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Design Options Paper
SME Value Chains

Peer learning of innovation agencies about innovation support in SMEs in transnational business value chains

INNOSUP project H2020 CSA-LS 671524

swerea IVF

Flanders State of the Art

FundacióBit
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Disclaimer

The views expressed in this report are those of the authors and the project team. They do not necessarily reflect the opinion or position of the European Commission and in no way commit the involved organisations.

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We would also like to show our most sincere gratitude to the 24 SME managers the Baleares, Flanders and the Göteborg area for sharing their experience and insights with us: connecting to them has been a genuine added value to the output of our project activities.

Executive Summary

As a result of globalization the production of goods and services is getting increasingly spread over companies and countries. Goods are nowadays processed in many sequential stages at the most suited location for the activity. Multinationals lead the process. Small and medium-sized enterprises (SMEs) try to participate as partners, but they face serious challenges to get access to the markets and to add value in these global value chains (GVCs).

On the other hand governments and non-governmental institutions and organisations, inspired by research on the importance of the participation of SMEs in GVCs, are seeking to implement policies and programs intended to support entrepreneurs in this field.

In INNOSUP project H2020 - CSA-LS 671524, we learn together with innovation agencies from three European regions about SMEs in transnational business value chains, or even GVCs, and the support they receive or need. In this project we wanted to challenge some of the 'myths' surrounding the nature of GVCs and the added value our SMEs can create in them.

At the beginning of the project, the perception prevailed that the multiple types of support offered to the companies of our target group were often misdirected and failed to provide relevant support to the type of businesses we aimed in our project. At the same time, the existing public support measures were seen to largely neglect the real needs of this category of SMEs. Some of the interviews revealed that indeed part of this critique is true. But, surprisingly or not, in many other cases, SMEs much welcome the efforts public support makes. Consequently, in addition to providing critical comments on certain public support measures for the innovation and internationalisation of SMEs and how they relate to the participation of these businesses in GVCs, we present a few suggestions for how regional and EU small business policy can potentially be reconfigured to cover the needs of these firms.

Our Design Options Paper is structured as follows:

It starts with a short discussion of definitional and methodological issues.

Following this, we attempt to gather more accurate information using empirical evidence to demonstrate the complex nature of what SMEs in GVCs look like and how they perform.

We go on with providing a critical analysis of the current policy approaches which have been designed to support SMEs that wish to internationalise. We start here from the assumption that the perceived static SME policies that are designed to work for the majority of companies are not likely to be

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appropriate for more dynamic and rapidly growing cohorts of businesses, like our client SMEs that want to successfully participate in GVCs.

We then undertake a brief survey of relevant recent literature on the subject and listen to experts so as to validate the empirical output we gathered from our interviews and brainstorming sessions.

In the ultimate section, we discuss what our findings on SMEs in GVCs mean for the current shape of small business policy in the EU and we formulate suggestions on how regional and EU public policy could be amended accordingly.

We end with a brief discussion of areas and issues which merit further research.

The project partners Lutgart Spaepen, Eddy Vanschoonbeek, Karolien Hantson and Anne de Brabandere of VLAIO - Flanders Innovation & Entrepreneurship (Belgium), Jaume Bagur and Immaculada Salamanca of Fundació BIT - Balears d'Innovació i Tecnologia (Spain) and Max Maupoix, Thomas Bräck and Marian Mikheil of Swerea IVF (Sweden).

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1. Introduction

This Design Options Paper is the end deliverable of the INNOSUP project 'SME Value Chains' (CSA-LS 671524) that ran from 1 September 2015 till 31 April 2016. INNOSUP stands for Innovation Support to SMEs. It is a programme of the European Framework Programme for Research and Innovation, also known as Horizon 2020[1]. The European Commission launched the INNOSUP call 2014-5 in order to tackle the following challenge:

'…The transfer of good practices in SME innovation support, the enhancement of existing and the establishment of new innovation support programmes for SMEs remains slow; and SMEs benefitting from support the programmes still often remain dissatisfied with the services received.'[2]

Through this call the European Commission wanted to provide incentives to national and regional innovation agencies for engaging in peer learning on all topics relevant for the design and delivery of innovation support programmes for SMEs. The expected impact of the projects is that the results of the peer learning are taken up by national and regional innovation support programmes.[3]

The SME Value Chains project was a cooperation between 3 innovation agencies from small regions in the Centre, the South and the North of Europe, namely Flanders Innovation & Entrepreneurship (lead partner), Fundació BIT - Balears d'Innovació i Tecnologia (Spain) and Swerea IVF (Sweden). The consortium received a lump sum of 50,000 euro from the H2020 – Innosup budget line.

The project partners focused on the common challenge of the design of innovation support for SME's operating in cross border business value chains. In small regions, business value chains cross easily the regional borders, so SMEs have to be agile to fit these in order to grow.

The SME Value Chains project had 4 objectives.

The first one was 'to discover and learn more about SMEs in cross-border business value chains Europe-wide', since more and more cross border value chains are vital for our small businesses to remain competitive in the market.

[1] European Commission, 2016. Horizon 2020: the EU Framework Programme for Research and Innovation, https://ec.europa.eu/programmes/horizon2020

[2] European Commission, 2013. INNOSUP 2014-5: peer learning of innovation agencies https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/298-innosup-5-2014.html.

[3] European Commission, 2013. INNOSUP 2014-5: peer learning of innovation agencies https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/298-innosup-5-2014.html.

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The second objective was ‘to discover the respective existing innovation support approach from the consortium members: how to draw lessons for the future from best practices?’. We investigated the current mix of instruments to stimulate innovation and entrepreneurship in the participating regions, and drew lessons from these best practices in order to enhance the acquisition of knowledge.

The third objective was ‘to understand the criteria of “value chain-fitness” for SMEs wishing to benefit from existing & future public support instruments’. This is an essential element for the design of future public support instruments.

The final objective was ‘to discuss novel approaches in the public innovation support system in relation to the new insights of the needs of SMEs in transnational business value chains’. The goal was to make general recommendations for further dissemination to other EU member states or regions.

Mutual policy learning and exchange of ‘good practices’ enhance the transfer of good practices in SME support across peers in the EU.

A first information ‘exchange’ workshop with testimonials from SMEs and economic/innovation experts has given some insights in the real needs of those SMEs. Subsequently, the participants did a field research in their region. The information gathered was displayed on a digital platform working as a community of practice. Finally, the participants concluded the peer learning in a two days session discussing novel approaches in relation to the topic. Also during these sessions, SMEs and external experts have been actively present. Ultimately the Design Options Paper documents a series of potential implementation options and guidelines, summing up what the partners in the challenge have experienced and would recommend to other innovation agencies.

The goal of the project is not to strive for completeness. That would be impossible because the project is too limited and the subject too broad. Given the resource constraint, the analysis remains therefore exploratory. The project partners wanted only to deliver a number of ideas for further debate, study and evaluation, as they believe the challenges for their client SMEs deserve this further attention.

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2. Challenge

Innovation support programmes for small and medium-sized enterprises (SMEs) lag behind the rapid economic developments caused by globalisation. As a consequence SMEs are not very satisfied with the currently offered support measures and services. The challenge for the project team is to keep up with recent evolutions, to understand the real needs of SMEs in international value chains and to search possibilities for small business policies to be more effective. This chapter outlines the scope of the work delivered and describes the methodologies used.

2.1 Methodological approach

Bringing innovation to the public sector is not an easy task. But efforts that open up the public sector value chain to citizens, frontline employees, and other stakeholders can deliver surprising and sometimes impressive results. This is what the project partners experienced during their project as they deliberately chose to use some brainstorming techniques during the project work.

In this chapter **the concepts used in the peer learning sessions** are explained.

In recent years, the method of organisational change known as **co-creation**[4] has spread rapidly in the business sector. In a co-creation effort, multiple stakeholders come together to develop new practices that traditionally would have emerged only from a bureaucratic, top-down process. Change, moreover, occurs not just at the level of an organisation, but also across an entire value chain.

Given the fact that this project was dealing itself with the position of SMEs in value chains and with the role public support could have in that playing field, it was an evident choice to look for the purpose of peer learning also at some brainstorming techniques commonly used in co-creation workshops and service design practice.

In the public sector the adoption of the co-creation method is a fairly recent development.

In the traditional model a public entity receives resources through a budgetary allocation and then uses those resources to deliver services to stakeholders through a set of work processes—filing a form, responding to a customer request on the phone, and so forth. The people at the receiving end of those processes are largely passive. They might rate the quality of service they receive through a survey, for example, or they might indirectly communicate their evaluation of the service through the support or

[4] Inspired by Co-Creation in Government, Francis Gouillart & Tina Hallett, spring 2015, Stanford Social Innovation review.

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rejection of an incumbent government's policy. But they do not actively (co-)shape the design or delivery of the service.

To make further gains in performance, public sector leaders started to shift their focus away from work processes (which revolve around tasks to be performed) toward human engagement processes (which revolve around the people who do those tasks).

In a public sector co-creation initiative, a public sector entity opens its value chain to the stakeholders whom it serves.

Stakeholders, typically organised in communities of interest, insert themselves into the public service value chain and become active participants in it. As a result, public sector employees and stakeholders essentially co-create the public sector value proposition. In its optimal form, co-creation has the dual benefit of reducing public sector costs and increasing stakeholder satisfaction.

The application of the co-creation model to public sector entities raises specific challenges. Few public sector executives are willing to take the risk of adopting a new organisational model, especially one that relies heavily on the bottom-up engagement of employees, customers, and other stakeholders. Alongside those obstacles, there are challenges that will affect any effort to bring innovation to a public sector organisation. Laws and regulations evidently often hinder change by freezing standards, policies, or processes in place.

Despite these inherent challenges, it is now commonly believed that co-creation offers a practical response to the innovation imperative that most public sector organisations face today. The need to do more with less requires a profound transformation of the role of the public sector. The practice of co-creation can provide a powerful response to this challenge by enabling government entities to migrate from a process-centric operating model to a people-centric model.

Public sector organisations face a huge innovation challenge. Trust in government is low in many countries, and the resources allocated to public sector entities have been steadily decreasing for years. At the same time, those entities are expected to play an ever-larger role in driving economic growth. Simply put, public servants must aim to do more with less. Now that the public sector has largely tapped the productivity gains that are feasible through work-process re-engineering efforts, its greatest source of value lies in using the imagination of frontline and back-office employees—and in inviting them to engage with stakeholders (clients, customers, citizens) in new ways. Making that shift requires the adoption of new structures and new tools, but mostly it will require a new commitment to co-creation as an indispensable method of innovation.

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During the Innosup project sessions peers (colleagues from partner organisations), clients (SMEs in value chains), and external experts (academic and OECD) were invited. The outcome of the discussions during these co-creation sessions was most valuable.

Expert Client Employee

1. The clients were willing to discuss with the project partners in general terms on the service provision. They were willing to take part in the discussion not only because their individual case was listened to, but also because they were convinced the discussions were useful for further enhancing the good relationships between client SMEs and service providers in general.

2. The colleagues from the partner organisations liked the technique because it gave them the feeling that they were also listened too. Their experience could be shared with clients and experts across the boundaries of individual cases.

3. Experts played an important role in keeping the broader picture when both 1. and 2. risked to stick too much to individual cases. They gave also refreshing ideas for translating the specific findings of the interviews and the workshop discussions into a broader policy designing perspective.

An additional benefit from the co-creation experiences were the cross-national brainstorming sessions as the three types of actors (expert/customer/employee) came from the respective three partner regions (Sweden, Flanders and Baleares). This resulted in an extra learning dimension because the exchange of experiences on policy implementation in the respective regions revealed good practices with an added value for the benefit of client SMEs. It helped also to overcome a certain 'not invented here' syndrome and made it possible to start real lively and creative discussions across the borders.

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The **Appreciative Inquiry (AI) method**[5] was used for the brainstorming sessions. The four steps of the AI generate new ideas to build or rebuild organisations around what works, rather than through problem-solving. The focus is on increasing what is good today rather than on the negative aspects.

Before processing the project findings and formulating conclusions in the design options paper the basic **principles of service design**[6] have considered. Service design is a form of conceptual design aimed at the improvement of the quality of a service according to the needs of the customer and the competences of the service provider, so that the service is user-friendly and relevant to the customer while being sustainable for the service provider.

The **touch points technique**[7] from service design was used to discover service efficiency and effectiveness. A touch point is any time a (potential) client or group of clients that comes in contact with the services offered by an organisation before, during or after an interaction between both parties. It is a tool to identify clients' experiences and their perception about the services. Ideally every touch point should reflect, reinforce and reiterate the organisation's core strategy.

The project partners agreed to question typical companies active in international value chains first. By **listening to and learning from cases** in the three respective European regions (Balearic Islands, Flanders and Sweden), a number of findings came up. These were used to start a discussion: with governmental employees in internal brainstorming sessions within the support organisations of the project partners, in the forum of the Enterprise Europe Network with the network partners, and in the peer learning workshops with the project partners and experts. The processing of all comments has led to a number of policy recommendations.

Before going into the interview questions there first is a brief explanation of the global value chains phenomenon and the companies invited to participate in this project.

[5] Inspired by David Cooperrider, internationally recognized as the founder, together with Suresh Srivastva, of the theory of Appreciative Inquiry.

[6] Inspired by Mark Stickdorn's Service Design: http://thisisservicedesignthinking.com.

[7] Touch points are mentioned as one of the three pillars of service design in Koivisto, M. (2009). Frameworks for structuring services and customer experiences. In S. Miettinen & M. Koivisto (Eds.), Designing services with innovative methods (p. 136-149). Helsinki: Akatemia/UIAH.

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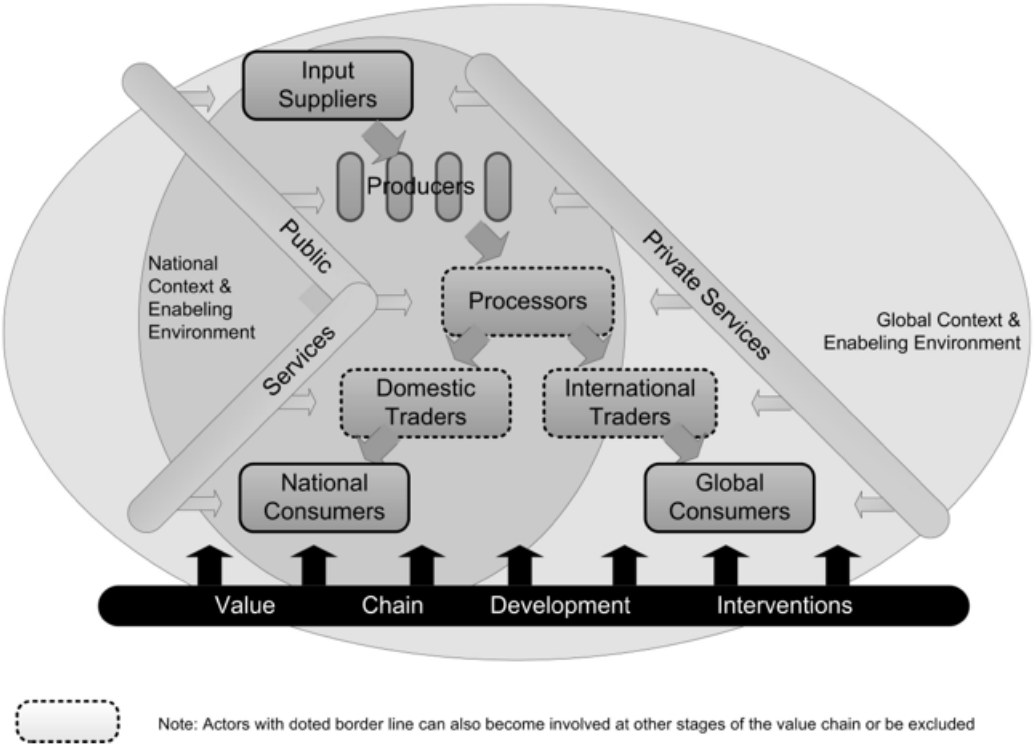
2.2 Situational framework settings

2.2.1 Global Value Chains (GVCs)

Globalisation continues. The production of goods and services is getting increasingly spread over companies and countries. Traditional sectors and new industries are influenced by growing international subcontracting, outsourcing and off shoring.

"The full range of firms' activities, from the conception of a product to its end use and beyond is called a value chain. It includes activities such as design, production, marketing, distribution and support to the final consumer. The activities in a value chain can be undertaken by a single company or divided among several (supplier) firms. They cover goods as well as services and can be concentrated at one location or spread out over different locations.'[8]

Figure 1: map of generic value chain



Source: UNIDO 2009. Value Chain Diagnostics for Industrial Development.[9]

[8] OECD. 2013. Innovation for Growth and OECD workshop: global value chains, global innovation networks and economic performance: synthesis, Paris 9-10.

Duke University, 2016. Global Value Chains initiative. Concept & Tools [online], https://globalvaluechains.org/concept-tools.;

[9] United Nations Industrial Development Organization, 2009. UNIDO Working Paper. Value Chain Diagnostics for Industrial Development: Building blocks for a holistic and rapid analytical tool, p. 26.

