

OECD Local Entrepreneurship Reviews

Entrepreneurship in the Districts Mittweida in Saxony, and Altenburger Land in Thuringia



Discussion Paper

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This local case study on entrepreneurship and local economic development in the District Mittweida (Saxony) and Altenburger Land (Thuringia) would not have been possible without the contributions provided by the project partners at Land level. Ms Gabriele Noack, Department for Regional Development Strategies and Mr Reinhard Flaskamp, Department Business start-ups and financing entrepreneurship, banks and stock exchange from the Saxony Ministry of Economy and Labour and Mr Klaus Kofler from the Saxony Development Bank (SAB) supported the process in Saxony, and Mr Claus Muschik, Ministry of Economy, Technology and Labour, Department General Economic Policy represented Thuringia. The authors are also grateful to the local authorities at district and municipal levels for their interest in the review and their engagement in the organisation of the study visit and the regional workshop. The latter would not have been possible without the time and commitment of all interview partners and workshop participants, as well as the organisational support provided by Regionomica, Berlin. Special thanks are extended to the translators and interpreters that made this work happening.

AUTHORS' NOTE

This discussion paper on "Entrepreneurship in the Districts Mittweida (Saxony) and Altenburger Land (Thuringia)" is part of a series of discussion papers resulting from the OECD review on "Strengthening Entrepreneurship and Local Economic Development in East Germany". The review, a co-operative project between the German Federal Ministry of Transport, Building and Urban Affairs and the OECD, is being implemented by the action programme on Local Employment and Economic Development (LEED), within the OECD Centre for Entrepreneurship, SMEs and Local Development.

The review includes, in addition to a global assessment of needs and opportunities for entrepreneurship policy in East Germany as a whole, the examination of six local case study areas. The following areas have been proposed by the participating East German Länder ministries: the districts of Mittweida (Saxony); Altenburger Land (Thuringia) (case study areas 1 and 2); the districts of Uckermark (Brandenburg); Parchim (Mecklenburg-Western Pomerania) (case study areas 3 and 4); the university context in the City of Halle (Saxony-Anhalt); and the borough of Marzahn-Hellersdorf in Berlin (case study areas 5 and 6).

For the local case study in the districts of Mittweida (Saxony) and Altenburger Land (Thuringia) the OECD recruited an international review team. Jaime Del Castillo (Spain), Declan Murphy (Ireland) and Andy Pike (U.K.) accompanied the OECD Secretariat in a review panel visit, undertaken from 28 November to 2 December 2005, to the two districts. Ritva Nirkkonen (Finland) and Sally O'Connor (U.K.) contributed to a regional workshop on 20 March 2006 in Leipzig, Germany and presented good practice initiatives in entrepreneurship development. Jonathan Potter is managing the review and supervised the fieldwork which has been co-ordinated by Andrea R. Hofer. Wolfgang Helmstädter represented the Federal Ministry for Transport, Building and Urban Affairs, 'Aufbau Ost' and chaired the regional workshop. Manuela Wehrle from Regionomica/Berlin managed all preparatory works related to the field visit and the regional workshop.

This discussion paper is based on: (i) information from a local diagnostic report prepared by Regionomica/Berlin, (ii) the findings of an international review panel visit, and (iii) the discussion of a draft summary report in a regional workshop.

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INTRODUCTION

Entrepreneurship is a critical driver of economic and employment growth, and a wide range of policy initiatives and programmes exist in OECD countries to promote it. Local actors, including Land and local governments and development agencies, have a key role to play in designing and delivering these policies. Appropriate local policies can often help to overcome barriers to the creation and growth of new and small firms by addressing specific market failures (in areas such as finance, information and networking), government failures (in areas such as the teaching of entrepreneurial skills and the regulatory climate) and learning failures (in the assets, capabilities and connectivities in the local innovation system) at the local level.

OECD work shows that entrepreneurial vitality is a function of three main factors: (i) the strength of the entrepreneurial culture, such as attitudes to employment and enterprise, and the existence of role models of entrepreneurial behaviour and entrepreneurship skills; (ii) the framework conditions for entrepreneurship, such as access to finance, education and training, exchange and co-operation networks, bureaucratic and administrative barriers and infrastructure, including business sites and premises; and, (iii) the presence and quality of public support programmes and their delivery framework.

Effective local policies for entrepreneurship promotion need to be comprehensive, integrated, well resourced and adapted to local needs. They therefore have to bring together the full range of stakeholders that are involved, or could be involved, in activities affecting the local entrepreneurship environment. These include the public sector, covering the full range of federal, Land and local governments and development agencies, as well as private and non-profit sector organisations such as universities and colleges, chambers of commerce and crafts, and industry and business associations. Proper mechanisms are required to ensure that all of these stakeholders can input into policy design and delivery in such a way as to maximise synergies.

The main chapters of this discussion paper follow a division according to these three main factors. The chapters are structured in a three-fold way resulting from a brief initial discussion about strengths and weaknesses, a set of recommendations is developed for further expert discussions at local, Land and federal level. International learning models, selected by the authors as good practice examples, illustrate the recommendations given and offer ideas and inspiration for policy innovation.

The international learning models constitute a core component of the discussion paper. They aim at bringing to light: new local approaches that could better exploit opportunities or overcome barriers to entrepreneurship; methods to improve the effectiveness and efficiency of existing local policies and programmes; and, methods to improve the co-ordination and delivery of local entrepreneurship instruments across different programmes and partners and to build more comprehensive and integrated policies.

Both the discussion of strengths and weaknesses, and the list of recommendations are not meant to draw-up an exhaustive picture of the local scenario, leading to immediate and concrete policy actions. The aim of this paper is, rather, to stimulate and catalyse a process, whereby

regions, cities and districts in East Germany can stand back and reflect on their overall options, needs and priorities, by facilitating an exchange of information on innovations and good practices from a range of OECD Member countries.

The main chapters of this Discussion Paper can be read also as freestanding documents that provide insights into the main themes as mentioned above.

The key messages of the report, in terms of suggested actions, are summarised in an Action Plan included in the Annex of this discussion paper.

DEVELOPING ENTREPRENEURSHIP ATTITUDES AND SKILLS

By Jaime Del Castillo, Spain

Introduction

This brief analysis of the general situation and the strengths and weaknesses of the Districts Mittweida and Altenburger Land is not intended to be exhaustive, concentrating more on what seemed to be the major issues for the study, including aspects relating to business culture and the measures taken to promote this type of culture. The paper will also refer to measures and infrastructures in place, what are known to people and which are adapted to local needs, to support new business creation in so far as they facilitate the step from business idea to the creation of an enterprise. Mittweida and Altenburger Land provide a good illustration of the difficulties facing districts and regions in East Germany as they move from a situation where economic activity was not market-linked or oriented and entrepreneurs were not valued positively, to one where entrepreneurial attitudes need to be promoted as the essential basis for the competitive development of their economies. In both districts political authorities and business representatives are clearly concerned about this situation and are looking for new alternatives. A set of political and support instruments has been applied to new and existing businesses in both districts, and support has been made available for job creation and to the unemployed in their search for jobs and the creation of new businesses. Existing schemes to develop entrepreneurship, and promote entrepreneurial attitudes and culture, include: counselling and advice activities, training, professional re-orientation, financing advice, and coaching. Changes to local demography and difficulties in business succession represent further obstacles for the generation of positive attitudes towards entrepreneurship. The crisis affecting traditional large businesses explains the lack of supply chains that in other areas have facilitated the introduction of innovative activities in SME suppliers. This situation is offset by low-density innovative activities that could act as a support for modernising production in both Länder, as well being an opportunity to create new business. This group of factors explains the lack of economic and business drive in both districts and justifies the need to intensify measures favouring entrepreneurial and innovative behaviour as a mean to generating new activities, energising the economy, and offering the population improved income and work possibilities.

Strengths and weaknesses

There is significant policy effort to promote entrepreneurial attitudes and skills. However, there is not a strong consensus and collective sense amongst local economic development organisations for a stronger 'vision for enterprise' in the two districts. Federal economic development plans and federal and Land spatial plans set out concrete initiatives for entrepreneurship support, but these are not in themselves a local enterprise strategy. For example the District of Altenburger Land supports new entrepreneurs in negotiations with financial institutions to compensate for a lack of bank references that they have. The support provided by the Altenburger Land employment office is ranked 3rd in Germany in the opinion of entrepreneurs. Networking and information exchange events, like the "*Unternehmer-Tag*" (entrepreneur day), are regularly held.

The Chambers of Commerce and Trade and the Chambers of Crafts are an important point of reference for training and business development and coaching for business start-ups and existing SMEs. They are often also crucial for enterprise survival. A wide range of general consultation services and training opportunities is offered for members and non-members. The Chambers' services are very important for business plan scrutiny and counselling for publicly supported start-ups. For example, the Chambers of Commerce support programmes that give existing enterprises the opportunity to supervise new business projects for 5 years, enabling new entrepreneurs to profit from the experience of older businessmen. Another interesting source of support for businesses with difficulties is the Chamber of Industry and Commerce East Thuringia programme, which, after a 10-day situation report, includes measures for the creation of individual links with a bank to find financial solutions. In addition to its direct objective to provide business in economic crisis with tailored assistance, this approach also contributes to the generation of more positive attitudes towards entrepreneurship as an income generating activity and develops a trial and error approach, which is important in a risk averse environment.

Programmes exist to support the creation of new enterprises by students, such as Saxeed, developed by Mittweida University of Applied Sciences. This programme has the added value of promoting and diffusing the entrepreneurial mindset amongst young people.

Support to encourage entrepreneurial attitudes is too strongly focused on the unemployed. Support to new enterprises is often conceived as a means to reduce unemployment rather than to stimulate economic development and increase incomes. Thus supported enterprises often have low growth potential. Widespread necessity entrepreneurship adds to this problem by generating new entrepreneurs from the long-term unemployed with limited equity capital and entrepreneurial skills.

Probably due to the effects of transition and the closure of major factories there is a limited presence of 'local patriotism and pride'. This may induce the most innovative young entrepreneurs to think that they would be better starting a new business somewhere else. The effects of the old anti-capitalist education, unfavourable to entrepreneurial activity and the figure of the manager, mean that very few people are interested in becoming entrepreneurs. People interested in becoming entrepreneurs mainly have high levels of training, however qualified personnel tend to emigrate and the number of students choosing technological careers is decreasing.

Altenburger Land has no university, and businesses and local authorities alike are calling for a university that specialises in applied sciences. This would help to overcome the difficulty in finding qualified personnel. One answer to this need is the new project called *Studium Plus*, started in 2006, which is a six months Masters Programme in Industrial Engineering and Management, with a strong emphasis on practical work. The project is a joint venture between the District of Altenburger Land, the Chamber of Industry and Trade in Gera, the University of Applied Sciences Jena and the City of Altenburg. Besides providing a supply of skilled workers, it will also contribute to the development of new entrepreneurial attitudes amongst students.

The lack of incubators (with the exception of Mittweida Technology Park) in either district means that there is no major new business promotion instrument. This is important not only because incubators offer attractive premises to new businesses (in both districts there is plenty of cheap property on offer) but mainly because the incubators offer new businesses integral support during their launch and consolidation phase, as well as a favourable environment where new entrepreneurs are surrounded by other people in similar conditions. Incubators also physically

demonstrate to the local population that it is possible to create new enterprises in an attractive environment.

It seems that a culture of communication and co-operation amongst local entrepreneurs is not widespread. This is an obstacle to the development of enterprise networks and local clusters.

Good practices in Mittweida and Altenburger Land

There are a number of best practice initiatives contributing to the diffusion of stronger entrepreneurial culture and skills in the two districts.

The Chambers as an entrance institution for new entrepreneurs

The role of the Chambers of Industry and Trade East Thuringia and Gera as an entrance institution for new entrepreneurs. Amongst other things, new entrepreneurs should be supported with training, they should be able to continue to use consultants for the first five years and profit from the possibility that existing firms could also monitor and supervise new ones. Support over five years is particularly positive, because most new entrepreneur support programmes are too short and do not provide support during the difficult period of consolidation. By facilitating support for new entrepreneurs, and reducing the possibilities of failure, the Chambers help to diffuse the idea that anyone can become involved in entrepreneurial activity.

Entrepreneur's Days

Entrepreneur's Day, where almost one thousand people a year come into contact with the world of business creation, is a good way to spread entrepreneurial culture throughout the population.

The role of local authorities

Local authorities are highly favourable to new business support. Their capacity to offer information on available premises and land is positive, as is their readiness to put new entrepreneurs in contact with other institutions. The District of Altenburger Land is also capable of supporting new businesses in their relations with banks to offset the lack of previous references.

Client orientation of the public employment service

The new client-oriented attitude of local employment offices in Germany, allows them to motivate entrepreneurs and the unemployed to make use of the available facilities.

Technology Park Mittweida

The availability of a technology incubator is a positive signal for young qualified people, reinforcing the idea that becoming an entrepreneur is both possible and desirable.

University spin-offs - SAXEED

Besides being a good way to support the creation of new enterprises, a programme like Saxeed, developed by the University of Applied Sciences in Mittweida, is also a good instrument for spreading and promoting an entrepreneurial mindset amongst students. This is important

because they are one of the most important reserves for creating future innovation- and technology-based businesses.

Recommendations

Increase institutional collaboration. Stronger collaboration between Chambers of Commerce and Trade, Chambers of Crafts and the Public Employment Service would help increase the level of support from mere appraisal of a business idea, which is a pre-requisite for starting a business with the financial support of the Public Employment Service, to jointly organised orientation and coaching activities for new self-employed and entrepreneurs. Because of its strong orientation to the general population, the local Public Employment Service is a good starting place to identify potential entrepreneurs from all segments of society and direct them to appropriate advice and coaching.

Improve the image of the districts. Changing the entrepreneurial culture means changing the image of the districts for both internal and external populations. If people do not believe that a place is attractive to live in and that it allows the development of innovative and growing activities, then they will not set up businesses, or will set up or operate them in more attractive places. Campaigns should therefore be created to generate trust in the endogenous strengths, and future, of the districts. In strengthening their entrepreneurial image Mittweida and Altenburger Land should promote key specific strengths. Successful local entrepreneurs should be profiled and publicised much more than is currently the case.

Increase awareness of entrepreneurial opportunities. Special promotions, where not already conducted, and promotional material, aimed at increasing publicity and awareness of the opportunities for new business start-ups amongst all segments of the population should be developed. While there are already some initiatives on these lines, the experience of other regions shows that this needs to be intensive and continuous. Furthermore, Mittweida and Altenburger Land should be innovative and initiate their own local promotion that establishes their own identity and is directed at their own local populations.

Facilitate start-ups by researchers. To facilitate the appearance of new technology-based businesses, the possibility of researchers working on start-ups while maintaining their work position and, where appropriate, even a part of their salary, should be introduced, as is the case now in the InnoSachs Initiative. This measure could work extremely well in Mittweida, although possibly not in Altenburger Land, where one of the problems is the non-existence of higher education institutions and technology centres, although this could in part be solved by the new "Stadium Plus" project.

Develop incubators. Both districts need to create incubators to promote the appearance of new entrepreneurs and to increase the possibilities of new businesses surviving. Once physical incubators have been created, they could also work as virtual incubators, since the peri-urban character of both districts, and the importance in Altenburger Land of agro-industrial activities, help to explain why entrepreneurial dynamics are so diffuse and distributed over such a large area. The capacity to offer support on-line, by using modern communication means to new entrepreneurs (virtual incubators), would favour the emergence of new business in rural areas and the development of agro-food businesses and home-based IT activities.

Tailor employment and training programmes. To facilitate the creation of a more entrepreneurial attitude, more proactive and individualised employment and training policies are

needed, with the capacity to create a tailor-made set of measures for the unemployed and the young.

International learning models

Employment policy as a competitiveness support instrument: The case of Asturias, Spain

Description of the approach

Asturias is a region with a population of little more than one million which, in the first half of the 20th century, underwent industrial development based on mining and the iron and steel industry. The major crisis affecting these industries in the 1970s and 80s meant a huge rise in jobless figures. Companies in these industries tended to be large, which favoured the growth of trade unions. Public ownership of companies also meant that people demanded that the Government should solve economic and labour problems. The way the crisis developed was thus highly conditioned by policy. In the 1980s Spain was reorganised into 17 autonomous communities, each with regional governments with major powers and a high level of autonomy. Responsibility for active employment policy was transferred to the Government of Asturias in 2001, although measures in this field were previously co-ordinated and introduced at regional level.

A major feature of Asturias is the change in employment policy objectives. In the recent past, high levels of social conflict in public companies led to huge injections of public funds in doomed activities. Jobs were lost continuously and the most frequent solutions involved grants for companies to hire new staff, the offer of public employment, and early retirement. All this entailed a major flow of financial resources towards the region, which helped to maintain living standards there. However, none of these measures had a real impact on the competitiveness of the production sector, as all they did was offset at the social level the traumatic effects of adjustment processes.

In the late 1990s, concern about the future of Asturias began to spread in regional society and amongst politicians, particularly in the context of growing globalisation and a major increase in international competition. It was eventually realised that employment policy needed to adapt to the perceived changes. In 1999 a new regional government was formed, putting an end to a long period of political uncertainty in the region. The new government decided a change in the social climate was required. To that end, it began to talk to social players, particularly union and employer organisations, in a process that led to an official Pact. When the Pact was nearing its conclusion, the signatories described it as 'a major bid for regional development, one that has achieved qualitative and quantitative progress on the available resources'. But beyond the results, all players emphasised the importance of the new way of negotiating and preparing employment policy ushered in by the Pact.

Satisfaction with the results led to the continuation of this process of social agreement. The "Economic Development, Competitiveness and Employment Agreement 2004-2007 (ADECE)" was signed in 2003. ADECE extended the range of issues for social consensus in the region with the aim of integrating employment policy with other regional policies in a strategy designed to improve competitiveness.

One major factor was the "Regional Strategies: Opening futures" project financed by Article 6 of the European Social Fund's innovative actions with a budget of EUR 1 074 689 and which channelled the participatory process for the definition of the new Regional Employment

Strategy. The project opened a process of debate on key problems for the future of the region and its territories, ensuring that employment policy was oriented towards business competitiveness.

Why the approach is relevant to East Germany

One of the problems facing Mittweida and Altenburger Land is the population's lack of confidence in the future. Employment policies are often defined to help people who have lost their jobs, but are not oriented towards creating new sources of wealth.

This was the story in the Spanish region of Asturias for almost 40 years. Recently, however, public policy has shifted, largely because it was clear that if they remained unchanged, the crisis would never be overcome. Mittweida and Altenburger Land may have an interest in a similar change in the thinking of social players, in the conviction that the future depends entirely on policies that create new sources of wealth and generate a more entrepreneurial attitude.

Reasons for the success of the approach

Changes in the orientation of Employment Policy were possible because they were a result of a long process of discussion and agreement between the social partners and the Government. As a result of this process of collective reflection, regional employment policy established three strategic areas:

- Putting people at the centre of the new economy: 'The New Human Resources Policies'.
- Transforming the entrepreneurial culture: 'Towards a risk and opportunity culture, networks to support new initiatives'.
- Asturias in a Global Economy: 'More and better local and regional co-operation'.

Whilst these approaches address new employment policy issues, in the main they guide it towards the regional economy's competitive needs in the framework of globalisation and the increase in international competition.

The proposed key action areas reflect this position:

- Positive and constructive focus on social dialogue, including new contents for consensus.
- Promote an innovative business culture, develop social corporate responsibility and include productivity as an indicator of regional policy effectiveness.
- See competitiveness and the generation of employment as crucial to the new forms of labour organisation and the modernisation of business management that seek to combine flexibility and security.
- Promote the concept of human capital as an employment policy objective, to develop an integrated package of measures such as permanent training, employability support throughout the worker's working career and developing profiles containing both skills and attitudes.

- Develop support for job creation by promoting business culture and supporting the generation of new business initiatives.
- Design an employment policy to overcome the purely local outlook in favour of supra-local co-operation at territorial level.

The process of social consensus facilitated the move from a 'defensive' employment policy and attitude of social players to a pro-active employment policy enjoying the consent and commitment of those social players. Finally, as an instrument for policy implementation, the public regional employment service was created as an autonomous body responsible for co-ordinating the recommendations obtained in the joint rethinking process.

The regional government now has the appropriate instruments to put the results of the social consensus and rethinking into practice. The public regional employment service channels employment policy funds in Asturias, as well as defining the most appropriate measures and ensuring businesses and citizens alike use them. The service has a management committee on which a number of regional authority departments and social players are represented. The Committee helps to promote inter-institutional co-ordination and ensures that employment is accounted for in all regional economic policies. The focus of the employment service will concentrate on the changes in the way employment policy is managed.

Employment policy in Asturias has overcome the old, defensive way of facing up to crises, based on grants to the unemployed and grants for businesses in crisis. Now it is conceived as a basic support tool in the region's ongoing bid for business and workforce competitiveness.

The obstacles faced and the quality of the response

The biggest difficulty was getting social partners to accept that employment policy could not be oriented only to supporting old activities and the unemployed, but that a modern employment policy in the global economy also had to help the local economy adapt to the kind of competitiveness requirements that enable businesses to survive and prosper. This has been included as a main principle in the response.

