) which should be the main supporter of the business development, but in practice their activity is very limited (regarding finances and available human resources; Mihelj, 2011), since there is no obligatory membership for firms for the last few years. Firms are not interested to pay memberships as "they do not receive anything in exchange" (the general remark generated by in-depth firm interviews in 2010). This institution is supposed to have the most important role, but due to mentioned lack of capacities their objective of supporting business development is very modest.

- Chamber of Craft and Small Business (regional branch in Nova Gorica) has more "power" comparing to Regional Chamber of Commerce and Industry. At the moment, this institution has more financial and personnel capacities, there are numerous small firms included (membership is obligatory). They offer workshops, bigger business support structure, they introduced a practical services (to prepare documents for firm registration at one place; VEM Project), they also deliver craft permissions, the chamber is divided into special sections to address problems of firms properly. They also work as project partner (for example in LEADER initiative), they are presented not just in urban, but also in rural areas, they are also strong in business information dissemination (different calls in public media; Delo, 9. 6. 2009, p. 15). They are representing the interests of their members at the occasional meetings with politicians at national level, but with regional provenience

- Important role for business development is observable through the network of 4 regional-development agencies: RDA of Northern Primorska (seat at Vrtojba), ICRA (RDA for Idrija and Cerklje region), Business Support Centre in Tolmin (PPC) and RDA Rod in Ajdovščina. RDAs (especially Northern Primorska RDA) are focused on promotion, education and co-ordination: they set-up various tenders for entrepreneurs, organize business and educational events, set-up e-database for firms, prepare and lead projects. Occasionally they provide business plans and elaborates as they have a licence for business consultants. They emphasised (Mihelj, 2011) that entrepreneurs in Goriška region mostly "do not feel the need for education"; although they had participated in voucher system or have participated in courses on taxes, book-keeping, sanitary standards etc.

- There are usually small (financially and from the personnel point of view) economic departments (at the urban municipality of Nova Gorica)/experts at municipalities (usually in smaller municipalities): small municipalities offer modest financial means to firms. Those municipalities that are financially stronger open more calls for SMEs. There has been some over-lapping in this field, since the municipalities are also founders and co-financers of mentioned RDAs (Mihelj, 2011).

- Primorska Technology Park works as a business incubator, aiming to strength co-operation with the University of Nova Gorica, is focused on entrepreneurship development and international projects.
- Before the recession there were more than 10 individual entrepreneurship consultants, now they are few.
- An important role for setting business priorities in the region is recognized by the Regional Council, that joins mayors and various regional stakeholders.
- Still evident is the role of public people universities that provide programmes for vocational education attracting different social groups and therefore has important role for business mentality development.
- On the local level, LEADER initiative has introduced the idea of local action groups (LAGs): three of them are active in Goriška region, their strategy was confirmed by Ministry of Agriculture, Forestry and Food. Following the Rural Development Programme 2007-2013 they have been applying for project financing.

5.2. Brokering networks

We made an interview with two organizations/persons (acting as a broker of the network initiatives) financed by public organizations to support the networking of SMEs. Both interviewees facilitate contact between SMEs in the network and with other companies outside, they manage the network initiative on behalf of the group of financiers and ensure that the expectations of both, the public financiers and the participating firm, are jointly met. We managed to interview following types of network initiative:

- (1) the first involves several firms working in different fields and located in relatively close geographic proximity (Goriška region), with the aim of research and innovation to increase their/regional international competitiveness (IN PRIME);
- (2) the second involves some supporting firms that wish to start a co-operation with another firm outside the region (iCON).

Hereafter, some fundamental findings, statements and comments that we generated by face-to-face interview are presented.

- (1) IN PRIME.

The interviewed female manager of IN PRIME initiative (registered as IN PRIME Ltd.) has a respectful professional history: for the last 15 years she has been in charge of various development projects in Goriška region, such as development of human resources; she also actively participated in creating regional development documents and was a director of RDA (PRC in Tolmin). She was indirectly connected to business development, but due to very good results/outcomes of implemented projects/tasks,

she was proposed as a candidate and appointed by the Regional Council (composed by municipalities-mayors, firms, RDAs, education institutions) as a manager. She will be managing this project till 2012 (with final tasks to be monitored till 2018): IN PRIME manager coordinates the set-up of technology park IN PRIME with four units. As this project was positively evaluated also by the Ministry of Economy (Delo, 7. 10. 2010, p. 10), this project/initiative could be a kind of template for other Slovenian regions and the present manager is supposed to take care for knowledge transfer.

The foundation of the origins of this initiative (stage 1: setting-up an initiative) was placed at the beginning of 2000 when a network was set-up by few innovative entrepreneurs, also actively involved in Regional Development Programme preparation. In 2007, the Resolution on National Development Projects 2007-2023 (Fig. 2) proposed the idea of "economic growth centres" (strategic project, co-financed by the Ministry of Economy, European Regional Development Fund and participating firms). There was no clear methodology how to address "economic growth centre in Goriška region" and organize appropriate initiative. But they built on former network and IN PRIME was successful at the first public call (May 2008). The initiative consists of Programme Council, Project Group and Project Manager (stage 2: developing project idea and submitting a proposal). At the beginning, there were 12 firms involved, now there are 8: large firms prevail, they are located in various parts of Goriška region (in small towns, this dispersed geography of initiative is also one of the basis idea, i. e. to cover geographically vast and diverse region completely using network development model). Participating firms operate in different fields (automotive, electronics, construction).

National Development Projects of the Republic of Slovenia (2007-2023)

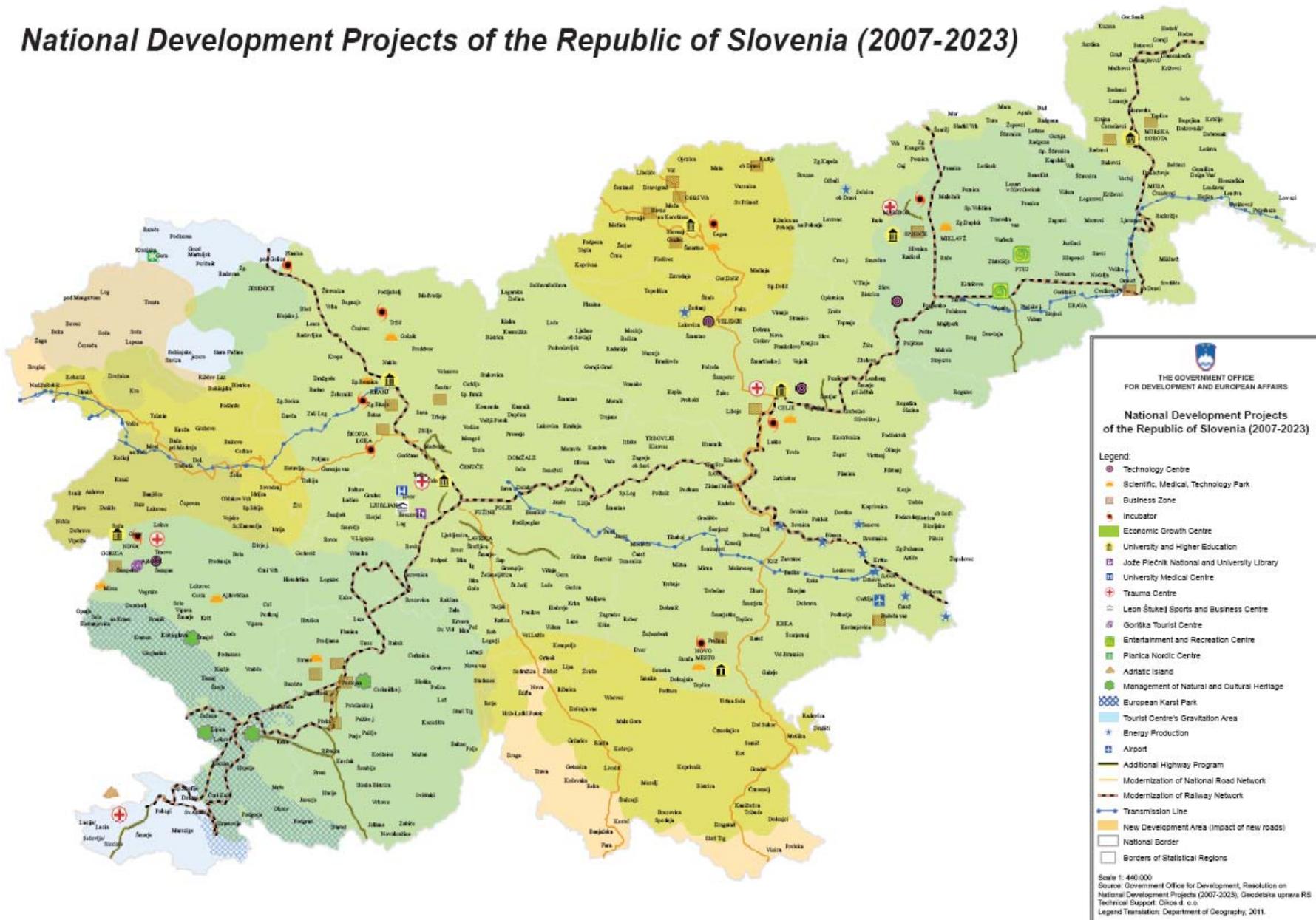


Figure 6: National Development Projects of the Republic of Slovenia (2007-2023).

In 2011 (stage 3: implementing activities), the manager of initiative works closely with the involved firms (via firm's agents authorised to sign per pro), therefore she observes a great improvement in networking process. The involved firms are really getting connected – not just for the purposes of IN PRIME, they are re-connected in various forms to address public calls (also in 2010). In June 2010 the results of another public call (for competitive centres, opened by Ministry of Higher Education, Science and Technology) were announced: in 4 out of 7 approved projects, the firms from Goriška region were involved (many times also firms that are being part of IN PRIME initiative). She evaluates this stage as "a stage of improved regional co-ordination and co-operation": now there are quite strong connections in automotive (and electronic) industry (with network also across Slovenia), IT and in R&D (also stronger contact with the University of Nova Gorica). Some initial sub-projects that arised in the initial period when project was prepared, were abandoned.

At the beginning there were more firms included, but some SME did not understand the possibilities and tasks that were to be taken by joining IN PRIME and stepped out of the project as they expected to much ("mostly financing"; Pirih, 2011); at the moment large firms are their main partners. Hopefully, initiative will be upgraded in the future (stage 4).

The basic rationale for the creation of network is the developmental breakthrough of Goriška region as a whole, accompanied by economic gain, getting additional (and essential) financial means from the state and EU funds, noticeable are of course firms' objectives (marketing the offering), as well as sharing experience.

The IN PRIME initial expectations were fulfilled completely, so the pre-conditions (R&D infrastructure, networking) have been completed ("We received maximum"; Pirih, 2011). In the region, there are also huge expectations for the future development (stage 4: joint projects, competitive centres, potentially hybrid and fluid networks are to be created to address opportunities for co-financing).

IN PRIME received solid and constant public support (from municipalities, but also from the state), manager finds her work "...interesting, and I am prepared to deal with different issues and. Nothing is too hard for me, I am used to work hard! This was also the reason why I was appointed to this task. Perhaps the most tricky task was the harmonizing the group/network."

(2) iCON

Male manager of iCON network is also a director of RDA (Rod, Ajdovščina). He has rich professional history in regional development (regional development plan,

projects implementation, cross-border co-operation, business development, target groups motivation, co-operation in EU projects etc.). Conceptualisation of network with potential Slovenian and Italian partners started at the end of 2007 on the basis of previous positive experiences with different projects (also from IN PRIME). The initiative submitted a project proposal, i. e. a strategic project, addressing territorial co-operation between Slovenia and Italy. The project was selected for co-financing; activities started in 2010 (project will finish in 2013). The interviewee is a general co-ordinator of the ICON project, and head of project group on Slovenian side.

The rationale behind this initiative is to up-grade the economic co-operation in cross-border region. It aims to increase the competitiveness of micro, small and medium enterprises by networking and long-term linking between three parties (firms, centres of knowledge and support institutions). They would like to include interested firms, which will receive services, knowledge and practical in-puts in networking, marketing and human resources exchange. Altogether, the managing network already includes 15 partners from both sides of Slovenian-Italian border:

- on the Slovenian side, the partners come from national, but also from regional and local level: Chamber of Commerce and Industry and Chamber of Craft and Small Business (both with regional chambers), RDAs and firms;
- on the Italian side, partners also come from public and private sector: Slovensko deželno gospodarsko združenje (translated as "Slovenian Regional Economic Association" is integrating Slovene ethnic minority in Italy), CNA Veneto, Informest, Confindustria Friuli Venezia Giulia etc.