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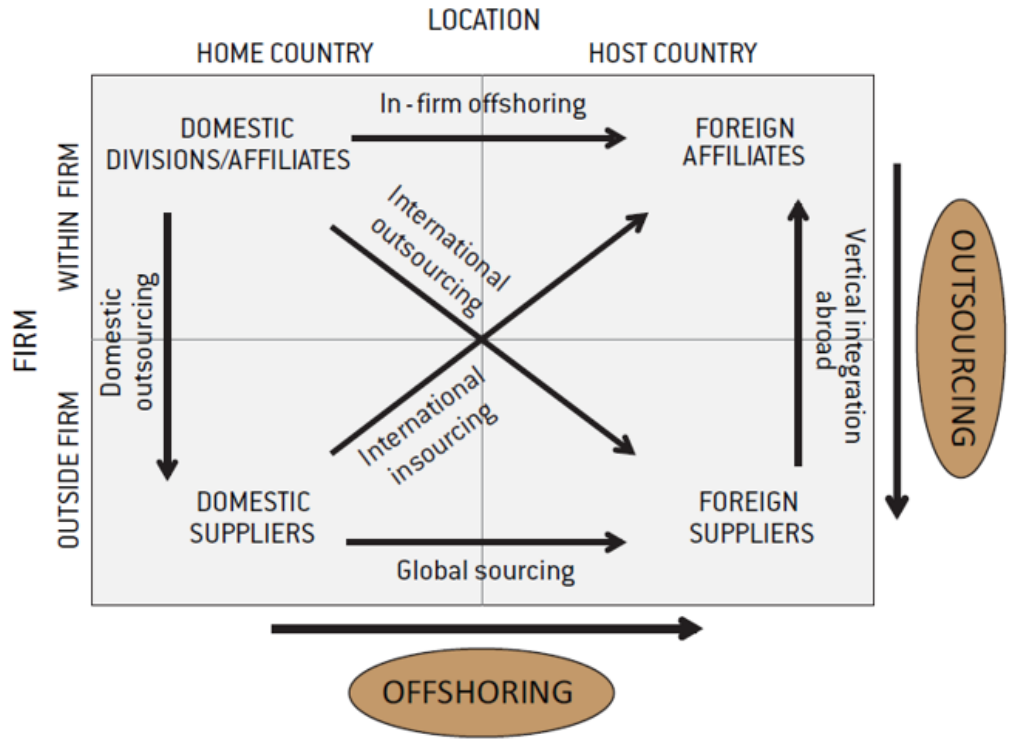
The term “global value chains” was coined to reflect a strong trend towards the dispersion of value chain activities across the world. Many companies have broken up their value chains and distributed production stages across many countries; at the same time, they have outsourced parts of their value chains to external partners.’[10]

Some examples of Global Value Chains already date from before the 1980s, but the scale, the speed and the complexity of this phenomenon is undoubtedly new. Technological change has allowed a fragmentation of production that was unthinkable more than two decades ago. ‘While most policies still assume that goods and services are produced domestically and compete with “foreign” products, the reality is that most goods and an increasing number of services are “made in the world” and that countries compete on economic roles within the value chain.’[11]

Figure 2: firms’ outsourcing and off shoring strategies



Source: DE BACKER, K., MIROUDOT, S. & RAGOUSSIS, A., 2013. ‘Manufacturing in global value chains’.

[10] OECD. 2013. Innovation for Growth and OECD workshop.

OECD, 2013. Interconnected Economies: benefiting from Global Value Chains – synthesis report, OECD publishing, p.8.

DE BACKER, K., MIROUDOT, S. & RAGOUSSIS, A., 2013. ‘Manufacturing in global value chains’, Manufacturing Europe’s future, Breughel, p. 73.

[11] DE BACKER, K. & MIROUDOT, S., 2014. European Central Bank working paper series: mapping Global Value Chains, 1677, p. 4-6.

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The trend of this increased share of foreign value added in national production, including exports, started approximately 15 years ago. It is driven by multiple factors, like technological process, cost, access to resources & markets and trade policy reforms.[12] The rise of industrial capabilities in less developed countries also played an important role, as it created many more options for relocating work, and new players came into the field.[13] Although Global Value Chains are largely spread across the high wage and emerging countries, their position is quite different. Some countries, like for instance China, are being integrated in Global Value Chains backward; this means that they mainly receive components for assembly. As others, like the US, is being integrated in Global Value Chains forward, this means they mainly produce components for export. The situation in the European Union is quite complex with both forward and backward integration.[14]

Multinational enterprises are, because of their extensive international activities, leading actors in these value chains. Koen De Backer, Sébastien Miroudot and Alexandros Ragoussis distinguish two types of Global Value Chains: the 'buyer-driven' chains and the 'producer-driven' chains.

This first type of GVCs has developed around large retailers such as Wal-Mart and highly successful brand merchandisers such as Nike. Their merchandise (housewares, toys, apparel…) are generally relatively simple and the manufacturing usually requires relatively little capital and few skilled workers. These lead companies focus strongly on marketing and sales. They source products from a large network of independent supplier firms.

The second type, the 'producer-driven' chains are typically found in completely different sectors, such as electronics, automotive or pharmaceutical industries. These industries typically rely on technology and R&D. The companies, like for instance Sony, Apple or GM, control the design of their products as well as most of the assembly, which occurs in a number of countries. 'Technology, design and production expertise are core competencies that are largely developed in-house in the lead firms or in affiliates and captive suppliers that can be prevented from sharing technology with competitors.'[15]

The participation of small and medium sized enterprises in GVCs is more limited. Notwithstanding they are the focus of this project since GVCs are at great value for this type of companies. The OECD states that participation in these chains can bring stability, increase productivity and allow them to expand

[12] OECD, 2013. Interconnected Economies: benefiting from Global Value Chains – synthesis report, OECD publishing, p.5.

[13] OECD & World Bank Group, 2015. Report prepared for submission to G20 Trade Ministers Meeting Istanbul, Turkey. Inclusive Global Value Chains: policy options in trade and complementary areas for GVC integration by small and medium enterprises and low-income developing countries, p 16.

[14] OECD. 2013. Innovation for Growth and OECD workshop.

[15] DE BACKER, K., MIROUDOT, S. & RAGOUSSIS, A., 2013. 'Manufacturing in global value chains', Manufacturing Europe's future, Breughel, p. 75.

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their business.' On the other hand, 'SMEs involvement in value chains puts increased pressure on these companies. Since it usually entails greater demands on their managerial and financial resources, and pressures on their ability to upgrade, to innovate and to protect in-house technology. SMEs may be limited by their inability to undertake R&D activities and training of personnel, and to comply with the growing number of requirements of product quality standards demanded by others.'[16]

The position of SMEs, located within the European Union, active in Global Value Chains is complex. Governments are searching for initiatives to facilitate SMEs' participation in these chains. They would like to learn which policy measures are effective and which are not, since all European regions have their own policies. The next paragraph looks deeper into the type of SMEs included in this peer learning exercise.

2.2.2 Type of SMEs interviewed during the project

24 Companies have been interviewed: 7 Swedish, 7 Spanish and 10 Flemish. When selecting the companies for the interviews the following criteria were used:

- Experience and potential in transnational value chains;
- Involved in different types of value chains;
- Direct export, but preferably also import;
- Both new and traditional companies with strong commitment to innovation;
- Divers positions in the value chain: beginning, middle, end;
- Public financial / non-financial support received/refused;
- Size: from small to big;
- Equally spread across the whole regions;
- Open, visionary, responsible and proactive manager, willing, persistent and capable.

The Swedish project partners have interviewed producers of goods and services. Most Flemish companies are active in the sectors electronics, machinery, processing, automotive, food, life tech. The Spanish companies are particularly involved in ICT-Tourism, agro-food, construction, robotics and consultancy.

The interviewed business leaders are known in their respective regions as successful entrepreneurs. They were very interested in the topic and willing to participate in the survey.

[16] OECD, 2007. The OECD Tokyo action statement for strengthening the role of SMEs in global value chains, p. 1.

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Some interviewed companies are at present at no longer small businesses, but they were so at their start. They have been interviewed on their experiences as a SME and on the way they were able to grow by creating value in their value chain.

All meetings and workshops have been held under the **Chatham House Rule**. This means that participants are free to use the information received, but they may not reveal the identity of the persons who made the statements, in this case it concerned particularly the interviewed managers and so the names of their companies are not revealed. The Chatham House Rule aims providing anonymity and encourages the sharing of all possible information. The Rule is designed to reduce the risk that unpopular views are excluded from the discussion because nobody wants them to be attributed to his person, fearing that his comments would be shared publicly afterwards.

2.3 Interview methodology

The survey of the project partners on SMEs already active in transnational value chains focused on four elements:

- Value Chain Map
- Value Chain Fitness
- External Support
- Impact of Governmental Support.

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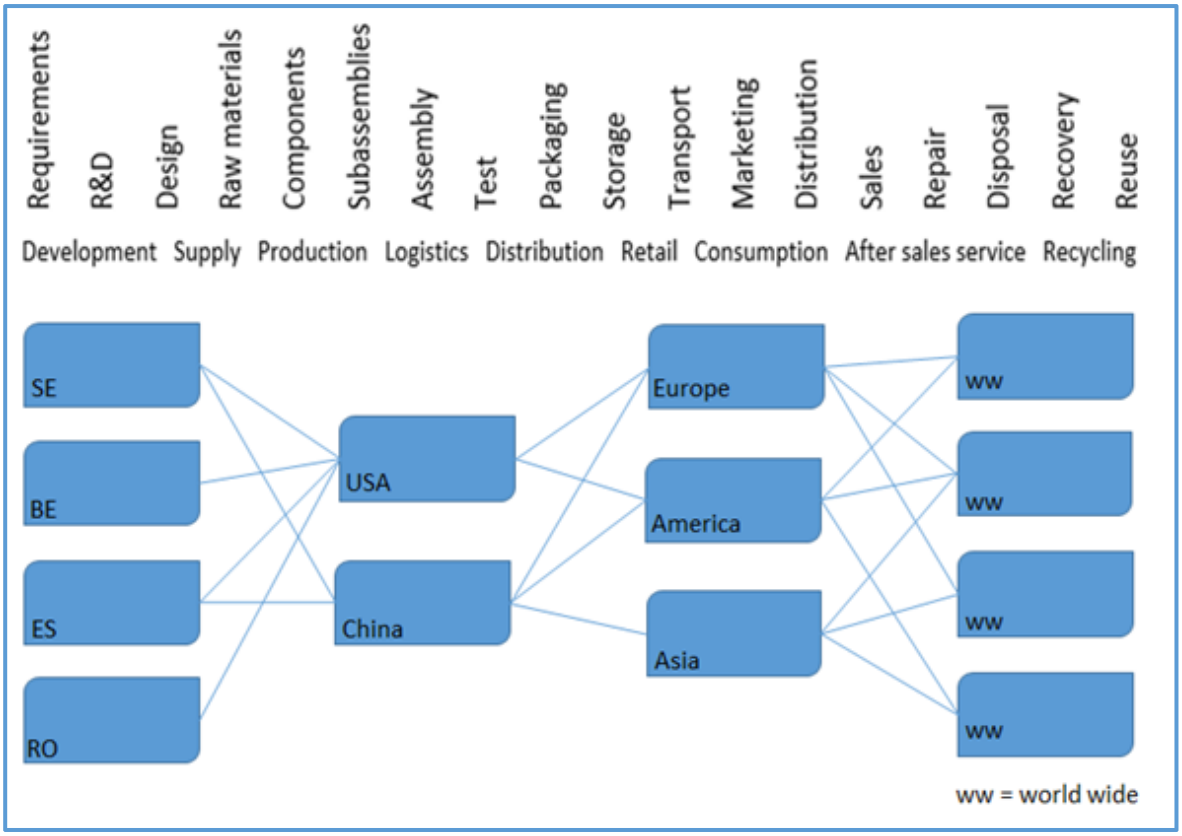
2.3.1 Value Chain Map

First the companies were asked to sketch their position in the value chain. The general map, as shown below, served as an example.



The entire spectrum of the creation of a product/service to the recovery and eventually the reuse is shown. The scheme represents the players at different locations in the world, each adding more or less value in a certain part of the chain. The following questions were asked to the interviewed companies:

- Could you draw or sketch the value chain(s) in which you are active?
- Where do you situate your company in the value chain(s)? How do you create value?
- Who are the other players and in which countries are they located?
- Who or what dominates the value chain? Who has much/little influence?
- What do you (try to) do to get a stronger position?

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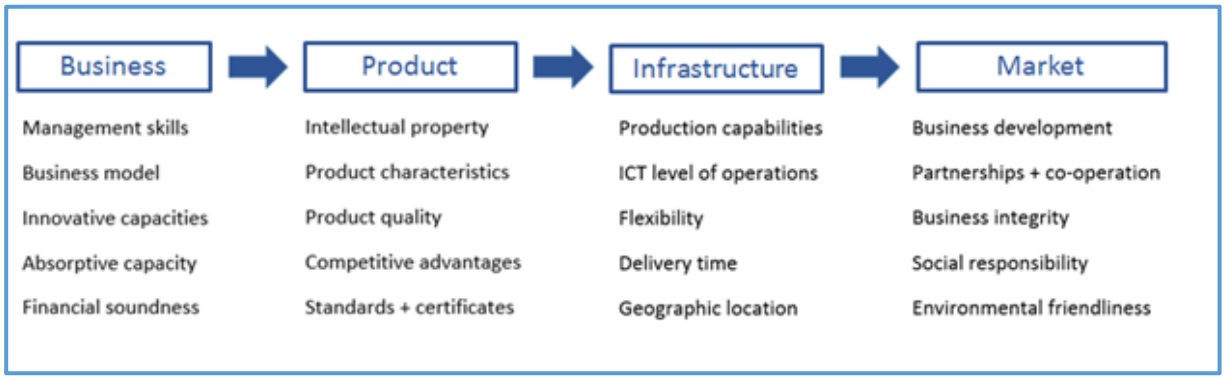
2.3.2 Value Chain Fitness

In the second phase of the interview the companies were asked about the biggest challenges they were facing or they still wrestle with. They could choose out of non-limitative lists enumerating the most common issues or they were invited to tell about their own experiences.



Given the complexity of the cases and in order to get some focus on the most important and relevant elements for the enquiry, the critical incident technique (CIT) was used to elaborate on the nature of fundamental problems occurred during the lifetime of the company, and the approach and the solution that was given to solve problems or overcome obstacles. The CIT is a tool used in many scientific areas for conducting qualitative research. This method maximises the positive and minimises the negative attributes of anecdotes, effectively turning the anecdote's subjective nature into objective data. The following questions were asked:

- What were the three most important issues (problems/ key success factors/ strengths / weaknesses = critical incidents) you had to cope with to enter or to survive in the value chain?
- What were the solutions to get 'value chain fit'?

These were the questions that focussed on the critical incident topic:

- What led up to the problem?
- When was it?
- Could you describe what happened exactly?
- Which decisions did you make?
- How did the involved parties react to your decisions?

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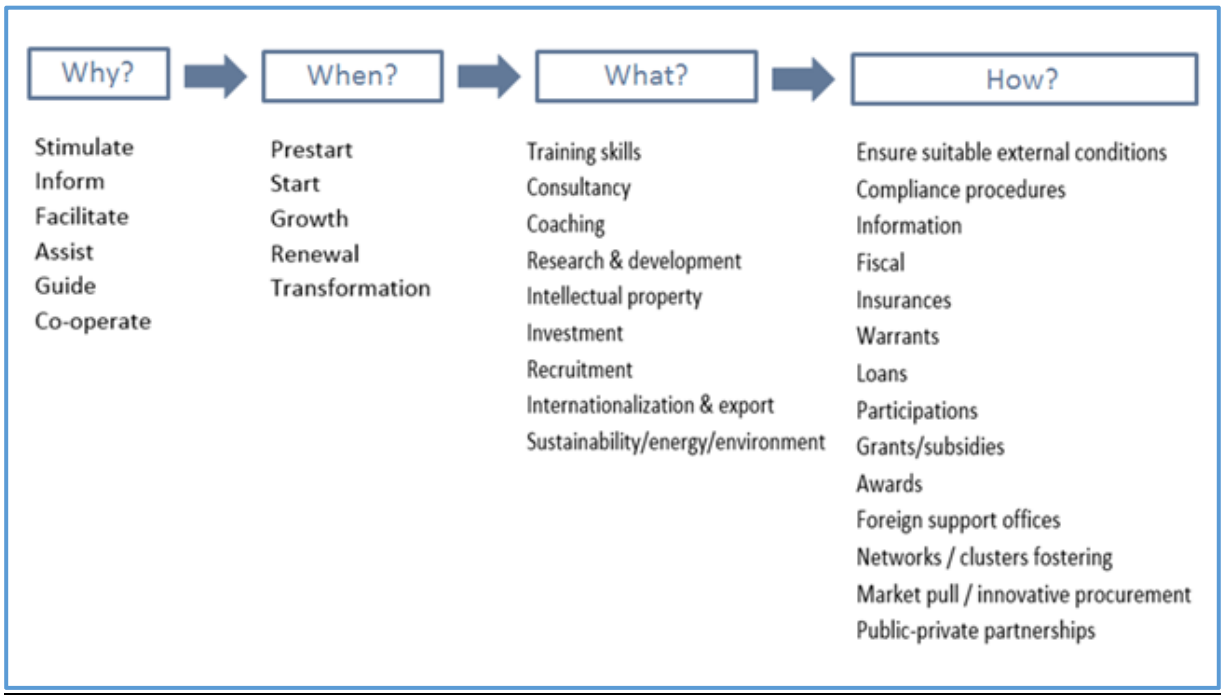
2.3.3 External Support

Further to the problems that the companies encountered or still are facing, they were asked what kind of support they received to help them to overcome these challenges. This might have been support from the government, from other organisations or from external partners, i.e. consultants or other entrepreneurs, funded or not funded. The scheme below gives a non-exhaustive overview of support aspects that served as a reminder for the respondents: the original reasons for the support, the phase in which the support was received, what the support effectively achieved and under which form the support was provided.