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A strategic position to consolidate an entrepreneur's society, Basque County, Spain

Description of the approach

The Basque County is a physically small Autonomous Community in the north of Spain with just 2.1 million inhabitants. The Basque regional government has a remarkably high number of powers, including its own police force, the capacity to make legislation and to collect tax. The Basque County has long been one of the most developed regions in Spain. Its economy was based for a long time on industry, in particular the steel, shipbuilding and capital goods industries. As in other areas of Europe, the Basque economy was badly affected by the crisis of the 1970s and 80s, which led to the closure and restructuring of most of its major businesses. A traditional feature of the Basque County was the business drive shown by its people. Their answer to the crisis was to find a way to adapt the activities in crisis to the new conditions of the European and world market.

The regional government, created in the early 1980s when Spain's autonomous communities were established, played a crucial role in this process. Amongst other measures, it launched a technology and innovation policy that, with the logical adaptations, has remained constant for the last 20 years. In consequence, the region's economy has recovered, industry has been modernised and a services sector developed. Until the 1970s the Basque regional per capita GDP was clearly superior to Spain's as a whole. Although in the 1980s and early 90s it fell below the Spanish average, by 2005 it was once again above the national, and the EU, average.

Although the global evolution of the Basque economy is currently satisfactory, there are some elements of concern for the future. The main preoccupation is the slow appearance of new activities that might facilitate economic diversification. This combines with a relatively low new business and entrepreneur rate, something of a paradox in a society that was once characterised by its entrepreneurial spirit. The contradiction between the important stock of enterprises in the Basque economy and the relatively low rates of growth of new businesses is not neutral in the context of economic globalisation and the appearance of new competitor countries. Concern about this situation has led the Basque Government to consider how best to face up to the new challenge.

Why the approach is relevant to East Germany

The districts of Mittweida and Altenburger Land have low entrepreneurship levels. While it is interesting to see how another old industrial European region is trying to cope with this problem, the important point is that an integral long-term plan of action is needed, because the entrepreneurial mentality is something that involves the overall values of any society.

Reasons for the success of the approach

Wealth levels in the Basque economy, and in society in general, continue to improve; educational levels are increasing, as is the innovative capability of Basque businesses. These are major advantages for a region looking to introduce new business support activities. The Basque county already had a good number of existing business and new entrepreneur support programmes. However as partial measures to change the situation proved inefficient, in 2004 the Basque Government decided to begin to tackle the issue from a new perspective that would facilitate a global, co-ordinated focus on all the aspects influencing the generation of an entrepreneurial society.

This was done under European Union guidelines that encourage member states to improve the business spirit as a way of stimulating the appearance of new entrepreneurs and businesses. The Basque Entrepreneurial Society Plan was the region's response.

The Plan is based on the fact that, despite the variety of existing support measures, the response of Basque society in terms of entrepreneurs was simply not sufficient. The problem required integral treatment, with all of the influential factors (education, training, administration, society, businesses, media, etc.) being addressed simultaneously. The Plan was defined as an instrument framework, through which the bases for generating new activities in the Basque economy were defined. By combining public and private efforts, the idea was to create a political environment favourable to the business and entrepreneurial spirit, bringing about a cultural change in support of entrepreneurial activity and the business mindset, leading to greater economic dynamism and constant growth. The Plan is ambitious in its integration of all support measures affecting the business spirit, not only from an economic perspective, but also from a cultural and social angle. It therefore gives great importance to the commitment of political and cultural leaders to the figure of the entrepreneur and to promoting a business culture more generally. Also, it insists that entrepreneurial capacity should not be developed only in the business world, but is needed in administration, social, educational and cultural circles as well.

Implementing the Plan successfully is clearly a complex and gradual business. Besides maintaining existing programmes that had proved to be effective, new ones have had to be implemented gradually. So far the *Ekintzaile* ('promoting activity') programme has been launched with a budget of more than EUR 7 000 000 in 2004 and the *Barneekintzaile* ('promoting internal activity') programme in 2005 with EUR 900 000.

Ekintzaile is a measure that completes existing initiatives, and is framed within what the Plan calls instruments for the financing of entrepreneurial activities. It seeks to fill a gap in the support available for business creation, and to begin a process of collaboration with other provincial and/or local entities. Specifically, *Ekintzaile* is designed to support, accompany and finance new business projects of an innovative industrial nature, or of related services, guided by a BIC (Business Innovation Centre) while the idea matures and the company is started up. *Ekintzaile* provides two types of aid. The first type is designed to support the promoter during the maturation of their business idea and the preparation of their business plan. Aid covers all expenses, to a maximum of EUR 30 000 Euro. The second type provides support for the actual launch of the business plan, and consists in the reduction of financial costs and the provision of guarantees, involving loans that vary between EUR 60 000 and EUR 120 000 to finance investments in tangible and intangible assets. *Ekintzaile's* success is demonstrated by the fact that in less than a year it has supported 117 projects, all with innovative features.

Barneekintzaile is designed to stimulate and favour the promotion of entrepreneurial activity in existing businesses (intrapreneurship). The programme provides up to EUR 30 000 for the development of ideas leading to new product lines or the creation of spin-offs to produce the new products. A BIC helps the company to study the possibilities. If a new company is started, support is forthcoming from *Ekintzaile*. *Barneekintzaile* shows the positive effects of the Basque Entrepreneurial Society Plan, since it combines the performances of different programmes and institutions in a single project with successive phases.

As a reflection of the political will to promote business culture, the Basque Government has created the General Directorate for the Promotion of Business Activities within the Department of Industry, Trade and Tourism. Results are expected in the short, mid- and long term. It is an ambitious initiative to be developed gradually, thereby facilitating progress on the Plan's partial

objectives, with the final objective of 'achieving greater levels of economic dynamism and rates of economic growth that contribute to greater social wellbeing in the Basque Country'.

The obstacles faced and the quality of the response

The big difficulty was (and is) the capacity to promote interdepartmental and interinstitutional activities, because all administrations resist being co-ordinated with others. Aware of this problem, and of the time required to overcome it, the Plan's promoters decided to implement measures gradually, to demonstrate that action taken in this field can be improved. That is why the *Ekintzaile* and *Barneekintzaile* programmes were launched in 2004 and 2005 rather than together. Their success is facilitating the progressive implementation of the other measures.

Consideration for the adoption of this type of approach in the two districts

Government departments need to be made aware that the problem of business culture is not something for a single department to deal with, but is something that requires a response from all administrations as a whole. Global action that incorporates all departments is essential. A global plan integrating all the measures in a coherent, long-term project facilitates synergies and co-operation between administrations.

Contact details and web site

The *Sociedad para la Promoción y Reconversión Industrial* (SPRI) is a government agency for economic development in the Basque Country.

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More specifically for *Ekintzaile* and *Barneekintzaile*:
<http://www.spri.net/aSW/web/cas/ambitos/promo/progapoinv/ekintzaile.jsp>
<http://www.spri.net/aSW/web/cas/ambitos/promo/progapoinv/barneekintzaile.jsp>

Innovation capability at regional level: The case of Wallonia, Belgium

Description of the approach

Wallonia is one of the three regions of Belgium. With a population of roughly 3.4 million, less than one per cent of the total European population, it accounts for one per cent of world trade, and is the region with the highest per capita export levels anywhere in the world. Besides its excellent transport infrastructure, it has taken full advantage of the opportunities arising from its geographical situation in the heart of Europe. Historically, Wallonia owed its wealth to the exploitation of its natural resources: coal, iron and wood. Wallonia has maintained its activity in these traditional industries, which were successfully restructured after the crisis of the 1970s and 80s and which have provided a platform for the development of leading-edge technology.

Innovation and scientific research in Wallonia are in fact a European benchmark today. Small and medium enterprises (SME) account for 95% of the region's economy, and provide the poles of development of this process: nanoceramics, telecommunications, computers, micro-electronics, petrochemicals, biotechnologies, the aerospace industry, the graphic arts, biomedicine, pharmacy and the food industry.

In 1988 the RIS Prométhée project created a new consensus-based regional spirit of innovation. The project has been financed by the EU's Regional Innovation Strategies (RIS) programme with a budget of EUR 0.5 Mio that was 50% co-financed by the European Union and the other 50% by the Region of Wallonia.

Why the approach is relevant

It is relevant to the East German Lander because regional production was restructured and modernised from a situation where traditional industries were in crisis. This has facilitated increases in productivity levels (some of the highest in the world) and innovation potential in traditional sectors, while favouring the development of industries open to leading-edge technologies.

Reasons for the success of the approach: Strategy definition as a basis for recovery

The project kicked off with a diagnosis of the regional innovation system with a view to defining the priority zones ready for action and the reforms needed to maximise their potential. "The methodology proposed by the EU offered a framework for analysis and action [...]. The process insisted above all on consensus and co-operation between the players in the regional innovation system".¹

Technological development provisions were based on debates held in groups of more than 100 participants from all interested sectors: regional administration, research centres, financial services, intermediate structures, trade unions and, of course, businesses. A report was produced on 40 areas of major potential in the region, owing to strong demand or because major regional powers existed there.

In view of these results, the regional authorities backed a series of experimental projects to promote the creation of technology clusters. A call for proposals was made and the first five projects were selected: re-structuring a refractory products factory; voice recognition, tool programming and new multimedia products; signal and image processing; electronic document management and security technologies; and the fast creation of prototypes. The regional government also financed the creation of networks to facilitate co-operation and the exploitation of synergies between them.²

Prométhée also proposed solutions for improving the relationship between the offer of, and demand for, innovation support services. The creation of a system of recognition for research centres harmonised the way they worked and the financial and access conditions for the private sector to use those services. Another concern was the difficulty in finding funds for innovative projects. In October 2000 the first venture capital fair was organised, attended by 40 authors of innovative projects and representatives from a range of financial organisations. The idea was a

¹ Dominique Graitson, project co-ordinator at the Directorate General for Technology, Research & Energy (DGTRE), Wallonia.

² For further information, please see <http://www.destree.org>.

success, and was continued through monthly working breakfasts for small groups of new entrepreneurs and businessmen.

The obstacles faced and the quality of the response

A major obstacle was to transform administrative inertia caused by managing conventional aid programmes and initiate a collective discussion and partnership process that would lead to the definition of strategic priorities and a new form of policy-making oriented more to the creation of a competitive environment than to the management of aid schemes.

Considerations for adoption of this type of approach in East Germany

In innovation support policies any instrument will have a greater impact if co-ordination is effective, it being easier to generate innovative synergies when there are clear, coherent action plans.

The role of the public authorities is important in the creation of useful business support instruments: research and development centres, educational and training institutes, technology parks, business incubators, companies of consultants, seed and venture capital funds are all initiatives that can help to revitalise a region's economy. Through such initiatives, the public authorities can stimulate and facilitate the exploitation of new employment pools, encourage experimentation and ensure the diffusion of successful experiences.

But the public sector is not enough, on its own, to revitalise a region. An innovative society is based on interaction between all players, both public and private, and on their mobilisation as individuals and in groups. It also includes actions that generate a culture favourable to the creation of businesses, converting the region as a whole into the inventor and bearer of its own future.

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SUPPORTING ENTREPRENEURSHIP: INNOVATION, EXPORTING, INFRASTRUCTURE AND FINANCING

By Declan Murphy, Ireland

Introduction

New entrepreneurship and SME development leads to employment creation and economic and social development. Establishing an enterprise strategy that promotes entrepreneurship and SME development is therefore a fundamental challenge for policy makers worldwide. New entrepreneurship and expansion of existing SMEs do not occur in a vacuum. They have a symbiotic relationship with the local living environment and ambiance, which in turn influences the entrepreneurial culture. The more dynamic the economic, social and living environment, the more likely the growth of enterprise and vice versa. Hence, the need to look beyond specific infrastructure or programmes and take a more holistic view of the environment for enterprise.

In looking at Mittweida and Altenburger Land in this chapter comparisons are made with three case experiences: Dundalk, Co. Louth, Ireland, Brixen (Brixen), Alto Adige (Südtirol), Italy, and Timisoara, Romania. One of the most striking features of the environment for entrepreneurship and SME development in Dundalk, Brixen and Timisoara is their common efforts, albeit done in very different ways: (i) to develop a local vision and strategy and (ii) to promote new start-ups and business development. Combined with (iii) constructive local leadership and strong efforts to have co-ordination of responsible actors, this has been a central factor in the local progress they have achieved.

Some core questions that are addressed in this report are the following: Do Mittweida and Altenburger Land have an individual strategic plan for entrepreneurship and enterprise development 2006-2010? Or are their aspirations for new enterprise derived mainly from State and regional spatial plans (e.g. land use, traffic plans, etc.) and determined by such federal and state plans? Or are their plans largely an extension, or spill over, of the plans of main population centres (Dresden, Leipzig, Chemnitz) in the wider region?

Local entrepreneurship and SME development policies, to be effective, need local vision and strategy as well as efficient local support structures.

Strengths and weaknesses

There has been substantial investment in infrastructure in both districts in recent years. As one local commentator stated, the District of Mittweida "has optimal conditions for establishing new companies, super infrastructure, motorways, rail, own university, good technology centre, high schools, situation within the Saxony triangle, and proximity to the auto industry". A similar view could be expressed, with some exceptions, about Altenburger Land. But infrastructure is not enough. It is part of the essential 'hardware' however the 'software' of vision and strategy is equally essential. The regions, cities, districts, towns of East Germany have the scope to define

the enterprise environment for themselves and determine development plans within the umbrella framework of federal and Land policies. Mittweida and Altenburger Land need equally a 'local enterprise strategy' that sets out the local vision, the ambition and targets, and the programmes to promote and generate entrepreneurship and developing SMEs.

There is a multitude of programmes to support entrepreneurship and SME development at federal, Land, regional and local district level in Mittweida and Altenburger Land and, similar to infrastructure, they provide the instruments of strategy but not the strategy. Less evident in the review of Mittweida and Altenburger Land is a common shared vision on enterprise policy, and its expected contribution, as well as a co-ordinated effort and delivery of promotion and support in response to the needs of entrepreneurs at the local level.

Vision for entrepreneurship and enterprise development environment

National policies and policies in large urban poles of growth do not automatically spill over or translate down to effective policies for regional and local centres. They provide platforms for development but require adoption and adaptation to the local conditions and local leadership to use them to underpin the achievement of the local vision for development. National programmes of support through funding or labour office organisations are of course made available in all regional and local centres, with adjustments for certain regions, but the creation of successful regional and local enterprise strategy demands vision and innovation at the local level in locations such as Altenburger Land and Mittweida. 'Enterprise' or 'entrepreneurship' is an attitude, an awareness, a behaviour, a practice, a process of sensing opportunities and taking calculated risks by people that needs cultivation and needs ideally an environment that promotes, explicitly and implicitly, the concept and continuously signals directions, ambitions and a local environment, again explicitly and implicitly, within which new enterprise is seen to be desirable and can flourish. The local public administration, in co-operation and joint collaboration with social partners including private sector, has potentially a leading and key role in the creation of this culture and environment by publicly setting out an "Entrepreneurship and SME Development Strategy 2006-2010" for the specific location. This can be a formal or informal strategy or mix of both. And it can have many beneficial side effects such as assisting in establishing better the identity of the town and future vision and communicating aims both to local and external populations. In Altenburger Land and Mittweida there are many initiatives, programmes and schemes to encourage entrepreneurship and establishment of new enterprises but as stated above it appears that there is no consensus and collective sense of this 'vision for enterprise', or of the need for publicising and informing people of the vision. Federal economic development plans or national and Land spatial planning set out concrete plans but these again are 'foundation platforms' and support 'infrastructure' for enterprise and not a local enterprise strategy.

In this context the approach by Dundalk, Ireland, where the local government is intensively engaged with key actors in the local environment and is seeking to chart a vision of the town as a place to 'live, work, invest and visit' for the next 10 years, is illustrative of local leadership determining its own destiny and own local plan of action within the framework of national, regional and county plans. The promotion of new enterprise, new investment and new jobs from various sources is a central part of this vision for Dundalk and articulating the vision, at local, regional and national levels, is seen as a crucial step towards achievement of the vision. Similarly in Brixen and Timisoara the public statements of the local mayors and local planning processes, for example, are setting out a local vision and expressing these in terms of infrastructural, recreational or educational policies and plans and how the vision will underpin an

enterprise strategy and will link with local clusters of firms in enhancing the environment for new and existing enterprises.

Creating local magnets of attraction

Entrepreneurship and SME development are functions of the life and living environment of a district and local area and, through their creation of new jobs and economic inputs, important contributors to the social development and shaping of that environment. The challenge for many local areas is to ensure that the local environment is conducive not just to enterprise but to living. A vibrant and growing local population can, in turn, be an impulse to increased entrepreneurship and business development.

Both Dundalk and Brixen are experiencing significant increases in population and increased establishment of new SMEs, as is Timișoara. All have relatively low unemployment. Underlying this growth trend is the creation of local infrastructure, events and activities, which could be termed 'magnets of attraction'. The existence of Regional Development Centres/Incubators and the Dundalk Institute of Technology in Dundalk, and some faculties from the Universities of Padova and Bozen in Brixen, are similar magnets of attraction. Major new sports and leisure facilities – swimming and health complexes in Dundalk and Brixen, an indoor soccer and fitness centre in Dundalk, new shopping centres in Dundalk, the renovation of the old city in Brixen, an internationally promoted Christmas Market that lasts for over one month in Brixen, the new incubator for software graduates and the development of the airport in Timișoara – are all further examples of 'magnets of attraction' by these local areas that have improved the image of the town. They have been deliberately designed to attract visitors from outside the immediate region, have assisted in establishing new businesses and have been significant direct generators of income for local retail, hotels, services and craft businesses.

Part of the local development challenge for locations such as Mittweida and Altenburger Land is to establish and strengthen their own individual identity and promote this to the wider world while simultaneously benefiting from the advantages and the spill-over effects of their proximity to major centres of population. The Technology Centre and the University of Applied Sciences Mittweida are excellent examples of 'magnets of attraction' that strengthen the local environment and stimulate new enterprise. Similarly the rich history of Altenburger Land is clearly a unique theme that can attract visitors and boost tourism and local development. The Altenburg-Nobitz airport is potentially, and literally, a major magnet of attraction. Building on these and other magnets of attraction is important for local identity and future local development. The challenge for many local communities, while recognising and availing themselves of the proximity advantages to major urban poles of growth, is to build their own strong local image and local identities.

To what extent have Mittweida and Altenburger Land established an attractive or clear identity in Saxony and Thuringia, in Germany, or outside Germany that makes them attractive to live, to work and invest in, or visit? How can this be achieved in contrast with major cities in the region? To what extent is creating local 'magnets of attraction' a conscious element of their development strategies? The international learning models point to innovative local initiatives that can be taken.

Each region needs to determine its own local strengths, its own magnets of attraction, its own value proposition to investors (existing and new) and base its enterprise strategy on these. With enterprise strategy therefore there may be scope for a more structured and conscious approach by Mittweida and Altenburger Land to establishing 'magnets of attraction' that will

promote a new image both to existing and external populations and thereby facilitate the emergence of new businesses and expansion of existing SMEs.

Local support structures are vital for new entrepreneurship and small business development

In Mittweida the Economic Development Section of the district administration provides services that interface local government with business (through assistance in acquiring building permits, reducing local administrative constraints, etc.). Their work is conducted also by linking with local institutions such as the Technology Centre and University. In addition, initiatives such as the "Annual Innovation Prize", and local commercial fairs, promote the concept of entrepreneurship and new business. There is a strong emphasis on networking and project work, and a focus on manufacturing. In general, the services facilitate companies that come with problems or issues rather than a proactive outward approach by the office to companies. The office does not have the capacity (people and budget) to work more intensively with companies. The office also participates in land planning groups.

In Altenburger Land a similar picture of promoting economic development and services to SMEs emerges. The Mayor's office in Altenburg city provides a central link between administration organisations, training bodies and banks in the city. The district administration has an economic development strategy based on the automotive sector, airport development and agricultural, where there is a strong tradition. The district administration focuses on attracting external investors and assists in site identification and facilitating building permits (enabling building permits within ten days for some projects). While the Land Development Company (*Landesentwicklungsgesellschaft*) has developed areas for industry, according to feedback, these were deemed too expensive, linked with inflexible acquisition procedures and unsuccessful to date in attracting investors.

No Technology Centre, similar to Mittweida, exists in Altenburger Land and the general view from local government there seemed to be that such incubation initiatives are 'artificial', 'do not work here in Thuringia' and 'cost a lot of money'. This does not reflect the experience of Mittweida or indeed many international locations similar in size and development challenges faced by Altenburger Land. OECD country experience has shown that business incubation can be a vital component of a successful enterprise strategy. It is important to note here that a developed science infrastructure should not be seen as a prerequisite for establishing incubation facilities and services. Country experience shows that incubators can facilitate and be crucial for the establishment phase and success of young companies in both technology and non-technology sectors. Indeed the establishment of new companies in non-technology sectors can potentially contribute to the wider science infrastructure; through, for example, the demand for test services, technical feasibility projects, and improvement in production processes. Entrepreneurship development and science infrastructure are mutually exclusive but with the potential equally to be mutually supportive of each other. In Dundalk the local Regional Development Centre, an innovative and large incubation facility, is one of the most important regional 'magnets of attraction' both in servicing new entrepreneurs and new companies, both technology and non-technology, and in servicing local industry with R&D support and technical consultancy services.