The manager (Bratož, 2011) argues that it was a bit easier to reach partners on the Italian side, due to the fact of existing economic associations and strong regional chambers (with vital sectorial representation).

The analysis of key factors for business development and potential sectors of co-operation indicated following options for trans-border networking: mostly in traffic, ecology, renewable sources of energy, ICT, innovation in nautics, but also in tourism and food-processing industry. Surprisingly, there has been no interest to connect traditional industries of the region (metal- and wood-processing). The network itself is not directly focused on firms and their professional activities, but intends to create the environment that would enable firms with instruments for development. They intend to reach potential firms by "giving them something practical, useful" (Bratož, 2011), but at the same time it is important that all activities have a long-term goal, i. e. marketing of the region.

The manager stressed that networks based on the project implementation usually have "short life expectancy", i. e. till the end of project financing scheme. With this project, partners included already joined in preparatory stage. They intend to put a lot of effort to keep network alive (also after 2013) by finding the strongest link ("actor" -either from firms that will be tackled with project activities or from entrepreneurship supportive environment) with the capacity of connecting this network. This network aims to educate the actors who will have the knowledge and capacities to set-up business clusters.

The manager exposed the biggest problem in EU project co-financing as firms (also associations, municipalities etc.) have to invest money in advance, and after strict and long-lasting bureaucracy check the account are being payed. For this reason, firms usually need to prepare bank guaranties or take credits. In the last year additional positive help to partly overcome this problem, has to be given by the state (financial means for project preparation, some pre-financing). The second issue is the cohesion of different entrepreneurship cultures in Italy and Slovenia.

At the initial stage of the project, it is hard to discuss whether the network has been successful or not. The initiative will:

- strive towards harmonization of supportive entrepreneurial environment, that would be a sound basis for future economic co-operation (building of cross-border clusters),
- focus on education (with small financial contribution from the involved firms) of capable people with competences,
- work on the recognisability of region from the perspective of entrepreneurship.

As this is the first cross-border project of this kind in Slovenia, the manager states, that the project could have a sound dissemination impact in many Slovenian border regions.

5.3. An overview of main network initiatives

As the economy of Goriška region has been restructuring from classic manufacturing we can identify:

- (1) an increased change in land use: such as newly established and planned technology parks (and centres) with public-private partnership. Already in 2007 (Figure 7) Goriška region ranked above the Slovene average from the creativity index perspective. Goriška intends to improve essentially its competitiveness on global market (as proposed by the initiative IN PRIME) especially with innovation and creativity.

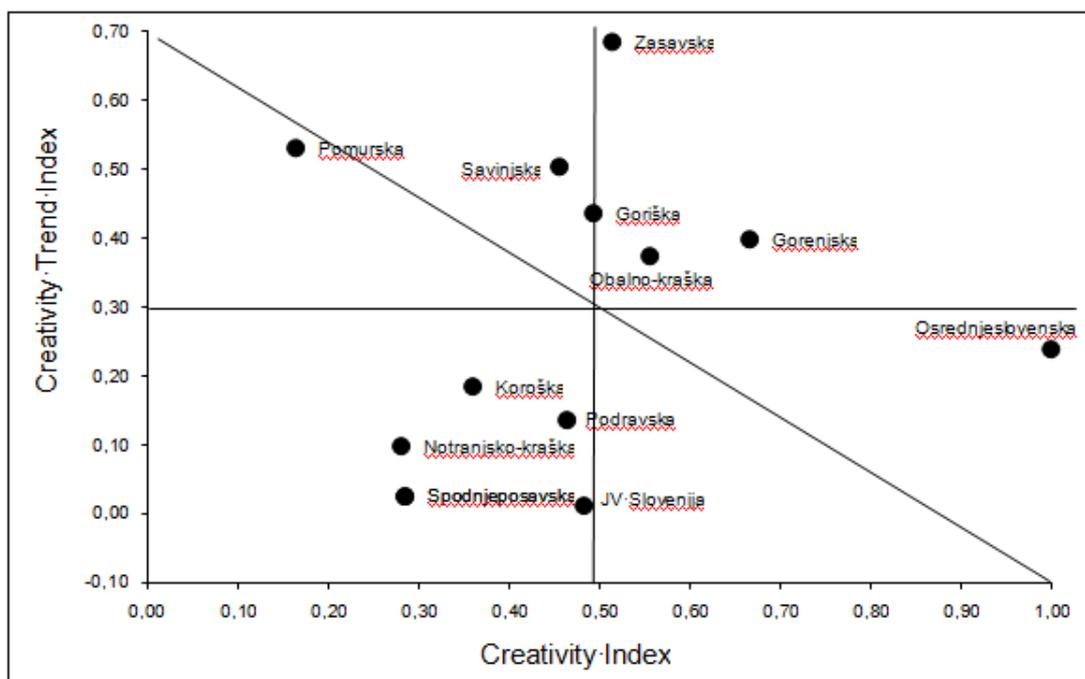


Figure 7: Development matrix for the Slovenian regions.

Source: Study of indicators of creativity for the Slovenian regions, Faculty of Economics, Ljubljana 2007.

(2) the state itself is no longer the only guarantee for objectives implementation, postmodern mechanisms of public institutions are created by the numerous autonomous interests and necessity for co-operation (vertical, horizontal and sectorial partnership).

(3) evident spatial polarization of investments: the investments are dislocated from nationally important centres to their near-by environment (from the perspective of Nova Gorica to Šempeter-Vrtojba; Ravbar, 2007). Therefore, it is relevant to anticipate even stronger pressure on available plots of land in expanding urban regions and in traffic corridors (nodes; Figure 8).

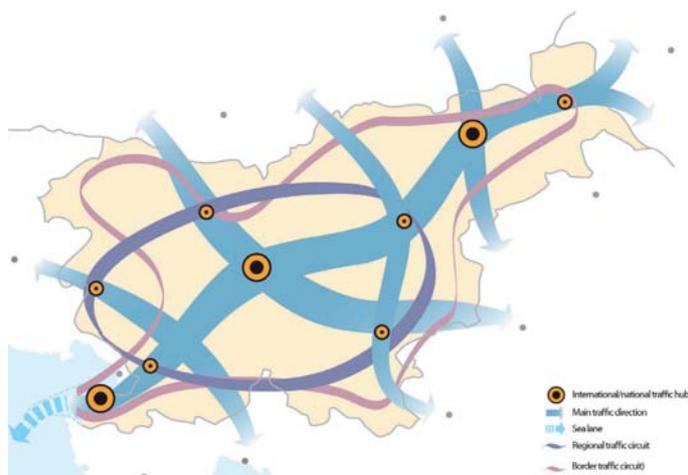


Figure 8: Main traffic, development, infrastructure and investment nodes in Slovenia.

Source: National Development Programme of Republic of Slovenia 2007-2013.

The above mentioned development re-orientation represented a basis for our analysis of network initiatives. We need to emphasise that Goriška region, comparing to other Slovenian region, has a long and quite successful “history in networking activities” (Bratož, Mihelj, Pirih, 2011) also due to the fact of early EU cross-border projects since the mid 1990s that demanded very basic forms of networking. There have been several quite interesting and successful network initiatives in the past (for example international network for promotion of small wine-growers VITINEST etc.), mostly connected to EU cross-border projects (Phare CBC Small Project Fund, but also financially stronger infrastructural projects as TACIS, ISPA etc.). In period 2000-2006 also INTERREG IIIA initiative (Slovenia-Italy) attracted in total 126 applications from Italian side (regions of Friuli Venezia Giulia and Veneto); whereas there were 44 in Slovenia (eligible border areas mostly consist of Goriška region, Littoral region and alpine municipality of Kranjska Gora). This indicator suggests that there is quite strong interest for cross-border co-operation. In mentioned INTERREG 2000-2006 initiative two priorities were indicated:

- the sustainable development of cross-border region (9 accepted projects, in total 1,8 million €), for example: management of protected areas, mapsharing, joint environmental information system, spatial planning in Karst region etc.);
- economic co-operation in tourism (5 projects and 1,1 million €: connecting tourism and minorities, thematic Park of Peace, tourism without borders, joint touristic promotion, thematic routes), and in primary sector (5 project with total 0,6 million €: integrated development of typical farming products, sigma – innovative system for joint management in agrarian sector

and cross-border environmental monitoring, animal welfare and product quality; Zbornik sofinanciranih projektov v okviru prvega javnega razpisa, 2005).

In period 2000-2006 there were quite substantial financial means invested in broader eligible area:

- with INTERREG IIIA (cross-border co-operation with Slovenia-Austria-Italy-Hungary and Croatia; 25,23 million €): mostly designed for municipalities, organizations, institutes, regional development agencies, associations and clubs, park authorities, public firms, universities, research institutes, educational institutions, NGOs, chambers of commerce and chambers of craft and small business; involved partners had possibility to choose various forms of partnership co-operation which was a sound basis for networking (Čezmejni programi med Slovenijo in Italijo, 2004);
- with INTERREG IIIB (transnational co-operation in the field of spatial development – CADSES, Alps, ESPON; 4,49 million €);
- with INTERREG IIIC (inter-regional co-operation in Zone East and INTERACT; 1,97 million €).

For the period 2007-2013 there have already been some on-field preparations for networking. Proposed projects have been negotiated not just on RDAs level, but also (on the regular basis!) with regional politicians (mayors of Nova Gorica, Gorizia in Italy, Šempeter-Vrtojba; Delo, 20. 1. 2009, p. 9). For the proposed 8 projects networks had been established (see Table 1).

Table 3: Some proposed and already implemented cross-border projects (2007-2013) from networking perspective.

Title of the project	Field	Financial value	Duration	Lead partner, Country	Number of partners
StraTen	renewable energy sources	3 million €	3 years	GOLEA (Gorizian Local Energy Agency), SI	5
MIRBIS	management of Soča River	5,5 million €	3 years	Faculty of Construction, University of Ljubljana, SI	23
WaLKS	thematic peace trails (WW1 heritage)	3,5 million €	4 years	Region of Gorizia, I	20
Adria_A	railway infrastructure and logistics (already under implementation)	3,3 million €	3 years	Central European Initiative, international	19
Gorizia-Kostanjevica	connecting route from Caste of Gorizia to Monastery of Kostanjevica	no data available	no data available	RDA Nova Gorica, SI	6
Caste Coronini	caste reconstruction (Coronini, Šempeter)	1,5 million €	2 years	Municipality of Šempeter-Vrtojba, SI	3
Sports Park Šempeter	construction of modern sports park	1,5 million €	2 years	Municipality of Šempeter-Vrtojba, SI	4
Inter bike	cross-border intermodal cycling connections	3,5 million €	4 years	Regional Development Centre in Koper, SI	21
ICT Value Networks	promotion of ICT usage for SME (already under implementation- INTERREG IVC)	2,2 million €	3 years	Dedalo Foundation, Spain	10

Sources: Delo (20. 1. 2009, p. 9), RDAs.

We evaluate this 10-15 years of experience "as rich, fruitful, useful and productive, but in the last few years we observe that this networking has been up-graded" (Mihelj, Bratož, Pirih, Špacapan, 2011; the first reports on cross-border co-operation for period 2007-2013 have not been published yet): the partnership do not exist only on the paper, the interest for networking exists not just in public environments, but also in private business. This up-grading is also measurable in quantitative perspective: more firms and also public institutions and NGOs are willing to participate. Of course, co-financing is tempting, but this up-grading means also that the results and project orientations became more sustainable and long-term oriented, really addressing the border area problems.

We included the upper paragraphs to enlighten the milieu in which network initiatives in Goriška have been created. As there exists a rich literature on former networks and best practices (available to the public use), we deliberately focused on the new initiatives that are following our basic three statements on economic restructuring in Goriška region (see above).

(1) Special emphasis was given to the initiatives that support the development of business environment (basic infrastructure, business knowledge transfer; see best practices description IN PRIME, iCON, Primorska Technology Park, BIA Separations).

(2) As the Goriška region has favourable conditions for agricultural production we observed the functioning of LAG as a part of LEADER initiative, and included a good practice involved in alternative food networks ("Let us buy Produced in Goriška").

(3) Primarily, we wanted to focus on practices that have to be financed not just from public, but also from EU and private funds. There is also an important financial scheme, essential for Goriška region that is mostly financed by the state (Development Programme Soča).