These questions were intended to learn about good practices but also about missing, unsatisfactory or unnecessary assistance.

- What kind of support did you need as a SME in an international value chain?
- Who did help you and what was the outcome of that assistance?
- Was there any support you did not get? What and who should it have been?
- What are good support practices?
- Could you give some examples of successful and disappointing support actions?
- How much support is appropriate?
- How do you see the support organisations? As public or private actors? At the European, national, regional or local level?

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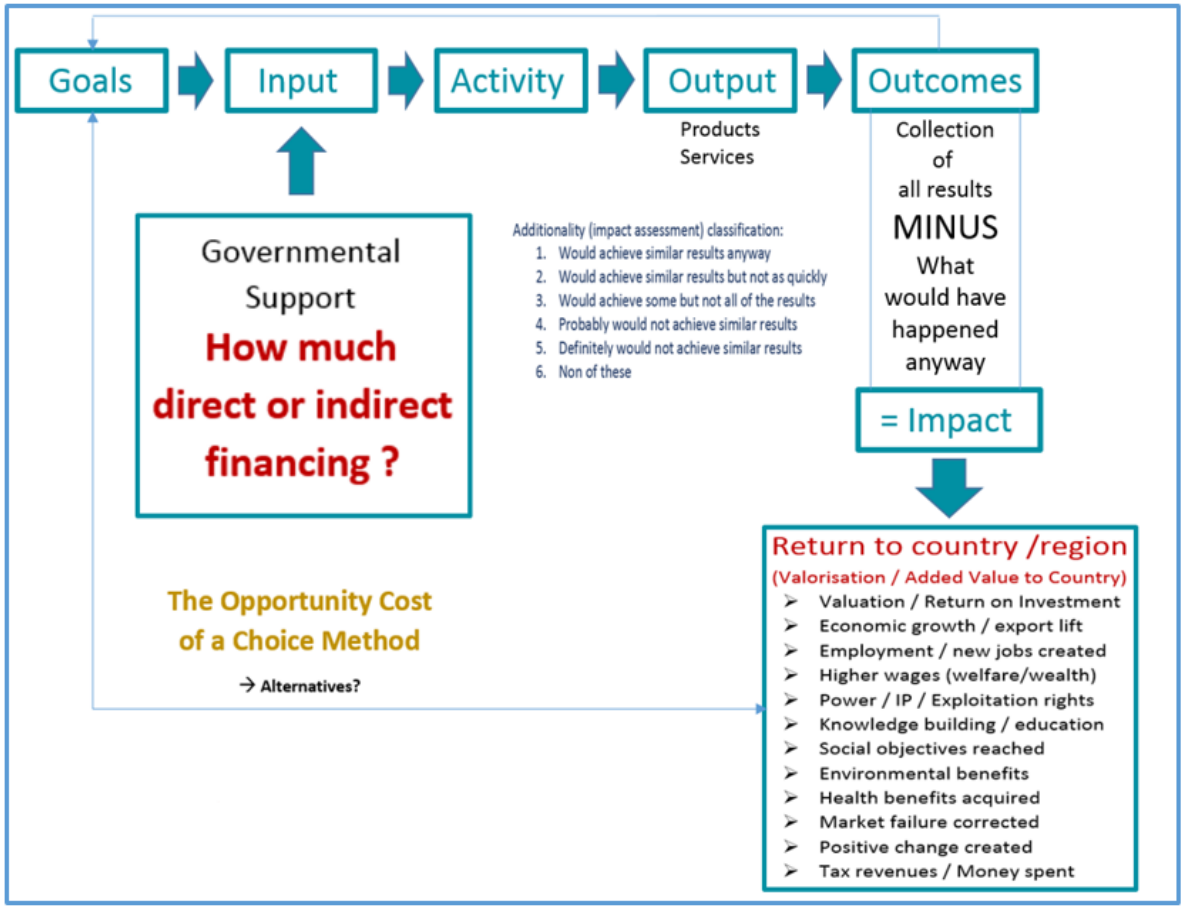
2.3.4 Impact of Governmental Support

At the fourth and final stage the companies were asked to reflect about the impact of the governmental support they effectively received or what the expected impact there might have been if they would have received the required support. The governmental direct or indirect financing is additional to other input of the company's activities to realise an output in the form of products and/or services. In the context of the project the outcomes are the more interesting. These outcomes are positive effects on society, such as investments, employment, wages, tax revenues, knowledge and other benefits. The non-limited list of positive returns (see scheme) was provided to the interviewees.



Some outcomes would have happened anyway, other are the result of governmental support. The additionality of the given support can be high, low, none or immeasurable. The companies were asked whether they see any alternatives for the government to support them to create a higher outcome. The opportunity cost of a choice helps to evaluate the alternatives and to choose the support type with the highest impact for the lowest cost in order to ensure that scarce resources are used efficiently.

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The following questions were asked to the SMEs:

- How much direct or indirect governmental financing did your company receive?
- To which outcomes did the funding lead (benefits, changes, effects, intended or unintended)?
- What would have happened anyway, with or without funding?
- How can we measure or calculate the return of the funding for the government?
- Can you estimate the total value of the impact?
- Which item in the additionality classification applies the most?
- Were there any alternatives for the funding?
- What is the best choice of all possible alternatives?

The schemes presented here and the corresponding questions were used to collect the experiences and opinions of the Spanish, Flemish and Swedish entrepreneurs, serving as primary input for the project.

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3. Summary of data collected in the project partner regions

In the project the main needs of SMEs in transnational or global value chains or GVCs were inventoried during the company interviews. The findings are the needs as perceived and expressed by the companies during the interviews. Also the objectives and the support measures offered by the support organisations have been collected. The information on the support objectives, measures and practices is delivered by the project partners. None of them are complete. This chapter is a summary of the most important data collected in the three European regions investigated in this project: Balearic Islands, Flanders and Sweden.

3.1 The needs perceived by SMEs in GVCs

The following is a list of the perceived needs that came up during the company interviews in the three regions. The interviews revealed that SMEs in GVCs not only have very specific needs, they also have many general problems that are similar to those generally experienced by all companies.

The interviewees refer mostly to support measures of the past, i.e. those they encountered themselves during the growth of their company. Meanwhile some measures may already have been adapted to cater better for today's needs.

At the various stages in the lifecycle of their company, not all business owners had equal competences and skills. This obviously affects their needs at certain intervals. Some entrepreneurs claimed to have no needs at all relating to the government.

Without ordering them by priority, the perceived needs are categorised on three levels: the Macro-, Meso- and Micro-economic level. They apply to all regions, except when a specific country or region is mentioned.

At the **MACRO-economic level**, i.e. the overall (global) economic and political climate, SMEs perceive a need for:

- Politicians with a vision;
- A healthy and fair international competition;
- Lower taxes;
- Substantially reduced wage costs;
- Tax reduction for highly qualified personnel;
- A slimmer government and cutting red tape.

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At the **MESO-economic level**, i.e. the direct (EU, national or regional) ecosystem, SMEs perceive a need for:

- **A more sophisticated investment landscape in Europe:**
  - Investors with more appetite for risk;
  - Larger investment funds in Europe;
  - Governmental investment companies at the sub-regional level;
  - Identification of the right experts internationally to advise and convince investors.

- **More transparent and better tailored financial support instruments at EU, national and regional level:**
  - Clearly demonstrable and not disputable grant schemes that do not create feelings of injustice and frustration;
  - Governmental instruments more tailored to business reality and allow the companies to stay authentic;
  - Less projects financed, but with higher co-financing rates;
  - Research grants for new technologies and early research;
  - Non-dilutive financing to support young, innovative enterprises to build up their capabilities faster and better;
  - Lean grant schemes that are accessible for SMEs without the need to pay external parties to write and submit the dossier;
  - Replacement within grant schemes of business plan requirements and application dossiers by scans and milestone objectives;
  - Replacement of public servant evaluation committees with an assessment by entrepreneurs;
  - Consistent assessment standards in the respective government agencies dealing with the same companies;
  - Less money wasted on administrative procedures and other costs for the handing out of the funding;
  - Less funding for big companies, more for SMEs;
  - Deletion of all grant schemes that are welcome but not necessary and have no real impact.

- **Enhanced and tailored internationalisation support:**
  - A quality label that gives SMEs visibility and credibility internationally;
  - More specific and effective assistance for companies exploring new markets;
  - Help to understand how value chains interlink with other value chains;
  - Improved statistical information sources easy accessible for SMEs at the European level;

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- Financial support for internationalisation that takes into account the total cost;
- More understanding and flexibility concerning the very strict deadlines for support to SMEs
- Thematic company missions focused on more direct business results for the participants;
- Support to find excellent win-win contacts abroad and to build an international network of peers;
- Introductions and door openings to potential customers, partners, suppliers and experts worldwide;
- More holistic approach: goods and services treated together, support provided on both export and import related issues and not only on export;
- Reduced trade barriers, such as communications services, low transport costs and reduced waiting times at ports and customs.

- **The EU institutions, national and regional governments as a proactive partner:**
  - Simple, uniform, consistent and stable laws and regulations;
  - Governmental support adapted to the real needs of companies;
  - More user-friendly and less bureaucratic support programmes that are transparent and lean;
  - Public administration acting as a real 'partner' accompanying SMEs on the road;
  - Support measures explained personally to SMEs by governmental delegates at their doorstep;
  - Tailored help for entrepreneurs to overcome difficult periods.

- **Entrepreneurship stimulation:**
  - Creation of an atmosphere and environment in which entrepreneurs are willing to take initiatives;
  - Alignment of the objectives of SMEs and universities/research institutes;
  - Stimulation of the emergence of spin-offs in large multinational companies;
  - New chains for value creation by entrepreneurs in education, health care and culture;
  - Motivated employees with more willingness to work;
  - Good incentives to motivate staff in the companies;
  - More respect and gratitude for the work of entrepreneurs.

At the MICRO-economic level, i.e. at the individual company level, SMEs perceive a need for:

- Hands-on, in the field and on-the-job experimental learning on entrepreneurship;
- Increased interest in technical studies to overcome insufficient knowledge;
- Short tailored, to-the-point training courses for SMEs;
- Mentoring by top experts or experienced general managers to grow faster;

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- Experienced and specialised consultancy for each new phase in the life cycle of the company;
- Consultancy for valorisation and industrialisation;
- Enlargement of the executive board with an advisory council;
- Support to find the top experts needed locally and abroad in the target markets;
- More financial support for consultancy and training.

3.2 Support offered by public organisations

3.2.1 Objectives of the governments in the partner regions

3.2.1.1 Flanders

Over the past 10 years in Flanders a number of multi-annual strategic plans and targets have been agreed upon by a broad-ranging group of stakeholders from government, civil society and industry.

In 2006 the Flemish government started the “Flanders in Action” program, a strategic framework for socio-economic development. Target of this programme-based strategy was that Flanders becomes a “top 5 knowledge intensive region in Europe by 2020” with a continuous focus on enhanced competitiveness. Science, technology and innovation policy is perceived as playing a vital role across various themes and policy sectors.

The Flemish Reform Program (2011) clearly indicated the integration of the Europe 2020 goals in the Flemish policy framework. Six cluster domains were identified:

(1) transport;
(2) ICT and health care service;
(3) health care and treatment;
(4) new materials, nanotech, and the processing industry;
(5) ICT for socio-economic innovation;
(6) energy and environment for the service sector and processing industry.

These clusters formed the basis for formulating 10 breakthrough initiatives that are taken up as a priority for the New Industrial Policy (NIP) launched in a White Paper in 2011 that formulates a coordinated vision of the future of industry in Flanders. The main lines are the acceleration of the industrial transformation, its related services and the social structure, based on the creation of new added value and a productivity and flexibility offensive.

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The NIP intended to offer a coherent framework around four pillars:

(1) New Factory of the Future
(2) Competency and Labour market policy
(3) Industrial innovation policy
(4) Infrastructure policy.

This aligns completely with the Europe 2020 strategy, the EU Flagship Initiatives, the seven Societal challenges defined by the Commission and the 2014 Communication for Industrial Renaissance.

Main priorities for Flanders within the European framework are to increase investment in R&D, adopt an integrated approach to research and innovation policies, put an emphasis on key enabling technologies and facilitate SME participation.

In 2015 – after Regional elections – the Flemish government presented a new future vision for Flanders. This vision shows the society Flanders wants to be in 2050: a social, open, resilient and international Flanders that creates prosperity and welfare in a smart, innovative and sustainable way and in which every individual counts.

Vision 2050 is a long-term policy that provides a response to new opportunities and challenges and starts the transitions required by our society. Seven transition priorities have been defined on which the Flemish government will work in the coming years together with all stakeholders in society:

(1) Dealing with and being prepared for major technological and social changes
(2) Taking a leap into the industry 4.0
(3) Lifelong learning and employment opportunities for every individual
(4) Developing a strategy on demographics and carrying out reforms to accomplish future care and welfare
(5) Continuing the structural transition towards the circular economy
(6) Working on a smooth and safe mobility system
(7) Ensuring an energy transition

3.2.1.2 Sweden

The Swedish government's strategy for new industrialisation is to strengthen companies' capacity for change and competitiveness.[17]

[17] Swedish Ministry of Enterprise and Innovation, 2016, Smart industry – a strategy for new industrialisation for Sweden.

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The industrial sector throughout Sweden has to continue contributing to prosperity and employment through sustainable solutions to societal challenges – regionally, nationally and globally. Sweden is a successful industrial nation with a strong industrial foundation, which has to be built upon in order to ensure future competitiveness. Sweden cannot and must not compete using low wages; instead it will compete using digital and sustainable production and advanced or new products. This is where the potential for a new industrialisation of Sweden lies.

Innovative and sustainable industrial production is digitally connected, flexible, resource-efficient, and environmentally friendly and provides the conditions for an attractive workplace. This smart industry is at the forefront of the digital transformation, has a high level of automation and is well equipped to meet complex customer requirements and new patterns of demand. It competes using advanced production and products with high knowledge content, where the boundary between goods and services has been blurred and where huge volumes of data create new assets for both customer and supplier.

The strategy for new industrialisation is to contribute to the creation of the best possible conditions in which the industrial sector and industrial services companies can become more competitive, more sustainable and more productive. The industrial sector is found in all parts of the country, creating jobs and contributing to local and regional competitiveness.

In recent years, the industrial sector in Sweden has become increasingly focused on those components of the production chain that have the highest value added, i.e. the early and late stages, where the service content is high, for example in R&D, design, logistics and marketing. This improved its competitiveness, but it is also important for Sweden to be an attractive place to locate the manufacturing elements. Otherwise, there is a risk of Sweden also losing the service-intensive parts of the production process in the long term. Attractiveness to industrial investment at all stages of the production process must increase, as must the industrial sector's attractiveness to skilled labour.

The strategy for new industrialisation focuses on improving companies' chances of dealing with the rapid transformation in which the Swedish industrial sector is currently involved. Four focus areas have been chosen:

(1) Industry 4.0 – Companies in the Swedish industrial sector are to be leaders of the digital transformation and in exploiting the potential of digitalisation.

(2) Sustainable production – Increased resource efficiency, environmental considerations and a more sustainable production are to contribute to the industrial sector's value creation, job creation and competitiveness.

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(3) Industrial skills boost – The system for supplying skills is to meet the industrial sector's needs and promote its long-term development.
(4) Test bed Sweden – Sweden is to lead research in areas that contribute to strengthening the industrial production of goods and services in Sweden.

3.2.1.3 Balearic Islands

The regional innovation system developed since 2000 has contributed to give value to scientific knowledge and innovation, as the cornerstones to ensure the desired levels of competitiveness and welfare, through the generation of added value by companies of the Balearic Islands.

The commitment of the Government of the Balearic Islands to innovation and research is reflected in the following 5 strategic lines and specific objectives:

1. Investment in human capital and talent attraction

Human resources are at the most important limiting factor for the creation, absorption and transformation of knowledge. In the Balearic Islands, this is still one of the weakest components of the system of science and technology. For this reason, it is necessary to continue insisting on the training of personnel of R&D+I and also in their incorporation in both the public and the private sectors.

(1) Promote the training of personnel in research and development
(2) Promote the attraction and talent incorporation in the system of science and technology
(3) Implement training programs to support R&D+I
(4) Encouraging creativity.

2. Consolidation of the scientific and technological base

The aim is to strengthen the existing scientific base of the Balearic Islands, whose excellence has been demonstrated over the last few years. However, in order to provide a better and wider support to the socio-economic needs of the Balearic Islands society it is important to gain visibility not only at national but also at international level.