In Dundalk a much more 'hands on' and targeted approach to the three main segments of micro enterprise, SMEs and foreign direct investment is evident. There is wide-spread awareness of the responsible institutions for delivering services to companies in these segments. This institutional approach is, however, resource intensive and requires good industry knowledge and consultancy skills, but elements of this more outward and interactive approach with companies

may be useful to consider, including an approach that focuses more on potential high growth companies that are most likely to deliver new jobs, exports and contribute to the local economy. Brixen and Timisoara have a less intensive approach (although Timisoara does provide strong servicing to international investors) and rely more on creating a good environment for new businesses. All provide co-ordinated services.

In summary, some key points that emerged from discussions in Mittweida and Altenburger Land pointed to areas for review and future action if more local enterprise is to be generated. Some private sector representatives would wish to see a greater level of co-operation between local government organisations and between them and industry. They also referred to a high level of local government bureaucracy (examples cited were building permits taking six months, environmental licenses up to three years) where there appears to be scope for faster and improved facilitation of entrepreneurs and developing businesses. The overall impression was of a multitude of programmes and activities in both regions but 'supply' driven rather than 'demand' driven in response to specific categories/needs of entrepreneurs and delivered in a detached way (via websites, information packs, etc.) without enough direct close contact and interactive relationships with individual entrepreneurs and SMEs. This approach partly reflects the low number of people and resources available to the Economic Development bodies, but it also raises useful questions to consider about the priorities and expected role of such offices as well as the role of other local actors.

Seeking new company start-ups from all segments of the population

Both Mittweida and Altenburger Land have focused on the technology sectors, especially the manufacturing sector, in order to promote new SMEs. While technology is a major strength an exclusive focus here may lead to a myopic vision of enterprise prospects thereby missing opportunities to create new jobs and new business from other business sectors and diverse sections of society. Measures underway here need further strengthening if East German regions, including the Districts of Mittweida and Altenburger Land, are to match EU levels of new company start-ups per 1 000 people. Part of this effort might focus, similar to Dundalk and the other international learning models, on groups in society and business segments where new enterprise may be relatively low or where there has not been a concentration in the past. Examples here that might usefully be considered and examined are:

- * Academia
- * Management in large companies
- * Consultants
- * Women entrepreneurs
- * Non-governmental bodies
- * Young entrepreneurs
- * International SMEs (FDI)
- * Arts
- * Immigrant groups
- * SMES from other German regions

In Dundalk both academia and management from larger companies have been a source of new enterprise and innovative programmes to foster more enterprise by artists (e.g. music, writing and literature) have been instigated; in Timisoara international SMEs (1 000+ SMEs from Italy) have been a driving force for progress and change. By undertaking a proactive approach to population segments such as the above these locations have been able to generate higher levels of start-ups and more developed commercial activity. Special Community Enterprise Centres, incubation centres and dedicated industrial zones have contributed to

stimulating new businesses and cluster formation and are also a crucial element of SME development strategy in many EU countries.

Focus on companies with best prospects for growth

Identifying and segmenting categories of enterprises that have the features of growth will be crucial to tackling the challenge of company scale, lack of capital and low exports in the SME sector.

Is there merit in Mittweida and Altenburger Land reviewing their strategy and range of support services to different categories of companies and especially potential growth companies in the SME sector? This should be considered by the district administrations, mayors' offices and other public bodies promoting local entrepreneurship and SME development.

It is generally acknowledged from studies and research on SMEs that less than ten per cent of SMEs worldwide go on to become significant growth companies. Clearly this category of growth companies, in the national and regional interest, warrants a different level of attention, support and assistance than low growth or lifestyle companies. Growth companies can emerge from all sectors, for example, from manufacturing automotive components, from traditional manufacturing in the clothing, textile, construction products and food sectors, from the tourism sector, and from the service and new technology sectors. At present the focus in Mittweida and Altenburger Land is largely sectorally based (automotive and technology where the regions have traditional strengths) and concentrated on the manufacturing sector. While retaining a sectoral strategy and focus it may be useful to simultaneously look horizontally across all sectors and to tailor programmes of advice, support and funding more to different segments of companies according to their growth needs and growth prospects. This process is not about picking winners, which public bodies or indeed banks and other bodies cannot do with any degree of certainty of eventual success. However, it is about recognising new business plans and company features that can form the foundation for business expansion and lead to growth, and then identifying and segmenting the companies that display such growth features. It is crucial that transparent categorisation procedures and objective and clear criteria be used in any such approach. Some examples of such criteria are:

- A business plan presented by a multi-disciplined group (e.g. R&D, production, marketing, finance) of experienced people, which has been well researched and backed by own equity;
- An SME start-up or early stage company that has already demonstrated that it has achieved a first phase of growth and already become a player in a market niche with growth prospects;
- An SME that shows evidence of good prospects of achieving scale (in Dundalk, Ireland the development agencies use the prospect of achieving annual sales in excess of EUR 1 million and employment of more than 10 people within three years to categorise 'high potential' SMEs);
- An SME that has moved to put in place an enterprising management team and functional management (purchasing, design, production, marketing and distribution, customer aftercare and servicing, R&D) with the aim of substantial growth;

- An SME that has attracted initial development funding and has good prospects for further investment;
- An SME that has a product that meets international standards of quality and prospects of export.

This is clearly not a comprehensive listing and needs elaboration. All SMEs cannot receive a comprehensive range of support and services – this would be too resource intensive. A priority focus by Economic Development Offices and other local actors is therefore desirable on those start-ups or established SMEs with best growth prospects. The above criteria can apply to established SMEs as well to newly formed companies. EU country experience has shown that more effective support programmes to SMEs can often be applied by tailoring services to different company typologies and segments of companies. Policy makers should look to selection criteria used by other actors as a guide to developing their own criteria. Banks, venture capital and other financial institutions have internal guidelines or criteria to classify SMEs into high growth categories and reference to such criteria may also assist in guiding policy and support programmes to focus on SMEs with best growth prospects. In any such policy the division between categories should not be rigid. Over time companies may move from one category to the other and support programmes should be flexible enough to allow this based on objective assessments. SME support could usefully be shaped to meet company growth prospects in line with a categorisation on these lines. It is important to emphasise that such a policy and specification of features will require more detailed consideration and careful elaboration if it is to be successful. It should also ideally evolve after dialogue with local banks, private sector groups, potential investors in SMEs so that a broad awareness and understanding of the approach is built.

The internationally traded service sector

Mittweida and Altenburger Land's enterprise strategy on the service sector, where most people in EU countries are employed today, warrants review and increased attention. Is there a developed strategy and concentrated focus by Altenburger Land and Mittweida on the service sector in their districts as a source of new jobs and in particular on the internationally traded sector? It should be noted and acknowledged here that selected engineering design and software companies, for example, have been encouraged and supported in these regions. With their geographic advantage in central Europe, Mittweida and Altenburger Land are well positioned to be a competitive centre for both service (especially internationally traded services) and manufacturing sectors. The selection of Altenburger Land -Nobitz airport by Ryanair for their second hub in Germany is an indicator of this service sector potential. In the era of the global information age service companies today are not just dependent services but independent growth enterprises that require a dedicated sectoral strategy and promotion. The scale of some service sub-sectors highlights their potential (e.g. information and communication technology, media and publishing, design and technical services, business services, financial services, etc.).

Many service sectors are increasingly internationally traded and contribute to new jobs and export growth. Major manufacturing groups have transformed themselves to the point where the bulk of their revenues are derived from service business. The increasing trends in recent years to outsourcing and sub-contracting have also promoted the growth and global spread of the international service sector. Some service sectors (e.g. information and communication technologies) with high level skills are less low cost driven and offer the prospect of high incomes.

In all three international learning models a significant focus by these locations on traded service sectors and service business can be seen, for example, on software development, education and training, media and publishing and tourism.

Clearly there are other important service sectors (non-traded) such as the retail and distribution sector that will provide new jobs, greater spread of development, tax revenues and economic inputs and these also should form part of a new vision and service sector strategy for the districts seeking new enterprise.

Financing entrepreneurship

A substantial number of financial aid and support programmes are offered to companies in Germany, some nation wide and some region-specific.

Role and attitude of banks to funding start-ups and existing SMEs

The approach by banks in Mittweida and Altenburger Land surfaced in discussions held with all parties in both regions as a significant issue for companies and especially new start-ups. While local banks are active in funding established SMEs, in assisting linkage between companies and between academia and companies, in combining with regional banks on venture capital initiatives and in some local promotional initiatives their role in directly advising and funding start-ups and early stage SMEs is relatively limited (with exception of the Thuringer Development Bank (TAB) and the Saxony Development Bank (SAB)). Some banks indicated that they had no SME client companies on their loan books. Some expressed the view that promotion of SMEs was not their role and taking a narrow view of their roles in the community this could be seen as valid. All banks, and especially savings banks, have a clear fiduciary duty in protecting the savings and assets of their clients but they are equally a vital part of the local community and local 'enterprise infrastructure' in a district and they have the potential for influencing (or not influencing) strategic change. In a local environment where there is declining population, high unemployment and comparatively lower levels of business start-ups the banks have a vested and self serving interest in ensuring a future customer base. If Mittweida and Altenburger Land are to reduce unemployment and increase the rate of new start-ups the partnership and more active involvement of all banks is essential. Some banks in Mittweida and Altenburger Land cited the lack of creativity by people in realising new enterprise ideas and the poor approach by many entrepreneurs to formulating business plans and loan applications. Ironically the lack of creativity might be seen as an issue for the banks themselves – they are expecting a creativity from clients which it could be argued that they themselves are not displaying in their own approach to SMEs. In the Dundalk learning model, for example, the role of the Bank of Ireland in having a clear strategy to deal with the start-up segment of the SME sector, in providing a special unit within the bank and special funds, and in presenting a full package of funding instruments and services illustrates a constructive partnership attitude and approach. This deliberate approach is visibly proactive and publicly promoting new enterprise. At the same time it should be noted that this bank is operating on commercial lines, seeking to guide entrepreneurs with their business planning and taking a discriminating approach to selecting and working with SME start-ups and early phase SMEs.

In reviewing the financing of entrepreneurship in Mittweida and Altenburger Land there are a series of other core factors at bank, individual entrepreneur and company levels that future strategy should address. Issues highlighted as constraining factors were

- Business Plans: 90% of business plans presented, according to one bank, are not fundable. Plans are often not viable, too naive and lacking security. There is a gap in proving feasibility of the project concept and in undertaking market research on the product/service prospects. Local actors such as district economic development offices, consultants, industry representative bodies as well as banks themselves should look to new initiatives (or improving existing programmes) to address such gaps.
- Own equity: start-up companies, not surprisingly, and especially young people have inadequate or no capital or collateral available. The focus by banks on fixed asset collateral (people won't give their houses as collateral) and non application of cashflow evaluation of projects is seen as a major hindrance to potentially good projects.
- Other company issues: low profitability, low own equity levels in existing companies for historic reasons (inability to build equity in former times). A persistent theme from feedback in both Altenburger Land and Mittweida was the low equity levels in many companies and the need for existing SMEs to strengthen their balance sheets and profit levels. This will require strategic change such as change of products or enhanced value added in their products and services. For high tech companies where sometimes the level of investment needed is significant as companies grow through development stages the issue is more pronounced.
- Existing support programmes for entrepreneurship: The Thuringer Aufbau Bank and the Saxony Development Bank offer a wide range of products and services including low-interest loans and loan guarantees, direct investment, grants and financial consulting and assist entrepreneurs with start-up advice, business coaching and marketing assistance. Existing support programmes were seen by some commentators as useful but 'not enough'. Also the regulations and conditions for existing and new programmes could be more transparent and accessible via the internet.
- New instruments, programmes and approaches are needed: for example, suggestions made were special tax incentives to assist start-ups, time moratorium on corporate profits tax and trade tax, reduced rate of social contribution for a period, improved credit guarantees from the Federal state, and less bureaucracy in accessing funding.
- Local bank management scope of authority: Responsibilities of banks are now more centralised and this was cited as revised internal bank procedures and a factor in reducing the scope of local bank management in facilitating lending to SMEs. Feedback from industry sources suggest that a crucial issue in entrepreneurship will be the banks playing a stronger role, including having more decentralised management procedures and outreach approach at local level to work with and facilitate emerging companies.
- Absence of strategy by banks in relation to SME start-ups: The general view of banks' role in funding companies was negative, especially in relation to start-ups and this was seen to reflect a lack of specific strategy by the banks in relation to this segment of their potential client base.
- Vulnerability of companies that are reliant on the extended workbench concept ('verlängerte Werkbänke'): some banks consider that local companies have based their business model too much on low costs and transferred production from western companies and need to move into added value production.

Venture capital

In contrast to other countries and other regions the level of real venture capital available in Mittweida and Altenburger Land seems to be low or nearly non-existent. The network of venture capital institutions in the German market (including for example, 3i Deutschland GmbH, one of the leading venture capital institutions in the world) does not seem to have been active to any significant extent in Mittweida and Altenburger Land. Even where venture capital has been made it is mostly a 'silent participation' (*stille Beteiligung*) and does not therefore bring the active contribution of the funding institution in the business strategy and business development of the company, which is a common feature of venture capital in many other EU and OECD countries.

The savings bank (*Sparkasse*) in Mittweida has invested EUR 3 million jointly with the *Sparkasse* Chemnitz in eight projects but only 2-3 of these projects are in the local region of Mittweida and there are no plans to repeat such investment funding. Technology companies in particular need funding over an extended period (typically 3-5 years) and commercial banks alone cannot fill this role. The Thuringian Development Bank (TAB) provides venture capital but in effect it is a credit and the volume of such investments is not seen as adequate by private sector and other representatives consulted. In Saxony, SAB has a range of financial products and services that can facilitate start-ups and SMEs, which is complemented by venture and development capital from other groups such as RBB Management AG, SBG, *SachsenLB* Corporate Finance Holding Ltd.

'Business Angels Networks' and individual venture capital investors for start-ups

A developed venture capital system needs individual investors as well as venture capital funds. 'Angels', that is people who are prepared to invest in individual companies and frequently bring knowledge of the sector or other strategic advice to companies, are common in most EU and OECD countries. They may be people who successfully started a company in the past and may have a series of companies in which they have invested. Individuals investing in new start-ups have been a feature of the financial sources for companies in Dundalk and such investment is encouraged by a country wide "Business Expansion Scheme" which allows investors the opportunity to offset such investments in approved companies for tax purposes against their incomes over a five year period (see international learning model Dundalk).

Often this type of investment is accompanied by mentoring where the individual investor or another nominated person acts as a counsellor to the entrepreneur and business. This is particularly important to businesses that are seeking to tackle international markets or where they have ambitious growth plans and could benefit from strategic business advice and networking to other potential financiers, market contacts or expert advisors. Should the local economic promotion offices of Mittweida and Altenburger Land play a stronger role in promoting such networks of potential investors? And introduce them to start-up companies?

Supporting Innovation and Exporting

Both Mittweida and Altenburger Land are part of Länder with long technological tradition and expertise in innovation. The Technology Centre in Mittweida and University of Applied Sciences Mittweida form part of that region-wide 'innovation infrastructure' vital to assisting the establishment of new technology companies. The GWT-TUD GmbH in Chemnitz, with branches in Dresden and Leipzig (*Gesellschaft für Wissens- und Technologietransfer der TU Dresden mbH*), linked to the University of Dresden where it was founded in 1996, is a leading research

service provider for companies and the private sector, which undertakes complex research projects and develops new products and technologies. It offers an extensive innovation service encompassing engineering, natural sciences and medicine. Its links with the Technology Centre and University of Applied Sciences in Mittweida have contributed to the transfer of technology to new companies. A scheme whereby researchers can be employed at GWT-TUD for up to three years, work under the name of the company they will establish and obtain salary and basic facilities is a practical model of promoting both new enterprise and technology transfer to new businesses. This research centre is a model for other regions and offers the prospect to become more engaged in international markets with its services. The *InnoSachs* initiative conducted by GWT-TUD, a promotion project supported by the Federal Ministry of Education and Research, seeks to position high technology (laser technology, microsystems, engineering, tools) and technology exchange as the future orientation of the regional development. Given its influence in the wider region and ambitions to extend this not just in Germany but cross-border to adjacent countries (e.g. Czech Republic, Poland) this research and technology complex is a 'magnet of attraction' for the entire region and crucial to new enterprise development. It provides expert services and encouragement to academia and others in pursuing new business concepts.

Future issues to contend with will be the move to self financing status and the marketing of innovations to the wider world. While GWT-TUD is a major asset for the wider region the challenge for individual districts such as Mittweida will be to ensure good co-operation and linkage with GWT-TUD and to seek their greater involvement directly in Mittweida.

Middle Germany (*Mitteldeutschland*) has become a centre for biotechnology with 130 core biotech companies, 20 pharma companies and 7 biotech incubators underpinned by a range of university and research centres. Centres of excellence have evolved in Dresden, Jena, Leipzig and other locations and the federal states provide a range of consultancy for start-ups, funding, information networks and events for this growing sector. Both German and foreign companies are engaged in the sector in Germany. Altenburger Land with its strong base of food processing and Mittweida, both in proximity to emerging companies and research in this sector, should have strengths relative to many other districts and be well positioned to attract and foster more new biotech companies. Local district initiatives to capture and build on this opportunity will be needed.

On the export front many local companies with traditional products do not have adequate access to export markets. At the same time the technology companies have competitive advantages through their innovative products and processes that could be better exploited on international markets. There is scope and need for new export promotion initiatives and export support services to such companies.

Infrastructure: Providing appropriate premises for new and small businesses

Both Mittweida and Altenburger Land have good infrastructure relative to many other similar regions in Europe and the general feedback from all expert commentators, with some exceptions for Altenburger Land, was that infrastructure in general was not a problem for local economic and social development.

Infrastructure - Mittweida

Mittweida, positioned in the Saxony triangle between Dresden, Leipzig and Chemnitz, less than one hour's motorway drive from each and with good railway connections, is very favourably located for access to major centres of population and significant markets. The

Economic Development Section in the district administration is represented on the planning group for the Chemnitz-Leipzig motorway so the local voice is heard on such issues. Clearly for Mittweida the biggest infrastructural development and major strength is the surrounding motorway and transport network.

The District Mittweida has two major other infrastructural advantages: the Technology Park Mittweida and the University of Applied Science in Mittweida. The Technology Park Mittweida (TPM), established in 1992, is now self financing and caters for new enterprises emerging in the technology sectors prevalent in the region: electronic and sensor technologies, process engineering, laser technology, biological environmental processes, information technology and robotics. It provides the classic services of good practice incubators – a range of 'hard' services such as meeting rooms and presentation facilities, secretarial and administrative services, tool and electrical equipment room and 'soft' services such as advice and support with company establishment, consultancy, connections to regional and international networks and technology and knowledge transfer with universities and similar institutions. It has assisted over 65 companies and facilitated the emergence of high growth companies. Key success factors for incubator-based companies identified by the TPM management are the personal engagement and skills of the incubator management and staff, a network of partners to help companies in contacts, good links to banks, and the practice of working with entrepreneurs from idea stage through the company cycles of development. These factors have also been identified in the Dundalk Regional Development Centre and in many other incubators worldwide. In brief, the TPM record testifies to the fact that incubators are a powerful tool for generating new and high growth companies and both the 'hardware' and 'software' of incubators are key to success.

Quite clearly the Mittweida region has a major asset and strength for promotion of entrepreneurship and SME development in the existence of this technology centre. An ongoing challenge in the future will be to maintain the flow of new company tenants. A weakness or opportunity missed by the region may be the fact that this 'success model' is not replicated in various forms. For example, an associated incubator devoted to software development (one of the world's highest growth sectors) or an incubator devoted to non-technology but potential growth companies, possibly in internationally traded services (e.g. media and publishing, engineering/architectural consultancy, business services, etc.). The perception that such an incubator is appropriate only for technology companies is not the experience of other locations such as Dundalk and Timisoara. Successful business models are driven by market opportunities and the putting in place of the elements of product/services, business plans, finance and innovative management.

The availability of buildings, or building sites, for establishing or expanding SME companies does not appear to be an issue in Mittweida. For example, a former tenant company of the Technology Centre has been able to locate nearby and feedback suggests that other suitable sites or buildings are also available and, it was suggested, 'are as good as anywhere in Germany'. Indeed it was suggested that Mittweida may have some advantages due to lower utility costs (water, sewage, energy) compared to other locations in southern or western Germany.

University of Applied Science Mittweida

The second major infrastructural strength of Mittweida is the University of Applied Sciences Mittweida. In the information age of today knowledge and the application of knowledge are important competitive advantages for business and for stimulating new enterprises. Seeking to generate new enterprise from all segments of society is also important.

The work of the university, with its population of over 5 000 students in sensitising students and academia to establish a business, in linking with other wider regional universities and in providing advice and facilities to potential entrepreneurs is vital for the enterprise strategy and enterprise infrastructure of Mittweida and its environs. The SaXeed project within the university has assisted the establishment of nearly 100 companies (approx. half still active) both in technology and non-technology sectors

Mittweida has substantial advantages in its present infrastructure especially motorway links, the Technology Centre and University of Applied Sciences Mittweida. In availability of suitable premises for start-up and expanding SMEs there is adequate space available. On the infrastructural side the challenge for the future lies more in maximising and extending the activities of these existing platforms for enterprise growth and new jobs, fostering further synergy and linkage between them, possibly initiating similar models aimed at growth sectors (e.g. software, biotechnology, media services) where potential is seen and strengthening the local identity of the town and environs for both existing and potential investors.