4. Successful networking practices

Research background and comments. Rural economies in advanced capitalist nations are now substantially more complex and entrepreneurial than they were even 20 years ago (Young, 2010, 1). With the decline of agriculture and resource industries (at least in terms of employment and local economic footprint), policymakers and academic have looked at the increasingly prominent role that communities, entrepreneurs and small and medium-sized enterprises are playing in rural economic development (see also Marsden 1999, Ray 1999, Terluin 2003). The result are important findings about particular advantages and disadvantages facing entrepreneurs and SMEs in rural regions. One of the most valuable findings is the significance of business networks and embeddedness to the success of rural firms. This suggests that businesses that are well-networked

and well-integrated into local customs, institutions and “identities and symbolic activities” are better able to access help, co-ordinate activities and collectively pursue opportunities than less well embedded firms (Young, 2010, 2). Some of the research has fallen back to regional cage (Lagendijk, Oinas, 2005), where attention to local embeddedness, interactions and untraded interdependencies overshadows equally important connections and practices at extra-local scales. Extra-local networks play a substantial role in entrepreneurial rural development (Young, 2006). At the present, few studies have examined the coexistence and interactions among local and extra-local business networks in rural regions or otherwise (Copus and Skuras, 2006, quoted in Young, 2010).

It is now widely recognized that the economic decisions and behaviour of entrepreneurs, small business and even large multinational firms are influenced by ongoing social relationships. In rural studies, embeddedness and business networks have played substantial role in ongoing debates about the distinctiveness and economic advantages of rural enterprises in a global capitalist economy. The notions of embeddedness and business networks are attractive to rural scholars because they establish both that place matters and that rural places possess special assets that allow them to overcome disadvantages of location and site. Trust and reciprocity gained from extensive social interactions in rural settings compensates for environmental constraints by building economies based on local knowledge, credibility and resources. The unique quality of networks and relationships in rural settings is also a recurring theme. Phillipson et al. (2006, p. 45) found that local co-operation in rural regions is primarily based on long (established) friendships or contact and is expressed through symbolic activities, linked with expressions of local identity and solidarity. His article argues that the business networks literature has to date been too focused on place and locality and that this has led to an overly narrow empirical portrait of inter-firm co-operation and embeddedness.

There are several reasons why the spatial dimension of embeddedness and network studies should be expanded.

1. All economies need capital imports in order to survive and grow, meaning that an entirely locally focused economy is neither feasible nor desirable. We know little how locally and extra-locally oriented networks and firms do (or do not) interact to generate and distribute wealth, increase capacity and allow rural SMEs to participate in larger or distant markets.

2. Exclusive focus on locality ignores the realities of economic globalisation; entrepreneurship is now inherently both a local and a global activity, as falling trade barriers and communication costs mean that a modern entrepreneur has to become increasingly a creative network operator and manager and global entrepreneur.

3. The third argument for a geographically expanded view of embeddedness and networks is that economic geographers themselves have recently begun to question traditional conceptualizations of place. Society of transnational flows and networks no longer allows a conceptualization of place in terms of spatially bound processes and institutions. This suggests that traditional studies of place-based economies may be missing important extra-local processes and links that occur at smaller scales. Recently, several studies of rural business networks and embeddedness have begun to look at the local/extra-local divide. Copus and Skuras (2006) found that an extra-local orientation among SMEs in selected rural regions of the EU is rare.

Lessons to be learned from Goriška. Due to the financial and economic crisis especially Goriška region has been hardly affected: the most endangered sectors have been construction and gambling. At the end of year 2010 the unemployment rate reached 8,3 % (10,6 % - Slovenian average), that is 4834 persons: more men than women, higher numbers of workers older than 50 years, permanent surplus workers, sacked after bankruptcy, younger with secondary or university education (Delo, 27. 10. 2010, p. 13). But at the same time some new working places have been opened in electrical device production, metal and food-processing (Delo, 11. 6. 2009, p. 4; Delo, 19. 9. 2009, p. 10; Delo, 15. 12. 2010, p. 12). Especially the locally/regionally recognized entrepreneurs argue that the state/region should spend less money on social matters and invest more money for the "breakthrough onto foreign markets" (Delo, 27. 2. 2009, p. 10). A special momentum brings the border location, as there is an open labour market between Slovenia and Italy since 2006. According to some estimations (no official data available!), there are approx. 5000 Slovenes working daily in Italy (the neighbouring region Friuli-Venezia Giulia, mostly in catering industry, tourism, construction, metal and processing, and "moonlighting" mostly in household services, agriculture and construction) and 200-300 Italians working in Slovenia (Delo, 28. 10. 2009, p. 14).

Above mentioned geostrategic and economic perspective together with globalisation processes have transformed business development in Goriška region essentially after the decay of socialism and disintegration of Yugoslavia. There have been several key factors that have contributed to network development:

- (1) rich history of cross-border co-operation with first experiences of networking,
- (2) dynamic and closely related (interwoven) cross-border region with huge development potentials and intra-regional development ambitions,

- (3) very strong regional identity ("The inhabitants of Goriška statistical region will promote innovation, develop our competence and co-operation with all fields of life and work. We will make our economy even more competitive, we will ensure a permanent development and the protection and use of natural resources. We will maintain the population density in the countryside and strive for a high quality of life, typical of developed European regions." (RDP, 2007, 34)
- (4) expressed entrepreneurial spirit in the region with interesting examples on the Italian side of the border (functioning as a model),
- (5) accessibility of public (mostly national, also international) co-financing and ability to absorb various funds,
- (6) preparedness of Slovenian and Italian partners to participate in networking, including also both ethnic minorities, is profiting also from bilingualism,
- (7) sustainability of networks is an important issue since the conclusion of project usually ends the active stage of network activities; but some cases indicate that good network past experiences could pave new initiatives and future networks,
- (8) initial interest from different partners in networks (private and public) is usually quite soon faced with reality, i. e. huge administrative work, financial problems, inadequate planning, personnel shortage, unreal expectations, modest financial means; therefore few partners withdraw their partnership,
- (9) successful are initiatives that rely on capable actors, real regional needs and potentials, and with innovative ideas.

6. REPORT ON ALYTUS (LITHUANIA)

6.1. Introduction:

This section presents the main results of the empirical work performed by Institute NeVork team in relation to the DERREG Task 1.3.

The methodology used aimed at identifying both interesting network initiatives that have been involving small firms in the sparsely populated areas of Alytus county, and the main actors, called the network brokers, that support the networking process of firms.

The report is divided into four main parts:

- *Regional policy landscape for business and networking support*, this section aims at mapping the **main 'public' actors**, i.e. working for the public good, that are **involved in business and networking support activities**,
- *Brokering networks*, this section aims at providing an overview on **how the different actors work concretely with the networking of regional small firms**. Inputs for this part have been gathered through the interviewing of a number of actors (identified in the first section) in the case study region,
- *An overview of main Network Initiatives*, this section aims at providing an overview of **the most interesting initiatives taken by the public actors** in order to support the development by rural/regional small firms of broader and stronger business networks, (more detailed information on each network initiative are collected in best practice fiches)
- *Successful networking practices*, this section aims at providing concluding insights on **particular networking processes** that are deemed as successful in the case study region, and which could be a pertinent source of inspiration for actors developing network initiatives in other regions.

6.2. Regional Policy landscape for business and networking support

The aim of this section is to present the main 'public' actors that are involved in activities supporting small and medium firms located in Alytus county. By 'public' we do not mean solely actors that belong to or represent administrative authorities or level, but also organizations whose aim is to serve the 'public good'. Consequently, even private or semi-private actors like business associations or business innovation centres belong to this group of actors.

When it comes to business support and networking activities, the 'public good' usually at stake is the economic development of the region. The overarching line

of thought is that the growth of firms and the improvement of their economic performance have positive spillovers for the development of the region as a whole (e.g. more jobs).

Our focus on regional initiatives does not mean that we are only looking at actors located within the region. Indeed, it has become evident when conceiving the policy landscape that regional initiatives are undertaken through a complex relational process between actors representing different scales from the local (municipalities) to the global (within and beyond EU borders), involving of course private and semi-private actors (e.g. individual firms or trade associations).

As a matter of consequence, networking initiatives benefiting small firms located in Alytus county are often taken at a higher level. The reason for this is rather straightforward: supporting firms necessitates substantial financial means that few authorities other than the national and European ones (except for some metropolitan areas) can afford to mobilise, and due to rules and regulations for fair competition, authorities are limited in how they can support their regional enterprises (e.g. National Aid rules). In that respect, *networking*, i.e. the act of bringing together one firm with other firms, is seen as the most efficient activity that public actors can do to support the growth of firms as it implies 'only' to facilitate the relation between two (or more) firms and not interfering in the internal processes of the firms themselves.

Although *listing* the public actors involved in firm networking support seems rather straightforward, it is much more difficult to provide a clear-cut *map* of the policy landscape. As claimed above, firm networking support activities constitute a rather complex and intricate web of relationships between actors. Indeed, it rarely happens that one actor has the capacity, both financial and operational, to design and implement networking support initiatives on its own. Consequently, networking support is in itself a relational process between actors. If some of these relations are based on long-term or institutionalized commitments, many others are based on temporary, project-based initiatives.

In the present section we will first present the network facilitators or brokers by territorial scale, i.e. the local, regional, national and European ones. Then, we will provide a policy landscape aimed at synthesizing the most common ways in which that network support functions. As argued before, the network support process is very much connected to the notion of subsidiarity. In concrete terms, it means that entrepreneurs, even if they benefit from a European initiative, do not actually deal with the European Commission - the process is usually facilitated or brokered by local or regional actors *on behalf of* the Commission.

Operational level	Actors involved in business network brokering
EU	<p>Enterprise Europe Network</p> <p>European Association of Chambers of Commerce and Industry</p> <p>European Business and Innovation Network (EBIN)</p> <p>JOSEFIN (JOint SME Finance for INovation) European Trade Promotion Organisation</p> <p>EuroGites</p> <p>Baltic Sea Region Innovation Network BSR InnoNet</p> <p>Other initiatives</p>
National	<p>Lithuanian Business Support Agency</p> <p>'Enterprise Lithuania' (Exporting Lithuania)</p> <p>Lithuanian Association of Chambers of Commerce Industry and Crafts</p> <p>Lithuanian Innovation Center</p> <p>Lithuanian Small and Medium Business Development Agency</p> <p>Lithuanian Business Employers Confederation</p> <p>Countryside Tourism Association of Lithuania</p>
County (regional)	<p>Alytus County Section of Regional Development Department, Ministry of Interior (Alytus Regional Development Plan 2010-2020)</p> <p>Regional Development Council</p> <p>Vilnius Chamber of Commerce, Industry and Crafts, Alytus Branch</p> <p>Alytus Business Advisory Centre</p> <p>Business Association of Alytus Region</p> <p>South Lithuanian Business Cooperation Centre</p> <p>Lithuanian Innovation Center Section for Southern Lithuania</p> <p>Alytus Business Innovation Center</p> <p>Alytus Business Incubator</p>
Municipality (local)	<p>Municipality Administration, Department of Economics (Small and Medium Business Development Programme)</p> <p>Business and Tourism Information Centres</p>

Figure 9: Business Support Policy Landscape in Alytus county

Local

The **municipal authorities** play an important role as catalysts for local economic development. All the municipal authorities have a dedicated department that deals with business development issues. They provide support for the newly establishing and existing companies located in the municipality, support for starting up of new activities, information on land and real estate tax compensation, information about available free land, information about subsidies for workplace creation, website creation, training, etc expenses. Consequently, the objective is the growth and expansion of economic activities in the municipality. Department of Economics of every Municipality Administration implements **Small and Medium Business Development Programme** (in other municipalities called **Small and Medium Business Support Fund**), which involves co-funding for networking related activities like exhibitions, business missions in Lithuania and abroad, conferences, seminars, trainings, publications, commercials, etc.

Municipalities also have public institutions **Business Information Centres** (or Business and Tourism information Centres). They provide information and consultation services, organize training, information dissemination events, various business stimulation campaigns, mediate in search for business partners in Lithuania and abroad, register the firms, provide bureau services, prepare business plans, consult on EU Structural Funds, prepare applications and implement projects financed by EU Structural Funds, and participate in different EU supported programmes.

Interestingly, besides a few sectoral associations (flower growers, gardeners, beekeepers, folk craftswomen, etc) no more network brokers were identified at municipal level in Alytus county.

Regional

After the administrative reform in July 2010 and liquidation of Governor Administration of Alytus county regional economic development functions were transferred to **Alytus County Section of Regional Development Department, Ministry of Interior**. This is responsible for implementation of the **Alytus Regional Development Plan 2010-2020**, the main document for EU Structural Fund support use in the region. The programme was approved by **Regional Development Council**, consisting of representatives from county administration and all municipality administrations. It gives its opinion about regional social and economic development projects to the funding institutions, discusses municipality strategic development plans and other regional documents, and provides conclusions to the Ministry of Interior about the Regional Development Plan Implementation.