(1) Stimulating and enhancing the resources of the system of science and technology
(2) Increase the flow of relationships among the stakeholders of the system
(3) Enhance the specialisation of the stakeholders of the system of science, technology and innovation in the strategic areas
(4) Provide the R&D+I system with the necessary and appropriate infrastructures.

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3. Knowledge transfer

In the past, policies were essentially designed to consolidate the generation capacity of knowledge. Currently, the knowledge is perceived as a key for socio-economic development. Thus, the dissemination, the applicability and the exploitation of knowledge, as well as the assimilation capacity of the companies are encouraged.

(1) Exploit and disseminate knowledge

(2) Promote entrepreneurial activity based on knowledge

(3) Promote knowledge-based clusters (ICT, Tourism, Bio and Chemical).

4. Innovation

It becomes increasingly necessary to anticipate the most relevant technological trends for the economic and social future development. In this sense, it is important to promote the collaboration between the research centres and the business world through specific actions that allows a more oriented research based on business needs; attract talent to incubated companies; increase the number of technology-based companies promoting the business incubator, etc.

(1) Strength and reorient the project office

(2) Promote and consolidate the technology-based companies.

5. Governance and Social Capital

The necessary tools to promote the enhancement of the research results and their transfer will be developed. Furthermore, the strategic planning and alignment of the Science, Technology, Innovation and Entrepreneurship Plan with the Smart Specialisation Strategy (RIS3) will be promoted.

(1) Adapt the legal and strategic framework to facilitate the transformation, enhancement and competitiveness of the Balearic Islands economy

(2) Improve the strategic planning: Science, Technology and Innovation Plan – Smart Specialisation Strategy (RIS3)

(3) Recover the social cultural awareness of science and technology

(4) Consolidate the social capital of the Science, Technology and Innovation System.

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3.2.2 Current support measures in the Balearic Islands, Flanders and Sweden

The following table shows how the public support organisations implement their policies into measures and tools. Please note that these measures are in constant evolution. Therefore, it is not possible to give a complete and up to date overview. For a more elaborated overview, see annex 1 - 4.

Level	Support measure	Balearic Islands	Flanders	Sweden
MESO				
	National/ Regional tax measures			
	Tax deductions for high qualified research employees		*	
	Tax deductions for patent acquisition costs		*	
	Tax deductions for patent incomes		*	
	Tax deduction on income from patent license fees		*	
	Tax deduction on product turnover derived from royalties		*	
	European support measures			
	Horizon 2020			
	- SME Instrument	*	*	*
	- Eurostars	*	*	*
	- Eureka	*	*	*
	COSME			
	- Enterprise Europe Network	*	*	*
	EFRO	*	*	*

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	Interreg	*	*	*
	LEADER programme			
	- Rural Development Policy	*		
	Direct public financial support measures (without intermediaries) at national/regional level			
	Participations and subordinated loans from governmental investment companies		*	
	Soft loans with advantageous interest rates and repayment terms	*		*
	Subsidies for innovation studies, innovation and R&D projects	*	*	*
	Loans with advantageous conditions for R&D+I projects	*		
	Strategic transformation support for sizeable investments and trainings		*	
	Financial support for mission trips	*		
	Financial support for prospecting trips	*	*	
	Financial support for exhibition stands at international fairs	*	*	
	Financial support for internationalisation plans	*		
	Financial support for the recruitment of a Growth or Export Manager		*	
	Grants for maritime transport of goods	*		
	Direct non-financial support measures (without intermediaries) at national/regional level			
	Support regarding IP strategies and patents		*	*
	Support to initiate R&D project with external experts	*	*	*
	Offices to find risk capital	*		*

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	Support with market assessments	*		*
	Payment guarantees for export		*	*
	Indirect public support at national/regional level			
	Subsidised platforms and clusters stimulating research and innovation	*	*	*
	Vouchers or subsidies for the purchase of training services	*	*	
	Vouchers or subsidies for the purchase of consultancy services	*	*	*
	Vouchers for external support linked to internationalisation		*	*
	Incubation services and innovation project management support and assistance	*		*
	Subsidised job trainings in companies	*	*	
	International competitive entrepreneurship awards	*	*	
MICRO				
	Program intended to put in contact artisans with designers	*		
	Innovation project management support and assistance	*	*	*
	Export support and advice	*	*	*
	Representatives in all continents to help with market research		*	
	Representatives in all continents to find contacts abroad		*	
	Internship programs	*	*	*

* means the measure is at the disposal in the mentioned region/country.

Clarification of the table:

MACRO: support measures related to the MACRO-economic level, i.e. the overall (global) political climate

MESO: support measures at the MESO-economic level, i.e. the direct (EU, national or regional) ecosystem

MICRO: support measures at the MICRO-economic level, i.e. at individual company level

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4. Evaluation of support measures and services offered

This chapter attempts to map the various experiences of the interviewees and links them to the governmental support initiatives. Many divergent opinions and perceptions of SMEs have been registered during the interviews. Some support initiatives are perceived more efficient than others. By looking for touch points between the existing support delivery to SMEs in the respective regions and the companies' experiences a number of good practices emerged. These are listed here in the category 'parallel visions'. Here the experiences of the business leaders correspond well with the existing governmental support measures. In a second part the recommendations and alternatives of the interviewed companies are summarised in 'conflicting visions', which indicate that companies' expectations differ substantially from the governmental support offered.

4.1 Perceived parallel visions

The support measures perceived as positive by the interviewed SMEs are listed below.

4.1.1 Innovation support

R&D is well supported in Flanders. In their growth phase Flemish companies profit from a tax reduction for R&D employees, this is an important contribution towards the reduction of the cost of their research personnel. This keeps the development cost reasonable compared to competitors in other countries.

Spanish experiences learn that, in terms of impact, public support is especially profitable during the pre-start and start phases.

In Flanders targeted financial support for research allows to build up companies faster and better. Research support can be a good catalyst with a quick payback and a cascade effect. All programs aiming at the creation or development of new innovative products are also welcomed at the Balearic Islands.

Additionally, being awarded research subsidies helps to convince investors and enhances the visibility of the companies.

Locally based or sub-regional governmental investment companies proved to work well in Flanders in some specific cases. By providing venture capital instead of subsidies the government normally earns its money back. This results in a bigger impact than reached by subsidies. The fact that the support institutions were located very near to the SMEs helped in understanding the culture, the strengths, the problems and the networks of the region and led to a quick starting and better co-operation.

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Platforms and clusters also help a lot. These organisations bring researchers, academics and businesses together. All this is facilitated in one way or another and indirectly supported by government.

4.1.2 Internationalisation support

The Enterprise Europe Network helps to search partners abroad. This service is highly appreciated by companies in the three European regions, like also the support to comply with EU legislation and directives are much appreciated.

In Sweden organised company missions abroad help to get business contracts which would normally be out of reach for companies.

Spanish companies like the international competitive entrepreneurship awards that represent a valuable recognition for the winning companies.

4.1.3 Training & consultancy

In Sweden SME vouchers are well appreciated to get the external support small companies really want. In Flanders there is an easy to use web application through which entrepreneurs can obtain financial support for training and advice. This instrument will be explained further on in this paper.

The Swedish board network also helps to find suitable board members, particularly in the early stage.

Access to short-term consultants for SMEs is often to prefer above the employment of full time staff. It allows companies to focus on core business and to become more competitive. Close contacts with a good coach leads to dedicated support and gateways to networks, which is especially interesting for small companies. Meanwhile experts and coaches gain experience that can be transferred to other businesses. So SMEs get access to highly specialised personnel to solve specific tasks.

Internship programs are perceived as a good practice by Spanish companies. Due to the shortage of skilled human resources with technical degrees, vocational internship programs had a high impact for some companies.

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4.1.4 Other governmental support measures

The Rural Development Plan (LEADER programme[18]), is highly appreciated by the companies at the Balearic Islands.

Temporary unemployment[19] is a good governmental support measure in Belgium, but should also apply to clerks, so for all employees.

Swedish SMEs like the close collaboration among support actors providing similar support. In so doing, support organisations do not compete but rather complement each other and ensure that SMEs get the best available support there is.

4.2 Perceived conflicting visions

Obviously also conflicting visions have been perceived. They are listed below.

Topic 1: Open and fair international competition

A healthy and fair competition is the most important request from entrepreneurs to the governments. All governments should fight against corruption, graft, fraud and unfair competition. SMEs in international value chains are continuously competing with companies in countries with lower wage levels. Interviewees in the three European regions therefore ask for lower taxes in their countries, certainly for exporting companies. Some entrepreneurs suggest shifting tax gradually from labour to consumption.

To get more SMEs in global value activities all barriers should be removed, communication services improved, transport costs kept low and time spent at ports and customs decreased.

[18] The LEADER programme is an initiative from the European Union. LEADER (*"Liaison Entre Actions de Développement de l'Économie Rurale"*, meaning 'Links between the rural economy and development actions') is a local development method which allows local actors to develop an area by using its endogenous development potential.

[19] In Belgium, under certain conditions, temporary unemployment can be invoked by employers to obtain permission to put their employees under temporary unemployment when the execution of the employment contract is partly or wholly suspended for various reasons, such as bad weather, strikes or other economic reasons. Temporarily unemployed persons are granted unemployment benefits. This can be an important relieve for employers, as they do not have to bear all of the wage costs of their personnel.

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Topic 2: Manufacturing and services

Policy formulation needs to treat goods and services together, not separately. Manufacturing companies and service companies are interdependent. Increased focus on value chains involving both these type of companies should be considered when formulating policy measures to increase growth.

Topic 3: Entrepreneurial obstacles

The government should create an environment in which entrepreneurs are willing to take initiatives.

Politicians should think bigger when it comes to the creation of added value in value chains. Opportunities for entrepreneurship in education, health care and culture should be opened.

Employees' mentality and attitudes should change. There should be more willingness to work again. Entrepreneurs also need good incentives to motivate staff in their companies.

Society should show more respect and gratitude for the work of entrepreneurs.

Laws and regulations must be simple, uniform, consistent and stable. For example charging trucks should be the same in the whole of Europe and all staff recruiting regulations which are too complex or not necessary should be eliminated.

Topic 4: Direct financial support

Spanish companies are against subsidy policies. In Flanders also many SMEs have negative experiences with subsidies. Swedish companies do not want the government to disturb competition by financing too easy.

Subsidies are only acceptable if they are equal, if there is justice and transparency.

SMEs perceive disadvantages compared to larger companies. Many entrepreneurs believe that the bulk of the funding goes to large companies. Also the rulings are perceived to be for the big companies.

The governmental set of instruments is not tailored to SMEs. Governmental support should be reconsidered and adapted to the real needs of the companies.

Subsidies are not necessary. All support helps, but most entrepreneurs would probably do exactly the same without financial support. Looking back for some years shows that start-ups can be very successful without getting any support while companies that got a lot of financial means did not succeed to survive. Some entrepreneurs seize these examples to dispute about grants and to contest them.

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Topic 5 Financial support application and awarding procedures

Support measures that you have to apply to is a waste of resources if the success rate is too low. There is too much time needed for writing the proposals. Research support is also a waste of money when there is no continuation of aid to bring the products/services to the market the products afterwards.

SMEs experience obtaining support from the government as extremely difficult: to get a little bit subsidies, SMEs have to do a lot of efforts, sometimes they need external assistance to make their dossier, and otherwise they have no chance.

Many SME business leaders have problems with the evaluation procedures and the composition of the committees that judge the applicants. They are composed of stakeholders, universities and research institutes. Most of them are academics, not entrepreneurs. Most of the entrepreneurs do not have a PhD title. The impression prevails that companies with many PhDs on their payroll gain easier subsidies than others.

It happened that different government agencies evaluated the dossiers of the same innovative companies differently.

Furthermore entrepreneurs believe that it is not always possible to write texts about expected future valorisations and engagements in a dossier or business plan because these can change quickly.

Topic 6: Internationalisation support

SMEs need to be good at not only how to export but also how to import. Assistance is also needed for SMEs to understand how their value chains interlink with other value chains.

A number of interviewed SMEs experienced the support services in the internationalisation field as inadequate. Traditional grant schemes do not always have a significant impact. The costs are often much higher than the grants received.

Thematic company missions are experienced as interesting, but without enough direct output in the form of achievements and contracts. Follow-up should be more intense.

Finding the right customer contacts, partners, suppliers and experts worldwide is very hard for an SME. The assistance does not always bring the desired results. The activities of companies in global value chains are often too specialised. The companies expect more than just a number of pages copied from the phone directory. They would rather like to get personal introductions and door openers to potential partner companies.

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Topic 7: The government as a partner

Support programmes must become more user-friendly and less bureaucratic. Support offer needs to be clear and personal. In Flanders for example, there are too many different governmental support measures. Public support is a complex matter. Currently there is very much diversity and overlap. It is not transparent.

Governmental services are experienced as not very flexible. If an SME registers too late, even one day, they get no subsidies. A little bit more understanding and empathy of the government would be welcome. It is not easy for an SME to think about all these strict deadlines.

Public administration should act as a real 'partner' that accompanies SMEs on the road. The contact between the government and SMEs should be direct and personal.

Topic 8: Interactions with universities

Universities and research institutes should be reformed with a view to entrepreneurship. Some interviewees had rather negative experiences with them. Reaction time in universities, research centres, etc. is quite different to the business one. Researchers' goals are to gain knowledge and information in order to try to strengthen their position internationally. Researchers use SMEs to achieve their own goals.

Universities should also encourage more students to make the move to entrepreneurship. Also within SMEs they are needed to take the challenge to realise new things.

Furthermore business leaders ask to make it less attractive for universities to ensure long-term employment of researchers. Universities are big competitors for recruitment. Many students stay after their master course another five or six years at the university for a PhD. Those people should end up earlier in the companies.

Topic 9: Access to finance

Access to capital remains difficult in Europe. Banks, private investors and business angels focus heavily on their own return on investment instead of assisting SMEs. Large funds are missing.

Many interviewees prefer a participation of the government in the companies above subsidies if there would be no involvement of the government in the management of the company.

Generally convincing investors takes too much time. This has often to do with difficulties to identify the right experts to advise the investors.

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Promising companies need help to overcome difficult periods in the lifetime of their company. Some companies went bankrupt while they actually did not have to go bankrupt if they could get a little bit more support. Taking over companies for instance should go much easier.

Topic 10: Training & consultancy

Top experts, experienced and specialised consultants are needed for each new phase of the development of a company.

SMEs perceive a lack of support organisations for valorisation and industrialisation.

Financial support for consultancy and training is available, but is experienced in some cases as being very limited.

The consultants needed are often not accredited by the government. This means that there is no financial support possible. Many consultants apply for an accreditation because they are looking for a job, not because they are needed by the companies.

A few days of mentoring in a year by a top expert or experienced general manager would allow companies to grow faster.

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5. Expert opinions and comments

In order to put the outcomes of the field research into a broader context, the experiences and visions of the interviewed companies have been fine-tuned and contrasted with the views of international experts and academics. The result of this can be read in this chapter. This approach allowed the project team to broaden the perspective and validate the outcome of their interviews.

5.1 Listening to experts

Three experts in the field of transnational and global value chains were invited to support the project team and to bring in their expertise in the project. They participated actively in the peer learning workshops and discussions: sharing their knowledge and experiences enabled the project team to embed the findings of their own field research into a broader perspective.

5.1.1 Wouter Van Bockhaven

Wouter Van Bockhaven[20] brought in some theoretical thoughts on a more holistic approach of SMEs in global chains as he situated the topic within the recent academic development of the notion of ecosystems. He gave his views on the project topic linking GVCs to the now emerging entrepreneurial ecosystems. In the second part of this chapter the concept of entrepreneurial ecosystems is further elaborated and commented.

The value chain is to been seen as part of the total ecosystem. An ecosystem is added on top of the cluster concept. A cluster grows rather organically, an ecosystem rather strategically. Strengthening the network helps to control and develop the ecosystem. Adding competitors in an ecosystem can be a good way to achieve growth in the total market. Bringing big companies and SMEs together is often hard, but this should be a win-win. It is lucrative for the big players to keep the small ones alive.

The most important is to ensure the promotion role of public support agencies on the MESO-level. Public innovation agencies (PIA) have to communicate (publicity), to align the actors (brokerage), to support learning processes (not organise trainings by themselves) and to rise up start-up ecosystems

[20] Wouter Van Bockhaven received his PhD in Applied Economic Sciences from the Antwerp University in 2014. He is a researcher and lecturer at the University of Antwerp, Faculty of Applied Economics' Management department. His research focuses on how firms can develop innovation networks to tackle institutional and social barriers preventing the creation of 'shared value'. His research combines qualitative and quantitative approaches to address real-life challenges experienced by managers in industry. He is also active in research and tool development for career management (see e.g. www.ua.ac.be/careercoach).

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(which have other needs than innovation followers). Too often innovation stimulation by the government is restricted to the tangible factors such as provision of money and real estate in the form of business incubators. Soft skills are much less discussed, i.e. how an engineer becomes a manager when start-ups begin to grow and to recruit staff.

From a PIA perspective it is a good idea to focus on MESO-level innovation processes, to invest in the in-between levels, to work on a finer concept of support roles. The intermediary level is very important since they can identify the problems and take up their role and compensate the players at the place in the value chains where no value is created. All the players need to be involved, otherwise it cannot work. When a company helps a company, they need to identify their value chain and network. The government better does not support small SMEs working on incremental innovation; the focus has to be on new markets and network completeness.