Infrastructure - Altenburger Land

Altenburger Land projects a message to potential investors of an excellent location in middle Germany with modern traffic infrastructure (road and rail), attractive serviced industrial sites, and strong local support on site selection, and planning and building approvals. It highlights more its tourism potential, and the advent of Ryanair using the local Nobitz airport shows the potential of this infrastructure. Similarly with its tradition in food it has the largest abattoir in central Germany and this key infrastructure is important for the food sector. In contrast to Mittweida however Altenburger Land sees itself on the fringes of Thuringia and with less effective infrastructure in a number of areas, including lack of funding to repair and upgrade the Altenburg-Nobitz Airport, unsettled issues in connecting the existing road network with Saxon motorways, no third level education institution and outstanding research centre, also no technology centre/incubator similar to other regions and lack of business space for some industry branches. Issues cited by commentators are described below.

The adjacent motorway has a two lane structure versus four lanes in other areas; the A72 motorway ends at the Land border. While work is being done to improve roads a general view was that more was needed to be done to upgrade connections. No third level education institution exists. Efforts to have a University of Applied Science (in co-operation with Jena or Leipzig) have been going on since 1990 but not been successful to date. Altenburg may be seen as too 'outlying', 'a border area', in comparison to other locations. The proposed Studies Plus project in Altenburger is a welcome initiative to address this gap. Similarly efforts to have a plastics research centre to work with local plastics companies have not seen progress. No technology centre or incubator centre similar to other regions exists in the area. Some commentators stated that factory space at favourable prices and more ready-made industrial buildings are needed. Altenburg-Nobitz Airport needs investment in repairing and upgrading airport runways necessary in order to allow additional airlines to use. The fact that Ryanair (total passenger numbers, 35 million in 2005) has selected this as a hub for future scheduled flights to London and elsewhere could open up new tourism and business opportunities for the region. Industry representatives cited a lack of cohesion and co-operation between federal states in spatial planning (*Raumordnungsplan*).

In summary, infrastructure in both Mittweida and Altenburger Land is viewed as relatively good. In the latter case, the renovation investment in the airport, the ability to attract a faculty or academic courses from one of the major universities or establish a regional/technology centre,

and the continued improvement of the road/motorway connection will be important influences upon the environment for business. Both districts could benefit from a more innovative and broader approach to incubators or industry development centres where SMEs, both technology and non-technology, can gain special support and guidance in their development. Local actors have a central role and responsibility in stimulating, proposing and leading new initiatives here.

Recommendations

Mittweida and Altenburger Land need a paradigm change if the trends of declining population and high unemployment are to be arrested. Central to this change is local enterprise and growth of local SMEs. SMEs are agents of change and growth. Facilitating the promotion and growth of business entities is at the very heart of change and a source of economic dynamism, wealth and social development. Both districts have many comparative advantages versus similar regions elsewhere in Europe. The recommendations that follow focus mainly on local government in Mittweida and Altenburger Land but are equally relevant to other local bodies and institutions. Implementing them will require effective local leadership, engagement by local actors and collective commitment to achieve measurable progress.

General: Mittweida and Altenburger Land

Enhancing district image and environment for new enterprise. Both Mittweida and Altenburger Land are relatively unknown in an international context. Their identity is more associated with their proximity to other major centres of population, to their location in a region of technology, to the history as in Altenburger, and to some extent to the activities of the University of Applied Sciences or the Technology Centre in Mittweida. Changing the entrepreneurial culture means changing and promoting the image of the cities and districts with both internal and external populations. An inherent part of the enterprise vision and strategy process is better identification, better awareness and better promotion of key district assets and how all of these need to be better interlinked or complemented with new initiatives (e.g. the renovation of the airport in Altenburger Land). The models of Dundalk, Brixen, and Timisoara provide pointers here in their strategy of building 'magnets of attraction' in infrastructure projects including innovative incubator facilities.

Enhance role of local actors. Addressing issues such as deficiencies in business plan preparation and preparing submissions to funding bodies, and working with young companies on export strategies need not just Federal and State programmes but ideally regular support from local actors (banks, consultants, district economic offices). These should play a stronger proactive role in working with SMEs and especially with SMEs that have high growth features and prospects. This entails understanding the strategic issues faced by such companies in achieving growth and maintaining close and regular contact with them. The better co-ordination of support services to such companies and simplification of procedures – in co-operation with all regional and local partners: technology and R&D centres, universities, training bodies, banks, venture capital groups – should be a priority task.

Establish a local enterprise vision and strategy 2006 – 2010. Establishing a local vision helps to establish a route map for change and improvement. It helps to set an agenda for vital change in key areas like finance for entrepreneurs, in innovation and export facilitation and in promoting new initiatives on incubation and support services. Taking insights from the international learning models both Mittweida and Altenburger Land should seek to establish more strongly their individual local vision and strategy including the vision for the development of new and existing enterprises. The broad theme of this local strategy should be on a 'location to

invest, live, work and visit'. It should summarise key demographic features and trends, labour market features, economic activity and key economic sectors, education and skills base, transport and key infrastructure, cost competitiveness, quality of life features and a summary of the strengths and development priorities. Within this framework it should establish targets – on micro enterprise, on SMEs and on international SMEs – to realise growth and development and methodologies to measure progress. A shared vision by all social partners and co-ordination on responsibilities/roles and delivery is an underlying objective in creating the strategy. Ideally, a short version of the strategy should be widely available as a public document. The process for achieving this vision and strategy – on-going local dialogue, sharing successful local experiences, seeking better local consensus and co-ordination, improving technical assistance, local institutional re-orientation and development and doing – is itself part of the vision.

Seek new start-ups from all segments of the population and from external sources

Promote more new start-ups. Increase publicity and awareness of the opportunities for new business start-ups amongst all segments of the population. Special promotions, where not already conducted, and promotional material, should be aimed at all groups. While much work is already undertaken by the two districts here the experience of other locations such as Dundalk and Timisoara shows that this needs to be innovative, intensive and continuous.

Undertake more new and local promotional initiatives. Other initiatives that may merit consideration are "SME of the Year" awards in various categories (regional awards, sectoral awards, awards for biggest SME job creator, best exporter, etc.), TV and radio programmes that highlight successful entrepreneur and SME case experiences; regional road show promotions possibly sponsored by banks; linkage seminars with international companies based in the region. In Saxony and Thuringia there are already some initiatives on these lines however Mittweida and Altenburger Land should be innovative and initiate their own local promotion that establishes their own identity and be directed at their own local populations.

'Profiles of Success'. Role models of progress with entrepreneurship and enterprise success: successful local entrepreneurs should be profiled and publicised much more (through short case experiences, through regular newspaper reports, through press releases when particular progress made, through interviews on TV/radio, etc.). The emphasis here should ideally be on the contribution made to local development (e.g. jobs, exports, local services purchased/supported)

Stimulate academic enterprise and linkage. Increased enterprise by the academic sector and stronger links between academia and the SME sector should continue to be encouraged and promoted. This should also refer to commercialisation of academic research, technology and innovations. The constructive schemes, for example, at the University of Applied Sciences Mittweida and GWT-TUD in Chemnitz should be continued and strengthened.

Strengthen SME sector by attracting German and international SMEs. Attracting SMEs from other German regions (e.g. in the biotech sector or other sectors where some competitive advantage can be offered) should continue to be pursued by Mittweida and Altenburger Land. FDI is the source of many new SMEs in EU countries. SMEs worldwide are increasingly international investors and the districts of Mittweida and Altenburger Land should, in co-ordination with Federal foreign direct investment attraction policy and promotion strategy, seek to attract such SME companies as well as the larger global companies. The experience of Timisoara is particularly relevant here. Alongside strong promotion of indigenous SMEs it has consciously and very innovatively attracted many international SMEs, especially from the Veneto region of Italy. Many of these companies are micro enterprises and SMEs operating in

manufacturing, distribution and as service providers. Both Mittweida and Altenburger Land should equally foster linkage between international and domestic companies based in the districts in order to maximise the economic contribution and the integration of such companies into the local economy.

Focus on companies with best prospects for growth

Growth companies. Mittweida and Altenburger Land should review the scope of their support to SMEs and seek to focus support in a more concentrated way, across all sectors, on those companies that have the best prospects for future growth. TPM in Mittweida has identified key success factors in working with such companies. This parallels the experience of local development agencies in Dundalk and Timisoara and provides a guide to 'how to work with potential high growth companies'. As noted above transparent methods and careful procedures should be applied in establishing criteria to categorise companies and this process should not be rigid (over time companies may change and move into the high growth category). The full range of state supports for SMEs (advice, information, market and product development, finance, technology advice and training, etc.) should ideally be available, subject to agreed normal and objective evaluation of the company, for such growth companies. The 'client' relationship between such companies and regional development agencies should be fostered.

Other SMEs. Other SME company segments (some EU countries, for example, apply different supports and services to 3-4 different segments of companies) should continue to have support relevant to their needs and stage of development, for example, website information, selected business development advice, information on quality standards and training. The extent and scope of support for all SME segments should be determined and clearly publicised as part of the above mentioned review.

Mentor Panels. The availability of a panel of retired business people to counsel new and expanding companies has been an important feature of working with and supporting SMEs in Dundalk and elsewhere. This should be seen as counselling and not consultancy where the consultant would operate on commercial terms (e.g. assist in preparing financial accounts). Given the high level of business plans that are deemed inadequate by banks the introduction of mentors at the early discussion stage of start-up proposals may assist in addressing this issue. Banks and funding institutions at local level could take much more initiative and a lead role here. This type of mentoring service is relevant to both micro and larger SMEs and at start-up and later stages of development in the life cycles of companies.

Patron Panels. From discussion in both locations there was little evidence of larger companies making available expert managers to SMEs for short advisory sessions. This is now common practice in many EU countries (PLATO programme supported by the EU) and again it is business-to-business service that has been effective and valuable to many companies at the early stages of their development. In some cases sectoral advice and guidance can be crucial to the business strategy. Both Mittweida and Altenburger Land should look at mentoring and patron type programmes and seek to have dedicated panels of people and companies that can contribute to the strategic development of local companies.

The internationally traded service sector

Review the present focus on service business. In the process of undertaking a review of the enterprise strategy for the period 2006-2010 both Mittweida and Altenburger Land should examine the many internationally traded service sectors, many of which are growing

substantially worldwide and are the main source of new job creation. Do Mittweida and Altenburger Land have special advantages that will assist such companies locally? Is there a focus on international SMEs in these industry sectors that will generate new start-ups? Given the enormous growth and spread of many service sectors, facilitated by new technologies, there is clearly an opportunity for locations like Mittweida and Altenburger Land to pursue both domestically and internationally new SMEs in such sectors and achieve the benefits of such companies.

Consider the establishment of a special Task Force to develop service sector strategy. A special Task Force to develop a district and local strategy on the service sector might be considered as a first step. This Task Force should ideally have representatives of responsible ministries, agencies and especially expert representatives from service business companies (both domestic and international) in Thuringia and Saxony.

Establish the service sector vision and results sought. For this process to be effective a vision of the benefits to be achieved (target sectors, jobs, economic contribution, regional spread – see for example the concrete targets established by development agencies in Dundalk) needs to be developed and underpinned by a roadmap with agreed targets, methods, resources and responsibilities.

Financing entrepreneurship

Continue existing schemes of support and evaluate impact. The variety of financing schemes for start-ups and growing SMEs has been important for many SMEs and the continuation of these (e.g. schemes of Thuringer Development Bank and Saxony Development Bank) will be vital for growth of the SME sector. An evaluation of their impact based on feedback from client companies should be conducted on an annual basis. The general view of many actors was that schemes were good but needed extension and wider application.

Instigate discussion on the role of banks. Local government should initiate discussion with regional and local management of all banks and financial institutions on how these bodies can play a stronger and more active role in promoting and providing funding to start-ups and existing SMEs. This discussion should ideally focus on new initiatives, new instruments and innovations by the banks, for example, similar the special package for start-ups developed by the Bank of Ireland in the Dundalk role model (see international learning model Dundalk). This discussion is not about persuading the banks to adopt a less commercial approach but about seeking more engagement from them in their own interest in the new enterprise strategy of the region. It should also address the scope of local management in banks to deal effectively with local enterprise.

Address weaknesses in business plan preparation and business development. As a contribution to resolving the problem the banks might consider producing an information pack on this subject for business applicants and undertaking some work on establishing 'mentor' panels (experienced business managers) and 'patron' panels (larger companies that will make available experienced managers for advisory roles) that will guide entrepreneurs before they make any formal application to banks. The work of banks here might be done in conjunction with existing schemes of advice to entrepreneurs. If such work has already been done then the question of its distribution, effectiveness and use needs to be examined by the banks.

Increase provision of venture capital. The existing schemes of venture capital provision should be reviewed in more detail as to their relevance and effectiveness in generating and

supporting new companies. How many start-up companies have been able to obtain venture capital? How many growing SMEs have received venture capital? Is the silent participation (*stille Beteiligung*) of venture capital restricting companies from the active involvement of business advisors on the future development of the business? It appears that much of the venture capital, insofar as it has happened, is less effective than in other locations worldwide. Local government should examine in co-operation with financial institutions how joint funding of various groups might enable more local venture capital to be introduced.

Streamline procedures on investment allowances. Public banks, like the Thuringer Development Bank (TAB) and the Saxony Development Bank (SAB) and other relevant authorities should examine how existing administrative procedures in regard to investment allowances might be simplified and streamlined.

Microcredit. Increased availability is an issue highlighted in both regions as key to start-ups. This should be the subject of special discussion with all banks and financial institutions.

Supporting innovation and exporting

Build on existing innovative technology structures. One of the areas where the wider regions of Mittweida and Altenburger Land has been strong is in their 'technology foundation' and in the variety of efforts to promote and support new innovation. OECD research shows that on average SMEs are less likely to conduct research and development than larger firms. Given costs structures SMEs in developed countries increasingly need to compete on technology or other added value features that give them competitive edge on international markets. The work of the Technology Centre, the Laser Institute in Mittweida and GWT-TUD in Chemnitz are examples of key regional institutions that should be actively supported and encouraged to expand their scope of work.

Seek greater export of technology applications. The opportunity to exploit new technology (e.g. work done on industrial textiles) and new processes from the regions seems not to have been adequately pursued and promoted internationally according to some commentators. New initiatives to promote this might include *inter alia* greater facilitation by the Technology Centre in Mittweida in servicing client companies outside the TPM centre; the building of partnerships and twinning with incubator/technology centres in other countries where potential new business partners may be emerging; special export development programmes using consultants or large companies as patron type advisors to work with selected SME companies to develop their individual export plans; technology missions (e.g. with focus on laser technology companies) to international fairs or other countries; and seeking the involvement of funding agencies to ensure support for export feasibility studies and export market visits.

Focus on growth companies with potential and capacity to export. In line with previous recommendations on working more intensively with growth companies the economic promotion offices should seek to assist such companies with market research, market contacts and market visits. The criteria for identifying potential growth companies have been previously mentioned. This issue needs to be reviewed by local economic development offices with other local actors such as consultants, training bodies, banks and funding institutions, and private sector representatives in order to seek guidance on main criteria for categorizing high growth companies.

Promote more awareness of role models of researchers. The benefits of new research and the individuals behind such research could be given greater media exposure in order to highlight

the entrepreneurship and opportunities pursued. Many of the new firms that have emerged in both districts in recent years are oriented to high technology and came to exist because researchers and academia decided to pursue commercial opportunities and frequently with the support of the GWT-TUD, InnoRegio initiatives, and the technology park in Mittweida. Further encouragement of this type of start-up, as well as the enhancement of the innovative support structures for such institutions, would be underpinned by greater publicity and case experiences of successful researchers (prepared with the assistance of professional media experts) who have taken steps to establish businesses.

Providing appropriate premises for new and small businesses

Build 'best EU practice' on clusters and incubators. Stronger emphasis should be placed by Mittweida and Altenburger Land on developing and extending incubation centres and clusters throughout the districts. Ensuring that the range of services that they provide matches best EU country practice and here again the opportunity for 'twinning' and regular experience sharing with successful and innovative EU based incubators should be explored. The TPM centre in Mittweida and the example of the Regional Development Centre in Dundalk provide illustrations of how this concept can be developed and experience of many other centres (e.g. in Aachen) should also be examined for pointers to new initiatives that could be taken in Mittweida and Altenburger Land. Both districts need more incubation directed at various industry sectors and various segments of the population.

Establish a more user friendly database of all industrial sites and buildings available and suitable for new entrepreneurs and developing SMEs. Both districts provide databases of industrial areas and buildings available and invite contact for further information. This is valuable and useful information. However it could be more promotional, more attractively presented and informative. More specific information and illustrations on selected sites and premises designed and suitable for start-ups and SMEs would be helpful. This information might also clarify if the listed sites and buildings are suitable for all sectors (e.g. food, ICT, engineering and other sectors have some common but also different needs). Using the experience of the public agency *Gesellschaft für Arbeit und Wirtschaft* (GFAW) both locations should seek to provide more focused information and to have it readily accessible on websites and regularly updated. This could also enable more proactive promotional messages through mailshots and Email campaigns for example to be sent to target companies in other German states or international companies that might be attracted to the districts.

Ensure the engagement of local actors in advancing the recommendations in this report. Local actors (economic promotion offices, banks, academic and research institutions, consultants, training bodies) should be encouraged to take a lead role in advancing the various recommendations outlined in this report including seeking more joint co-operation of all local partners. Setting down the building blocks for greater entrepreneurship at local level demands local leadership, local initiative and local community action. This is one of the key messages emanating from the experience and practice of the international learning models.

Other specific recommendations for Mittweida

The work of the University of Applied Sciences Mittweida on enterprise development could benefit from extending its co-operation with other universities (at present it has over 100 such co-operation schemes) internationally to share experiences specifically on start-up programmes. This might extend to exchange of technical expertise (e.g. on laser technology where Mittweida

has special expertise) or co-operation and exchange on selected projects where the partnering universities have developed unique knowledge or experience.

Extend the life and continuity of the SaXeed initiative. This sensitising of graduates to entrepreneurship is important for stimulation of new start-ups.

Promote the Technology Centre in Mittweida, which is described as 'the best model' in Saxony. The Centre should be publicised more, and ideally replicated and extended to other sectors such as the software sector and also non-technology sectors (many of the 'hard' and 'soft' services provided are equally valuable to the success of non-technology start-ups and developing firms).

Other specific recommendations for Altenburger Land

University faculty. With five major universities in the surrounding region the prospects for Altenburger Land to have a new third level education institution established do not appear likely. As an alternative it should seek to examine the prospects of having a faculty of one of the existing universities located in Altenburger Land, based on local competitive advantages (for example, the agricultural or food faculty) that it may have. In Brixen, Alto Adige the Universities of Bozen and Padova respectively have located sections of their institutions there based on Brixen's history of education, theology and philosophy. In this context the Studies Plus (*Studium Plus*) pilot project to introduce a master course in industrial engineering and management (with theoretical studies and practical work in local businesses) and jointly conducted by the District Altenburger Land, the Chamber of Industry and Trade in Gera, the University of Applied Sciences Jena and the City of Altenburg (the city initiated an association to financially support this venture) shows good local collaboration and innovation in building linkage between the academia, local administration and commercial sides. This type of initiative, which will see most education undertaken in Altenburger, is a good example of how Altenburger can develop its enterprise environment through strategic linkage rather than a new third level institution

Business incubators. Similarly Altenburger Land should examine the opportunity for a new incubator facility, possibly based on sectors such as food or plastics where local expertise has developed. The location of such a centre, possibly with research facilities, could strengthen the case for university departments, courses or other activity to be based there, and the synergy between each could be beneficial to their development and the district. Many incubators have progressed to become centres of expertise in industry/service sectors and the district may find that an incubation centre can bring a new image and range of companies to the locality. Again, it is important to note that the support structures and services of an incubator centre is valuable to both technology and non-technology companies and the establishment is not dependent on the local science infrastructure.

Altenburger Land-Nobitz airport. Given the potential of this infrastructure to dramatically change the international profile of both the district and the wider region and thereby improve the enterprise and economic environment the district authority should seek to co-ordinate all relevant actors in advancing the renovation work necessary.

Bureaucracy and delays in building permits and licenses. Private sector representatives highlighted inordinate delays in this area. This should be examined by local government and addressed. A process of "Enterprise Impact Assessment" should be instituted.

International learning models

Dundalk, County Louth, Ireland

Description of the approach

Dundalk is on the east coast of Ireland, midway between the two main urban centres on the island, 80 kms from Belfast in Northern Ireland (UK) and from Dublin in the Republic of Ireland. It is the local government centre for County Louth, a county with mixed agriculture, industry and tourism as main economic activities. The town population has grown from 25,000 in the 1970s to 32 000 in 2005 and is projected to double to 60 000 people by 2020. Historically Dundalk had a strong commercial base with industry in footwear (6 000 employed in the 1960s), textiles, cigarettes, brewing, and engineering. The demise of traditional industries and Dundalk's geographic location on the border (its natural hinterland to the north is in the UK) have posed development challenges. This was exacerbated by poor infrastructure. Dundalk today is designated as a 'gateway' for development under the "National Spatial Strategy for Ireland 2002 – 2020, People, Places and Potential", which emphasises devolved development. Each county has been encouraged to develop a 10 year vision based on wide consultation, research and visioning. In addition Dundalk has undertaken its own assessment of Dundalk as a place to invest, live, work and visit as the basis for developing an economic development plan up to 2010.