Due to the bigger concentration of firms in the city Alytus city municipality administration has partly externalised the work on economic development by assigning some functions to 'development companies' that are partly funded (however very limited funding) by the municipality means. This externalising approach enables it to be more flexible when interacting and supporting private businesses in the region. Such main institutions are public institution Alytus Business Advisory Centre, Business Association of Alytus Region and public institution South Lithuanian Business Cooperation Centre.

Alytus Business Advisory Center's mission - to promote and develop small and medium-sized businesses, providing business training, advice, information, new business development initiatives in the development and implementation of co-operation networks in Alytus region. Besides many implemented projects Alytus Business Advisory Center is a founder of the Business Association of Alytus Region and a founder of the Association of Alytus regional Accountants.

Business Association of Alytus Region - was founded to represent interests of small and medium business companies. Association functions include the preparation and supervision of projects for business environment development, implementation of cooperation ideas, organization of training, exhibitions, business missions, etc. Currently the Association has 290 companies from different branches of business.

In 2002 the Alytus Region Business Association founded **Business Cooperation Center of Southern Lithuania**". The main functions of the cooperation centre are to help companies in cooperation making their businesses, finding new customers, purchasers and markets, new employees, and other services.

These organizations involve more firms from Alytus city than from the remote rural areas, but their activities are open for and cover whole region. Both of them demonstrate important good practice examples of network brokering through electronic platform, project network creation, business mission organization, cross-border cooperation and cluster formation.

Within Lithuanian Association of Chambers of Commerce, Industry and Crafts **Alytus Branch** belongs to **Vilnius Chamber of Commerce, Industry and Crafts**. Vilnius Chamber of Commerce, Industry and Crafts provides these services:

1. Information - economic and business publications, catalogues, business proposals from Lithuanian companies, fairs, exhibitions in Lithuania and abroad, information search.
2. Business Contacts - trade missions, partners search, promotional presentations for companies, dissemination of business proposals,

international projects, conferences, other services (interpreters, room and equipment rent during conferences and trade missions, booking hotels and transport etc).

3. Enterprise Europe Network - providing information and practical advice on market opportunities, European legislation and policies relevant to a company or sector. Helping SMEs to find suitable business partners using its business and technology cooperation database, providing information on tender opportunities and international networking.
4. Seminars, conferences and training courses, projects.
5. State Delegated Functions - certificates of the origin of goods, ATA Carnet documents, Bar codes, legalization of international documents, coordination of vocational education and training. Alytus Branch of Vilnius Chamber of Commerce, Industry and Crafts was among the most often mentioned support institutions by the surveyed businessmen.

Alytus Business Innovation Center and **Lithuanian Innovation Center Section for Southern Lithuania** are another two important regional business network brokering institutions with the special focus on support to innovations and improvement of business competitiveness. They aim to stimulate science and business innovations and to help putting them into practice by reducing innovation implementation risks. The centres contribute to innovation dissemination and new knowledge exchange. Lithuanian Innovation Center Section for Southern Lithuania is more involved in delivering European innovation initiatives to the region while Alytus Business Innovation Center is carrying out educational activities and mediates between the regional business education centre Alytus College and regional firms.

Public institution **Alytus Business Incubator** was established to support new firms with consultations, cheaper premises (rent for lower tax), bureau services, cooperative communication means. With the help of funds obtained through EU projects, most commonly training for beginners in business, were organized. However after the funding from the Ministry of Economy has been cut, activities of Alytus Business Incubator were restrained.

National

Many national actors have a decentralised structure, enabling them to cover the different parts of the country. This was for instance the case for Lithuanian Innovation Centre. In Lithuania regarded as one region by EU (NUTS2) national level is playing an important role for regional businessmen as well.

For instance in Alytus county there is no regional tourism association, the **Countryside Tourism Association of Lithuania** is satisfying these needs. The

Countryside Tourism Association of Lithuania, a non-governmental organisation is a member of the Chamber of Agriculture and unites many persons in Lithuania providing services of countryside tourism. Activity goals of the Association are the following:

1. To represent interests of the Association members at management institutions and other organisations;
2. To coordinate the activities of the Association members developing rural tourism in Lithuania;
3. To organise workshops, conferences, fairs, exhibitions, to prepare methodical means and information bulletins on the activities of the Association and its members;
4. To improve the qualification of the Association members, to organise traineeships within the country and abroad;
5. To analyse the demand for rural tourism services within the country and abroad;
6. To cooperate with the similar organisations acting within the Republic of Lithuania, foreign countries and internationally; to become the member of such organisations;
7. To participate while arranging and considering bills of the Republic of Lithuania regulating the activities of the Association and its members.

As important actors and central seats at national level **Lithuanian Association of Chambers of Commerce, Industry and Crafts, Lithuanian Innovation Centre, Lithuanian Business Support Agency, 'Enterprise Lithuania' (Exporting Lithuania), Lithuanian Small and Medium Business Development Agency, Lithuanian Business Employers' Confederation** should be mentioned.

Public Institution **Lithuanian Innovation Center** is a non-profit organisation, providing innovation support services to enterprises, research institutions, industry associations and business support organisations. The main strategic goal of LIC is the increasing of Lithuanian international competitiveness by stimulating innovations in business. This goal is divided into the following objectives:

- To foster capabilities of the companies to develop and implement innovations.
- To accelerate commercialization of achievements of advanced sciences.
- To decrease the risk of innovation implementation.

LIC services and activities:

Enterprise Europe Network in Lithuania helps enterprises, research institutes, universities, technology centres and innovation agencies in procuring or

marketing technologies and identifying partners for technological cooperation in Europe. (<http://ipc.lic.lt>)

Consultancy services regarding the absorption of the resources of EU Structural Funds in developing and implementing innovation, research and development projects.

Participation in and implementation of various European research and development projects (BSR InnoNet; INNO-DEAL; smE-MPOWER; EPISTEP; ARISE; EPIST; GET-IN; IST WORLD; PRO NMS; BOOSTING BALTIC FP6; LSH-ACC-MENTOR).

Publication of catalogue of Lithuanian innovative companies "Gateway to Innovation in Lithuania". The purpose of the catalogue is to present Lithuanian industrial and technological potential to European enterprises and institutions. (www.gate2inno.lt)

Development of the regional innovation strategy (RIS LITHUANIA - INNPULSE). The purpose of the project is to prepare a regional innovation strategy for Vilnius, Klaipėda, Panevėžys, Šiauliai and Telšiai counties.

Administration of web portal on innovation issues (www.inovacijos.lt).

Organisation of the annual contest "Innovation Award" in Lithuania. The aim of the contest is to foster the entrepreneurial thinking, technological development and to provide a possibility for enterprises to self-assess their competitiveness and innovativeness. (www.inovacijuprizas.lt)

National technology platform centre (NTPC) supports and promotes the activities of national technology platforms by rendering to them the required information and advisory services. (www.ntplatformos.lt)

Evaluation of company innovativeness "Innov'check". Methodic is based on SWOT analysis of innovation processes in the company.

Lithuanian Innovation Centre publishes articles on various topics concerning innovation.

Participation in the regional innovation support project TEICO-Net. The aim of the project is to improve and innovate instruments, programmes and policies of participating regions in order to promote regional development, knowledge-based regional economies, technological innovation and entrepreneurship.

While achieving its goals LIC provides public (free of charge) innovation support services and promotes innovation culture in Lithuania.

Shareholders of LIC are the Ministry of Economy, the Ministry of Education and Science and the Lithuanian Confederation of Industrialists.

Lithuanian Business Support Agency (LBSA) is a public institution established by the Ministry of Economy as an implementing agency to manage and administer financial assistance provided by the European Union Structural Funds and national support programmes.

Public institution "**Enterprise Lithuania**" is a non-profit organization owned by the Ministry of Economy of the Republic of Lithuania. "Enterprise Lithuania" was founded when The Lithuanian Development Agency (LDA) was restructured into two public organizations - "Invest Lithuania" and "Enterprise Lithuania". "Enterprise Lithuania" consists of the Export and Small and Medium-Sized Business Departments and Point of Single Contact for Services and Products. The objective of "Enterprise Lithuania" is to support the start and development of competitive businesses in Lithuania and export markets providing training, consultancy and partner search services via efficient organizational structure and partners' network.

Public institution **Lithuanian Small and Medium Business Development Agency** aims to develop small and medium business, to stimulate enterprise creation and improve their competitiveness. It analyses small and medium business development economic conditions in Lithuania, accumulates and disseminates information about small and medium business conditions in Lithuania, prepares and disseminates informational publications and monthly bulletins to Lithuanian businessmen, provides information to businessmen about possibilities to get financial support, collects and analyses statistical information about small and medium business, organizes and administers businessmen consultation and training on easy terms, provides methodical-informational support and coordinates activities of state supported business information centres and business incubators, participates in national and international programmes and projects.

Lithuanian Business Employers Confederation is a union of more than 1800 enterprises, regional and branch business associations. It is the biggest small and medium business representing organization in Lithuania. Around 80 percent of it's members consist of small (up to 50 employees) enterprises. Main activity areas are these: direct interaction with governmental institutions, representation of businessmen interests, relations with members, information and training, public relations, relations with organizations that provide support to small and medium business, relations with foreign countries, embassies, small and medium enterprise organizations and business confederations in other countries.

National sectoral associations are important actors for fostering the networking of firms as well. The main objective of those associations is to bring together

firms operating in the same branches, and thus enabling them to build a 'critical mass' through networking and exchanges of experience.

European

Enterprise Europe Network programme promotes the networking of small firms across national borders both within the European Union, and outside. The programme is set up as a network of public organizations located in EU regions, in other European countries (e.g. Iceland, Switzerland or Balkan states) and on other continents (e.g. the US and China). The main mission is to match small firms in Europe with business partners outside their region according to their needs.

Lithuanian Association of Chambers of Commerce, Industry and Crafts is a member of European Association of Chambers of Commerce and Industry.

The Lithuanian Innovation Centre implements three EU initiatives: EBIN - European Business and Innovation Network, InPuls and InPuls+. EBIN is meant for international partner search through technological development, creation of new products or carrying out scientific-research activities.

The Lithuanian Innovation Centre is a partner in JOSEFIN (JOint SME Finance for INnovation) - Access to finance for innovative SMEs in the Baltic Sea Region. The aim of the JOSEFIN project is to improve and innovate instruments, programmes and policies of the participating regions in order to promote regional development, knowledge-based regional economies, technological innovation and entrepreneurship. In the context of future-oriented understanding of territorial co-operation, regional development depends on the ability of key-actors to participate in international markets. However, especially SMEs often focus their business activities on rather local markets. Among others, through the predecessor INTERREG III C project TEICO-NET, JOSEFIN identifies key areas of intervention for providing targeted and individualised support to SMEs on their way to international markets. As nowadays, commercial banks are reluctant to provide access to finance for SMEs, the support of JOSEFIN consists of stimulation of direct transnational co-operation, as well as of provision of improved access to finance to innovate and to exploit innovative products and services. JOSEFIN started in 2009.

Enterprise Lithuania is a member of **European Trade Promotion Organisation**. European Trade Promotion Organisation (ETPO) is a network of 31 organisations from 28 countries.

Countryside Tourism Association of Lithuania is a member of **EuroGites** - the European Federation for Farm and Village Tourism.

Alytus Region Business Association, representing Lithuania participated in international clusterization project initiated by VINNOVA (Agency for Innovative Systems by the Government of Sweden) "Innovations and Clusters" which was implemented by European Clusters' Alliance, Baltic Sea Region Innovation Network - BSR InnoNet.

Baltic Sea Region Innovation Network BSR InnoNet - trans-national cooperation on innovation and clusters. The objectives of the project are to establish a joint conceptual framework for cluster policy formation, evaluation and operational activities across national borders in the Baltic Sea Region, to establish one or more joint innovation programme(s) (focused on cluster development) among partner countries in the Baltic Sea Region, to be one of the core European learning cases.

6.3. Brokering networks

This section has been drafted based on the interviews that NeVork research team had with representatives of the important regional public actors involved in network brokering (NB), as pictured in the 'policy landscape' above: Alytus district municipality (Department of Investments and Foreign Relations), Alytus Business Advisory Centre, Alytus Branch of Vilnius Chamber of Commerce, Industry and Crafts, Alytus Business Innovation Centre and Lithuanian Innovation Center Section for Southern Lithuania. An effort was made to have an interview with Alytus Region Business Association as another important regional network broker, but due to active participation in the previous project survey steps the leader refused to give the interview referring to their website information. The interviews were performed during the period December 2010 - February 2011. The interviews were made on the basis of a predefined set of questions prepared by the WP1 lead partner that were translated and sent to the interviewees in advance.