Commenting on the outcomes of the SME interviews in this project Wouter Van Bockhaven warns that some caution is required when interpreting the answers of the companies and formulating final conclusions. He urged the project team to think of what Henry Ford said: "If I had asked people what they wanted, they would have said faster horses." Observation and exploration probably is a better approach for choosing new options and therefore the outcomes of the interviews have been compared with analogue surveys conducted by various organisations and academia.

5.1.2 Christian Lulek (Sweden)

"To go into an existing market leads to a fight of market shares which will end up in a price war and red ocean." Following to Christian Lulek[21], there are three options for companies to grow and to create value in international value chains:

- get the 'best in class';
- go into a 'growing market';
- find a niche market and to make a clear offer for it.

What you need is unique expertise, a focus, a time advantage, a worldwide factory and later on a market creating business model.

In order to get there one needs to find a common goal, a lone star, combined with a set of values. One cannot control everything in a fast paced company, especially not spread over the world. Therefore, it

[21] Christian Lulek, Marknadsskaparen AB, is an independent consultant, www.marknadsskaparen.se

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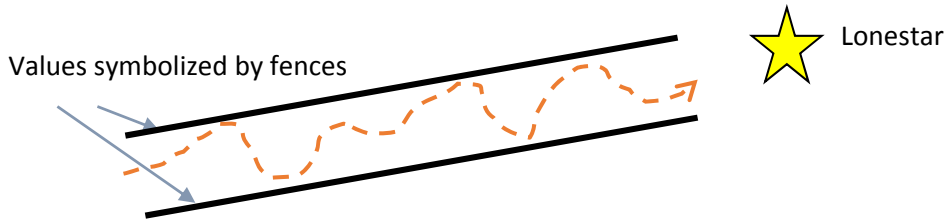
gets more important to make sure you can build the right foundation so that everyone can take decisions according to the values and in the direction of the lone star, making all stakeholders, especially employees keep a narrow focus.



It is necessary to have a look at the business model in order to be economically sustainable for a company in a global context. Lulek showed an example of a company that in year 2000 were 200 people and served a local market. In 2015 they were only 20 employees, but much more profitable. This was done by understanding where they created the most value and focusing on that. They arranged partnerships with smaller factories, regional sales offices and by that reached a global market instead of trying to have everything in-house.

5.1.3 Koen De Backer (OECD)

Koen De Backer[22] was involved in the very beginning of the project to make a preliminary observation on the project methodology. Later on he was asked to give his comments on the findings of the project partners in the three participating regions.

First of all he made some general remarks on the identification of SMEs and companies in global value chains. Furthermore he examined the success determinants and he commented the views of the interviewed companies. He warned that the findings presented here are only the answers of a limited number of companies. They have to be contrasted with other views and interpreted. Also when formulating best practices some caution is appropriate as these are good practices as perceived by the companies. These are not necessarily the same as the good practices perceived by other involved parties.

[22] Koen De Backer is Senior Economist at the OECD Directorate for Science, Technology and Industry (STI) He focuses on the links between globalization and the effects on government policy: global value chains, trade in value added, R&D internationalisation and open innovation. He holds a PhD from KU Leuven (Belgium) and a Master of Business Administration from KU Leuven/UCI(USA). Previously he held post-doctoral positions in Barcelona and Leuven, was professor at the Vlerick Leuven Gent Management School and acted as advisor to the Minister of Economic Affairs in Belgium (Flanders).

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1) Target group of government support

Identification of companies

First, the target group of the project consists of SMEs, with SMEs defined on the basis of firm size. However recent OECD research has shown that it is not necessarily the size of the companies that matters, but rather the age of firms. Young companies are typically found to be the most dynamic and highest growing. These are start-ups who scale up quite easily and quite rapidly and often go straight to the global markets. A government wanting to act as a partner needs an integrated offer for these kinds of micro multinationals that you need to identify in an early stage and help with innovation, finance and internationalisation.

Not only export

Second, involvement in GVCs is easily interpreted as exporting. The global value chains subject cannot be narrowed down on exports only since also imports play an important role in achieving better economic performance. In addition to international trade, international investment is another dimension of GVCs; more and more micro-multinationals come up with a good idea and they source from their own affiliates located abroad.

Increasing servitisation

Third, GVCs render the distinction between manufacturing and services obsolete. A trend to growing servitisation of manufacturing is observed with manufacturers putting services on top of their products. They often lease their products to their customers and they offer them services to make sure that the products are doing what they are supposed to do. These services bring them some extra revenues, but they also increase customer satisfaction. It can be expected that future developments like the drive to sustainability will probably reinforce this trend.

2) Success determinants for SMEs in GVCs

There are a couple of success factors coming back in all the examples given during the interviews and the workshops. At first SMEs need a critical mass in order to function and to be competitive. A critical mass is needed in terms of people, financial capabilities, managerial capabilities that SMEs need to have at their home base.

Furthermore all companies are in one way or another innovative. They have a firm-specific knowledge and expertise which however does not necessarily has to be in R&D. It can be in products or services, but more and more also in business models. Innovation is a requirement to go internationally.

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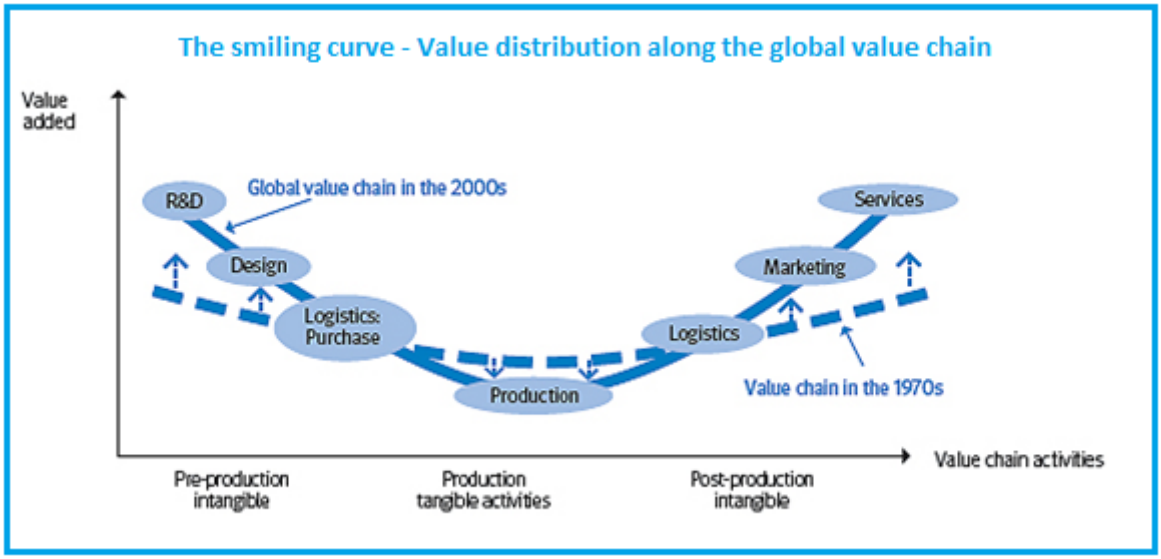
A third factor is that SMEs do not have the scale to operate on a very wide basis, hence the need to focus on a niche. This is related to the limited resources they have.

One should be careful with the use of the 'smiling curve'[23] as a general statement (see illustration below). It is not valid for all sectors, hence SMEs do not have to be necessarily in the downstream (sales, marketing, logistics) or upstream (R&D, design, etc.) activities in GVCs. The deduction that most value is created in the beginning and at the end of the value chain is typical for the electronics sector. In the automotive sectors car manufacturers still earn a lot of money by producing cars.



Source: OECD, 2013. *Who's smiling now?*
http://www.oecdobserver.org/news/fullstory.php/aid/4227/Who_92s_smiling_now_.html

3) Support measures

Koen De Backer also remarks that there is a multitude of support measures, often too many. New measures are implemented because new needs are identified or the environment is changing, but existing measures are rarely abolished. This is a problem for the service providers themselves, in this case the government, but it is even more problematic for the SMEs who have only a couple of people and find it complex to get to know what exists, what the conditions are etc.

Another observation is that the service provider who stands the closest to the SME is often perceived as the best one. Some research tends to show that government agencies at the sub regional level, for

[23] OECD Observer, 2013: 'Who's smiling now? Value distribution along the global value chain', No 296 Q3.

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example on the level of provinces, offer better support than those on the national, federal or regional level.

Concerning the abolishment of subsidies and replacing them by participations of the government, it is necessary to realise that participations have important transaction costs. This is also the reason why business angels, private equity holders and venture capitalists are less interested in small companies. Most likely this means that subsidies still have a role to play for smaller companies.

In providing government support, one has to make sure that certain groups of companies do not benefit disproportionally from the support. For example, research has shown that that multinationals may benefit the most from tax measures, if badly designed, since they are able to do tax planning across different countries. Often they are able to shift activities there where the corporate taxes are the lowest and the incentives the highest. Some companies will not be reached through the tax system. Therefore a portfolio of different instruments is needed, targeting very well why and what they are used for.

The biggest gap in support measures relating to SMEs in global value chains is in helping small companies to internationalise. The knowledge about international markets and finding the right partners is often missing in SMEs. Which are the most important markets? How fast are they growing? Which are the intermediaries? Where are the customers? It is very difficult for governments to design adequate measures to bridge that gap.

4) Policy making

Policy making is about making decisions as good as possible thereby using a maximum transparency. Policies should be implemented for a certain amount of time, i.e. three to four years. After that time they are evaluated and adjusted where necessary or stopped. Things will not always work as planned and then policies have to be adjusted or completely stopped.

In the context of the government and the companies being partners, some suggestions have been made to allow the companies to make their proper proposal for governmental support. This however should be approached with great care as one needs very clear and very transparent criteria for the support offered; otherwise support is offered a bit 'à la tête du client' and that is absolutely to avoid.

The role of the government is bridging, bringing the companies in contact and foreseeing a kind of subsidy or voucher system to help the small SMEs which are disadvantaged through their limited scale. The government has to facilitate things.

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5) Impact

The impact of support measures is often maximised by targeting support to specific companies. To spread out the very limited resources and to give a bit of support to everyone will not create much impact. In most countries there is a mix of some targeted support and some more general support.

5.2 Expert literature

Apart from the three experts directly involved in the project, a desk survey of literature has been done during the project. The most important findings related to the interviews and the previous topics are mentioned here together with some quotes and conclusions of the experts, their names or organisations and the references to their works. These sources and the corresponding thoughts reinforce the conclusions drawn later in this paper.

5.2.1 The close link between manufacturing and services

Mainly with the arrival of the internet services have become increasingly internationalised. Also services get more and more outsourced and off shored to other countries. Besides they become increasingly important as part of the value chain activities (research, design, test, ICT support, communication, transport, consultancy, insurances etc.) and as added value created on top of manufactured goods (new business models) or to customise the products or to differentiate them from competitors' offers.

The project revealed a close link between services and manufacturing. Attention for industry is ok, but support measures for services are also needed. The advanced and more complex character of innovative products is very closely linked with the delivery of services. Therefore there should also be no distinction anymore between goods and services in policy making. De Backer, Desnoyers-James and Moussiegt address this issue against the background of long-term structural change of OECD economies and discuss the changing role of manufacturing and services in OECD economies.[24]

[24] 'Manufacturing or Services - That is (not) the Question: The Role of Manufacturing and Services in OECD Economies', OECD Science, Technology and Industry Policy Papers, No. 19 (2015), De Backer,K., I. Desnoyers-James and L. Moussiegt address this issue against the background of long-term structural change of OECD economies and discuss the changing role of manufacturing and services in OECD economies.

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5.2.2 The pivotal role of a key account management function (KAM function)

A major problematic issue concerns the manner in which support is offered to businesses. The main format for public sector intervention is through the provision of grants, subsidies or fiscal incentives such as tax relief. The provision of financial resources (such as R&D or training support grants) or fiscal incentives (R&D tax credits) based on the principle of 'market failures' in the innovation process is the preferred approach by public sector agencies[25] These 'transactional' forms of industrial assistance have historically been viewed favourably, owing to the lack of administrative burden they place on the public sector[26]. However, a major programme of research examining high growth support programmes by the OECD found that a large bulk of this kind of support is often less important to potential successful small businesses than more 'hands-on' forms of support such as business mentoring, leadership development and strategic guidance.[27]

In fact, it is exactly this kind of relational support which high potential firms seek, in contrast to less ambitious firms which are more inclined to favour more direct forms of financial assistance from the public sector.

This 'relational support' was traditionally provided directly by employees within the public sector, but is now increasingly undertaken through private sector intermediaries such as consultants and professional advisory companies. The problem with this approach is that SMEs often value and trust more the assistance from their peers above these other sources of support and guidance. The interviews pointed on the one hand towards the desire for entrepreneurs to be challenged and guided by those who have 'been there and done it'. Very few public sector programmes encompass this kind of peer-based business assistance.

The interviewees pleaded for a kind of key account manager, a public officer to whom they wish to confide their needs and anxieties and who – as a partner on equal footing – helps them to find solutions, either among the public support measures or in the maze of private professional advisory

[25] Dodgson M, Hughes A, Foster J, Metcalfe Set al., 2011, Systems thinking, market failure, and the development of innovation policy: The case of Australia, RESEARCH POLICY, Vol: 40, Pages: 1145-1156.

[3] Warwick, K. (2013), "Beyond Industrial Policy: Emerging Issues and New Trends", OECD Science, Technology and Industry Policy Papers, No. 2, OECD, Paris.

[26] Warwick, K. (2013), "Beyond Industrial Policy: Emerging Issues and New Trends", OECD Science, Technology and Industry Policy Papers, No. 2, OECD, Paris.

[27] OECD (2013) An international benchmarking analysis of public programmes for high-growth firms, OECD LEED programme, Paris.

Roper, S. and Hart, M. (2013) Supporting Sustained Growth Among SMEs – Policy Models and Guidelines, Enterprise Research Centre White Paper No 7.

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companies which they perceive often as 'selling their own services in order to have an income rather than listening to the real entrepreneurial needs'.

The key account management function that SMEs would like to experience from the government can be described as 'a system of values that reflect the supplier's ability and willingness to respond effectively to key accounts' needs'. This concierge type person must meet the public well and have a friendly, helpful attitude. He or she must be perceptive and organised, flexible and able to problem solve in a crunch. A really good concierge goes the extra mile of becoming as educated as possible about the general area so that his knowledge and connections benefit his guests.[28]

5.2.3 Internationalisation is more than export alone

In general terms, the companies interviewed in the project are well aware about the importance of internationalisation, an aspect that needs more attention from public service providers, especially when dealing with young and dynamic companies. Their local 'footprint' is often quite small. They have to expand rapidly across the globe. The consequence of this rapid internationalisation is that, over time, the firm's employment and overall 'footprint' in their home region diminishes.

Business internationalisation forms the key component of business support for SMEs entering the arena of GVCs. In the first place this type of companies needs experts who are able to learn them about the local eco-systems.

Furthermore the focus should not be on export only. Export matters but it is not enough. Other methods of internationalisation also need attention. Internationalisation is multi-faceted. The foreign trade agencies are still trying to promote the export of companies, but it is at least as important when talking about getting SMEs involved in GVCs, that these companies learn to import, that they find the good suppliers, that they know where they can source things. Nowadays first import is often needed in order to be able to export later. That is what GVCs are about. Therefore, a policy focus solely on exporting may lead to tensions between achieving the objective of internationalisation and the promotion of SMEs in global value chains.

Internationalising SMEs are often thought to be characterised as exporters[29] many prefer instead to engage in international activity through joint ventures, strategic alliances, foreign investment, licensing

[28] Journal of Business Market Management (2012) 3:173–194, www.jbm-online.net.

[29] Zahra, S. A., Ireland, R. D., & Hitt, M. A. 2000. International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance. Academy of Management Journal, 43(5): 925-950.

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and overseas acquisitions. This can be due to their more limited domestic market opportunities, as well as transportation and communications limitations and divergent labour cost conditions. The majority of support for businesses fails to take adequate recognition of this multi-dimensional nature of the internationalisation process within this target group of SMEs.

Also firms with growth potential, regardless of their age, may need support. The business support needs of established firms are much more varied and substantive (e.g. advice on such strategies as the establishment of a joint venture, making an acquisition…).

In European manufacturing a large fraction of firms – 77% – are engaged in at least one mode of internationalisation (exporter, importer, outsourcer, outsourcee, Foreign Direct Investment maker). At the same time[30] being active in an increasing number of modes turns out to be more and more difficult – only 15% of firms are involved in all or all but one international activities. In turn, these firms are 3.5 times larger in terms of employment than internationally inactive firms, and they are almost twice as productive.

5.2.4 The intertwining of innovation and internationalisation

Policymakers traditionally have attempted to encourage internationalisation based on the implicit rationale that the latter is associated with productivity and/or employment growth. At the same time, since innovation is the key driver of productivity growth, much attention has been devoted to the specific channels through which trade and innovation are linked.[31] However, in most European countries, as well as at the EU level, these policies are carried out through various, often unrelated agencies – as found by EIM[32] , a European report reviewing some 130 programmes. The broad, robust, and strong correlation between firms' internationalisation and innovation activities as well as the possible direction of causality linking one to the other, suggests that trade promotion and innovation policies should be better coordinated to alleviate the current paradox of generally uncorrelated policies aimed at mostly correlated outcomes.