National policy in the promotion of entrepreneurship and SMEs is the responsibility of the Department of Enterprise, Trade and Employment in Ireland. It delegates responsibility for implementing its policies to state agencies. Dundalk has a triple pronged and segmented approach to promoting: (i) micro entrepreneurship; (ii) SME development and domestic industry; and, (iii) international investment (FDI). There is close co-operation, as well as much joint activity (e.g. jointly funded studies or training events), both between these institutions and other local bodies (e.g. Dundalk Chamber of Commerce, Dundalk Institute of Technology).

In the following some of the main agencies are briefly described.

Louth County Enterprise Board, one of 35 County and City Enterprise Boards in Ireland, deals with micro enterprise. In recent years it has, on average, supported 30 new projects per year and undertaken 25 training courses with approx. 250 participants. It has various satellite programmes to promote SMEs:

- 'PLATO': a business networking programme that introduces expert advisors and mentors from larger companies to small companies;
- 'Craftmark': a training and advisory service for craft workers;
- 'Women in Enterprise': aimed at women who are considering business ideas;
- 'Creative Enterprises': this programme looks at other creative arts (e.g. music, painting); and,
- 'Border Vision': a clustering programme in environmental sector and digital media. All programmes are cross-border, that is they offer support and services to people in the regions on the two sides of the border.

Enterprise Ireland: Enterprise Ireland is the national state agency responsible for developing Irish industry. Its core mission is to accelerate the development of world-class Irish companies to achieve strong positions in global markets. Its clients are primarily SMEs and it segments client companies (manufacturing and internationally traded services companies employing 10 or more people) into three main categories: (i) early stage start-ups; (ii) high potential start-ups, and growth companies; and (iii) large companies (non-SMEs) and tailors its support accordingly. The overall approach is target driven and monitored at national and regional levels. The mission and aim of Enterprise Ireland is to transform Irish industry and it sets out key deliverables and targets in its strategy to achieve this aim:

- EUR 3 billion new export sales over the next three years;
- Double to 1 050 the number of firms engaged in 'meaningful' R&D by 2010;
- Support the creation of 210 new 'High Potential Start-Up' (HPSU) companies nationwide (by year end 2007);
- Drive export readiness by implementing productivity and competitiveness improvement projects in more than 300 firms (by year end 2007); and,
- Infrastructure (roads, colleges/proximity, etc.) and buildings available.

IDA Ireland (Industry Development Agency): The IDA concentrates exclusively on FDI strategy and promotion and is the third main agency that deals with new enterprise in Dundalk. It links closely with its sister agencies dealing with domestic companies and with local government and private sector. It has a network of offices worldwide and within Ireland. Its Dundalk office has been vital to attracting companies, such as Xerox, Heinz, ABB, and a range of smaller companies. It has attracted new service industry projects from the financial services and customer care sectors in early 2006 to Dundalk.

Infrastructure

Dundalk and its environs has seen significant new infrastructure in recent years, in roads, telecommunications, utilities (energy, water, sewage), as well as extensive investment, mostly private, in new retail, leisure and recreational facilities. Its modern infrastructure today compares well with similar locations in Ireland and internationally. Provision of factory or business space is a key element of the infrastructure improvement throughout the country and in the Dundalk region. Enterprise Ireland co-invests with the local communities, the academic sector and the private sector in diverse initiatives on physical infrastructure: (a) community enterprise centres (one in Dundalk); (b) private sector business parks; and, (c) incubators. Dundalk Institute of Technology is a 45 ha. College campus with R&D expertise in electronic, mechanical and manufacturing engineering, control and automation, software development/ICT, creative and digital media and renewable energy. Within the campus its Regional Development Centre acts as an enterprise support and technology transfer centre and provides 26 incubator units (22-55 square metres office units). In addition it provides six units of 25 square metres each in Drogheda, approx. 25 km away. These facilities provide the full range of 'best practice' incubation services.

Finance

The development agencies dealing with entrepreneurship and SMEs provide: (a) direct financial support (feasibility study grants, capital grants, employment grants) to selected projects; and, (b) links to sources of funding from banks and venture capital organisations. Enterprise Ireland also provides R&D grants and equity capital in selected cases in conjunction with private sector investors. Enterprise Ireland has supported 30 different venture capital funds through commitments of 143 million Euro, leading to a total of EUR 545 million under management by these funds. In Dundalk, 'Enterprise Equity Venture Capital Group', has invested EUR 48 million in 73 companies in Northern Ireland and the Republic of Ireland.

The Irish banking system has increased its focus on SMEs in recent years, for example, the Bank of Ireland's 'start-up package'. In summary, entrepreneurs and SMEs in Dundalk (and other regions) benefit from a portfolio of financial incentives, venture capital and credit to assist start-up and development.

Bank of Ireland Start-up Package:

- A range of current account banking services free of charge for two years;
- Free online banking for two years;
- Loans up to EUR 200 000 at rates from 5% to 7%;
- Waiver of leasing/hire purchase set-up fee; reduced administration fees on invoice finance services;
- Reduced fees and charges on card services;
- EUR 50 off Palo Alto business planning software; 20% discount on Hewlett Packard kit;
- 33% off Graphite Human resources employee legislation manual;
- 30% discount on company formation advice; 1 hour's free consultation with qualified accountant;
- Discounted offers on e-business software;
- 20% discount on certain Mobile telephone handsets and tariffs;
- Free listing in Yellow pages; and,
- 50% reduction on memberships fees for Small Firms Association.

Export

Within the range of services delivered by Enterprise Ireland, assistance with export is also provided. This extends from assisting companies with programmes to strengthen their first export strategies (e.g. aimed at companies with less than EUR 30 000 export levels). Workshops held in 2004-2005, for example, identified the key aspects of exporting and introduced the participating companies to all services available. Some companies were assigned individual

mentors with significant export experience to work with them on their export plans and also received practical, on-the-ground assistance from Enterprise Ireland's overseas offices.

Why the approach is relevant to the two districts?

Historically Dundalk has many features that are not uncommon in Saxony-Thuringia: traditional industry, which has declined and in many cases no longer exists; location on a border (with spill-over impact in Dundalk's case from conflict in Northern Ireland); and a dependency culture with limited local enterprise ethos. Its local development strategy has useful pointers for other regions:

- Co-ordinated national regional, county and local development planning – spatial and economic development with close collaboration between public and private sector;
- Strategic vision and initiative – a 10 year plan ('Dundalk – the Location to Invest, Live Work and Visit'), prepared by the Dundalk Economic Development Group;
- Creation of local 'magnets of attraction' that project the town regionally and internationally (health and leisure centres, floodlit horse racing track, sailing, etc.);
- 'Public Private Partnership' approach in effect has been pursued with all responsible public and private parties in Dundalk involved;
- Measurable results sought: strategies and plans have been translated into action charters and concrete targets (no. of companies established, jobs created, sales, etc.);
- Cross border co-operation/functional approach: that is, practical joint working on training programmes and policy initiatives, many designed as cross border activities;
- Wide range of services offered: in training, funding and advisory services, in incubation facilities and aimed at all sections of the community; and,
- Segmentation of client companies and therefore awareness and clarity on who does what and who deals with who (namely, One-Stop-Shops according to enterprise segment).

Reasons for the success or failure of the approach in Dundalk

Success in stimulating new enterprise has been underpinned in particular by the following:

- Leadership/Vision: Local government initiatives combined with state agencies, academia and private sector has contributed to success and a better sense of future directions;
- Diversity of encouragement measures: 'A something for everyone' philosophy on promoting enterprise – this does not mean all interested people receive funding but a positive approach to all and at a minimum training and advisory services are provided;
- Building the identity of Dundalk: within the framework of the local plan being developed the town is seeking constructively and objectively to clarify its future identity and image;

- Border with Northern Ireland not treated as obstacle or 'negative': The wide range of cross-border initiatives, referred to in preceding paragraphs, are testimony to this new approach.

However the picture in Dundalk is not totally successful when it comes to local enterprise. In many areas Dundalk needs to push on with implementing plans and achieve change. These include: the refurbishment of the town centre and revitalisation of businesses in this area. Unemployment has reduced but still remains at twice the national average – successful steps taken to attract new FDI will assist in tackling this target but they need to be matched with greater progress on generating new enterprise and especially new 'high potential start-ups', which will contribute to new jobs and exports. With a growing population, including some immigrant labour, achieving greater enterprise, especially new growth companies, are two of the major challenges of the future. Progress needs to be made also in better linkage between international companies and domestic companies (e.g. purchasing, sub-contracting, outsourcing, etc.). All of these represent 'work-in-progress' rather than failure and are significant future challenges for Dundalk.

The obstacles that were faced and the quality of response taken

The historical issues outlined above such as decline of traditional industry, high unemployment and need for increased incomes have been tackled with measurable and substantial success. In general the quality of response has been effective and now Dundalk faces more the challenges of managing growth of population and local economy and asserting its identity in the competition for investment and enterprise. The poor enterprise ethos/dependency-on-outside culture still lingers on to some extent in the expectation by many that new FDI will deal with economic gaps rather than locally generated enterprise.

Considerations for adoption of this type of approach in the two districts and in East Germany

Dundalk represents a typical model of a border town that has had to tackle generic issues common to many border regions and smaller population centres. Straddled between the two major urban centres in Ireland it needs to both benefit from this proximity but equally to assert and benefit from its own comparative advantages and own individual identity. The various initiatives outlined above involve a high level of intervention and provide useful comparative experience. The existence of specialised and dedicated agencies dealing with micro enterprises, SMEs and FDI assist in providing clear demarcation of roles and responsibilities on enterprise policy. It does not imply per se that this type of institutional structure should be adopted by Mittweida and Altenburger Land. What can usefully be drawn from the Dundalk model is the value of having clear institutional responsibilities for pursuing the different segments of companies and the desirability of ensuring good local collaboration between the responsible local actors. In considering the Dundalk model some questions that might be usefully considered are:

- To what extent are Mittweida and Altenburger Land building their own 10 year strategic vision and plan? Is there full co-operation and joint involvement of all public and private partners in such a process?
- Is their need to segment more strictly micro and other SMEs and tailor more clearly the advisory and support packages for each segment? Is their sufficient focus on all categories of society and not just technology oriented entrepreneurs and companies?

- Do the incubation facilities and enterprise training in these regions meet local needs?
- Are financial institutions proactive in the regional and local goals of stimulating enterprise?
- And finally, is the wider holistic approach of Dundalk in working on improving its 'magnets of attraction' and thereby improving the quality of life and business environment being pursued in the German districts to the best extent possible?
- These are some of the major considerations that might usefully be reviewed and that might provide useful insights on policy development in Mittweida and Altenburger Land.

Websites for further information

Bank of Ireland	http://www.bankofireland.com
Cross Border Centre for community development	http://www.crossbordercentre.org
Dundalk Chamber of Commerce	http://www.dundalk.ie
Dundalk Institute of Technology	http://www.dkit.ie
Dundalk Town Council	http://www.dundalktown.ie
Enterprise Equity Venture Capital Group	http://www.enterpriseequity.ie
Enterprise Ireland	http://www.enterprise-ireland.com
IDA Ireland	http://www.idaireland.com
Louth County Enterprise Board	http://www.lceb.ie
Louth County Enterprise Board initiatives	http://www.womeninenterprise.net , http://www.craftmark.ie , http://www.plato.ie
Newry-Dundalk joint chamber forum	http://www.newrydundalkforum.com
Novation	http://www.novation.ie
Regional Development Centre	http://www.rdc.ie , http://www.midasinitiative.com

Brixen (Brixen), Alto Adige (Südtirol), Italy

Description of the approach

Brixen is the third largest city and a thriving provincial town in Alto Adige (Autonomous Province in Italy), situated approx. 45 km south of the Brenner Pass, 80 km from Innsbruck and 40 km from Bozen airport, the main city in Alto Adige. It is one of the oldest cities in the Tyrol. The population has grown from 13 456 in 1961 to 19 032 people at the end of 2004.

The promotion of new infrastructure and new businesses have combined to lay the foundation for 15 years continuous full employment, a dynamic image and growing population. Brixen today has approximately 9 000 people employed in 1 200 businesses. Well known for its high value dairy, fruit and wine production it also has numerous small and medium-sized enterprises, as well as some larger concerns, located in five small craft zones and in the industrial district south of Brixen. The broad strategy on enterprise and local development has focused on:

- Infrastructure: Building on key infrastructure (roads, retail, facilities, industrial areas, etc.) in order to maximise the strategic location and connection of Brixen between Austria, southern Germany and northern Italy and compete with other towns to assert its image and competitive advantages.
- Events and exhibitions: Promoting a spectrum of events/exhibitions (Brixner Altstadtfest, Christmas Market, sports events, traditional farmer's market and village festivals) that encourage commercial development and have transformed the image and business life of the town.
- New modernisation initiatives: Since the 1970s Brixen undertook initiatives that showed its future oriented development direction, e.g. the first city in Tyrol to pedestrianise its centre and to hold an 'old city' festival in 1978, and promoting new retail outlets at that time. This town development was served by effective and good zone planning.
- Local enterprise, e.g. tourism, wood, fruit, wine and vegetables. The fruit co-operative 'Melix' in Brixen is a specialist supplier of fresh home grown products (delivered from farmer to consumer). Brixen has identified its niche here and built a strong competitive position. In Alto Adige there are 1,000 wood working businesses, mostly small concerns. In technology areas new companies have emerged. In the Alto Adige region (479 758 people) on average 1 500 new firms are established every year.

The bulk of direct support from local government or other agencies to new enterprise is concentrated on soft services such as information and training. The Chamber of Commerce is offering a free start package, '*Startpaket*', that gives orientation assistance on the theme of 'how to start a business' and outlines the services of the Chamber. In addition free consultancy hours, in co-operation with the province's Regional Craft Division, and the Service Co-operative of Independent Economic and Legal Professions, are offered. With information events, seminars, workshops and a training course for new firm founders in co-operation with training experts both awareness creation for entrepreneurship and skills development is fostered.

The newly elected mayor of Brixen (end 2005) sees opportunities and future prospects for the town to build three clusters. An energy competence centre with focus on renewable energy is envisaged in conjunction with the regional energy company. The second cluster will focus on establishing new high technology oriented enterprises alongside existing technology plants and promote career training and the closer networking of the R&D facilities in the European Academy Bozen. The third cluster, expected to be progressed in 2006, is a wood competence/skills centre based on the long tradition and network of businesses in this sector. South of the town, around 70 such firms employ 1 700 people (around 20% of employed people in Brixen). Local craft schools, universities and research institutes will connect to this new centre to ensure technology transfer.

While Brixen has the advantage of being on the main motorway running north/south from the Brenner Pass this is also one of its main infrastructural and environmental problems. New access roads to the industry estate on the south are under construction and the construction of a new motorway access/exit on the south side is expected to be completed by 2006. Brixen has focused on facilities for sports, which have enhanced the image of the town as a dynamic location. The visionary and innovative '*Acquarena*', an extensive new 5,000 square metre Fitness and Wellness Centre was built as a 'magnet of attraction' for both local residents, residents from as far south as Verona and international tourists. Through the opening of the faculty for

Education Science of the University of Bozen (1998) the town strengthened its educational offering. In March 2004 a new modern building to house the education science faculty of the University of Bozen was opened. This is further complemented by the existence of the *Philosophisch Theologische Hochschule Brixen* and summer courses by the University of Padova.

Why the approach is relevant to the two districts?

Brixen is relatively close in size to the cities of Altenburg and Mittweida and has comparable challenges to other small cities in that it is not a main urban centre of growth. It has built progress through:

Local vision and local strategy: Based on local resources (agricultural, wood, tourism) the local government has developed a vision and strategy that builds on these while simultaneously creating 'magnets of attraction' in key social and physical infrastructure. The encouragement of local high tech companies has added to the foundation of the economic environment.

Image development: Brixen is seen as a dynamic and successful town that offers a high quality of life. In 2004 over 600 new residents came to the town and this reflects its attraction. The town administration sees 'self pride' in Brixen as a key objective for future development

Focus on local advantages and local solutions: In many areas Brixen has not looked *outside* the region for its solutions. As the third town in Alto Adige it has had to compete, to tackle local obstacles to enterprise and local development, to build its new image and new business development. In its spatial planning, regional economic planning and initiatives to build a better environment for both business and quality of living it has been persistent and innovative.

Spread of sectors: In tourism, manufacturing, services, craft workers, education infrastructure and history it has used local assets and sought to develop the strategy on each. Significant firms have emerged and grown. As indicated above a future challenge is to maximise the synergy and inter-connectivity between these diverse sectors.

Networking and collaboration: At a regional, local government and private sector levels there is good networking and collaboration, which has facilitated new enterprise. Research into the tourism sector in the region shows a unanimous view from SMEs and expert commentators on the importance of such networking and collaboration to the success of small enterprises in the global markets of today. The research also points to the need to build on this in the future. Collaboration with adjacent regions, and cross border interaction and joint activities, have been features of the region. In 2005 the three regional government chairmen of North Tyrol and the Provinces of Alto Adige and Trento signed together the European Charter for Small Enterprise in Brussels and a joint 'Tyrol Haus' has been established in Brussels to promote the image and growth of the region.

Concentration on building infrastructure that facilitate quality of life: The holistic view taken in looking beyond essential and basic infrastructure in creating the environment for new enterprise as well as the implementation of many infrastructural projects has been crucial to making Brixen attractive to existing and prospective residents and investors.

Reasons for the success or failure of the approach

Central to success has been the 'regional government leadership and vision' combined with the creation of an environment that is conducive to new enterprise and business development. A

philosophy of 'self dependence' is evident. Much of the challenges that Brixen faces now and in the future are the handling of growth and attaining balanced development. The burgeoning tourism sector and the 'value for money' services provided are major factors – not just in Brixen, but the entire Tyrol region remains an attractive destination for discriminating leisure seeking and health conscious consumers. The local leadership, possibly because of the extensive contact with tourists from many countries, has had an 'external focus', both a wider regional and international focus. Similarly, local companies have had this focus and pursued both investment (one Brixen company has invested in Thuringia) and trade opportunities internationally. The diversity and spread of sectors where the town and local entrepreneurs have 'identified niche segments' in which they can be competitive, combined with a 'quality standards approach', are important foundation stones for development.

The obstacles that were faced and the quality of response taken

In general the collective approach outlined above has succeeded in addressing obstacles to enterprise and business. Brixen has succeeded in establishing a new dynamism and identity for the town. It has had minimal unemployment and both rising incomes and population. The historic regional pride and quality education standards have been underlying factors in generating enterprise and local development.

Some industry representatives see disadvantages for Brixen in the higher tax burdens compared to the Tyrol in Austria and the limited support for R&D. This may lead to local industry expansion, especially where the industry needs investment in innovation and higher value added products, being transferred to other locations. As existing companies grow the imperative to retain their expansion in Brixen, and to enable them to expand into higher value added technology products, will require new local development strategies.

Negative factors such as the increasingly high land prices, the scarcity of qualified skilled workers, tax burdens and bureaucracy will be addressed by a new economic service centre proposed by the Mayor in late 2005 that will seek to co-ordinate services to businesses. The absence of classical incubator units is something that the town authorities may need to look at in the future especially if increased immigration and population growth continue. Stimulating new entrepreneurship from all sections of the population including incoming new population will be important for balanced and progressive economic and social development. Support structures such as incubators could promote the wider spread of entrepreneurship and SME development.

Some commentators report a deficit in management training and education that will need to be addressed. Instigating greater scale, increased R&D and higher export levels by SMEs will be strategic issues as the region faces increased competition from other regions.

Considerations for adoption of this type of approach in the two districts and in East Germany

The strong emphasis on self dependence, and local attributes and assets, are guides to other regions to undertake a full audit of what can be developed as 'magnets of attraction' for their region. It is notable that the holistic approach at building better lifestyles (and therefore image) has been central to Brixen's progress. Entrepreneurship and SME development are functions of the local societies from which they emerge. Creating better lifestyles and better environments spills over into new enterprise and vice versa. Local leadership, local innovation and local collaboration and co-operation, combined with a strong local regional pride and confidence in the region have provided the foundation for economic and social progress.