On network brokering

Alytus District Municipality Administration (ADMA)

Municipality administration does not perform business network broker's function. The main reason – it does not want to double functions of regional business development institutions (mentioned above). It does provide information and help to regional firms concerning available free land, works as intermediate for land and realty tax compensation. There was a business trip organized for the regional businessmen to Italy (25 participants), financed by EU means. The aim was to stimulate relations between businessmen of Alytus and Miggian regions. The trip was productive, some businessmen continued to cooperate. ADMA also provides support to certain networking actions through Small and Medium

Business Support Fund. It partly compensates expenses of regional small and medium firm participation in exhibitions, fairs, business missions, seminars, courses and new website establishment.

Alytus Business Advisory Centre (ABAC)

ABAC works as catalyst for business network development. According to director of ABAC, when creating any network it is necessary to look for mutual benefit for firms and possibilities for the broker to assist these needs, to help the network develop. It includes market, partner search, possibilities for new products, improvement of quality and innovations. As catalysts ABAC are trying to form informational background needed for the network to function.

Vilnius Chamber of Commerce, Industry and Crafts, Alytus Branch (CoC)

CoC actively organizes business missions, business contact fairs, puts business proposals in their website allowing firms to contact each other themselves.

Lithuanian Innovation Center Section for Southern Lithuania (LIC)

LIC's main function is to consult firms, science and other public institutions, private bodies, to support firms which are implementing innovations. They help in the search for partners abroad. At the moment LIC implements three EU initiatives: EBIN (European Business and Innovation Network), InPuls and InPuls+. EBIN is meant for international partner search through technological development, creation of new products or carrying out scientific-research activities. It all happens in internet space. They implement international cooperation through EU networks.

Alytus Business Innovation Center (ABIC)

ABIC is a mediator between science and business, through cooperation of regional education centre Alytus College and regional firms. They organize seminars, prepare projects.

Involving rural small firms

ADMA

ADMA announce public competitions for Small and Medium Business Support Fund and then firms participate in the competition themselves, apply for support for trainings, business trips, etc.

ABAC

At the beginning the main ways for firm involvement were conferences, seminars and network creation. Involvement of firms now happens from mouth to mouth, word is spreading around, also by suggesting partner organization to organization, firm to firm. Today ABAC has it's organizations at local, regional,

national and international level with which it can work together and usually these organizations are promoting each other this way involving new ones. Usually ABAC goes to conferences for other reasons than partner search - to represent themselves and the created network or idea. They have cooperated in the Euroregion for 10 years and partners sometimes joke that through such time you can become relatives. Through this time they already know what the particular partner will do, what they can expect, what product is possible to create together, they know each others interests and abilities. Firms usually do not create networks themselves, they participate in the initiated networks if their interests are represented. One of such ABAC initiated networks is "Wood Partners" (see section 6.4 below).

Projects are initiated sometimes by the firm, sometimes by ABAC: *"Its nice when firm is searching for us, it means we are needed. Good when they raise questions and ideas, what could be done in certain area. Each time when we create a project we analyse market situation, to see what companies do we have at the moment, how are they doing, what can we talk about. Usually before the project we talk to firm managers to see how real are their intentions. Then we analyse market changes during the project implementation again. It is very nice to find something new in the market."*

Concerning the involvement of rural firms, the respondent argued that there is no such a thing as rural firm. Despite of its location the firm operates under the same legislation and market conditions. However, rural firms are less often clients of ABAC.

CoC

CoC involves firms through direct contacts and ones through the others. It has a database where members get all new information which is grouped according to the needs of different firm activity branches. *"Since businessmen have limited time to find information we send it to them. In other cases firms come to us with concrete requests. But the most work is done through the phone and email."* Firms who want to export their production need certificates, discounts, safety guarantees. Some rural tourism firm managers participated in CoC projects, but basically rural firms participate in other networking activities (Lithuanian Chamber of Agriculture).

LIC

Firms are involved in various ways. Most often firms find LIC when they do presentations at the seminars, or organize trainings. Some people are searching and taking interest themselves and sometimes in order to attract new members LIC organizes seminars and visits the firms to present their activities and to suggest cooperation. Not many rural firms are involved in the LIC activities, LIC

shareholders are the Ministry of Education, Ministry of Economy and Industrialist Confederation. They mainly work with the city firms and firms from the city surroundings. Rural firms receive support through the EU measures administered by Lithuanian Ministry of Agriculture. However for rural firms LIC provides primary information and then directs them to the relevant institutions. In the period 2004-2006, when rural tourism development measure was administered by the Ministry of Economy, LIC cooperated with the rural tourism firms very actively.

ABIC

Firms find ABIC themselves, but if ABIC implements a project it also searches for the firms. ABIC does not provide any services to rural firms and does not get any inquiries from them.

Initiating the networks

ABAC

When initiating a network ABAC emphasises market information as the main benefit to be a network member. Economic benefits are secondary. The first contacts between local and foreign enterprises were made through common seminars, conferences, business trips or trainings. At the beginning, (around 2000) a lot of firms came to meet Alytus county businessmen from Sweden. Swedish representatives funded by the international agency SIDA had a strategic goal to survey the market and its actors – business support organizations and the firms. ABAC found it very useful to see themselves in the mirror through others' eyes – *"how do we look, are we attractive or not?"* The various companies subsequently cooperated at various levels of intensity. ABAC worked very intensively with Swedish partners until 2008, because there were common interests in the Polish and Russian markets. Swedish involvement made the actions easier with their funding. Around 30 percent of obtained contacts that have worked with ABAC later recommended the organization to others. Now ABAC has more partners than it is able to unite due to different interests and sometimes due to lack of human resources to satisfy all the needs. Guests from Poland, Belarus, Sweden and other countries come to the ABAC office to meet and discuss new project ideas. Often these are not organizations with whom ABAC has previously worked, rather they have been recommended by other institutions that worked with ABAC.

CoC

The motivation for firms to join initiated networks include economic benefits, financial support, exchange of experience and product/service marketing possibilities. The first contacts between the local and foreign enterprises are

most often made through business trips. Vilnius Chamber of Commerce, Industry and Crafts, Alytus Branch director is a member of Vilnius Chamber of Commerce, Industry and Crafts Council. During his delegation trips he represents Alytus region business representatives and sometimes makes first contacts. During the trips the contacts are made, mutual needs discussed and matched and cooperation starts. *"It is very useful to look in the area what is there what it can offer, and what we can offer and what we need. It is a search for mutual interests."*

LIC

Again the main benefits for firms to join the new network include economic benefits, financial support, exchange of experience and product/service marketing possibilities. Only if the firm is enterprising, it will experience the economic benefit. With regard to financial support for their product, they have to approach financial partners to get Structural Fund support. LIC offers some financial support for innovative projects on a competitive basis. For the first time LIC staff helps to prepare all representational material for the firm to participate in the event, but with time it gets experience how to communicate and make contacts.

ABIC

Since the institution is not profit oriented, the main goal for initiating the network is social - contact and experience exchange. First contacts between the local and foreign companies were made with the help of Alytus College lecturers, through the seminars and conferences and of course through the personal contacts of the lecturers.

Managing the network

ABAC

Besides the initiator ABAC, other partners also supported the network "Wood Partners" (described in the section 6.4 Successful Networking Practices). Since ABAC did not have more project funding to continue developing network activities, it left it for self development, by commercial principle. The network is still viable, but for network to create a product it is not enough just to hang in the website. Financial resources are needed for network to develop and produce new things. Marketing is needed. The network has public and private supporters. In the network website (<http://www.medienospartneriai.lt/?lang=en>) persons registered as real members. The public ones - Employment Exchange Offices help a lot with information. Currently there are three networks established by ABAC where firms can freely register. E-cooperation and Wood Partners provide possibility to advertise and introduce the firm in 4 languages - this is very

important for the small firms. The firms can be found through the network website search system. The same way registration is possible through BAFT – Accountants-Auditors-Financiers Network Lithuania-Poland. But first they need to become the network members. These partner networks in which the companies register also make it easier for ABAC to find these interested firms which would like to cooperate, to form the needed support like trainings, business trips and other. Another way of finding companies with common interests is stimulation of partner network through conferences and product presentation in new markets. ABAC plays a role of a matchmaker. It does not distribute the money but good partner found by it sometimes makes more added value than expected.

CoC

This year there were 4 business missions organized by CoC: to Poland, Belarus, USA, Brazil. The firm managers from Alytus region participated in the missions. Those who couldn't go were represented by CoC, who brought back information and contacts for them. The CoC director participates in the groups at county level where confederates and small businessmen meet to consider the regional development issues. He is a member of the municipality council. The CoCs main task is to represent the regional enterprises. They try to provide information for contact development. This is facilitated by cooperation within CoC networks across Europe and Worldwide.

LIC

LIC work is mainly connected to the European Enterprise Network. EEN is funded by EU. Basically the EEN website exists for firms to find partners, extend product creation and realization possibilities. Seminars and conferences are useful to provide information about the products. Support for separate activities is also possible, for example a firm which finds partners through the EEN can get support for trips to exhibitions, firm presentation, arrival of experts. LIC services are free of charge, since they receive public funding. The expectations of innovative firms from the network are usually satisfied, because their products bring attention of potential clients, science institutions, if the product is still under creation. If the firm product has no innovative value, it may fail to benefit from the network.

When a firm becomes a LIC client, it is included in their database and they work with it on regular basis. They help to prepare the project, consult, help with project administration. They provide information that is needed. For example there was a project with a task to introduce the firms into market. After the project 3 firms are working in Switzerland on the basis of commercial agreements. It is a hard process, a deep communication with the enterprise, expert work. Sometimes when introducing the innovative product it is necessary

to explain that the quality of this product differs by particular technical features, explain why it is better. Special attention is put on quality.

First contacts between local and foreign firms are mainly made through the internet platform EEN, through the common seminars.

ABIC

Since ABIC projects are more of an educational nature, they cooperate with similar profile institutions in Lithuania and abroad.

Objectives and expected outcomes of networking

ABAC

Wood Partners network expectations (goals described in the section 6.4) were fulfilled 100 percent. Various partners fulfilled their mission. Partners helped when concrete help was needed for the renovation of premises. For example, Labour Market Training Centre helped with specialists who did their practice in the building for renovation. In terms of international cooperation Swedes wanted to be the network members, to create new products, they financed few trips. The network was more active than expected, though now it stopped developing. We need to think about new ways of funding and new products. The time will show how it will be with other ABAC initiated networks, it is too early to say.

CoC

When a firm manager comes to CoC he already knows what he wants. First they check how CoC can be useful for them. Therefore at the beginning CoC shows how the system functions and later firms become members if they perceive a long-term benefit. After membership information dissemination, various help and support on raised questions follows. The only problem is reversible response, usually the CoC wants to know how the firm is doing in the long run, but the firm continues cooperating without the mediators.

LIC

If the product is innovative LIC searches for markets using their database, experience and contacts. The internet platform European Enterprise Network is a useful tool for that.

ABIC

The main expectations are to anchor in the market, to find own little niche, an exact segment to provide the services. On the whole the ABIC's expectations are fulfilled.

Main challenges to network brokering

ABAC

One of the main challenges to network brokering is the identification of interests. *"If you want to form a network, network members have to know why it is needed in order to participate. Thus the identification of interests is the crucial thing. Later, when you know them, it is much easier to launch a product."* Therefore ABAC organizes discussions with the firms – so called brainstorming.

International cooperation possibilities are restricted by finances. So are the firm cooperation possibilities. In this case electronic networks help with information. If network members are uncertain what they need they don't benefit from general information. The firms need not general information but targeted information according to their needs.

To form a network is not difficult, it is difficult to maintain and develop it further, very often due to finished funding. In order to maintain and develop the network at least two years are needed after the end of the project.

CoC

The problem is that networks are funded by projects for the project period.

LIC

International cooperation possibilities are sometimes restricted by passivity of firm managers, lack of foreign languages knowledge. If they have problem with foreign languages we are there to help. Those who are searching and are brave, persistent and have goals usually achieve them.

ABIC

ABIC is very small, only two workers, so the problem for development is human resources, foreign languages.