Consider the case of the European Union. Innovation policy is the responsibility of DG Enterprise and Industry. Trade facilitation is the responsibility of DG Trade. Export/import promotion is the

[30] Melitz, M and S Redding (2012) "Heterogeneous Firms and Trade", NBER Working Paper No 18652, Washington D.C.

[31] Aiginger, Karl (2011), "The inefficiency of industrial and innovation policy in France", VoxEU.org, 3 October.

[32] EIM (2010), Internationalisation of European SMEs, Final Report by EIM Business and Policy Research, publication financed under the Competitiveness and Innovation Framework Programme of the European Commission.

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responsibility of individual member states with little involvement of EU institutions. The mandate of DG Trade for export/import promotion is rather unclear.

Coordinating and integrating internationalisation and innovation policies under a single responsibility would likely be beneficial. It would make the relevant policymakers internalise the external effects of individual policies. On the one hand, uncoordinated actions could be ineffective and wasteful and result in 'double subsidisation' (30% of firms in our sample received some form of subsidy). On the other hand, they could forgo the gains arising from complementarities between various modes of innovation and internationalisation. In the presence of such complementarities, neither type of intervention would be very effective on its own. For instance, export promotion alone, without adequate investment in innovation, would not help firms develop the capabilities needed to successfully compete on international markets in the long run. All in all, according to the analysis of the interviews and the discussions with the experts, positioning internationalisation and innovation policies 'under one roof' at both the national and EU levels, would be welcome. The project would even go a step further and integrate all entrepreneur support policies.

5.2.5 Starting and existing SMEs

Enterprise policy remains strongly focused on new start-ups, largely ignoring the important role played by the existing stock of SMEs which are most likely to move into a period of rapid growth.[33] However, a sizeable proportion of businesses with potential to enter in GVCs emanate from the existing stock of SMEs, who undergo organisational changes or triggers which encourage them towards participating in an internationalisation process via GVCs or other forms of re-organisation. With this in mind, policy needs to become less focused on new start-ups and more focused on supporting firms with growth potential, regardless of their age.

A further consequence of the focus on start-ups is that business support agencies target their support services on new businesses, focusing their advice on how to get started. However, the business support needs of more established firms are much more varied and substantive (e.g. advice on such strategies as the establishment of a joint venture, making an acquisition…) but are not always available.

[33] Brown R. and Mason, C. (2012) Raising the Batting Average: Re-Orientating Regional Industrial Policy to Generate More High Growth Firms, Local Economy, 27 (1), pp. 33-49.

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5.2.6 About additionality and impact

What is additionality?

In this project a broader definition is taken into consideration than the "additionality definition" commonly used in EU projects.[34] Additionality here is rather defined as"the extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention."[35]

Ideally, when studying the additionality of public support measures, it is necessary to study the crowding out and crowding in effects, using counterfactuals in order to establish if any difference can be registered between the outcome of a measure for a given target group of beneficiaries in comparison to a group that has not benefitted from the support measure.

Within the limited framework of this project there was neither budget nor time to make this more extensive analysis. Nonetheless, the partners tried to identify the effect of support measures existing in their region and during the interviews the SMEs were asked to indicate the effect, or impact, they perceived of them.

What is the impact of public support measures on SMEs in GVCs?

Impact measurement has a terminology that is in common use in EU Policy, although there is some blending of them in some circles. Five key terms exist and were adopted here in this project:

- Input: what resources are used in delivery of the intervention;
- Activity: what is being done with those resources by the public support agency (the intervention);
- Output: how that activity touches the intended beneficiaries, i.e. the SMEs;
- Outcome: the change arising in SME;
- Impact: The extents to which that change arises from the intervention of the public support agency.

[34]Additionality is one of the principles driving the functioning of the Structural Funds. The principle of additionality in the specific EU context means that EU Structural Funds may not replace the national or equivalent expenditure by a Member State.

[35]English Partnerships National Regeneration agency, 2008. Additionality Guide: a standard approach to assessing the additional impact of interventions, London.

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The model adopted in this project was that of an 'Impact Value Chain'.[36] The different perceptions of participants regarding the effectiveness of a support measure was hard to identify. Therefore it was extremely difficult to effectively incorporate these differences of opinion into an evaluation so that they make sense.

By indicating "critical incidents" in describing their timeline in a GCV and trying to identify which solutions have been found to overcome these incidents, it was possible to describe the effect of a public support intervention, if any. The findings in the own field research have then been confronted with several studies available on this topic. There are a lot of handbooks and guidelines available in the field today, but sometimes 'you lose the forest through the trees.'

it was not an easy task to come to straightforward answers. Nonetheless, some overall trends and guidelines could be explored and further elaborated.

Measuring impact: a matter of accountability

Impact measurement should help public support organisations manage performance, learn, improve outcomes, and hold themselves accountable to those they aim to serve. During the interviews regularly the SMEs urged for this accountability, pleading for transparency and consistency.

Those who wish to implement impact measurement today face a variety of challenges, among which the most complex is defining impact in a multi-actor ecosystem. It becomes quite difficult to define the additionality of certain support measures and define its' impact when dealing with the complex ecosystems both the target group of SMEs and the service support agencies interact.

The project partners tried to tackle this challenge mixing recent methods and using notions like "critical incidents", "ecosystems", "wicked problems', "touch points" : this has led them into richer and more meaningful insight the complexity of the topic studied.

[36]The Impact Value Chain is built on the basic logic model, developed by Carol Weiss and Joseph Wholey Weiss, Weiss, C. & Wholey Weiss, J., 1972. *Evaluation Research. Methods for Assessing Program Effectiveness*, Englewood Cliffs, New Jersey.

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5.2.7 Entrepreneurial Ecosystems and Regional Policy

Regional policies for entrepreneurship are currently going through a transition from increasing the quantity of entrepreneurship to the quality of entrepreneurship. The next step will be the transition from entrepreneurship policy towards policy for an entrepreneurial economy. The entrepreneurial ecosystem approach has been heralded as a new framework accommodating these transitions. This approach starts with the entrepreneurial actor, but emphasises the context of productive entrepreneurship. Entrepreneurship is not only the output of the system; entrepreneurs are important players themselves in creating the ecosystem and keeping it healthy. So, the next shift would be from regional 'entrepreneurship policy' to policy for an 'entrepreneurial regional economy', i.e. an entrepreneurial ecosystem. Regional policy will no longer be about maximising a certain indicator of entrepreneurship, but about creating a context, a system, in which productive entrepreneurship can flourish.[37]

Erik Stam defines the entrepreneurial ecosystem as follows: "A definition that nevertheless seems widely applicable is that of the entrepreneurial ecosystem as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship. In this case entrepreneurial activity is considered the process by which individuals create opportunities for innovation. This innovation will eventually lead to new value in society, and this is therefore the ultimate outcome of an entrepreneurial ecosystem, while entrepreneurial activity would be more an intermediary output of the system". [38]

In 2013 the World Economic Forum in Davos[39] formulated **eight basic pillars of the Entrepreneurial ecosystem** and it's components as follows:

- Accessible markets
  - Domestic market: Large/medium/small companies as customers, governments as customer
  - Foreign market: Large/medium/small companies as customers, governments as customer

[37] Stam, E., 2015. *Entrepreneurial Ecosystems and Regional Policy: a Sympathetic Critique*, Utrecht University School of Economics: Discussion Paper Series, 15 (07), Utrecht.

[38] Stam, E., 2015. *Entrepreneurial Ecosystems and Regional Policy: a Sympathetic Critique*, Utrecht University School of Economics: Discussion Paper Series, 15 (07), Utrecht.

[39] World Economic Forum, 2013. *Entrepreneurial Ecosystems Around the Globe and Company Growth Dynamics,* Davos.

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- Human capital/workforce

  Management talent, technical talent, entrepreneurial company experience, outsourcing availability, access to immigrant workforce
- Funding & finance

  Friends and family, angel investors, private equity, venture capital, access to debt
- Support systems / mentors

  Mentors/advisors, professional services, incubators/accelerators, networks of entrepreneurial peers
- Government & regulatory framework

  Ease of starting a business, tax incentives, business friendly legislation/policies, access to basic infrastructure, access to telecommunications/broadband, access to transport
- Education & training

  Available workforce with pre-university education, available workforce with university education, entrepreneur-specific training
- Major universities as catalysts

  Promoting a culture of respect for entrepreneurship, playing a key role in idea-formation for new companies, playing a key role in providing graduates to new companies
- Cultural support

  Tolerance for risk and failure, preference for self-employment, success stories/role models, research culture, positive image of entrepreneurship, celebration of innovation

During the project these pillars have been mentioned by nearly all SMEs interviewed: when suggesting support measures or criticising existing support structures most of these pillars and/or their components were discussed.

5.3 Community of practice

A wider community of interest has been consulted at the end of the project by means of an online discussion forum. Therefore the forum of the Enterprise Europe Network is used. In this way a large number of experts of the EEN community in Europe and even further got involved in the project. These people are in daily contact with many SMEs that are in the target group of the project. Their comments are particularly valuable.

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5.3.1 Discussion topics

The following questions have been posted in the forum. The questions have been based on the project challenges, on the problems SMEs encounter to enter and to grow in GVCs and on the trends perceived during the interviews with SMEs, the workshops with experts and in specialised literature.

Question 1:
Can public support structures assist SMEs wishing to enter into global value chains in enhancing success factors? If yes, which type of services would you suggest?

Question 2:
Do you agree that public support measures follow still the traditional approach of promoting export and trade abroad first, while other business models have come up and SMEs perceive different needs where support measures could be necessary?

Question 3:
The advanced and more complex character of innovative products is very closely linked with the delivery of services. Do you agree that there here should be no distinction anymore between goods and services in policy making because but support measures for services are equally needed?

Question 4:
Do you agree with the Key Account Management (KAM) functions that SMEs would like to experience from public support structures? Are the KAM services the Enterprise Europe Network is currently offering an inspiring example for that? How should you see this KAM function for SMEs in GVC s?

5.3.2 Comments by the community members

Public support structures definitely have a role to play in assisting SMEs wishing to enter into global value.

But the support seems more relevant for young and promising companies because for them a lot of things have to be built. More experienced companies have more own means but also their own recipes. They are of course also interested by public support but more on a project by project base.

For young and promising companies, the ideal approach should be a **holistic approach** (360°) in order to identify key fields to be examined jointly by the company and (public) experienced and well-skilled advisors. Prioritisation of actions is indeed of importance.

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One open question remains: how to identify this target group?

Public support structures can play an important role but SMEs face often the overlap created by numerous of EU, National and regional initiatives provided without specific skills or a common understanding. The result is misleading messages for the companies and the establishment of low credibility of the real effectiveness of this support: a sense of urgency therefore is needed in order to **remove overlap**, to professionalise advise and to regain credibility.

The challenge for SMEs nowadays is to modify their business model identifying a new role in what can be defined as the '**Global Innovation Value Chain (GIVC)'**. Actually quality and service are important and several single actors in the value chain could add specific value to the entire innovation process. A retailer for example could also be the interlink with final customers for scouting new market opportunities, discovering new trends for better driving the innovation process.

Enhancing the **Innovation Management Capacity of SMEs within the GIVC** could be a good service bringing high added value.

Public support measures follow still the traditional approach of promoting export and trade abroad first, while **other business models** have come up and SMEs perceive **different needs**.

One of these needs is the need for **servitisation.** The advanced and more complex character of innovative products is very closely linked with the delivery of services.

The approaches for the identification of promising companies and evaluation of impact of support measures remain linked to single public entities. They should be also open to reflect processes like open innovation and expansion through **networking**.

It is a fact that many of the public services are provided without specific skills of the advisors: it happens the services don't match with the real needs of the companies. One step in the good direction could be the **standardisation** at EU level: the ISO is now trying to create a common understanding regarding tools and methods for collaborative innovation ISO/TC 279/WG 03 "Tools and methods": this could bring the definitions of new more effective services.

The **key account management** functions that SMEs would like to experience from public support structures should be organised in a more holistic, broader irrespective of the only public support measures. The role of a KAM is to identify strategic needs from the SME and to help the SME to find right answers in the whole entrepreneurial ecosystem.

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6. Lessons learnt

The interviewed enterprises were asked to situate their positions in the value chains and to indicate the most critical success factors for integrating into the value chains. They also nominated good support practices they received from support organisations. Their responses are reported here together with the remarks made by the different experts in the previous chapter, but they were also completed with information on the existing good practices exchanged by the partners during the peer learning sessions. One of the main purposes of the project is having the organisations to learn from each other. This chapter meets this requirement. Information is provided about support measures working well in the partner regions.

6.1 Value Chain mapping

The interviewed companies did not have many problems to draw the value chain(s) in which they are active. Most of them even did not have to think about this. They immediately started to sketch. Of course they limited themselves to their part of the value chain, their suppliers and their customers or also the customers of their customers. Companies were also able to identify their main competitive strengths within the value chain. Most companies do not delve into the details of the rest of the value chain. They only situate their own company and explained how they create value, which the other players are and in which countries they are located.

The UNIDO developed a very good tool to map value chains.[40] Industrial value chain diagnostics is a useful tool that assists analysts, programme designers and project managers in country governments and development agencies to formulate industrial policies and development programmes. It helps identify constraints and technological and market opportunities relating to a particular commodity or value chain.

6.2 Criteria for value chain fitness

Entrepreneurs wrestle with an uncountable number of problems and difficulties in all areas. The quality of their products or services is a critical success factor. Skilled labour is also a key ingredient for product quality and to achieve high productivity and efficiency. The strength of customer relations is vital when working within, and satisfying buyers further down, a value chain. The ambition, besides

[40] DIAGNOSTICS FOR INDUSTRIAL VALUE CHAIN DEVELOPMENT - An Integrated Tool© 2011 by the UNIDO - United Nations Industrial Development Organization

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the education, experience, and international exposure of the owner are also crucial. Knowledgeable owners who have recognised the opportunities of the global marketplace will be more inclined to venture into, and be successful in, global value chains.

It is not easy for SMEs to succeed in global value chains, and there are two main factors that require attention. The first is enterprise **competitiveness**. The second is enterprise **connectivity**, or the means by which firms can connect to value chains. Given that these chains take various forms, SMEs can internationalise by supplying larger firms that have located in their domestic market, or by operating trade and supply links with producers and buyers in other countries. Enterprises that are both competitive and connected will be able to link into, and benefit from, global value chains.

During the interviews the project partners in the three European regions have noticed the most important challenges of the SMEs, all of them active in international value chains for at least a number of years. They explained not only the nature of the problems, but also the solutions that they have found and the critical success factors.

The project partners have discussed the findings in their peer learning sessions in order to find a common thread throughout all the issues raised. Starting from the challenges SMEs are confronted with, the project looked into the most essential requirements which are necessary to enter value chains, to survive in it and to gradually create more value in value chains. In this way the criteria to get value chain fit could be formulated.

The following success factors for global value chains are assumed to be the main and most important **determinants for value chain fitness:**

1) reaching the **critical mass** in terms of enterprise capabilities (expertise, human resources, financing, internationalisation etc.);

2) **being innovative** in terms of knowhow, products-services or business model;

3) focussing at a **market niche**;

4) having access to **specialised knowledge**.

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6.3 Good practices identified in the regions of the project partners

The 24 company interviews are not representative enough to determine the best practices used in the three European regions. Therefore much more data are needed. Nevertheless the project revealed a number of interesting existing practices in the three partner regions.

The 'good practices identified' may look a bit basic at first sight and not relating directly to the topic, but the principles behind them contribute to a **service model** that match well with the needs and requirements of the companies expressed during the interviews, as well as the expert views in the previous chapter.

The following ideas are to be found in the described practices: transferring entrepreneur skills, tailor made support starting with an antecedent analysis of company needs, the trusted partner role of the government and the inevitable differences between the one-to-one and the one-to-many approach, which is necessary to realise the generic support measures in an efficient way. These make the good practices fit perfectly within the proposed changes in support to SMEs in international value chains.

The good practices identified in the regions of the project partners are:

1) A toolbox to form entrepreneurs in the way this should be done (becoming entrepreneur support);
2) A business incubator that helps starting companies to develop by providing appropriate services (start-up support);
3) A listening approach for account managers visiting and accompanying companies (KAM function);
4) A logbook to keep log of all the contacts between the government and the SMEs (KAM function);
5) An on-line tool for generic support measures that requires less work to handle the dossiers (instead of vouchers);
6) The support services offered by EEN in the framework of the SME Instrument (KAM function).

Further on the practices are explained into more detail.

6.3.1 The becoming an entrepreneur toolbox of Sweden

In Sweden they have developed an entrepreneurial creation system where entrepreneurs are formed and equipped with necessary tools and networks. At Chalmers School of Technology they have an entrepreneurial education, Chalmers School of Entrepreneurship, which is combined with an incubation company, Chalmers Ventures. Here, ideas are combined with driven student teams that

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evaluate the ideas and start the journey to commercialise them. This means it is a hands-on, in the field, experimental formation derived from the path self-made entrepreneurs go in order to become successful company leaders. The students become entrepreneurs and are through the structure directly international connected. They as well get valuable business creation tools in a safe environment. It results in both good entrepreneurs and growth companies.