Contact details and websites for further information

ASTAT, Landesinstitut für Statistik, "Südtirol in Zahlen 2005" <http://www.provinz.bz.it/astat/siz05>

Südtirol Handbuch", Autonome Provinz Bozen-Südtirol, January 2005 <http://www.provinz.bz.it>

Wirtschaft in Alpenraum", Brixen Spezial, October-November 2005 <http://www.wianet.at>

The booklet "Start-up" can be requested from the Chamber of Commerce at startup@hk-cciaa.bz.it

The Timisoara strategy for entrepreneurship development, Romania

Description of the approach

Timisoara, Romania's fourth largest city (population 332,000), the main population centre in the west of Romania and capital of Timis county, is one of Romania's most developed cities. Timisoara today is an important centre for Romanian people, foreign tourists and business people. City authorities attribute its economic and social progress to its geopolitical position, the developed support structures compared to other regions of Romania, trained human resources, and a high degree of cultural and social cohesion. Local industry is diversified and comprises various branches: machinery, electrical engineering, chemicals, wood processing industry, printing, leather goods, textiles, etc. A university centre, Timisoara gives the opportunity to study in several fields: medicine, psychology, veterinary medicine, polytechnics, economic sciences, political sciences, philology, philosophy, theatre and music. Timisoara has built its progress through its strategic location and by policies aimed at stimulating enterprise and collaboration in the city, county of Timis and west region of Romania.

Support for entrepreneurship and SME development is provided by national, regional and local agencies. The National Agency for SMEs and Co-operatives, the Governmental body supporting SMEs and operating under the Prime Minister's office, has in September 2005 inaugurated a Regional Office in Timisoara, in order to facilitate the implementation of its programmes. At the regional level, the body responsible for socio-economic development in the entire west region, is the Regional Development Agency (RDA). The main local body responsible for economic development is ADETIM (Economic Development Agency of Timis County). This work is complemented by the Chamber of Commerce in Timisoara.

In the following some of the key agencies are described.

The National Agency for SMEs and Co-operatives (NASMEC): NASMEC has the strategic priorities and aims of creating a business environment favourable to the establishment and the development of SMEs; the development of SMEs capacity; improvement of SMEs access to financing sources; improvement of SMEs access to foreign markets; promotion of an entrepreneurial culture; and to strengthen management performance. NASMEC provides a variety of programmes:

- Annual Fair for SMEs (TIMM);

- Programmes aimed at women managers, including specialised training and consulting services;
- Programmes for Crafts and handicrafts;
- Quality assurance in SME sector in auto industry and setting up supplier chains (co-operation program between Romania and Flemish Government);
- Development of technological and business incubators;
- EMPRETEC Program in co-operation between NASMEC, UNCTAD, and Ministry of Productive Activities from Lombardia Region; and,
- International marketing and export courses; and, the "START" program dedicated to the entrepreneurial development of youth and access to financing.

ADETIM - Economic Development Agency of Timis County: ADETIM - Economic Development Agency of Timis County is a self-supporting legal entity that specialises in economic development. Founded in 1995 by Timis County Council in partnership with the City Hall of Timisoara and the Chamber of Commerce, Industry and Agriculture Timisoara, ADETIM seeks to be an interface between the local public administration and the private sector, and a centre promoting local best practice policies and methods. The association has over 250 members including the most dynamic local SMEs in Timis County. It supports its members through initiatives that lead to improving the business environment. With ten years experience of local economic development, and providing services, to assist the SME sector, ADETIM has been an important local player in helping to chart Timisoara's strategic vision and support the implementation of the vision.

The Chamber of Commerce, Industry and Agriculture of Timisoara: The Chamber also plays an important role in guiding entrepreneurs and investors, including SMEs. It now has 778 members and is one of the main promoters of trade in the region.

Why the approach is relevant to the two districts/to East Germany?

Timisoara (and Romania) has gone through a 15 year period of difficult transition to market economy structures after many decades under a centralised communist system. Faced with wide structural policy reforms, as well as high unemployment and uneven regional development, it is now achieving significant economic growth and social progress. Timisoara has been a model region for other Romanian regions in its successful regional and local development approach and in particular in reducing unemployment to around three per cent. Much of the leadership and initiative for this success has emerged from local sources and the 'Timisoara Model' has become well known internationally. While the city is considerably bigger than Mittweida and Altenburger Land it also has some similarities: movement from centralised governance systems to democratic market economy structures, proximity to border regions, mixed agricultural and industry structures, and in earlier years high unemployment as inefficient state companies declined and were privatised or liquidated. The development of the local vision and local strategy for entrepreneurship and SME development and the attitude and approach to ensuring a proactive effort by all relevant partners are pointers to local success and achievements.

Reasons for the success or failure of the approach

There are numerous factors and combinations of factors that can be cited for the success and progress achieved by Timisoara in promoting entrepreneurship and SME development and also some areas where progress still needs to be advanced. Amongst the reasons identified by various research studies and feedback from expert commentators are historical factors such as cross border trading, a strong regional identity and joint action by public and private interests, emphasis on education, and competitive costs and productivity. In particular the following are notable:

City Vision and Strategic Development Plan: The mayor's office has been a driving force in defining the city vision and the local development strategy, while also having a strong influence on the county and even regional development strategies. It has close co-operation with the private sector and been a strong leader in helping (or co-ordinating) support (finance, infrastructure, incubators, etc.) to local SME development. The mayor of Timisoara City is a member of the seven-member board of ADETIM. ADETIM is preparing not only the development strategy for the Timis County, but also the development strategy for Timisoara.³ This is a good example of regional leadership, where development strategies at three layers of governance (regional - prepared by the RDA), county and local (prepared by ADETIM) have been set out.

History of cross border trade and exchange: The local mentality and tradition has contributed to the economic growth. The city is close to the border and exchanges with Serbia and central European countries have always happened. According to expert Romanian commentators Timisoara knew how to capitalise on that and adapt to the reality and opportunities.

International SMEs: Over 4,500 foreign investments have been attracted to Timisoara, of which 1,638 are Italian micro enterprises or SMEs. Domestic SMEs have developed at least at the same pace as the newly created joint ventures or foreign companies. FDI has brought capital and know-how in a time and place where these two development ingredients were scarce. The Timisoara model shows positive spill-over s and demonstration effects of FDI on local growth and development. At the roots of Timisoara City's development lies a strong entrepreneurial culture and cultural matrix which has been ready to nurture and propagate the seeds brought by FDI.

Regional and international aptitude dimensions: The Timis region is renowned as an area where both the public authorities and the population nurture a strong regionalist sentiment, thus endorsing local co-operation and mutual support. This is typified by the close liaison between the mayor's office and public and private interests. Combined with relatively good technical skills this has constituted a basis for the emergence of successful new enterprises and clusters.

Cluster development: With physical proximity, high level of concentration and inter-firm networks of small companies in a few interrelated industries there is clear evidence of a more intensive spatial agglomeration of firms in the western-northwestern part of Romania. The area, represented by Timis County, is host to more than one cluster, in fields such as software, textiles or shoes. Noteworthy is the high level of Italian investment in the area, which has brought with it the principles of the Italian cluster model.

³ For further information, see <http://www.primariatm.ro>.

Clustering for the future: It is not certain that the agglomerations of companies will grow to become sustained, dynamic clusters and will remain competitive at their present level of development. Several of the clusters are operating mainly under the 'lohn' regime. Many of the Italian companies are in sectors with standard technology and produce intermediate or final consumer goods, which are growth restricted and have high price elasticity. The markets are beyond the 'control' of the domestic companies (lack of domestic brand recognition, of contacts with the final clients) and at the same time the local companies are dependent on the foreign orders. The local strategy needs to retain investors by securing the superior working conditions typical of a sustained cluster or they could face transfer of companies to lower cost locations.

In summary, the city and region has built its economic progress on this matrix of strategic local vision, initiatives, local 'magnets of attraction' and collaboration. Significant challenges remain. These are not 'failure' but part of the ongoing evolution of innovative strategy needed.

The obstacles that were faced and the quality of response taken

Timisoara faced all the problems of transition, limited central government support and relatively low economic and social development when compared with EU or Central European countries. Historically, SMEs complained about constant changes in legislation and regulations and the need to simplify and stabilise the business environment. The number of controls (customs, sanitary rules, etc.), the absence of good clear information for investors, both domestic and foreign, and lack of management experience were obstacles to business development but there has been much improvement in all of these areas.

Some local SMEs are, according to OECD research⁴, critical of the lack of power by local bank management in exercising decisions on funding. This lack of a proactive 'reaching out' by banks to small business customers, and the bureaucracy and inflexibility on granting credit to SMEs, is not uncommon in many regions both in- and out-side Romania and points to an issue that is restricting the maximisation of the benefits of SMEs. Also, the absence of active venture capital players in Timisoara (and other regions) has been cited as a restricting factor. There are ten venture funds active in Romania, but only one involved in funding SMEs. In SME financing, therefore, there are still steps that need to be taken to improve the environment for SMEs. The involvement of Italian banks, many pursuing their customer base from Italy, has assisted in the range and scope of services to SMEs in Timisoara. National SME support programmes have sought to address this issue both in Timisoara and other regions.

Various infrastructure initiatives have been applied to Timisoara and other regions: industrial parks, scientific and technological parks, free zones, industrial restructuring zones with economic growth potential, and business incubators. An evaluation report has pointed to important structural deficiencies of the industrial parks, such as unsuitable locations, design and lay-out fund-driven and not market driven, lack of managerial skills, unclear legislation etc. According to the Governmental Strategy for the Development of SME for the period 2004-2008, there is a plan for establishing additional business incubators. In Timisoara a new business incubator has been an important local initiative. In an OECD Investment Compact review this incubator has been cited as one of the best initiatives in the field of encouraging SME development. The 'Business Incubator and Technology Transfer Centre' is the result of the joint efforts of the Timis County Council, Timisoara Local Council, Timisoara Politechnical University and the IBD/GTZ – Programme of the Government of Germany aimed at Promoting Economic Growth and Reducing Unemployment in Romania. The working capital of the

⁴ OECD (2005): "Enterprise Policy Performance Assessment – Romania", OECD, Paris.

incubator for the first three year is 160 000 Euro. The incubator is mainly addressed to fit the needs of students and young graduates of the university that wish to start their own business in the field of software creation. The incubator will be hosted by the university, the area set aside being 400sqm (the entire third floor).

Considerations for adoption of this type of approach in the two districts and in East Germany

Timisoara has many location and cost advantages that have enabled it to build local SMEs and attract new investment from outside. As a much larger city than Mittweida and Altenburger Land it has a labour pool that is attractive to investors. However as the text above describes it has faced many similar development challenges in dealing with transition, in reducing unemployment and in competing with Bucharest and other major cities in Romania and south-Eastern Europe. Key issues that emerge from its development that are particularly relevant to Mittweida and Altenburger Land are:

- The city vision and strategic plan;
- The leadership and public private partnership fostered by local government;
- The development of key infrastructure in collaboration with universities;
- The focus on promoting SMEs from domestic and foreign sources and ensuring good collaboration between these;
- The focus on both manufacturing and service business as well as cluster development; and,
- The building of a model approach similar to the one pursued in Timisoara.

Timisoara faces continuing development challenges in rooting its clusters and foreign investment in the economy and in helping SMEs to undertake more value added production. With its active local collaborative and partnership approach and history of innovation in policy and implementation it seems well placed to meet these challenges.

Contact details and websites for further information

The National Agency for SMEs and Co-operation <http://www.animmc.ro>

Regional Development Agency (RDA) <http://www.adrvest.ro>

ADETIM (Economic Development Agency of Timis County) <http://www.adetim.ro>

Chamber of Commerce of Timisoara <http://www.cciat.ro>

Romania Factbook 2004 and 2005 by Investor Services <http://www.factbook.net>

'Enterprise Policy Performance Assessment – Romania, OECD, 2002 and 2005' <http://www.investmentcompact.org>

'Clusters of Enterprises and the internationalization of SMEs, The Case of the Romanian Region of Timisoara' OECD LEED Programme, May 2004

THE ENTREPRENEURSHIP POLICY DELIVERY FRAMEWORK

By Andy Pike, United Kingdom

Introduction

With reference to the entrepreneurship policy delivery frameworks in the Districts of Altenburger Land (Thuringia) and Mittweida (Saxony), this report reviews the strengths and weaknesses of the current arrangements, identifies recommendations for adjustments to policy delivery methods, and details learning models of entrepreneurship policy delivery from North East England (UK), North Jutland (Denmark), and Ontario (Canada). In conclusion, several strategic issues are identified concerning the purposes of entrepreneurship policy, the development of a distinctive and more locally appropriate model of entrepreneurship and the appropriate institutional mechanisms and scales for entrepreneurship policy delivery.

Strengths and weaknesses

The constraints upon entrepreneurship policy outcomes in the two districts reflect their shared context of deep seated local economic conditions that are largely beyond the influence of local institutions especially in the short to medium-term. Historically, the highly restricted and limited space for private income generation under the GDR system prevented the accumulation of private capital. After unification, individuals and businesses were left with a limited capital base and insufficient equity capital to provide collateral for borrowing. This left them reliant upon bank credits and vulnerable to changing interest rates. Low levels of investment and debt service payments generate weak profitability amongst existing firms, further limiting capital for reinvestment.

The evolution of the local industrial structure has further militated against the success of policy interventions to exploit opportunities for start-ups and SME business growth. The current local growth industries are capital intensive, specialised and part of sophisticated supply chains, for example auto components, agro-food, plastics and, to a lesser degree, textiles. The weak local capital base limits start-up potential and opportunities for new entrants to break into existing production relationships with lead firms. Given the limited capital base, there has been a proliferation of service business start-ups in activities with low barriers to entry and low capital requirements, including cleaning, childcare and gardening. Some of which have been supported through the *Ich AG* self-employment scheme operated by the Public Labour Office. Such businesses can exhibit a degree of resilience in their survival rates but are largely low productivity, labour intensive activities. Such businesses are not unwelcome in the context of high local employment but their fortunes are tied to the currently depressed macroeconomic conditions in Germany and the lack of local purchasing power to support markets for goods and services.

The large scale of local deindustrialisation after 1990, for example over 24,000 jobs were lost in traditional industry closures in Mittweida, generated high levels of unemployment that have persisted. This has raised the question of the social and cultural adjustment required by

redundant former state-owned employees to become entrepreneurs. Engrained feelings of uncertainty, fear of failure and insecurity are associated with business ownership. Job search for employment is preferred even in a slack local labour market. Self-employment may not be an attractive or viable proposition for a 50 year old former mechanical engineer. In addition, nurturing the next generation is difficult. A cohort of entrepreneurs was lost upon re-privatisation in the early 1990s of family-owned businesses nationalised under GDR in 1972, craft and trade skills are not being reproduced due to the declining uptake of apprenticeships and, in Mittweida, retaining graduates from the University is difficult since many potential entrepreneurs return to their home districts to found new businesses.

The policy cycle concept can help analyse the strengths and weaknesses of policy delivery frameworks. The policy cycle identifies four linked stages: problem definition, design, delivery and, connecting through feedback to the earlier stages, evaluation.⁵

Problem definition

Both districts have clear understandings of their entrepreneurship problems, and the context of local economic constraints. Altenburger Land and Mittweida suffer from the particular historical legacy of transition from the centrally planned economy of the GDR following unification in 1990.⁶ Since 1990, the development trajectories of the districts have been marked by local contexts of low GDP and incomes per capita, high unemployment (particularly amongst older and lower skilled people), reliance upon declining traditional industries, an 'employee' rather than 'employer' culture, low levels of business start-ups, a 'branch plant economy' resulting from increased external ownership post-privatisation, increased competition for mobile investment from new EU Member States in central and eastern Europe, adverse demographic changes (including declining population through emigration and low birth rates, falling numbers of school leavers and ageing), and a declining fiscal base. Such conditions present a highly challenging local context for entrepreneurship policy and are clearly recognised by the relevant local institutions. Both districts lack the high rates of population in-migration and high proportions of employment in small firms that are positively linked to high new firm formation rates.⁷ High unemployment, in particular, underpins a need for high levels of job creation but this priority may create a degree of mismatch with the need for sustainable and viable entrepreneurship and business development.

Policy design

While the local entrepreneurship problems appear well understood, local policy design capacity is somewhat fragmented and under-developed. Many initiatives are driven 'top-down' from the Land level with varying degrees of local discretion and input. The ability to identify local priorities is relatively constrained, partly reflecting the breadth and magnitude of local economic challenges, and the fragmented availability of funding. Systematic analysis of the evidence base, appraisal of policy options and targeting are lacking. Co-operation between local institutions for policy design is evident but somewhat limited. Policy design relationships appear

⁵ Prime Minister's Strategy Unit (2004): "Strategy Survival Guide, PM Strategy Unit", London (<http://www.strategy.gov.uk/>).

⁶ Fritsch, M. (2004): "Entrepreneurship, Entry and Performance of New Businesses Compared in two Growth Regimes: East and West Germany", Discussion Paper on Entrepreneurship, Growth and Public Policy, Max Planck Institute for Research into Economic Systems, Jena.

⁷ Acs, Z. and Storey, D. (2004): "Introduction: entrepreneurship and regional development", in: *Regional Studies*, 38, 8, pp. 871-877.

to work vertically between Land and District rather than horizontally between partners within the District or between Districts. Co-ordination and integration opportunities may be missed as a result. The overall approach is more characteristic of a narrower SME support policy rather than a more broadly-based entrepreneurship policy.⁸ SME support policy focuses purely on the needs of local SMEs. Entrepreneurship policy, in contrast, commonly incorporates a much wider focus and seeks to support and encourage entrepreneurship amongst the wider population, including schools, colleges and universities, as well as the existing stock of SMEs. Policy design relies upon relatively generic instruments, for example subsidised accommodation, with limited relation to the local context. The different levels of eligibility for national and EU regional policy support in the districts reflect their different relative levels of prosperity. In 2003, while the GDP per employee in both districts is significantly less (around 73%) of the German national level (EUR 55 546), Mittweida (EUR 42 937) is above the average for Saxony (EUR 40 629) and Altenburger Land (EUR 38 378) is below the average for Thuringia (EUR 40 309).⁹

Economic promotion and regional development is a main task at the district level. However, business support is a voluntary task that has to be funded within the district administration's existing budgets. Competition for funds with mainstream statutory services is evident. The policy focus is broadly supply-side, emphasising infrastructure and a 'site and service' approach to support for SMEs, including the provision of business location information, business premises, financial aid and relevant contacts for local expansions, start-ups and relocations. There is some utilisation of industrial zones. In addition, in the context of the German public administration system, a key focus is integrating and reducing administrative burdens, for example building approval procedures, to facilitate business settlement and expansion. Both districts have focused on this activity and achieved a degree of success.

Policy delivery

Two different policy delivery models exist in Mittweida and Altenburger Land. Saxony utilises a three-level structure with a regional tier authority (*Regierungsbezirke*) working between the Land and the Districts. Thuringia operates a two-level structure with direct relations between the Land and the Districts. The key issue shaping the effectiveness of the different models is the extent to which district priorities can be articulated and reflected in Land level strategy and policy. At the district level, the key partners comprise: District Administration, Town and Commune Councils, Land Development Company, Chamber of Industry and Commerce (*Industrie- und Handelskammer*), Chamber of Crafts (*Handwerkskammer*), Local Association of Crafts, Public Employment Service, banks (especially the Savings Bank (*Sparkasse*) and Land Development Banks (TAB and SAB), local businesses and communities. Both districts are active in regional management through either a Regional Management or by participating in *InnoRegio*, supported by the joint Federal and Land-funded joint government programme "Improvement of Regional Economic Structure" (*Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur-GA*). In Mittweida, additional key partners are the University of Applied Sciences and the Technology Park. Other sub-regional institutions operating above the district level also play a role locally in specific policy areas, including the Saxony Economic Development Corporation, Association of Labour and Economy Support of Thuringia, the Chambers of Industry and Commerce in East Thuringia and South West Saxony, and the Chambers of Craft East Thuringia and Chemnitz.

⁸ Stevenson, L. and Lunström, A. (2001): "Patterns and Trends in Entrepreneurship: SME Policy and Practice in Ten Economies", Swedish Foundation for Small Business Research, Stockholm.

⁹ Regionomica (2005): "Local Diagnostic Report for Districts Mittweida (Saxony) and Altenburger Land (Thuringia)", Regionomica, Berlin

The districts are embedded within Land level economic promotion structures to a greater and more effective degree in Mittweida (Saxony) than Altenburger Land (Thuringia). As part of its Eastern periphery, located on the Land border and formerly part of Saxony, institutions in Altenburger Land felt marginal to the decision-making centre in the Thuringian capital of Erfurt. This context has bred traditions of self-reliance and proactivity, however. For both districts, the key local partners are well known and established, although not necessarily formalised into partnerships. The lack of institutionalised relations is interpreted positively because it provides flexibility for partners to build relationships around specific issues. Each district is relatively small, contacts are well known to each other and information is exchanged easily. Effective joint working and positive relations are evident with little evidence of duplication. Institutions 'signpost' the contacts and services of local partners to prospective businesses. Coterminous institutional boundaries exist in some cases and support joint local working, for example the district and the Savings Bank (*Sparkasse*), and, in Altenburger Land, the Public Employment Office.

The close, local linkages and networks between the main public authorities and agencies and local businesses provide deep local knowledge and support policy delivery effectiveness. Contacts with business are informal and irregular but often highly useful. The German model of mandatory business membership in either the Chamber of Industry and Commerce or the Chamber of Crafts for non-free-lance and non-agricultural activities is especially important. The Chambers are an authoritative and key local partner, specifically in business plan scrutiny and counselling for publicly supported start-ups, and its close business contacts allow timely interventions and intermediation with banks to prevent business insolvencies and safeguard employment.