The network after the initiative

ABAC

The project was finished in 2006 and the network "Wood Partners" is active today. This means it functions independently. ABAC continues to administer it only as a tool. It is also connected with the member emails – they get emails each time something new is announced in the website. The firms are able to keep contacts independently and to carry out discussions. Firms continue to cooperate themselves. Whether the performance of network members improved could be judged only after audit. ABAC organized a meeting with wood firms to get a feedback about the network, asked the members what was good, what is missing, what could be done better. There was one good suggestion to promote

the network in international markets and networks, because this way it would be used more.

ABAC is searching for funding, looking at what is possible to do for the network to continue. They also search for specialists and volunteers who could work unpaid, though now everybody is short of money.

For the development of the network as many as possible interests should be united, concretized and good new products offered through the network. It takes a long-term cooperation and work. The network needs to be maintained and some part should be commercialized, but in order to do this it should be attractive and bought in the market. In this case the network could be called successful. In other case you couldn't pay even for the domain and the tools. When network supports itself and even earns it can be called successful.

CoC

The firms which belong to the CoC also belong to other associations, business structures. This means that firms are thinking widely, take from environment what is available and use it. Information about what happens after the initiative is finished is not collected, each case is different. The performance of the network members improves because there is possibility to update the technical base, introduce new things.

LIC

The continuation of network depends on common interests. In positive cases the firms switch from competition to cooperation, because on their own they have no sufficient capacity to fulfil contract conditions. And if in future it develops into clusters big orders can be taken.

Many networking activities ended with commercial agreements, firms made close contacts with science institutions. Enterprises that create always need knowledge.

The activity of LIC is successful. It is a big help to small and medium business. Big enterprises have their own specialists.

ABIC

After the initiative the contacts stay, but there must be mutual interests. The contacts stay and they expand as a network. The new foreign firms find us due to recommendations and we find new ones as well.

6.4. An overview of successful networking practices

Bellow successful networking practices identified in Alytus region are described. The main success criteria used to select the networks were viability and

development potential of the networks as well as their contribution to regional economy.

1. **“Mutual Help and Cooperation Network” - “WOOD PARTNERS”** is a result of a project “Upgrading of Wood Processing Specialist Professional Skills by Fostering Employability Growth and Entrepreneurship in Alytus Region”, funded by EU Phare ESC 2001 Programme, Alytus City municipality and Governor Administration of Alytus County. Project coordinator - Alytus Business Advisory Centre. The project implementation goals are upgrading professional skills of wood processing specialists in Alytus region, fostering of cooperation among wood processing enterprises, training institutions and business support institutions by increasing employability and entrepreneurship, development of high quality training services, meeting the needs of wood processing sector and creating preconditions for employment of qualified workers.

The main project activities include:

- Preparation of programs for wood processing workers’ qualification upgrading;
- Organization and implementation of courses for wood processing workers’ qualification upgrading;
- Creation of cooperation and mutual help network among training-business support organizations and business enterprises in the area of wood processing;
- Employment of project participants in wood processing enterprises in Alytus region;
- Information dissemination about the project results and gained experience for the society of Alytus region and Lithuania.

The project results:

- Prepared 3 programs for wood processing workers’ qualification upgrading;
- Trained 52 project participants aged from 16 to 25, with speciality of wood processing;
- Employed 52 target group project participants in wood processing enterprises in Alytus region;
- Formed information mutual help and cooperation network in the internet, 10 vocational training, business support and wood processing enterprises linked together in a modern infrastructure.

Project had a number of various partners - Lithuanian Association of Adult Education, Alytus Labour Market Training Centre, JSC "Jundos stalių gaminiai", Alytus College Lithuanian Association of Adult Education. It was carried out in cooperation with experts from Vytautas the Great University, Vilnius Gediminas

Technical University, Ministry of Education and Science, Career Training Methodology Centre.

The network was created in 2004 and continues to operate. In order to develop the cooperation further the information portal is created: www.medienospartneriai.lt. It is facilitated by Alytus Business Advisory Service. "WOOD PARTNERS" is a cooperation platform between training organizations, business enterprises, business support and employment institutions. "Mutual help and cooperation network" was created and implemented developing the model "Knowledge – Competence – Product", introducing new training programmes adapted to market needs."

The programs for wood processing workers' qualification upgrading that were prepared during the project will be continued to be implemented by upgrading the qualifications of specialists corresponding to EU standards and needs of wood processing enterprises in Alytus region.

The programs can be adapted in other regions of Lithuania for wood processing workers' qualification upgrading and employability fostering. "Mutual help and cooperation network" - "WOOD PARTNERS" will strive to develop and include other wood enterprises, professional training and business support organizations for creation of new quality services and products. The model of "Wood processing enterprises – vocational training – business support and employment organizations" implementation is first step to WOOD CLUSTER development, like new product for South Lithuania region. The information database is developed and works for this WOOD cluster too.

2. In 2010 the project „**E-Cooperation – Innovative Clusters**“ was started by the same public institution Alytus Business Advisory Centre in cooperation with Polish institution Palenkė Region Programming Centre. It is funded by European Territorial Cooperation Objective Lithuanian and Polish Cross-border Cooperation Programme Lithuania-Poland 2007-2013 Small Project Fund. The main objective of the project – to stimulate cooperation between Lithuanian and Polish enterprises in border regions in innovative economic sectors, by strengthening connections of Polish and Lithuanian companies working in the field of metal processing, by animating connections between firms working in Palenkė metal processing cluster and Lithuanian metal processing enterprises; to create internet website (platform): www.e-cooperation.eu, with Polish and Lithuanian firm database. Project tasks:

1. To identify active cluster initiatives and to extend them. It is anticipated to identify and involve metal processing cluster members from Baltstogė – Suvalkai subregion and Elk subregion in Poland and Alytus and Marijampolė regions in Lithuania.

2. To carry out research with the aim to diagnose the needs and cluster development directions and to present cluster initiatives in this territory. On the basis of this analysis to prepare Metal processing cluster strategy and map. The prepared Metal processing cluster strategy and map: [Metalo apdirbimo klasterio strategija ir žemėlapis](#). The experiences of ABAC and PRPC in administering wood (Lithuania) and metal (Poland) processing cluster initiatives was used in this research.
3. To organize seminars on modern wood and metal processing technologies, 1 seminar in Alytus and 1 in Baltstogė. The seminars will also provide possibility to discuss cooperation possibilities of Lithuanian and Polish businessmen in these sectors, cluster extension in the future.
4. To create internet platform: www.e-cooperation.eu as a union of interest groups to develop cluster initiatives in border regions of Lithuania and Poland, competitiveness development in metal, wood industry, service and technology sectors. The platform is created by joining existing cluster initiative websites – metal processing, www.cpp.bialystok.pl/klaster (Poland) and wood processing www.medienospartneriai.lt (Lithuania) and adapting them to Lithuanian and Polish markets (Lt, PL, EN). The platform includes links to Polish Metal Processing cluster, Lithuanian Wood Processing Cluster and other cluster initiatives.

During implementation of this project the website for the cooperation network of Wood Partners (Mutual Help and Cooperation Network) was created: <http://www.medienospartneriai.lt>

In subsequent phases other initiatives and activities in the area of clustering on the borderland of Russia, Belarus and Ukraine will be included in the platform. To join to the initiative Alytus Business Advisory center is inviting research institutions, universities and companies from all over Lithuania, Poland.

For the implementation and development of this platform a long-term cooperation contract „PLATFORMA „E-COOPERATION“ 2010-2013“ is signed between Alytus Business Advisory Center and Palenkė Region Programming Centre.

3. Project **“Development of Wood Enterprises Cluster and Promotion of Cross Border Co-operation”** was implemented by public institution South Lithuanian Business Co-operation Centre in cooperation with Latvian Chamber of Commerce. The project started in 2007. It was partly financed by European Union Community Initiative “Baltic Sea Region INTERREG III B Neighbourhood Programme”. The main aim of the project was to increase the competitiveness of industrial and business enterprises of Alytus and Jēkabpils (Latvia) regions. The cluster formed favourable conditions for business development and joint

activities of enterprises, their co-operation, and introduction of new technologies. Using the opportunities, provided by cross-border co-operation, access of Alytus and Jėkabpils regions enterprises to new markets was facilitated. After Lithuania and Latvia joined the EU, wood processing and furniture sector of Alytus and Latgale regions encountered lack of raw materials, rising prices of energy, stricter requirements concerning product quality, working conditions and environment. Wood-processing and furniture-producing enterprises of Alytus and Latgale regions, due to their small size, had difficulties in finding new markets, developing new products, preparing projects.

In order to help overcome the above-mentioned problems, increase competitiveness of wood-processing and furniture enterprises of Alytus and Latgale regions and form pre-conditions for their successful performance in dynamic free market conditions, South Lithuanian Business Co-operation Centre together with Latvian Chamber of Commerce planned to form a cluster model of wood enterprises and hence stimulate initiatives of their co-operation, provide services in the fields of design, consulting and search for export markets, organize fairs for contacts with potential clients. Latvian partners agreed to support this idea because of the same problems in Latvia. The involvement of Latvian partners allows not only to exchange experience, but also to create common strategies, to increase competitiveness of wood enterprises of Baltic countries in the EU.

This project promoted creation and development of higher value-added products by increasing skills level of employees of wood enterprises. Fostering co-operation between wood and furniture enterprises contributed to improvement of business conditions for SME subjects in Lithuania and Latvia. After the cluster model was created and its methodology described, a basis for the expansion of this and other clusters in Lithuania and Latvia was built.

This project's aims were to create a wood industry cluster on the basis of co-operation with interested companies and business associations of Latvia and Belarus. The wood cluster is being created to unite the wood enterprises of Southern Lithuania and Latgale (Latvia) in order to increase competitiveness and value-added. During the project, positions of enterprises were co-ordinated, the optimal variants of specialisation for enterprises were considered, tasks were distributed, the feeling of mistrust and uncertainty was overcome.

An important result of this project is the "Methodology of Wood Cluster on Cross-border" which it created.

4. Project "Establishment of **Lithuanian and Polish International Training and Business Centre**" is also implemented by the public organization South Lithuanian Business Co-operation Centre. It started in 2010. the project is

funded by European Regional Development Fund, Active Neighbours, Lithuanian and Polish Cross-border Cooperation Small Project fund – special Lithuanian and Polish cross-border cooperation programme funding scheme for small projects. The project addresses the general strategic programme objective – to stimulate sustainable border region development, to increase economic and social small and medium business cross-border cohesion. The project aims to ensure proper collaboration conditions by common participation in practical specialist trainings, to learn about new service technologies and to extend Polish and Lithuanian service market. Besides common economic activities, possibilities for making new social contacts and knowing specialists of other countries will appear, which will reduce psychological obstacles and mistrust. Project activities include:

- Establishment of Lithuanian and Polish International Training and Business Centre. The structure of this centre will be created on both sides of the border - in Suvalkai and Alytus. Various professional training, encouragement programmes of new technologies, business meetings, presentation of products and services, organization of preparatory courses, qualification exams, permanent update of informational database of firms in Suvalkai and Alytus will be done in the centre. The database will be put in the new internet website and constantly corrected and updated with information about new firms and their areas of activities. The establishment of the centre will allow Lithuanian and Polish small enterprises to collaborate more actively, to organize common trainings, providing possibilities to take further business stimulation initiatives, new common project implementation and application of innovative technologies.
- Organization of common practical and theoretical trainings in Suvalkai and Alytus, exchanging the groups of participants. Two parallel practical trainings will be organized – for hairdressers in Suvalkai and for cosmetic specialists in Alytus: active professional training system presenting the innovations and integrating the participants.
- Organization of International Hairstyle and Make-up Tendencies' Presentation "News 2010" in Suvalkai for Polish and Lithuanian businessmen. Known hair and cosmetic equipment and gear representatives participated in the event. 10 stands with producers presenting their products for hair and cosmetic salons were open. The anticipated number of participants was 80 people. Representatives from local newspapers and television participated in the event.

- Preparation of promotional booklet about the event 'International Hairstyle and Make-up Tendencies' Presentation "News 2010" including information about small companies and their services in both regions. The booklet will include information in both languages and will present the new structure - Lithuanian and Polish International Training and Business Centre, its aims and activities and well as information about the created database and its website. The publication is intended for all interested regional small firms.

Project lead partners are Public organization "South Lithuanian Business Co-operation Centre", Lithuania and Cech Rzemieslnikow i Przedsiębiorcow (Workshop of Artisans and Businessmen), Poland.