In Sweden there are an organisation called Connect that have a board network where they can help companies find suitable board members. Usually these are senior industrialists and entrepreneurs that can work as a mentor and board member for smaller companies. This is a good combination with the entrepreneurial education in order to early find an international network for the companies.

6.3.2 The Swedish logbook

Swerea have developed a web-based logbook to register all important steps taken in the relationship between support organisations and the companies. The CRM (Customer Relation Management) tool makes it possible for users to see what support will be and has been provided by other organisations to individual companies. This helps to connect the different support measures to the companies and to be more effective. The tool is adjusted based on the type of SME support project provided and can have an endless amount of users and support organisations connected to it.

Typically, the first visit to a company is made by a key account manager (KAM). Entrepreneurs need someone to listen to them, a kind of coach or mentor, to help them to persist, also financially and to work out the business model and their plans. The KAM also helps them to broaden their network and tells them who they should talk to. In the next phase the support consists in connecting them to board members and experts. Probably they also need further financial support.

As a follow-up of the KAM's first assessment, a good practice is to put together a tailor-made small group of experts, e.g. one in internationalisation, one in innovation and one in financing in order to visit and/or support the company together. When it comes to growing, it is important to learn how companies can internationalise and grow their markets together with other complementary companies and how to cooperate with external experts such as research institutes and universities. A good support system helps them with that and how to expand their market and where to go abroad, but also help them to keep their focus, not to do everything in order to become really good or even the best in a certain segment.

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Mature companies, having their business running, need to enhance their innovation management capacity to create new ideas and to think about next generation products. They also have to think about service design. It gives a support organisation more credibility and more fun if they can think along with their clients and not just have to give the information they are asked for.

One project where the logbook plays an important role is the regional SME support network project 'Industrial Dynamics', financed by the regional authority, where 15 organisations in the region of West Gotaland representing research institutes, science parks, universities, and regional development centres work together to coordinate their SME support. The network consists of both KAMs and experts that know each other well and the CRM logbook help them cooperate. No matter who gets a question from a company, it will always be forwarded to and taken care of by the best expert (or a tailor-made team of experts), including external experts/actors if necessary. Company needs and interest prevail (not what the providers can offer) and SMEs control and decide what problems to solve. Bureaucracy is kept to a minimum. Only persons with good communication skills, experience in working with SMEs and who are good listeners are the main contacts (most often a KAM). The 15 network partners cooperate to serve the companies as good as possible. They do not only represent his/her own organisation when contacting a company, but the entire network's knowledge, competence and resources. Consequently, learning about each other's organisations is important. The aim is to have a long-term trustful relationship with the clients and to create a history of successful actions in the CRM logbook.

6.3.3 The Baleares 'First listen' approach

Do not open your toolbox immediately when visiting companies. This is the golden tip of the Baleares project partner. First listen is a much better attitude. This will create trust between the entrepreneur and the government representative.

At the Balearic Islands they changed their approach for helping the companies during the last couple of years. Now they have a clear view on how to do this. Three things are very important when providing services to companies: trust, empathy and knowledge transfer.

Often enterprises do not know what they need. This is the first work that needs to be done: to help them to define what they need and then to identify how to help them. It is a process.

This process begins with a first encounter with the CEO's just to know the real problems and needs of their companies or sectors rather than boring them with a wide catalogue of services, measures and

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programs. In this first interview, the attitude, the knowledge about public programs, the capacity of the company, the scepticism toward the public administration, etc. are evaluated to be able to establish the first pillars: trust and empathy.

Then, this information is analysed and discussed internally by all the members of the R&D+I Area of Projects and Communication to prepare a customised proposal based on real needs, capacities and willingness of the companies.

After that, this proposal is presented to the companies by several members of the R&D+I Area of Projects and Communication in a second interview where trust and empathy are consolidated, allowing the final objective, knowledge transfer and long-term relationship and cooperation.

6.3.4 The Mallorca incubator

Parc Bit's Business Incubator consists in a program aimed at entrepreneurs and start-ups with innovative business models based on new technologies. They provide support in the definition and validation of business models and their implementation, plus work space at low cost in an environment for start-ups such as the Balearic Park of Technological Innovation (ParcBit).

As an incubator hosting technology-based projects, they look for innovative projects where technology has a key role in its business model. Web platforms, e-commerce, apps, videogames, tourism intermediation, etc., are just a few examples of current projects. To join the Incubator, it is necessary neither to have an established company or to be a freelance, nor to have a business plan completed.

They have two kinds of incubation available, depending on the phase of the projects:

- Collaborative: For early-stage projects, a place to interact with other entrepreneurs and validate the business model. They provide work stations in their co-working space of more than 400m².
- Physical: For projects being launched with a defined service team and a product about to hit the market. There are available individual offices of 50 to 65m².

Furthermore, they also offer a 'hub service' for consolidation and expansion projects which have completed their incubation period in ParcBIT, but want to keep their registered office in the tech park and participate in the networking activities.

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	COLLABORATIVE	PHYSICAL	HUB
SPACE	COWORKING SPACE	INDIVIDUAL WORKSPACE	COWORKING SPACE
COST	50€ / MONTH	7 - 9€ M^2 / MONTH (depending on technical assessment)	15€ / MONTH
BONUS	N/A	75% - 1st YEAR 50% - 2nd YEAR 25% - 3rd YEAR	N/A
DURATION	12 MONTHS	36 MONTHS (60 months for biotechnology projects)	UNLIMITED
SELECTION	PERSONAL INTERVIEW	PERSONAL INTERVIEW + TECHNICAL ASSESSMENT	INCUBATION PERIOD

As a preliminary and necessary step to develop a business it is fundamental to validate the business model. Therefore it is essential to know the latest methodologies and metrics for the design and validation of business models.

Once the business model is validated by the incubator team, they also help entrepreneurs in the planning to launch the business project, guiding them in analysing and designing the business plan.

Most start-ups and new companies need access to external funding in order to launch their projects. In ParcBit's Business Incubator they also help entrepreneurs to find the most appropriate source of funding (credit, public programs, equity loans, private investors, etc.) depending on the projects.

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Collaboration and networking are often the keys to a successful implementation of a business idea. For this reason, they encourage 'networking' between projects through regular sessions, presenting new initiatives and search for synergies among entrepreneurs.

With this objective, for projects in the growth phase, they seek prestigious businessmen to participate in the mentoring activities. They are also involved in the dissemination and selection of projects for entrepreneurship awards at local, regional and national levels.

6.3.5 The Flemish SME e-wallet

The SME e-Wallet is an online business support programme launched in 2009 and delivered by Flanders Innovation & Entrepreneurship. It's an easy accessible and interactive web application where SME's and entrepreneurs can apply for grants/co-financing.

The funding can be obtained when purchasing external services provided by approved service providers for support in processes of entrepreneurial activities. Support can be obtained for 'training' and 'advice'.

Only enterprises fitting in the European SME definition and having an eligible legal form and main activity on the basis of the NACE code can apply for support.

The SME e-Wallet is similar to an online banking account. It works as follows:

(1) The SME and the service provider make an agreement concerning the service that is going to be purchased. The SME can choose his own service provider, but the service provider has to be accredited.
(2) The SME goes to the website and fills in the online application form using the information of his service agreement. Once the application is submitted, the website sends an email to the chosen service provider.
(3) The service provider checks if the application complies with the legislative framework. If it meets the requirements, the application is automatically approved.
(4) The applicant receives an email and is asked to donate its part of the budget on the online banking account.
(5) The SME pays its own part of the budget – deposits the money on the online banking account. Automatically the subsidy is granted and complemented on the same banking account.
(6) The SME is in charge of this banking account. Once he receives an invoice from his service provider he can pay the invoice from this online banking account or SME e-Wallet.

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6.3.6 The SME Instrument approach in Flanders

Delivering integrated innovation and internationalisation support services to SMEs in Flanders, through the activities of the Enterprise Europe network (KAM & EIMC services).

When in 2014 the Commission invited the Enterprise Europe network to set up services to SMEs within the framework of H2020, the CHALLENGE for the Flemish EEN consortium was setting up the KAM & EIMC (Enhancing Innovation Management Capacities) activities to the benefit of potential applicants for the SME instrument in Flanders.

In 2015 in the Flemish EEN consortium there were 3 partners :AO & FIT were catering primarily for business, innovation and external trade support while IWT in charge of technology transfer & transnational research development support:

- As of 2016 AO and IWT (business support part) merged in one single agency VLAIO while the research part of IWT moved to FWO. The NCPs from IWT were embedded in the same VLAIO business unit as EEN.
- In Flanders now for the SME instrument and the EIMC activities, SMEs face one single intake through the NCP for SMEs and are signposted to the relevant partner in the consortium, or when necessary to other stakeholders in the Flemish ecosystem: this forms the basis for a holistic, integrated approach with a SME (client) orientation , not a process or structure orientation. In this way EEN Flanders is able to more efficiently match the respective competencies with the real needs of the SMEs.

Through this approach we realise smart signposting for no wrong door:

- among partners
- within the respective host organisations
- to relevant stakeholders and external service providers in the regional, national or EU ecosystem

This first challenge EEN Flanders sees also as a window of opportunity for the further integration of EEN services, and the further embedding in the SME support ecosystem.

How does EEN Flanders now realise the goal of getting Flemish cases selected in H2020 - SME Instrument?

- **Integrated cooperation between EEN and NCP for SMEs:**
  - First intake by NCP

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- Sometimes EEN is entry point but then we send company first to NCP
- We ask 6 weeks before a cut off to send in a draft proposal.
- EEN experts on finance, internationalisation, and EU dimension read the proposal and send each other their own comments. At this stage we also decide if we go for EIMC services for those who we believe do not yet qualify for SME I (focus on content, no proposal writing as such)

- **'Live' Challenge of the candidate:**
  - Company is invited to a one-hour challenge with EEN experts and the NCP for SMEs
  - Company hands in proposal
  - Once selection is done (or not), companies receive our feedback.
  - If they want to re-apply, we can re-do the challenge.

What is the to date perceived impact of this new approach?

In 12 months' time Flanders went from zero selected SMEs to 14.

After the previous learnings and considerations about SMEs in GVCs and the inspirational examples of easily transferable good practices exchanged, the next chapter is dedicated to the suggestions of companies, experts and project partners on how to move from the current EU and regional policies towards more effective support for SMEs in GVCs

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7. Policy recommendations

As already stated earlier a number of issues raised by the interviewed companies are very similar to the problems a majority of SMEs generally have to cope with. As a matter of fact one could state that there is not really a "100% typical SME in GVCs". Diversity occurs because of sectoral differences, because of regional differences, because a very young firm faces different challenges from that of a long established firm that may be still a small business. A fast growing firm has different challenges from that of a slow grower... And, it is this diversity that presents challenges to the policy makers. So, many recommendations listed here are not per sé tailored exclusively for the specific subgroup of SMEs participating in global value chains. They can also be valid for other subgroups on their journey to innovation and internationalisation.

The policy recommendations below are classified in ten topics that have been identified among the most effective with regard to the participation of SMEs in GVCs.

Topic 1: Healthy and fair international competition

- Work at a fair competition internationally.
  SMEs face problems to compete with companies in lower wage countries every day.
- One option is a substantial reduction of the labour costs for exporting companies to make them more competitive at international markets.
- Another possibility is to replace labour taxation gradually by value added taxes.
- This issue needs to be dealt with at the European level.

Topic 2: No distinction between manufacturing and services

- Treat goods and services equally. Services have become increasingly internationalised also. They get more and more outsourced and off shored to other countries. They become increasingly important as part of the value chain activities and as added value created on top of manufactured goods.

Topic 3: Acting as a partner for SMEs

- Ensure a positive climate and improve external conditions for entrepreneurship (attitudes and skills of young people, transport and mobility, wage costs etc.).
- Limit the number of subsidy measures and simplify all of them till they are comprehensible, clear and transparent. Abolish all low-support measures that not significant and have no additionality.

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- Show more understanding and empathy for the situation and the working conditions of SMEs.
- The government should act as a real partner for SMEs in GVCs. Therefore the following service model is suggested.

  Assign for every SME, starting or growing in an international value chain, a key account manager who passes at least once in a year in the company to discuss the new challenges with the management, to check which governmental issues apply and to provide all the necessary information to allow the SME to profit from the governmental support measures.
- The key account management (KAM) function that SMEs expect from the government is aimed at real entrepreneurial needs. The person, working by preference at the sub-regional or provincial level close to their clients' establishments, listens as a partner on equal footing to the SME problems in order to find solutions among the public support measures or by means of private professional advisory services.
- An important additional task for the key account manager is to consider and to guard constantly the impact of the governmental support measures in the SMEs in their portfolio. He or she is in the ideal position to give feedback about the impact results in consultation with the back-office. This feedback should be used to evaluate and to adapt the support measures when necessary, but also to get rid of measures that do not have sufficient impact.

Topic 4: Internationalisation support

- Business internationalisation forms the key component of business support for SMEs entering GVCs.
- Help SMEs to internationalise from the very beginning by adequate support actions, also for import.

  Import is often needed first in order to be able to export later.
- The focus should not be on export only. Other methods of internationalisation, such as joint ventures, strategic alliances, foreign investment, licensing and overseas acquisitions, also need attention.
- Help SMEs to build an effective international network of potential customers, partners, experts and suppliers.

  In the first place there is a need for experts who are able to learn them about the local eco-systems.
- Also firms with growth potential, regardless of their age, may need support. The business support needs of established firms are often much more varied and substantive (e.g. advice on strategies as the establishment of a joint venture, making an acquisition…).

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- Financial support measures for internationalisation should have more impact.

Topic 5: Access to finance

- Foresee more venture capital if the private sector fails to provide enough risk capital at reasonable conditions.
- Establish governmental investment companies by preference at the sub regional level to work closely together with local entrepreneurs. Participations of the government may have a greater impact than subsidies.
- Make them also invest in enterprises in order to overcome short difficult periods or temporary problems if their technology, product and business model have a future.

Topic 6: Direct financial governmental support

- Most companies agree that sometimes it may be meaningful to give some subsidies to companies if they are awarded equal, responsible and fair. The government should always motivate why tax money is given to companies and why not.
- Public support should focus on research, innovation and some very specific actions.
- Consider subsidising young, innovative companies in a tailor-made way in order to help them to reach the critical mass needed to enter GVCs.
- Research subsidies may be interesting in order to build up start-up companies faster and better, to give them visibility and to convince investors, especially for activities in new technologies or early phases of research.
- Allow start-up and growing companies to make a proposal to the government for all required support by themselves instead of offering a large number of different measures.

Topic 7: Lean and proper procedures

- Simplify the procedures for SMEs to acquire financial support.
- Suppress the heavy dossier requirements and critical evaluation committees. SMEs want to be evaluated in another way. Better let companies demonstrate their capacity for growth by a kind of scan about their practical everyday business work and by milestones they have to reach.
- Let entrepreneurs be judged by entrepreneurs and let companies stay authentic while applying for grants.

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Topic 8: Integration of support measures

- At all levels policies should be better coordinated because of the links and correlations among the different domains.
- Coordinating and integrating all entrepreneur policies under a single responsibility would likely be beneficial.
- For instance, export promotion alone, without adequate investment in innovation, would not help firms develop the capabilities needed to successfully compete on international markets in the long run.

  Supporting research without a subsequent marketing of the new products is a waste of money.
- An integration of SME support measures for innovation, financing, marketing and internationalisation is also indicated with a view to easier and uniform application and evaluation procedures.

  Better evaluate the projects of SMEs in their entirety.

Topic 9: Access to knowledge

- Facilitate access to knowledge, mentoring, coaching, consultancy and training.
- Foresee more financial support for top coaching / consultancy and short high quality trainings for SMEs corresponding to their size.
- Help the companies to find specialised consultants, top experts and board members for each new phase in their lifetime.
- Reform the universities and research institutes into support organisations where SMEs can go with their knowledge problems. Speed up the reaction time of universities and institutes.
- More young people at the universities should be encouraged to go for entrepreneurship and to work in SMEs. After their master course students should get the same interesting conditions for going to work in an SME as for doing a PhD at the university.
- The government should stimulate the emergence of spin-offs in large multinational companies. In multinationals there are many opportunities to start new small businesses. Sometimes these are possibilities for getting new life in a division that would be closed otherwise.

Topic 10: Learning from other European regions

- With a view to policy making there is a lot to learn by studying the different approaches in the European countries and regions into detail.
- It is easier to copy good practices which have proven their usefulness elsewhere for quite some time than to experiment with new measures in order to try to achieve the same effects.

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8. Final conclusions

Entrepreneurs believe that most progress is reached when the government ensures an **open, healthy and fair competition**. They require a positive atmosphere, a **good business environment** and excellent external conditions for entrepreneurship.

Apart from these macro-economic topics a lot of fragmentation of support was found at the MESO-economic level. For the stimulation of the participation of SMEs in global value chains a rather **holistic approach is indicated** creating clarity and coherence. **Clarity** in this context means that the policy is fully understood by those delivering it and those expected to benefit from it. **Coherence** refers to the need for all parts of government to work together in the interests of delivering a unified and mutually reinforcing SME policy, even when these are delivered by different departments or agencies, and even more when delivered at the respective EU, national or regional level.