In addition to the strengths, a number of weaknesses are evident in the current policy delivery arrangements. There is limited capacity to maintain sufficiently close and timely linkages with local businesses to replenish understanding of local business needs on an ongoing basis. Resources and time to develop broader sub- or regional programmes are lacking. Local institutions are mostly limited to discrete project-oriented co-operation. Co-ordination between districts is low and offers possibilities for further projects and initiatives following the example of Altenburger Land and Leipziger Land. The voice and ability of local institutions to influence Land level decision-making is limited and uneven. The co-ordination and integration of business support institutions is not always sufficiently obvious and clear to local businesses. Firms often have to develop their own networks to find their way through the system. Finally, in sum, local institutions have struggled significantly to enhance the competitiveness of local businesses and the pooling of enterprises into a dynamic and entrepreneurial local platform for growth.

Policy evaluation

Evaluation activity is focused at the level of specific projects and programmes, especially enumerating outputs. There is less evidence of systematic assessment of the broader outcomes or impacts of projects, the ways in which projects have complemented or duplicated individual initiatives, and the extent to which evaluations feed back improvements into the earlier problem definition, design and delivery stages of the policy cycle. Barriers and under-exploited opportunities are not systematically identified and there is limited evidence of the adjustment of policies to the local context. Business association assessments emphasised the time consuming and costly bureaucracy necessary to obtain permissions from public authorities. Amongst others, trade associations claimed displacement effects from the "*Ich AG*" self-employment scheme through increased cost competition with existing trade businesses.

Good practices in Mittweida and Altenburger Land

There are several examples of 'good practice' in the policy delivery arrangements in Altenburger Land and Mittweida:

Technology Park in Mittweida

The Technology Park in Mittweida successfully captures local spin-off businesses and connects knowledge transfer activities from the University of Applied Sciences. It works as a business incubator offering shared services, ranging from technical infrastructure to consultancy, and takes a proactive approach to soliciting appropriate tenant firms. The Park is well established and connected with key local sectors in electronics and electrical engineering, laser technology and specialised machinery. Its activities extend beyond the district border in networks with 21 other Technology Parks in Saxony. Strong co-ordination is evident with local agencies to ensure expanding tenant firms stay local and relocate within the district. The District Administration is a key financial partner, and it utilises EU Structural Funds support.

InnoRegio

At the sub-regional level around Mittweida, there has been successful utilisation of a Federal Programme *InnoRegio* with *INNtex* and *InnoSachs* to promote innovation and adjustment in traditional indigenous industrial sectors, for example mechanical engineering and textiles. The two projects seek to pool local SME potential and improve international competitiveness through production co-operation, joint marketing and innovation, especially using IT. The aspiration is to support SMEs to move into higher value-added markets with higher productivity potential (e.g. technical textiles for the automotive and medical services sectors). Activities include supported and developed network building between production, sales and distribution, and consulting businesses, designers, research and educational institutions. In particular, closer SME, college and university co-operation has been encouraged for knowledge transfer. Central to the projects' success has been the utilisation of an existing industry association with close relationships to SMEs as the programme leader and the matched funding support model with public and SME contributions. Further inter-regional co-operation across national borders into the Czech Republic and Poland has also been established. Both projects have been successful in fostering and strengthening co-operation between local business support institutions, higher educational institutes, local businesses and the district administrations in the neighbouring Districts Mittweida and Döblin following the principles of mutual interest and reciprocity. It is important that information exchange between *InnoRegio* projects is fostered and the necessary external funding of these regional networks is continued until self-sustainability is reached.

Public procurement

Public procurement has been used effectively to stimulate local demand and business development. Close co-operation between local public bodies and the Chambers of Craft has encouraged local public authorities to deploy their purchasing power through restricted tenders and to let public contracts to local firms on a competitive basis. Such 'creative' public procurement can reduce contract sizes and values, and include particular specifications that do not contravene EU competition rules or undermine wider economic efficiency but may enhance the ability of local businesses successfully to compete for the contracts.¹⁰ In addition, local

¹⁰ Morgan, K. and Morley, A. (2002): "Re-localising the Food Chain: The Role of Creative Public Procurement", the Regeneration Institute, Cardiff University.

contractors may be more able successfully to deliver on smaller scale contracts. The local benefits generated by such procurement practices outweigh the increased transaction costs and administration.

Recommendations

A number of general and specific recommendations for adjustments to the current policy delivery arrangements in Altenburger Land and Mittweida flow from the analysis.

Establish a vision and strategy for entrepreneurship policy. Whether a key priority within or distinct from a broader local economic development strategy, a clear and mutually agreed strategy for entrepreneurship aims to formalise the aspirations and co-operation of key partners locally. It should be the product of public debate, deliberation and consensus building amongst relevant local institutions, as well as consultation amongst relevant communities, and seek to develop a comprehensive and integrated approach. A medium to long-term focus is preferable, as sustained and evolving approaches to local development have proved successful elsewhere as the North Jutland learning model demonstrates below.¹¹ An authoritative local strategy may better communicate and promote the interests of the districts in the Land context, for example as proximate, well connected and lower cost business locations, particularly given air and road infrastructure upgrading, in the context of adjacent growth areas in the Dresden-Leipzig-Chemnitz triangle. Each district is potentially able to capture the growth spill-overs from these areas, especially Leipzig for Altenburger Land and Chemnitz for Mittweida. Localised inflationary pressures in capital, labour and land markets in the main growth centres are likely to encourage businesses to consider decentralising their activities in search of more competitive wage and commercial space rates. Local institutions need to ensure the local supply-side of the economy is attractive, for example in the skills and productivity of labour and the appropriateness and quality of commercial accommodation. Currently, the districts have developed visions but it is unclear how widely communicated and how authoritative they are amongst local institutions. Such strategies appear to exist within rather than being shared between institutions at present. This allows some scope for institutions to work on their own strategies with a degree of isolation when greater co-operation may be more effective. A strategy building exercise, including consultation with the relevant stakeholders and drawing on the experience of North East England discussed below, could be used to start this process. Once established, the strategy can be translated into an action plan with clear priorities and roles for partners, timescales and resources. A formal lead body or new partnership may be established to bind the key partners into the collective project and act as the custodian of the strategy.

Enhance institutional integration and co-ordination. At the strategy and policy development level, key local partners may benefit from more formalised joint working, for example using the kind of partnership models deployed in the North East England and North Jutland learning models below.¹² While offering a degree of flexibility and built upon well established local contacts, the relatively informal, issue-based and *ad hoc* current system raises questions about how institutional relations and contacts renew themselves over time and maintain their problem solving capacity. Policy integration and co-ordination may benefit from a more systematic and institutionalised approach while utilising institutional models that preserve local flexibility. In particular, if a joint vision and strategy for entrepreneurship is developed, a

¹¹ Pike, A., Rodríguez-Pose, A. and Tomaney, J. (2006): "Local and Regional Development", Routledge, London.

¹² Benington, J. and Geddes, M. (2001): "Partnership in the European Union", Report for the European Foundation for the Improvement of Living and Working Conditions, Dublin.

local partnership may provide the vehicle and custodian to progress its implementation as well as a policy champion to encourage further simplification and streamlining of administrative procedures within local institutions as the Ontario learning model demonstrates below. In policy delivery terms, the clarity, transparency and communication of business support services for local entrepreneurs and businesses may be improved by the establishment of a single institutional identity or brand and gateway, for example using the 'One Stop Shop' model to provide a single and widely communicated information point for services. This provides a way of integrating and co-ordinating the current programme of activities and services offered by local institutions and is evident in both the North East England and Ontario learning models. A free public access website may further underpin this model, for example drawing upon the experience of the Virtual Start-Up Centre of the Chambers of Industry and Commerce in Thuringia or the joint Internet portal of Chambers of Industry and Commerce and Crafts in Saxony. A first step might explore the potential for more formalised joint working in a specific and discrete policy area before examining the support for establishing more broadly-based partnerships.

Adopt the policy cycle methodology. The four linked stages – problem definition, design, delivery and evaluation – underpin a potentially stronger and more systematic approach to entrepreneurship policy. For example, information gathering and analysis of the local evidence base to inform policy interventions and review existing arrangements – as demonstrated in the North East England learning model. Identification of better and more appropriate performance indicators may be appropriate. For example, measures of dynamism (e.g. business start-ups, exits, growth firms), social value attached to entrepreneurship (e.g. public opinion surveys), and reduced administrative burden (e.g. time and cost for business registration, hiring first employee).¹³ Policy evaluation activity could also be enhanced with greater attention to systematic assessment of outcomes and impacts of projects, the interaction and complementarity between projects, and the use of evaluations to feed back improvements into the earlier problem definition, design and delivery stages of the policy cycle. The policy cycle also includes a more forward looking policy development approach. This may begin to foster a more proactive approach locally that may be more future-oriented rather than reactive in its responses to local economic change and Land level initiatives. Local institutions may seek to build on their current activities, drawing on medium-term forecasting approaches, like the one undertaken by the District Administration in Mittweida, and undertake more comprehensive and far reaching local 'Foresight' or 'Strategic Futures' exercises, for example envisaging the districts in 2020.¹⁴

Tailor policy to the local and regional context. Building a more systematic approach to policy development amongst local institutions provides an opportunity better to shape policy more effectively to address particular local and regional conditions rather than relying upon generic, 'off-the-shelf' instruments. The identification of specific regional priorities based upon indigenous strengths with growth potential is evident in the North East England and North Jutland learning models. For local institutions, this may involve seeking to establish local policy-making discretion within their competence in the Land context or using existing policies in different ways. Given the potential this creates for policy divergence and diversity, efforts will be required to maintain co-ordination and integration between different institutions working at different geographical levels. For example, given the high levels of local unemployment and the relatively weak performance in encouraging new business start-ups, a more locally appropriate

¹³ Stevenson, L. and Lunström, A. (2001): "Patterns and Trends in Entrepreneurship: SME Policy and Practice in Ten Economies", Swedish Foundation for Small Business Research, Stockholm.

¹⁴ See, for example, ONE North East Strategic Futures Exercise 'Shaping Horizons in the North East' (SHINE) at <http://www.shinenorthEast.co.uk>.

model of entrepreneurship may need to be developed better suited to the aspirations and needs of local people. An associative or co-operative model of entrepreneurship may have the potential to work with the grain of local attitudes and beliefs towards entrepreneurship with more success than the individualistic and risk-oriented Anglo-American model.¹⁵ Given the traditions of mutual aid and social solidarity characteristic in the former GDR regions ("*Bezirke*"), associative and socially-oriented entrepreneurship may warrant further attention as a locally specific policy response in both districts. Identifying opportunities for tailoring policy to the local and regional context could be embedded within the strategy building exercise discussed above.

Establish clear priorities. An entrepreneurship strategy, local institutional framework and systematic approach to locally-oriented policy provide a means for identifying key priorities. Namely, clear views on the sectors, businesses (e.g. technology-based and/or high growth potential), social groups (e.g. women, young people) and places to be prioritised. A clear focus can help local institutions to be more discerning about the quality of entrepreneurship, potentially seeking to encourage and support those entrepreneurs and businesses with growth and sustainability potential. The Ontario learning model illustrates the role of targeting in its small business growth policy. Although given the high unemployment rates in Altenburger Land and Mittweida, Federal and local pressures to orientate entrepreneurship policy toward creating jobs (almost irrespective of quality) and reducing the numbers and income losses to benefit claimants are likely to persist. Local priorities may strengthen the emphasis upon mobilising indigenous potential rather than chasing mobile investment through public subsidy. The articulation of local priorities, embedded in the strategy, sends clear signals about the kinds of activities sought both to local and external partners and to potential entrepreneurs and investors. In particular, it can underpin attempts to capture the local growth spill-overs associated with 'clusters' of related industries and institutions with high productivity, export competitiveness and local wealth creation potential.¹⁶ Both districts have clear potential to develop local specialisms and build further upon current policy support, for example plastics in Altenburger Land and laser applications in Mittweida by using the GA Programme. Priority policy areas can also be targeted at key needs and/or bottlenecks locally, for example developing micro-finance instruments together with local financial institutions to address the weak capital base of local SMEs, and extending current knowledge transfer activities to encourage innovation in SMEs, particularly in Altenburger Land. In the context of Land Development Plans, local planning strategies might be used in more strategic ways, further developing the existing designation of key sites to target specific kinds of activities, and building on the local commitment to think beyond the district border to co-operation opportunities with other institutions.

Enhance policy co-operation and co-ordination. A broader entrepreneurship strategy may necessitate further co-operation and co-ordination in functional policy areas between local institutions at the district level. In many key areas, the district may prove too small a geographical area for effective policy development and delivery. Looking beyond the district boundary may provide a stimulus to collaboration, innovation and joint working. The regional level was considered appropriate in the North East England case. Such initiatives may build upon the example of the formal business support co-operation agreement between Altenburger Land and Leipziger Land and its long-term plans for the establishment of a common business support association to cover both districts, and the supra-district co-operation with a wider geographical scope and partners promoted by the "GA Investment Promotion Programme"

¹⁵ Scott Cato, M. (2004): "The Pit and the Pendulum: A Co-operative Future for Work in the Welsh Valleys", University of Wales Press, Cardiff.

¹⁶ Potter, J. (2005): "Local innovation systems and SME innovation policy", in: SME and Entrepreneurship Outlook, OECD, Paris, pp. 127-142.

around Mittweida. The *InnoRegio* projects exemplify the type of policy co-operation and co-ordination that could be more widely disseminated and practised. Indeed, the information exchange between the *InnoRegio* projects needs further support and resources to encourage the longer term sustainability of these networks. For financial instruments, the joint venture capital fund developed by the *Sparkasse* in Chemnitz and Mittweida offers another example of cross-district working. Developing potential linkages to the wider technology support infrastructure and regional universities is especially important for Altenburger Land. Building upon existing and identifying new opportunities for co-operation and co-ordination in specific policy areas can provide the starting points for enhancing policy.

Encourage institutional and policy innovation. Developing a new strategy, institutional co-operation and establishing locally-oriented policy priorities suggests the need for openness in supporting institutional and policy innovation. As the North East England and North Jutland learning models demonstrate, experimentation may be required to pilot new initiatives and promote what works best for policy delivery for the key partners locally. Examples include the cross-territorial networks for local development working across administrative boundaries supported through the *InnoRegio* projects and the *Studium Plus* pilot project for knowledge transfer between the HEI and local businesses in Altenburger Land. Several other potential sources of such innovation may be explored further in the respective districts, including: a commercialisation arm for the University of Applied Sciences (Mittweida) to allow it to take a financial stake in new businesses established with its support and benefit from future income streams; an emphasis upon sustainable development in developing the food sector link to the biogas plant in Altenburger Land; promoting higher levels of women's entrepreneurship¹⁷, especially in Altenburger Land where the share of women founding sole proprietorships is above the level for Thuringia¹⁸; developing a graduate retention programme to embed the talented and skilled to develop businesses in the district¹⁹; organising university alumni as business angel investors and mentors for new entrepreneurs and businesses; establishing a school and university entrepreneurial role model programme; and, extending a peer coaching programme perhaps supported by retirees and successful entrepreneurs, drawing on the experiences of the Chamber of Commerce in Chemnitz and Gera.

Conclusions and strategic issues

Overall, the entrepreneurship policy delivery frameworks in Altenburger Land and Mittweida are strong on problem definition, local contacts, positive institutional relations, flexible joint working, and local knowledge. Examples of good practice are evident in the Technology Park (Mittweida), the *InnoRegio* projects *InnTEX* and *InnoSachs*, and public procurement. Weaknesses and areas for improvement include policy design and evaluation, delivery capacity and resources, co-operation (especially between districts), voice and influence at Land level, co-ordination and integration of support services, and the ability significantly to enhance local business competitiveness. Key recommendations for adjustment comprise: establish a vision and strategy for entrepreneurship policy; enhance institutional integration and

¹⁷ OECD (2004): "Promoting Entrepreneurship and Innovative SMEs in a Global Economy", OECD, Paris.

¹⁸ Regionomica (2005): "Local Diagnostic Report for Districts Mittweida (Saxony) and Altenburger Land (Thuringia)", Regionomica, Berlin.

¹⁹ Allinson, G., Charles, D. R., Conway, C., Quinn, P. and Stone, I. (2003): "Evaluation of Graduate Retention Programmes in the North East", report for One NorthEast, CURDS, University of Newcastle Upon Tyne.

co-ordination; adopt the policy cycle methodology; tailor policy to the local and regional context; establish clear priorities; enhance policy co-operation and co-ordination; and, encourage institutional and policy innovation. The international learning models emphasise analysis of the evidence base and policy delivery framework review (especially its geographical scale), development of clear strategy and region-specific priorities, establishment of a lead organisation and institutionalised partnership, and openness to broader forms of entrepreneurship, especially social enterprise (North East England); development and evolution of long-term strategy and priorities based on indigenous growth potential, public-private institutional delivery partnerships, and ongoing policy and institutional innovation (North Jutland); and, entrepreneurship strategy and institutional leadership at the federal and Land levels, strong relations and co-ordination between institutional levels, and entrepreneurship and innovation policy synergies (Ontario).

Several strategic issues for entrepreneurship policy delivery in Altenburger Land and Mittweida arise from the analysis. First, what is the purpose of entrepreneurship policy in the context of persistently high levels of local unemployment? An appropriate balance and connection needs to be found between entrepreneurship activities focused upon job creation and those concerned with sustainable business development. If the priority is job creation then particular forms of intervention might be explored, for example helping the establishment of businesses to support publicly subsidised intermediate labour markets to provide skills and 'employability' training, and equip especially the long-term unemployed with the capacities to re-enter the labour market²⁰. If the priority is sustainable business development then at IEast some attention and resources need to be directed towards ensuring that the potential local workforce, especially those currently unemployed, can participate through training and skills development relevant to local business needs. Clarifying the strategy and priorities for entrepreneurship policy is required initially as part of resolving this issue.

Second, can a distinctive East German – or even Saxon or Thuringian – model of entrepreneurship be developed better to reflect the attitudes, beliefs and aspirations of local people? The local traditions of mutual aid and support have bred social resilience and a key issue is how to adapt the policy delivery framework to channel this toward entrepreneurial activity, perhaps drawing upon the successful and replicable characteristics of businesses that have thrived since unification. Attempting to implant the Anglo-American model risks echoing the post-unification privatisation of the East German economy that rankled locally due to the perceived imposition of western European or German values on the East. In the context of limited capital and disposable income to support the consumption of purely market-oriented activities, support for forms of 'not-for-profit' social enterprise could be explored to mobilise the local population in gainful activity that meets currently unmet or underserved social needs, for example – as the North East England learning model illustrates – child and elderly care, environmental improvement and recycling.²¹ Such activities may mobilise the entrepreneurial talents of sections of the population disillusioned with market-based activities and allow them to practise and acquire new skills. Identifying and learning from examples of successful social enterprise in the East German and broader EU context is an initial starting point.

Last, what are the appropriate institutional mechanisms and scales for policy delivery? The international learning models suggest a number of institutional structures, such as formalised partnerships, that might underpin co-operation and co-ordination, and encourage local

²⁰ McQuaid, R.W. and C. Lindsay (2005): "The concept of employability", *Urban Studies*, 42, 2, pp. 197-219.

²¹ Department of Trade and Industry (2002): "Social Enterprise: A Strategy for Success", Department of Trade and Industry, London.

innovation. A critical question is the geographical scale at which such institutions operate. If the district level is too small, then ways need to be developed better to co-ordinate and integrate policy horizontally between districts and vertically with the Land. The expected shift of economic promotion activities to the supra-district level, encouraging co-operation and co-ordination, will underpin this re-evaluation of the most suitable geographical scales for organising specific interventions. For other areas relevant to entrepreneurship policy, for example technology and knowledge transfer policy, even wider geographical scales of operation may be appropriate, linking and networking the relevant institutions in strategic areas. As part of the strategy building exercise discussed above, a review of the existing institutional structures and arrangements is required to assess its appropriateness to delivering the new strategy and priorities.

International learning models

North East England, U.K.

Description of the approach

Following an extensive consultation process concluded in 2001, the focus and geographical scale of operation and institutional architecture of the entrepreneurship policy delivery framework has been reorganised in North East England. A clear five-year regional strategy has been established by the Regional Development Agency (ONE North East) and is being implemented by the North East Business Support Network, with focused activities and clearly established priorities.²² Operating as a broadly-based entrepreneurship policy, the vision seeks to create a more entrepreneurial society with a diverse mix of new and developing businesses. The strategy aims to develop the region's enterprise culture, increase new business start-ups, encourage business survival and address the specialised needs of the region's high growth businesses. Drawing upon an evidence-based approach, and in recognition of the particular issues in the North East, it also aims to increase the numbers of women and people from disadvantaged communities starting new businesses. The strategy connects with the priority given to enterprise support in the regional development agency's (RDA) Regional Economic Strategy and the national Small Business Service's emphasis upon business competitiveness. The enterprise strategy forms part of the Entrepreneurial Culture priority theme within the Regional Economic Strategy, comprising a programme budget of GBP 24 million (EUR 35 million) (9.5% of total RDA expenditure) for 2004-05. The strategy provides a framework for the co-ordination and direction of enterprise support activities in the North East region. Reorganisation of the policy delivery framework aims to expand the pool of people positively disposed to entrepreneurship, increase the new business start-up rate, develop more effective mechanisms to support business survival and enhance support for high-growth businesses. Mobilising the collective resources of key regional and local agencies is central to the strategy, including Business Links, Enterprise Agencies, banks, business associations and the education sector. Formal partnerships are used to embed co-operation between key regional institutions.