5. Project "**Alytus and Baltstogė - Suvalkai Regions' Business Cooperation Development and Increase of Competitiveness in EU Markets**" was started in 2009 by public organization South Lithuanian Business Co-operation Centre. The main funding source - European Regional Development Fund, Active Neighbours, Lithuanian and Polish Cross-border Cooperation Small Project fund – special Lithuanian and Polish cross-border cooperation programme funding scheme for small projects. Main targeted problem is uneven border regions (Alytus and Baltstogė – Suvalkai regions) economic-social development and lag behind the big Lithuanian and Polish cities, as well as inability to compete in global economic market. The main objective of the project – to increase the competitiveness of border region small and medium enterprises aiming at sustainable integration into markets of EU countries. The objective is targeted by these tasks:

1. To create and develop direct contacts between Alytus and Baltstogė – business communities of Suvalkai regions by creating Alytus and Baltstogė – Suvalkai regions informational small and medium enterprise database.
2. To increase border region competitiveness and market accessibility by organizing mobile exhibitions "Alytus and Baltstogė – Suvalkai Regions Business Introduces".
3. To strengthen the knowledge, competences and communication skills of enterprise managers using common conferences.

In a difficult economic situation the most vulnerable business group is micro, small and medium enterprises. Working separately they are not able to compete in global market therefore it is necessary for them to join into networks and by joint activities to become competitive in EU and World economic markets, get bigger orders.

6. Project **"International Clusters' Business Mission - Integration into International Wood Clusters' Network"** was implemented by Alytus Region Business Association in 2008. The project was funded by National Support Fund, Lithuanian Ministry of Economy. The main objective was to help wood, design and projection firms to become more competitive in the market, for businessmen from various countries to see situation in other countries, to know new partners, to cooperate and develop common business projects. Lithuanian aims in the project – formation of Lithuanian business image, creation of more favourable conditions for firms to increase production and export.

Aldona Dalia Matukienė, president of Alytus Region Business Association, representing Lithuania participated in international clusterization VINNOVA (Agency for Innovative Systems by the Government of Sweden) project "Innovations and Clusters" which was implemented by European Clusters' Alliance and Baltic Sea Region Innovation Network BSR InnoNet. The project activities were basically organized through events in different project countries. On April 8-10 project event was organized in Lithuania, Vilnius by Alytus Region Business Association. Wood, furniture and design clusters' leaders, businessmen and scientists working in the field of innovation and 'clusterization' from New Zealand, Sweden, Finland, Poland, Latvia, and Lithuania participated in the event. The event was also attended by representatives from government, Lithuanian minister of economy. Lithuanian international mission aims were:

1. To present Lithuanian firms (Lithuanian construction, repair, wood processing and furniture companies, firms providing design and projection services)
2. To Exchange experiences with foreign specialists and to establish partnership for common activities (a conference was organized with 30 various foreign firm representatives)
3. To create conditions for increasing own production export to third and EU countries (bilateral meetings, visits to enterprises).

7. Project **"Competency Development of Business Management and Cooperation"** was initiated in 2006 by project lead partner – public institution "Alytus Business Advisory Centre" in cooperation with PI „Project Management Centre" (Lithuania) and "Free Entrepreneurship Association" Gdansk (Poland).

The project was partially funded by EU, Neighbourhood Programme Lithuania, Poland and Kaliningrad Region of Russian Federation INTERREG III a. General project objective – to consolidate Alytus and Gdansk regions' trade communities, stimulating trade management and cooperation competency. The project objectives were:

- Stimulate understanding and information of cross-border cooperation in business society;
- Form and develop local and regional business organizations' business management competencies guided by EU practice;
- Consolidate international cooperation in business development in Lithuania and Poland cross-border regions;
- Stimulate cooperation between business organizations and scholar institutions preparing graduates in business specialities.

The main activities of the project – training, competency development of business management and cooperation, (training duration 112 hours in each state.) and “Business Tournament” (duration 2 days in each state) in Alytus and Gdansk regions.

Sustainability (durability) of project results – will be acquired under needs of businessmen further organizing trainings developing cooperation and business management, developing cooperative contacts established between Lithuanian and Polish businessmen, increased number of businessmen cross-border cooperation initiatives and increasing employment possibilities of the student participating in the project by demonstrating their gained knowledge to local and neighbour state businessmen.

Effect of the project - positive social effect, stimulating cross-border cooperation between businessmen and students studying business management also increase youth employment not only in local market but in international scale.

Economic effect of the project - evidence in development of businessmen cross-border cooperation possibilities, establishment of new contacts, in initiating new projects, knowledge improvement in business management and competitive abilities and attracting talented youth into business. These enlivened business and its' cross-border environment and stimulated growth of region economy.

6.5. Lessons for successful networking practices

The following are specific lessons of good practice, derived from the interviews carried out in Alytus county.

Lesson 1

The key to network success is accurate identification of firms' common interests and needs as well as market analysis before the start of the network. Thus the dialogue and discussions with firms are necessary.

Lesson 2

The network, once created, needs to be maintained and developed, therefore it should be partly commercialized, but in order to do this it should be attractive and bought in the market. In this case the network could be called successful. When network supports itself and even earns revenue for its members it can be called successful.

Lesson 3

The majority of networks identified involve too few firms from remote rural areas. An issue for this is also the separation of regional and rural policies, leaving rural firms outside the regional development initiatives. Rural firms are more related to food production/processing. Good networking practices identified could be applied in rural development policy to improve cooperation among this type of firms.

Lesson 4

Successful regional networks should be included into websites of international networks, promoted in foreign markets in order for firms to be found by potential foreign partners. Participation through networking organizations gives more clarity and safety in dealing with new firms.

Lesson 5

Despite of sufficient network support policy, programmes and infrastructure, there is a lack of funding for more effective international networking actions in the region. The limited funding available from municipality Small and Medium Business Development Programmes and for regional network brokers should be taken into consideration when evaluating the internationalization of regional firms.

Lesson 6

One of the most important export development institutions "Enterprise Lithuania" so far does not have regional representatives. Representatives in the region could bring export policy closer to the rural firms.

7. CONCLUSIONS AND RECOMMENDATIONS

The concept of business networks and the role that they can play in strengthening local economies is far from new or revolutionary, it has a history of at least twenty-five years. Clearly the key policy issue is not going to be one of awareness raising, but rather of the need for clarification and reassessment.

The most striking observation which emerges from the 'state of the art' review above, and is corroborated and reinforced by the case study reports which follow, concerns the multiplicity of objectives and approaches associated with network brokerage. It is, on reflection, hardly surprising, given the plurality of understandings of the term 'business network', and the variety of explanations of the processes by which networks are built or extended, that policy approaches are various, and that the rationale's of some of them seem less than explicit.

Of the three kinds of network policy described in section 1.4 above (match making, forum facilitation and alliance building) the first is perhaps the least problematic in this respect. Almost all the case studies reported match-making activities which seemed to be assisting local entrepreneurs to extend and internationalise their transaction networks. It was particularly important in the Swedish and Dutch case study areas. A key success factor here is the quality and extent of (international) 'meta-network' connections which can provide direct access to potential partners.

Forum facilitation was perhaps the more commonly reported activity in Slovenia, the Czech Republic and Lithuania, and seemed especially beneficial in terms of supporting small businesses unfamiliar with international (EU) trade practices and regulation. They also seem to have a role in enhancing 'absorption capacity' in respect to EU Regional and Rural Development support. However these initiatives do not seem to be explicitly guided by concepts of intra-regional networking or the value of 'horizontal' non-market interaction or embeddedness. Rather they are aspects of more general business advisory initiatives. Furthermore it seems likely that this is a short-term strategy, responding to the challenges raised by EU accession. Longer term strategies to support the development of both transaction and non-market networks, within the regions and of the trans-local type, would seem to be worthy of consideration.

Formal alliance building was observed in Lithuania and Slovenia, but was not evident in the other three case studies. These examples were not cases of firm 'deconstruction' (Anderson et al 1994), but rather of the construction of 'value adding partnerships' (Jarillo 1988) along the supply chain, in order to improve the flow of market intelligence, and to provide better access to distant markets for rural SMEs.

In the light of the above the most important recommendation is for increased clarity in terms of defining policy objectives: What kind of network is the intervention designed to create? What exactly are the benefits which are being sought? Having established the objectives it will be much easier to maximise the effectiveness of the selected activities, to assess their impact, and to adjust them if necessary. Separation of networking initiatives from other more general forms of business support, even those which seem closely related (such as cluster policies) will be much more helpful than vague 'catch all' programmes, which promise a wide range of benefits.

The Netherlands case study highlighted a distinction between 'rural policy' (with its focus upon fostering intra-regional linkages between micro-businesses) and 'regional policy' (which concentrated on helping larger firms to develop international networks). We would argue that these are two complimentary components of a single strategy, which would be more effective with closer coordination. We suspect that this separation, although not overtly imposed, is tacitly accepted in many parts of the EU. A similar issue is, for example, highlighted in the Lithuanian report, where rural SMEs apparently lose out on networking support as a consequence.

A range of more specific and practical findings are set out in the individual case study sections above. For example the Swedish case study concludes with eleven 'lessons'. These are mostly rather specific to particular interventions or national contexts, and they will not be rehearsed here.

The overarching conclusion is that business networks are a key to adaptation to the new, faster moving, information-rich and globalised economic environment within which all European regions, (even the rural, the sparsely populated, and the geographically peripheral) must operate. This applies both to SME's (the subject of this workpackage) and to large vertically integrated businesses which may need to be 'deconstructed' in order to become more agile.

Our literature review, and the case studies presented above, has shown that in many regions (especially urban ones and the more dynamic and diversified rural ones) the various 'actors' and organisations involved in supporting local business development are fully aware of the vital and increasing role of networking. In others there is great scope for the transfer of good practice. Progress in this will depend upon addressing a number of preconditions. These include:

- A weakening of the close association between rural economic development and agriculture, to reflect the opportunities of the New Rural Economy.
- A wider recognition and comprehension (among both the policy and business communities) of the way in which geographically dispersed 'value adding partnerships' can extend to, and incorporate, rural SMEs. This in turn implies

a wider acceptance of the fact that organisational proximity can be separated from, and independent of, geographical proximity.

- Network brokerage with sensitivity to commercial confidentiality constraints, the need to allow time and opportunity for trust to develop, and the need to recognise those situations where competition limits the potential for cooperation.
- Network brokerage approaches which take care to respond to the express needs of businesses, rather than just imposing (irrelevant) calls on entrepreneur's time and resources in order to meet programme targets.
- Attention to, and where necessary support for, the information 'absorption capacity' of SMEs and entrepreneurs within networks. Access to new information sources through networks must be utilised, necessitating certain minimum levels of human capital.

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APPENDIX 1: BEST PRACTICE GUIDELINES

Introduction

According to the Description of Work, the last part of the empirical work to be performed in WP1 is dedicated to 'Best Practices' (Task 1-3). In the DoW, the Task is divided into 4 different consecutive stages:

- Identification of **Best Practices initiatives** in the case study areas linked with the development of local business networks (about 15 per case study region);
- **Interviews** with a small selection of organisations behind these regional development initiatives (target of 5-10 interviews in each region);
- Identification of outstanding **network support actions** (NSA) in the case study areas;
- Characterisation of these actions and possibility to **extend conclusions to other rural regions in Europe.**

The Skype meeting that was held by the DERREG Research Team on the 5th of October has enabled to provide some common ground for the different WPs to work on the notion of '**Best practice**'.

First of all, the use of 'best practice' in our work should be seen as a way to disseminate our results to non-academic users and open-up the possibility of a dialogue between the research-team and other stakeholders. 'Best practices' are here to illustrate the scientific findings: they are concrete examples of well working actions or processes.

In the context of EU regional and rural development policies, 'best practices' are used in order to present success stories, i.e. ways of working or processes that have shown to be particularly successful in a region, and thus to inspire other actors in other regions to act similarly. A practice becomes a best practice when it has this capacity to be embraced, replicated or adapted in other regions, in other territorial contexts.

Before you start reading:

An important red thread for the WP1 work since Day One is the dual hypothesis that:

(1) Business Networks do not only involve relations between firms (*inter-firm networks*), but as well with other types of actors (*extra-firm networks*) and that

(2) Such Business Networks in rural areas are not solely local, but are shaped through the *intertwining of local and trans-local relationships*.

These two dimensions should be as well explored in the work on network initiatives and best practices.

'Mapping' the institutional landscape of your region

A precondition for being able to identify the most pertinent BP initiative is to have a good overview of the policy landscape in your region (and country) when it comes to rural development, business support and entrepreneurship.