Internationalisation and innovation are likely to be the most important aspects to support. Internationalisation forms the key component of business support for SMEs entering GVCs. In this type of companies there is a huge **need for experts** who can help them to explore the local eco-systems.

Support for SMEs in global value chains should **not focus on exports only**. Also imports play an important role in achieving a better economic performance. More and more micro-multinationals come up with a good idea and source from their own affiliates located abroad.

The project revealed the **close inter-linkage between services and manufacturing**. Manufacturers are putting services on top of their products. They often lease their products to their customers and they offer them services to make sure that the products are doing what they are supposed to do. Mainly with the arrival of the internet services have become increasingly internationalised. Also services get more and more outsourced and off shored to other countries. They become increasingly important as part of the value chain activities (research, design, test, ICT support, communication, transport, consultancy, insurances etc.) and as added value created on top of manufactured goods (new business models) or to customise the products or to differentiate them from competitors' offers. Therefore there should also be no distinction between goods and services in policy making.

An **integration and coordination** of existing support measures and services offered is preferred above a further splitting up. A successful participation in global value chains (GVCs) is inseparably connected with other aspects of entrepreneurship. Coordinating and integrating internationalisation, innovation and other entrepreneur support policies under a single responsibility would likely be beneficial.

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The support expected by SMEs in GVCs should be **bespoke** and sensitive to the phase in the lifecycle of the company. Young dynamic companies need special attention as they often enter immediately into GVCs. Established firms also have support needs that are often much more varied and substantive. Many firms felt that strategic advice was at least even or more critical than direct public funding.

Some targeted financial support for research activities can be a **good catalyst** and allows building up the performance of companies in GVCs faster and better, but on the other hand non-transparent grant schemes create feelings of injustice and frustration.
Several entrepreneurs have problems with the current application and evaluation procedures.

But support for innovation and research alone is not enough: very often the challenges for going in the market and more specifically for entering into global value chains create other needs that often are not catered for in the existing support framework. These challenges need other resources and skills and many SMEs expressed their interest for support schemes more dedicated to this stage of their company life cycle, like f.i. the H2020 SME instrument programme is actually doing.

The objectives of governments and SMEs with regard to support services do not always run in parallel. Companies want to stay authentic, not getting forced, no or limited involvement from the government. The government should act as their trusted partner and facilitate access to finance, to knowledge, advice and training.

The interviewed entrepreneurs in the project pleaded for a **simplification of support**, to get rid of measures that do not have sufficient impact and to foresee a kind of **key account manager** (KAM) who helps them not only to find their way in public support measures, but also the way to further support by private professionals. An important task for the key account managers is to consider and to guard constantly **the impact of the governmental support measures** in the SMEs in their portfolio. They are in the ideal position to give feedback about the impact results. This feedback should be used to evaluate and to adapt the support measures when necessary, but also to get rid of measures that do not have sufficient impact.

By studying the various approaches in the European countries and regions into detail there is a lot to **learn about good practices** that have proven their usefulness elsewhere and can be copied to other regions.

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This project is not an end point. **Further research** is necessary to refine the new insights, among others for the following issues:

1) Which good public support practices can be copied from other European regions?
2) How to support SMEs in not only export but in internationalisation? How to establish a network and to set up a database of qualitative experts worldwide to support SMEs entering in GVCs?
3) What can be done to organise peer learning for SMEs from their equals in order to help them to fill in their needs of tomorrow?
4) How to integrate support measures to enhance effectiveness and efficiency? How to customise public support to better meet the real needs of SMEs entering or climbing up in the global value chain? What to do to improve the current application and evaluation procedures?
5) How to design financial support measures targeted to this specific group of SMEs without creating feelings of injustice and frustration in other SMEs and without distorting the market?
6) What can be done at the European level to take away the competitive disadvantages for SMEs operating in countries with high labour cost and high wages?

The way ahead: The need for innovative and flexible approaches

Many of the issues SMEs are confronted with during their internationalisation process, and especially when entering or surviving in GVCs, are of such a complexity they can be called 'wicked' problems. The term 'wicked' in this context is used, not in the sense of evil, but rather as an issue highly resistant to resolution[41].

Successfully solving or at least managing these wicked problems requires a reassessment of some of the traditional ways of working and solving problems. They challenge our traditional support structures, our skills base and our organisational capacity. It is important, as a first step, that wicked problems be recognised as such. Successfully tackling wicked problems requires a broad recognition and understanding that there are no quick fixes and simple solutions. Tackling wicked problems is an evolving art. They require thinking that is capable of grasping the big picture, including the

[41] The terminology was originally proposed by H. W. J. Rittel and M. M. Webber, both urban planners at the University of California, Berkeley, USA in 1973.1 In the landmark article 'Dilemmas in a General Theory of Planning' , the authors observed that there is a whole realm of social planning problems that cannot be successfully treated with traditional linear, analytical approaches. They called these issues wicked problems and contrasted them with 'tame' problems. Tame problems are not necessarily simple—they can be very technically complex—but the problem can be tightly defined and a solution fairly readily identified or worked through. The original focus of the wicked problem literature was on systems design at a more 'micro' level, but the concept has gradually been applied to broader contexts.

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interrelationships among the full range of causal factors underlying them. They often require broader, more collaborative and innovative approaches.

The handling of wicked problems requires a holistic rather than a linear thinking, thinking capable of grasping the big picture, the complexity of our world in transition.

A way of increasing adaptability and flexibility is to focus on sharing the learnings and experiences from dealing with wicked problems within and among public sector organisations. John Kay refers to the need to develop 'an ability to read across experiences from one area of public service to another'[42]. The dissemination of that information across networks of relevant people will be an important resource for the future.

The project partners have been excited to be part of this valuable exercise. This report is just not the culmination of their efforts, but rather the beginning to a broader movement and a call to action for all those peers seeking consistent novel approaches to assisting effectively and efficiently SMEs in Global Value Chains. The findings and conclusions outlined here are intended to guide and motivate stakeholders that want to join with others in this challenging journey, in the confidence that collaborative efforts on these recommendations will achieve tremendous change**.**

[42] Kay, J., 2001. 'A New Public Sector', *Prospect,* 64 (6), p. 12.

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Annex 1: European support measures discussed in the interviews

What the EU does for SMEs (http://ec.europa.eu/growth/smes/):

1. Creates a business friendly environment

At the centre of the Commission's action is the Small Business Act for Europe (SBA) that provides a comprehensive SME policy for the EU and EU countries. The SBA promotes the 'Think Small First' principle and promotes entrepreneurial spirit among European citizens. More on a business friendly environment.

2. Promotes entrepreneurship

The Commission promotes entrepreneurship through the Entrepreneurship Action Plan, supports entrepreneurship education, and provides support tools for aspiring entrepreneurs. More on promoting entrepreneurship.

3. Improves access to new markets and internationalisation

The Commission's priority is to ensure that enterprises can rely on a business friendly environment and make the most out of cross border activities, both within the EU Single Market and outside the EU. More on SME internationalisation.

4. Facilitates access to finance

Access to finance is the most pressing issue for many small enterprises. The Commission works on improving the financing environment for SMEs and provides information on funding. The Late Payment Directive strengthens businesses' rights to prompt payment. More on access to finance.

5. Supports SME Competitiveness and Innovation

Promoting competitiveness and innovation are key aspects of EU policy in relation to industry and enterprise, in particular for SMEs.

6. Provides key support networks and information for SMEs

- the Your Europe Business Portal is a practical guide to doing business in Europe. It provides entrepreneurs with information and interactive services that help them expand their business abroad;
- the Enterprise Europe Network helps SMEs and entrepreneurs access market information, overcome legal obstacles, and find potential business partners across Europe;
- the SME Internationalisation Portal provides information on foreign markets and helps European business internationalise their activities;

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- the single portal on Access to Finance helps SMEs find finance supported by the EU.

With regards to these topics there are several support measures for SMEs at the European level:

1) Previous Framework Programme FP7;

2) COSME (Enterprise Europe Network);

3) H2020 (SME Instrument, Eurostars, Eureka, research & innovation framework, structural funds,…);

4) Rural Development Policy (LEADER programme);

5) ERDF - Interreg.

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Annex 2: Swedish public and non-public funded support measures discussed

1) Swedish Export Credit Agencies (EKN) who guarantee payment

2) Regional SME support vouchers to pay for external expertise/consultants

3) EEN support to find business and technology partners and to get advice regarding financing, EU standards/directives, and IPR

4) EIMC/EEN to help in analysing and increase innovation capacity

5) The Regional Network Industrial Dynamics to get support in initiating R&D project with external experts

6) Swedish Patent office to get support regarding IP strategies and patents

7) Business Sweden to get support with market assessments

8) Regional Connect offices to find risk capital

9) ALMI Företagspartners to get soft loans

10) Tillväxtverket's Internationalisation vouchers to pay for external support linked to interantionalsation

11) EUSME support to assist SMEs in preparing R&D proposals to H2020 and Eurostars

12) Vinnova to finance project on innovation and R&D

13) Regional support measures such as the R&D card (basic + advanced) and the Export Centre in the region of West Gotaland.

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Annex 3: Belgian/Flemish public funded support measures discussed in the interviews

Some commonly used Flemish and Belgian support measures and abbreviations are explained. These are only the most important. It is not possible to discuss all the measures here.

1) Participations and subordinated loans from Flemish governmental investment companies.

Governmental investment companies as the GIMV, LRM and PMV offer participations and subordinated loans to SMEs.

The GIMV (Regional Investment Company for Flanders) is a European investment company. It was founded in 1980 by the Flemish Government in order to support Flemish companies in their expansion and international growth. Later the GIMV started also investing in non-Belgian companies. GIMV has been listed on NYSE Euronext Brussels. GIMV currently manages around € 1.8 billion in investments. The LRM (Regional Investment Company for the province of Limburg) is an investment vehicle of the government. The Flemish Region is the main shareholder of the LRM. The PMV (Participation Company for Flanders) is an independent organisation, owned by the Flemish government, which supports economic investment initiatives in Flanders. The PMV was established on 31 July 1995 as a specialised subdivision of the GIMV and became an independent organisation 26 June 1997. Vinnof and Arkimedes funds are some of their products to stimulate innovation in Flanders.

2) Subsidies for innovation studies, innovation and R&D projects submitted by Flemish SMEs.

The IWT (Flemish Agency for Innovation by Science and Technology) was established in 1991. It was an externally autonomised agency of the Flemish Government, in charge of innovation policy in Flanders. The IWT played an important role in the preparation of policies aimed at boosting innovation in Flanders. The IWT distributed each year about 300 million Euros in subsidies. The grants went primarily to innovation studies, innovation and R&D projects submitted by SMEs and large companies, universities, colleges and other Flemish innovative players, either individually or jointly. Meanwhile the IWT has been merged with the Flanders Enterprise Agency into a new entity, called Flanders Innovation & Entrepreneurship (in Dutch: Agentschap Innoveren & Ondernemen), website: www.vlaio.be.

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3) Innovation project management support and assistance provided by the provincially organised Flemish Innovation Centres.

The 5 Flemish Innovation Centres, founded by the IWT, provide project management and assistance to enterprises, among others to acquire grants. The assistance does not include the writing of the dossiers). They are at the disposal of everyone who wants to innovate: start-ups, SMEs and large companies.

4) Subsidised Flemish non-profit organisations, platforms and clusters stimulating research and innovation.

The Flemish Government has founded or supports a number of non-profit organisations, platforms and clusters for active company support in research and development. They bring together companies, authorities and other non-profit organisations to join forces on research projects. An example is the research institute iMinds (formerly IBBT) with a focus on information & communication technology (ICT) in general and applications of broadband technology in particular. Another example mentioned in the interviews is FlandersBio, the networking organisation for the life sciences sector in Flanders.

5) Tax deductions for R&D expenditures like highly qualified researchers employed and patent acquisition costs or patent incomes by the federal government.

The federal government in Belgium is also aware of the importance of innovation as the key to securing future growth. Tax payers can benefit from tax savings on amounts spent on R&D expenditures for the acquisition of patents or assets used for the R&D of environmentally friendly or carbon neutral products and technologies.
An 80% exemption of payroll taxes on salaries (on labour taxes, not on social security contributions) is available, leading to an effective reduction of employment costs for highly qualified researchers employed. There is also a tax deduction on income from patent licence fees or product turnover derived from royalties.

6) Financial and soft support from the Flemish export agency Flanders Investment and Trade (FIT).

Flanders Investment and Trade (FIT) was founded by the Flemish government in 2005. The FIT agency helps Flemish companies expand their business abroad. FIT has its headquarters in Brussels and has about 80 offices in 5 continents. Their network of Flemish representatives around the world helps entrepreneurs with market research and to find the right contacts abroad. FIT financially supports among others prospecting trips and exhibition stands at international fairs.

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7) Strategic Transformation Support (STS) or even super strategic transformation support for sizeable investments and job trainings in the Flemish Region.

Enterprises or groups of enterprises that invest in the Flemish Region in the framework of a strategic transformation project can under certain conditions be financially supported through STS (Strategic Transformation Support). The support is assigned by the Flemish government and provided by Flanders Enterprise (Agentschap Ondernemen), recently transformed in Flanders Innovation & Entrepreneurship.

8) Financial support for the purchase of all kinds of services provided by recognised service providers.

The support is obtained via the Flemish SME e-wallet, an online support instrument of Flanders Innovation & Entrepreneurship, an agency of the Flemish government. The SME e-wallet supports the purchase of services provided by recognised service providers in the areas training, strategic advice, coaching and consulting.

9) Financial support for the recruitment of a Growth or Export Manager by fast growing companies.

In order to strengthen SMEs strategically within the scope of sustainable and internationally oriented growth, Flemish SMEs can receive financial support for the recruitment of a Growth Manager or an Export Manager. This support is provided by Flanders Innovation & Entrepreneurship.

10) Individual and collective job trainings in Flemish companies, organised, financed or subsidised by the Flemish Employment and Vocational Training Agency (VDAB).

The complete database of governmental measures applicable to companies established in Flanders is to be found at http://www.vlaio.be//subsidiedatabank. Unfortunately this information is only available in Dutch.

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Annex 4: Spanish public funded support measures discussed in the interviews

1) Financial support for prospecting & mission trips and international fairs, and internationalisation plans from España Exportación e Inversiones (ICEX).

ICEX Spain Export and Investment is a public business entity at the national level that has as its mission to promote the internationalisation of Spanish companies to contribute to their competitiveness and add value to the economy as a whole, as well as to attract foreign investment to Spain. Provides its services through a network of 31 Provincial and Territorial Trade offices in Spain and almost 100 economic and commercial offices abroad.

2) Loans with advantageous interest rates and repayment terms provided by the Instituto de Crédito Oficial (ICO)

The ICO is a state-owned bank, attached to the Ministry of Economic Affairs and Competitiveness with the objective not only to finance investment projects in Spain and liquidity needs of self-employees and companies, but also the internationalisation and export activity of Spanish companies.

3) Subsidies and loans with advantageous conditions for R&D+I projects provided by the Spanish National Government (Plan Avanza, NEOTEC, Innoempresa, Emprendetur, etc.)

4) IDI (Institut d'Innovació Empresarial de les Illes Balears) Program intended to put in contact artisans with designers.

The IDI is an instrumental entity of the regional Ministry of Employment, Trade and Industry of the Government of the Balearic Islands. The IDI acts as Regional Development Agency, as such aims to promote the development of economic and business activity in the Balearic Islands with criteria of competitiveness, sustainability, territorial and sectorial rebalancing. The IDI makes information and implementation means available to entrepreneurs and businesses, especially micro, small and medium enterprises. They improve management capacities and increase competitiveness, either directly or through coordination and collaboration with other public and private entities similar objectives.

5) International competitive entrepreneurship awards (Start-up BIT Awards, IE Venture Network, Emprendedor XXI)

- Start-up BIT is a program created to attract early stage, high potential entrepreneurs to launch their start-ups in Mallorca (ParcBIT).

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- IE Venture Network is an initiative promoted by Banco Sabadell, IE Business School and BIT Foundation dedicated to innovative technology projects applied to tourism.
- Emprendedor XXI is promoted by "La Caixa" and is co-granted by the Ministry of Industry, Energy and Tourism with the objective to recognise the most innovative entrepreneurs in Spain.

6) Grants for maritime transport of goods provided by the National Government (REB)

The Special Regime of the Balearic Islands (REB) is the legal regime which aims to provide the islands of a tax treatment that, recognising the insularity facilitates the competitiveness of the Balearic economy and improves the financing of the institutions at local, insular and regional levels.

7) Internship programs (University, vocational training institutes, ICEX)

8) Incubation services and innovation project management support and assistance provided by Fundació BIT

The ParcBIT Business Incubator is the combination of infrastructure and support services for entrepreneurs with innovative business ideas. The provided services aim to guide entrepreneurs in the definition and validation of their business models as well as the launch and consolidation of their business projects, while providing workspaces at low cost in an ideal environment for start-ups such as ParcBIT.

9) Job trainings for entrepreneurs and workers in Spanish companies subsidised by the Fundación Tripartita para la Formación en el Empleo which is a non-profit organisation belonging to the National Public Sector under the protectorate of the Ministry of Education, Culture and Sport. Their mission is to help employers and workers to improve skills that prepare them for the challenging labour market and productive sectors, providing free and quality training for all workers (active and unemployed).

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