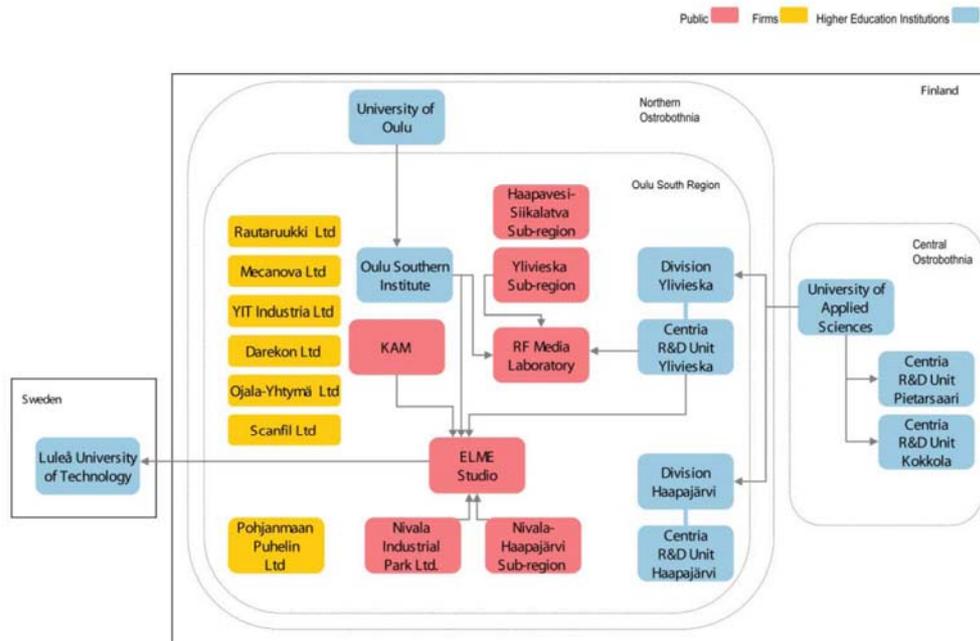
Consequently, you should make an assessment of the policy situation in your region, identifying the main stakeholders, both from the public (e.g. regional or local authorities) and private sector (e.g. chamber of commerce or sector representative organizations), and from the 3rd sector as well (e.g. non-governmental organizations), with regard to **Business and Networking support initiatives**.

In order to provide a clear picture of this policy landscape, you should make a diagram encompassing (1) the main actors, (2) the potential interactions/collaborations between the actors, and (3) the main outcome of their initiatives (e.g. for a regional authority it can be a rural development plan within their region, or a business support plan, or a BP initiative) that each actor has developed, and their main target-groups (e.g. SMEs) and expected impacts.

When this 'policy landscape' is completed, then the identification of initiatives and stakeholders to be contacted becomes more self evident.

Here are some inspirations regarding how such diagrams may look like:

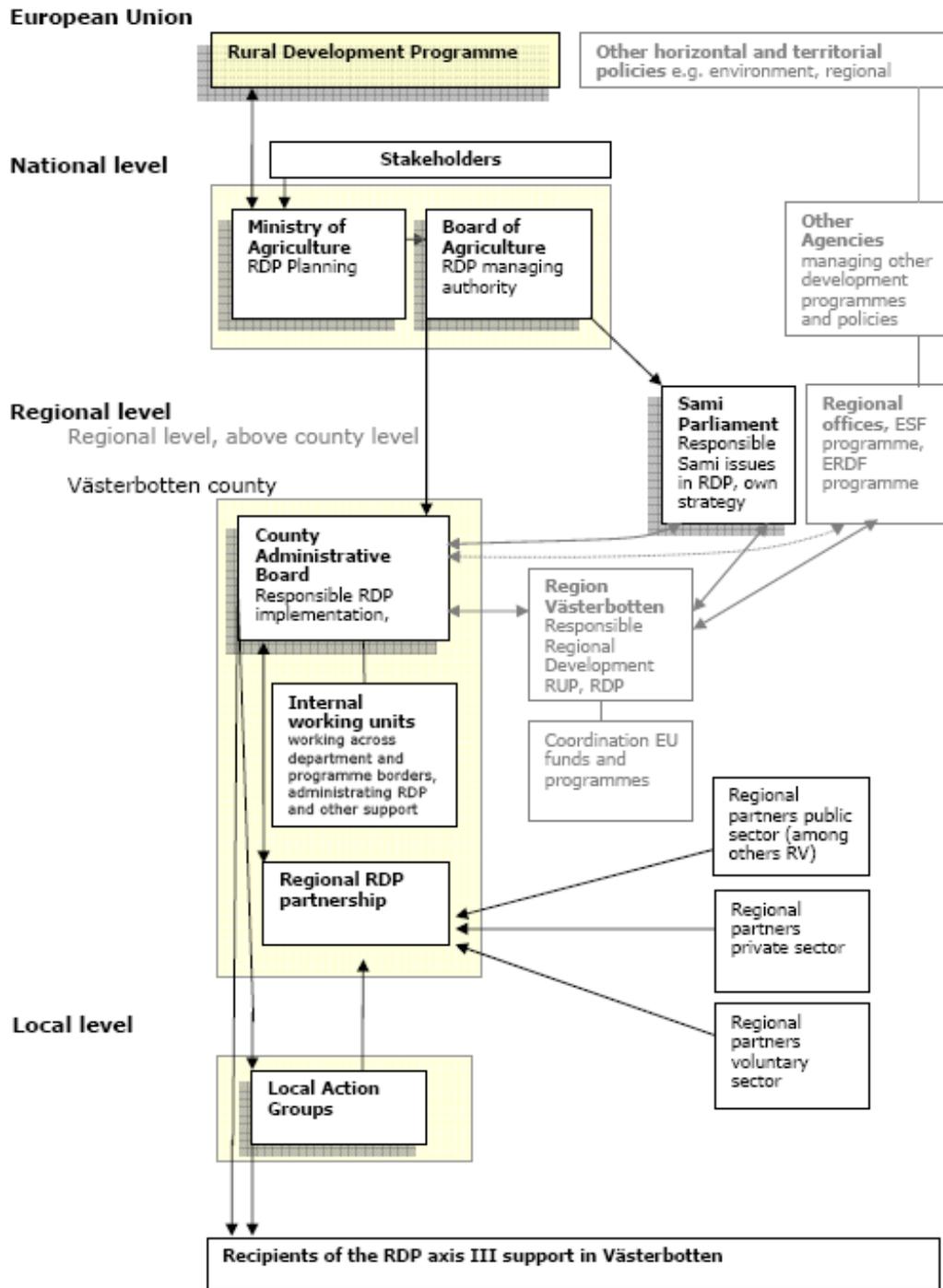
Examples of key actors in ICT and metal and traditional machinery in the Oulu South region



From Regional trajectories to the knowledge economy: Nordic-European Comparisons, Margareta Dahlström and Sigrid Hedin (editors), Nordic Innovation Centre (2010)

Institutional map

Implementation of RDP axis III in the county of Västerbotten



Institutional map, actors involved in implementation of Rural Development Programme in the county of Västerbotten, Sweden.

From FP7 RuDi project Deliverable D.8.1: Case-study report. Devolution in the Swedish Rural Development Programme: the case of Västerbotten.

ACTION 1: For each case study region, produce a 'Business Support and Policy' Landscape diagram

Identifying BP initiatives

The first step to complete our work on 'best practices' is about the identification of **BP initiatives**. In our mind, a BP initiative is an action or process started by an actor (or several) in order to enhance the capacity of SMEs in the region to develop business networks, with a preference outside the regional/national borders.

'Regional' initiatives, i.e. initiated by regional actors (such as regional development agencies, education centres, business incubators, and firms) are providing a platform for the regional actors to cooperate. These initiatives can typically take the form of Public-Private Partnerships or joint temporary projects.

Other initiatives taken at higher levels of authority, typically at national and EU level, may prove to be particularly important for rural areas in our case study regions. Typical examples are projects benefiting from EU funds (e.g. ERDF, ESF or LEADER), or networking framework initiatives such as Enterprise Europe Network or European Small Business Portal.

The task of the WP1 partners is to identify such BP initiatives, either new or well-established ones, which have proved to function rather well, i.e. that have enabled SMEs to expand their business network outside the local labour-market. A first step for identifying the initiatives would be to identify institutions or organizations that have been active with regards to developing regional firms' business network [which is the purpose of the 'policy landscape' exercise].

For each identified initiative, you should fill in the 'best practice template' provided by Mike. Important in the 'description' part are the following items:

- the history behind the setting up of the initiative (who started it? what was the main aim of it? How did they manage to get support?)
- the development of the networking activities (how did they manage to get firms involved in the process? in what forms has networking taken place?)
- the long-term implications of the process (have the developed linkages between actors been sustained after the end of the initiative? Have the firms in general benefited from these new networks? How? Has there been some spin-offs to the initiative?)

ACTION 2: Identify BP Initiatives and Fill in the Best Practice Template for each of them [about 15 initiatives by CS Region]

Getting started with the interviews

After the mapping of the policy landscape and the review of the BP initiatives related to business support in your region, the next step is to interview representatives of organizations that have been directly involved with companies for the development of extra-local business networks. We call these actors **network brokers**.

In order to avoid any trial-and-error way of processing (and thus wasting our precious time), we should contact the most central stakeholders, i.e. the ones that have the best overview of the initiatives regarding business support in the region and the most that are the most competent on the issue. In order to do so, we suggest proceeding by using the **snowballing method**.

The method consists in using the contacted network brokers' knowledge of the policy landscape and building upon their own contact network. This enables to identify more efficiently the 'right' stakeholder. We suggest proceeding as follow:

- (1) we start by contacting representatives of the regional or local authorities that are working on such 'business support' issues,
- (2) during the interview, we ask them to give names of other stakeholders that they deem central in such business support initiatives.
- (3) After the first 3-4 initial interviews, we put together the extended list of mentioned stakeholders and
- (4) We select the ones that we deem as the most interesting ones, contact them and complete the remaining interviews

INTERVIEW FICHE

Network Brokers

(It sums up the core issues, but it can be extended at will)

(1) What is your present function in your organisation? How long have you been working with business network support? (in previous positions as well?)

(2) How do you understand the role of your organization in network brokering?

(3) How does your organization concretely support firms in developing their contact network with other firms *within* the region?

(4) How does your organization concretely support firms in developing their contact network with other firms *outside* the region?

*From this point onwards we are especially interested networks **outside** the region*

(5) What was the expressed objective for the building of the network?

Economic gain?

Secure financial assistance?

Sharing experiences?

Marketing the firm's offering?

(6) What were the firms' initial expectations with regards to the networking process?

(7) What did your organization expect in terms of benefits of the networking process for the wider regional economy/society?

(8) How were the first contacts between the local firms and external actors initiated?

Via joint seminars or conferences?

Using a specific web platform?

Via study trips?

(9) Besides your organization, what other public or private actors supported the network initiative?

(10) Do you know if firms participating in the initiative have been able to maintain contact with other network participants after the end of the initiative itself?

(11) Do you know what have been the actual benefits for the firms joining the network? Increased performance?

(12) Has the recent financial crisis altered the way your organization works with Business Network Support?

(13) To your opinion, has the initiative been successful or failed? Explain why do you make that statement?

ACTION 3: Interview key regional stakeholders involved in business support and networking.

From BP initiatives to Network Support Actions

One of the main results from WP1 is to provide interesting insights to policymakers about how they can provide the most efficient and pertinent support to local firms in order for them to develop their business network outside the regional boundaries. Of course, BP initiatives as such can hardly be transposed to another region and be started up by other actors, as they are often very dependent on the context in which they are set up.

However, from the compilation of pertinent BP initiatives [See section 3] and from the interviews with the network broker/initiator [See section 4], we should be able to highlight particular novel or successful ways of proceeding used by organizations to help SMEs in your region develop extra-local linkages, what we name outstanding Network Support Actions.

Such NSA are about **successful networking practices**. They can represent just a very specific practice from a single initiative, or be a particularly successful way of proceeding shared by many initiatives.

For instance, how to build trust between the network participants?

How to enhance the feeling of 'ownership' of the participants towards the network? How to ensure reciprocity in the interactions?

Interesting readings on policy-induced network initiatives

Here are some interesting readings concerning best practices in terms of business network initiatives:

Hanna, V. and Walsh, K. (2008) *Interfirm Cooperation among Small Manufacturing Firms*, International Small Business Journal 2008 26: 299

Huggins, R. (2000) *The success and failure of policy-implanted inter-firm network initiatives: motivations, processes and structure*, Entrepreneurship & Regional Development, 12, pp 111-135

Huggins, R. (2001) *Inter-firm network policies and firm performance: evaluating the impact of initiatives in the UK*, Research Policy, 30, pp 443-458

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