Why the approach is relevant to the two districts

North East England shares a position as an old industrial region undergoing a prolonged economic transition marked by the contraction of its traditional industries and shift toward a private and public service-based regional economy. In the context of low levels of GVA per

²² ONE North East (2001): Everybody's Business: The North East of England Enterprise Strategy, ONE North East: Newcastle Upon Tyne.

head, high unemployment and low levels of business start-ups in the UK context, enterprise and the creation of new businesses have been longstanding policy priorities. While less stark than the post-unification economic transition in East Germany, the experience of North East England is relevant because of its old industrial history, employee culture and weak entrepreneurship. High unemployment in East Germany and North East England creates an entrepreneurship conundrum. High levels of job creation are required to reduce unemployment. Yet simply encouraging more and perhaps less educated and skilled people to start new businesses may displace existing firms through low cost competition and prove unsustainable.²³ Decades of enterprise policy have had limited effect upon entrepreneurship in the North East. Significant problems exist, including low rates of business start-up, limited business stock, significant business failure rates, under-representation of women and disadvantaged community entrepreneurs, low cultural valuation of entrepreneurship, and limited support for high-growth businesses.

Reasons for the success or failure of the approach

A key drive has been the need to integrate and co-ordinate business support more effectively to reduce fragmentation and competition between providers, improve the quality and consistency of service provision and remove actual and perceived administrative barriers. A common regional approach is being developed to segment the market for business support and tailor services to the diverse range of new and existing businesses. The shared *regional* focus is considered necessary to achieve the required step change in performance. The North East Business Support Network was established in 2004 to develop the new business support delivery model and simplify routes to business support in the region. The governance and funding of Business Links has passed from the Small Business Service to the RDA, and has shifted their geographical policy delivery focus from the local to the sub-regional level, mirroring the RDA's four sub-regional partnerships in Durham, Northumberland, Tees Valley, and Tyne and Wear. The previous local focus led to fragmentation and duplication. Business Link acts as a broker and provides a 'One Stop Shop' single entry point and seamless connection to a wider network of service providers.

The obstacles that were faced and the quality of the response taken

The new policy delivery arrangements have received a positive assessment.²⁴ However, the continued limited degree of success in promoting entrepreneurship – the North East still lags behind the national average across key entrepreneurship indicators – has encouraged consideration of a wider range of routes into enterprise, including intermediate labour markets and social enterprise, and a focus upon reducing or removing barriers to participation. Linking with the national policy framework,²⁵ growing social businesses to meet local community needs and, with public subsidy, to provide training opportunities, has achieved some success, for example in child and elderly care, environmental improvement and recycling. In policy delivery terms, the drive for integration and simplification has struggled to reduce the number of

²³ Greene, F. J., Mole, K. and Storey, D. J. (2004): "Does more mean worse? Three decades of enterprise policy in the Tees Valley", *Urban Studies*, 41, 1207-1228.

²⁴ North East Assembly (2003): *Strengthening Regional Accountability in the North East*, NEA: Newcastle Upon Tyne.

²⁵ Neighbourhood Renewal Unit (2001): *Jobs and Enterprise in Deprived Communities*, NRU: London.

organisations and programmes. Many entrepreneurs and new firms still claim the system is complex and confusing.

Considerations for adoption of this approach in the two districts

The North East England experience suggests a number of issues for Altenburger Land and Mittweida that echo the main recommendations, including:

- Following the policy cycle model, the need systematically to review the evidence base to define the problem and review the existing policy delivery framework;
- Echoing the strategy and vision sensitive to particular local and regional needs, the development of a clear strategy and priorities based on region-specific problems;
- Enhancing institutional co-ordination and integration through the reorganisation of the institutional architecture, creating a focal and lead institution responsible for co-ordination and integration through formalised partnerships to embed co-operation;
- Following the policy cycle model, rethinking the scale at which entrepreneurship policy is designed, developed and delivered (especially if the district level is too small, then cross-district integration and joint working may need to be explored); and,
- Recognising that conventional business entrepreneurship may yield only limited results given the particular local contexts and histories, and the need for innovation and greater openness to the wider range of routes into entrepreneurship, especially social enterprise, that may be necessary.

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North Jutland, Denmark

Description of the approach

Broader and more innovative than the traditional 'site and service' technology park model, the NOVI Science Park – Nordjyllands Videnpark A/S – acts as a science park, innovation environment and venture capital provider. North Jutland County Council has played a lead role through its close links to Aalborg University in technology-based regional development

programmes (e.g. Nortek, Digital North Denmark), particularly in electronic engineering. Both institutions co-operated to establish the NOVI Science Park as a beacon for industrial development and connection between research and production in the late 1980s. NOVI's vision is to create competitive Nordic businesses. It has evolved from its initial 'Knowledge Centre' function, pioneering the use of its own share capital for financing early stage product development. Appointment as a venture capital company by the Danish Commerce and Companies Agency, with a credit facility of DKK 60 million (EUR 8 million), broadened its focus from site and service toward business development.²⁶ NOVI Innovation, established in 1998, now works independently within NOVI as an innovation environment for new knowledge-based businesses, evaluating project proposals, undertaking pre-projects and supporting the launch of new companies. NOVI Innovation is now a national player with a DKK 500 million (EUR 67 million) capital base and investment portfolio in new and expanding IT, biotechnology, medical/health care and energy/process optimisation businesses.

Why the approach is relevant to the two districts

North Jutland is an old industrial region that has nurtured a successful high technology-led development strategy. Ongoing rationalisation of its traditional industrial sectors in cement, engineering, food processing, shipbuilding and textiles, unemployment persistently above national levels and weak population growth, underpinned a regional crisis in the late 1980s and prompted the actions of local institutions²⁷. A clear regional strategy was developed tailored to distinctive regional strengths and built upon its trajectory of regional structural change during the 1990s, driven by specialisation in electronics, especially wireless communications technology, as well as IT service and software development, printed circuit boards, and biomedical technologies. North Jutland's experience is instructive for entrepreneurship policy delivery in East Germany because of the common context of structural change in its traditional employment base, and it reinforces the importance of a long-term and sustained strategic framework, local institutional co-operation and the focus upon growing and mobilising indigenous high-technology potential through a lead technology-based institution – the NOVI Science Park.

Reasons for the success or failure of the approach

NOVI is co-located and works in close co-operation with Aalborg University, emphasising commercialisation and the establishment and incubation of knowledge-based companies. Innovation consultants are used to bridge institutional boundaries and underpin the process of knowledge transfer. From its inception, the total budget for NOVI has been DKK 244 million (EUR 33 million), including DKK 89 million (EUR 12 million) of EU Structural Funds. NOVI has 50 tenant companies, including SMEs, R&D activities of existing businesses, commercial service businesses and public trade and industry agencies. Key local linkages for NOVI include the umbrella organisation for the wireless technology cluster NorCom and the Centre for Teleinfrastructure (CTIF), established in 2004 with private and public funding, focusing research on alternative future wireless infrastructure models.

²⁶ Jespersen, J. (2003): NOVI Science Park, Best Practices in Regional Competitiveness Seminar, October, Sheffield.

²⁷ Dalum, B. (2005): North Jutland: Not Peripheral Any More. Change of the Industrial Landscape During the 1990s, Paper for Regional Studies Association Conference, 28-31 May, Aalborg University.

The obstacles that were faced and the quality of the response taken

NOVI and North Jutland's economic regeneration has achieved some success, supporting and nurturing the structural change in the region through institutional co-operation. North Jutland's wireless technology competencies were recently ranked with Helsinki (Finland), Sophia Antipolis (France) and Stockholm (Sweden) while offering a relatively more cost effective location.²⁸ Further restructuring in traditional and new electronics sectors and job loss has continued but, while acknowledging the local impacts of 'globalisation', North Jutland's institutions are consciously sticking to developing and evolving their long-term technology-based strategy to develop next generation technologies, for example biomedical and '4th Generation' communications technology, and identify growing niches for new and existing local businesses. Regional industrial policy has been reorganised around a regional growth council, reducing the number of policy making bodies from 8 to 6, and is seeking to establish a regional coalition around the new growth agenda.²⁹

Considerations for adoption of this approach in the two districts

The North Jutland case raises a number of issues for Altenburger Land and Mittweida that resonate with the main recommendations, including:

- Establishing a locally and regionally appropriate development strategy and vision that is open to ongoing innovation through the development and evolution of a long-term strategy, including the identification of specific regional priorities based upon indigenous strengths with growth potential;
- Enhancing institutional integration and co-ordination by institutionalised local co-operation and the integration of the local policy delivery framework through partnerships, establishing joint public and private responsibilities involving public authorities, business and trade unions; and,
- Encouraging ongoing policy and institutional innovation in evolving technology park activities to support incubation, commercialisation and early stage venture capital.

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²⁸ BM Business Consulting Services cited at <http://www.novi.dk>.

²⁹ Gjerding, A. (2005): Regional Industrial Policy and the New Agenda for Growth: The Case of North Jutland, Mimeo, Department of Business Studies, Aalborg University: Aalborg.

Ontario, Canada

Description of the approach

In the context of the provincial development strategy that aims "to promote the transition of the Ontario economy towards those sectors and firms with the capacity to generate higher wage, higher value-added and environmentally sustainable jobs"³⁰, entrepreneurship is a key element. An explicit small business strategy has been developed emphasising the sector's contributions to innovation, investment and employment creation in Ontario. The strategy connects to the late 1990s federal government review and policy shift toward deliberate targeting of the four per cent of existing businesses with growth potential rather than encouraging a general increase in total business start-ups. Reinforced by the political change in Ontario during the 1990s, the strategy emphasises reduced taxation, regulation and administration, equity financing and more efficient programme and service delivery. Policy targeting is evident, especially for women and aboriginal groups, but more limited than hitherto. In addition, the strategy connects entrepreneurship and innovation policy in its links to the provincial Research Commercialisation Strategy, including seed capital, to strengthen the local capacity to test ideas, encourage growth-oriented spin-offs and deepen research collaboration and technology transfer activities. Entrepreneurship and innovation promotion are wedded together within the strategies.

Within the province, services are differentiated by type of business and geographical coverage. Regional-level Business Advisory Offices operate in southern, eastern and central areas and focus on support to existing innovative and growth-oriented small businesses through Business Development Consultants. The more remote and less populated western and northern areas are covered by their own specific regional development agencies. At the sub-regional and local scales, a network of Small Business Enterprise Centres focuses on business start-ups and early stage business development. For example, Enterprise Toronto provides access to information services for new and existing SMEs, including business consulting services, management, marketing, technology and financing. Managed through the City of Toronto Economic Development Office, Enterprise Toronto is a public-private sector alliance providing a 'one stop sourcing' for services and programmes for entrepreneurs and small businesses in Toronto.

Why the approach is relevant to the two districts

Ontario is an old industrial region adjusting to de-industrialisation and trade liberalisation under the North American Free Trade Agreement while promoting innovation and a shift to a 'learning economy'. Ontario's experience holds important lessons for East Germany because it demonstrates the importance of affording small business strategic priority and institutional champions at federal and provincial levels; developing strong inter-institutional relations and co-ordination both vertically and horizontally within a Federal system; and, the need for formalised connections and synergies between innovation and entrepreneurship policies.

³⁰ Wolfe, D. A. and Gertler, M. (2001: 585): "Globalization and economic restructuring in Ontario: from industrial heartland to learning region?", in: *European Planning Studies* 9 (5): 575-592

Reasons for the success or failure of the approach

Economic development and small business development are constitutional jurisdictions shared by the federal government and the provinces. The historical focus on top-down, nationally-centred policy development and delivery has shifted toward a more decentralised system with greater provincial and municipal responsibilities since the 1990s. Policy development is supported at the federal level by Industry Canada – a portfolio organisation involving 15 federal Ministries and agencies – with a dedicated Small Business Policy Branch that provides strategic policy and programme advice at Federal, Provincial and Municipal levels. The Small Business Policy Branch is charged with implementing the Small Business Policy Agenda that aims to ensure the business environment is conducive to small business growth, and to target government resources more effectively to enhance small firm competitiveness and growth in a global economy.³¹ A shift in approach is also evident away from direct subsidy toward 'softer' forms of support, especially greater access to information. The joint federal and provincial policy and service delivery is through the Canada-Ontario Business Service Centre, a 'single window' institution, jointly managed by Industry Canada and the Ontario Ministry of Consumer and Business Services. The Centre provides information on federal and provincial business support programmes, services and regulations. It was designed to simplify and reduce barriers to SME access to programme information and reduce the costs to government of programme delivery.³²

The obstacles that were faced and the quality of the response taken

Nationally, Canada has a vibrant entrepreneurial culture, ranked second amongst the G7 countries,³³ and a US-inspired individualistic entrepreneurial model is favoured. The national entrepreneurial vibrancy is echoed in Ontario, particularly Toronto. Ontario was first in the recent ranking of small business potential by province.³⁴ However, many newly established small businesses are not growth-oriented and remain small, typically employing under four people. Policy has had limited impact in encouraging further growth amongst such businesses, particularly given its explicit focus upon potential high growth businesses. This is a result of the strategic priority set in the policy. Policy delivery assessment suggests the impact of local institutions upon new business formation is uncertain despite its wide range of activities. At provincial level, the effectiveness of the new Small Business Agency of Ontario and Small and Medium Enterprise Division is yet to be assessed.³⁵ Indeed, there is limited formal programme assessment, particularly at Small Business Enterprise Centre level. While the 'softer' forms of support utilising information sources and websites are less costly, it is unclear whether they are more effective. The multi-level federal system operates at different geographical scales, national,

³¹ Small Business Policy Branch (2002): "Strategic Plan 2003-04 to 2005-06", Industry Canada, Ottawa.

³² Stevenson, L. and Lunström, A. (2001): "Patterns and Trends in Entrepreneurship: SME Policy and Practice in Ten Economies", Swedish Foundation for Small Business Research, Stockholm.

³³ Reynolds, P. D., Hay, M., Bygrave, W., Camp, S. M. and Autio, E. (2000): "Global Entrepreneurship Monitor 2000": Executive Report, Kauffman Centre for Entrepreneurial Leadership, Kansas City, MO.

³⁴ Tal, B. (2003): "Canadian Small Business - A Growing Force, CIBC World Markets - Economics and Strategy", http://research.cibcwm.com/economic_public/download/csb-092003.pdf

³⁵ For further information on the Small Business Agency of Ontario, please see www.sbe.gov.on.ca/ontcan/sbe/en/about_sbao_en.jsp

sub-national and local. Co-ordination and integration questions between the different levels remain, especially between Ministries at the Federal level and between the federal level and the provinces. Fragmentation on departmental lines remains evident.³⁶

The new strategy has underpinned institutional reorganisation for policy delivery at the provincial level.³⁷ Total budget for the Ontario Ministry of Economic Development and Trade was C\$264m (EUR 186 million) for 2002-03 of which CAD 40 million (EUR 28 million) (15% of the total) was allocated to competitiveness and business development, including the main entrepreneurship programmes. Within the Ontario Ministry of Economic Development and Trade, Small Business Central links and signposts small business services, including on-line registration, renewal and reporting services through the Ontario Business Connects website.³⁸ The Small Business Agency of Ontario is newly established and comprises representatives of Ontario's business community and Members of the Provincial Parliament in Ontario. It aims to champion the small business agenda, provide a voice and direct connection to province-level policy development and decision-making, reduce regulatory and administrative burdens and improve small business to government interactions. A new Small and Medium Enterprise Division has also been established within the Ministry of Economic Development and Trade to address small business needs and champion small business across the provincial government.

Considerations for adoption of this approach in the two districts

The Ontario experience suggests a number of issues for Altenburger Land and Mittweida that reinforce the main recommendations, including:

- Strategy building and institutional innovation in the need for a small business and/or entrepreneurship strategy and institution within government at the national federal and sub-national Land levels to give strategic priority and champion issues across government Ministries;
- Institutional integration and co-ordination in the need to develop strong relations and co-ordination between the districts and the Land and Federal levels, and between districts within the Land; and,
- Policy co-operation and co-ordination in the potential benefits from closer alignment between entrepreneurship and innovation policies.

³⁶ Stevenson, L. and Lunström, A. (2001): "Patterns and Trends in Entrepreneurship: SME Policy and Practice in Ten Economies", Swedish Foundation for Small Business Research, Stockholm.

³⁷ Ontario Ministry of Economic Development and Trade (2005): "McGuinty Government's strategy to help small business succeed", <http://www.ontariocanada.com>.

³⁸ For further information, please see <http://www.cbs.gov.on.ca>.

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CONCLUSION

This Discussion Paper seeks to provide an external perspective on opportunities for the development of entrepreneurship policies in the districts of Mittweida and Altenburger Land. It makes observations on the strengths and weaknesses of the current regional and local entrepreneurship environment and policy framework, recommendations on how policy could further promote entrepreneurship and examples of programmes in other countries that illustrate the sorts of approaches that could be taken to implementation of the recommendations.

In considering the potential for policy development in these districts it must firstly be recognised that entrepreneurship policies in Mittweida and Altenburger Land operate in a very challenging economic and social context. The districts are located in areas characterised by a declining population and fiscal base, high unemployment, low incomes and low local demand and an employee rather than an employer culture. It is difficult to achieve rapid and sustainable growth of the new and small firm sector in this context. The positive contribution of policy to entrepreneurship activity can still be very important, although it may initially be reflected in slowing of economic decline or creation of a few points of growth rather than a take-off of the local economies in question.

It must also be recognised that there are many strengths in the local entrepreneurship environments of Mittweida and Altenburger Land. The districts have significant levels of entrepreneurship activity measured by business stocks and start rates. There is substantial, good quality entrepreneurship policy support available in each district from the Federal, Land and District levels that is well adapted to the needs of the districts. Furthermore, many of the initiatives in place can be considered as best practice within OECD Member countries.

The Discussion Paper therefore does not point to a need for any radical change. It nevertheless does identify some areas in which policy evolution would be helpful in the following three main areas:

- Further promotion of people's skills and motivations for successful entrepreneurship;
- Increased policy focus on enterprises capable of significant growth; and,
- Strengthening of the local policy design and delivery framework.

These key issues are discussed in turn below.

Promotion of skills and motivations for successful entrepreneurship

The recent socio-economic legacy in Mittweida and Altenburger Land has not been favourable to the emergence of an entrepreneurial culture. There is a dominant employee culture, in which people tend to seek employment in established companies or the public sector rather than set up and run their own businesses. This type of culture favours the capacity to undertake standard tasks and the expectation of career development within well-established internal labour market structures rather than the types of capacities that support the development of new and

growing businesses such as creativity, adaptability, self-direction and measured risk taking, and an expectation of career moves between firms and potentially periods of self-employment and business management. Even where people do set up and run their own businesses, their activity is often motivated by a desire to avoid unemployment rather than to exploit perceived market opportunities and tends to be associated with relatively poor prospects for business growth and survival. There is an overall issue then of a 'dependency culture' inherited from the past, which limits the capacity of places to generate dynamic and skilled entrepreneurs able to create new job opportunities and introduce new economic activities.

The need to strengthen entrepreneurial culture in Mittweida and Altenburger Land may be associated with the dominance of command economy structures in East Germany as a whole before 1990. In that earlier period the majority of people were employed in large state-owned factories and farms where they did not require extensive entrepreneurial skills and motivations. However, the problem is not just an issue for transition economies but is common to many OECD regions that were dependent on large-scale industrial activity that subsequently declined, particularly the old-industrial regions of Europe and North America. Many of these regions are now seeking to promote more entrepreneurial skills and motivations in the belief that this is a necessary first step for the emergence of greater entrepreneurial vitality. The experience of such regions can be helpful in considering the sorts of responses that can be helpful in Mittweida and Altenburger Land.

Key activities recommended for promoting entrepreneurial skills and motivations in Mittweida and Altenburger Land include increasing the attractiveness and image of the districts as a place for setting up and running businesses, promoting successful entrepreneur role models, increasing awareness of entrepreneurial opportunities and establishing mentors for new and potential entrepreneurs.

The experience of other OECD regions demonstrates in some concrete cases how public agencies have sought to introduce these types of initiatives. The types of approaches that can be taken include:

- A shift in regional employment policy from a focus on managing crisis through provision of grants to the unemployed and failing businesses to a more proactive approach to developing the skills and attitudes required for business competitiveness and the generation of new sources of wealth (as in Asturias, Spain);
- A long term integrated regional action plan for bringing about cultural change and promoting an entrepreneurial society, encompassing initiatives in the areas of education, training, administration, society, businesses, the media and so on (as in the Basque Country, Spain);
- A regional innovation strategy aimed at restructuring economic activity away from traditional industries towards new SME-dominated sectors and technology clusters (as in Wallonia, Belgium); and
- A process of removing cultural and administrative barriers to entrepreneurship, involving a wide range of public and private sector stakeholders in activities such as workshops, seminars, conferences, open days and websites to promote entrepreneurial thinking, evaluations of business proposals and business support projects to promote start-up and audits of the impacts of local policies and

regulations on entrepreneurs to reduce administrative burdens (as in Central Finland).

These types of actions can increase entrepreneurial motivations and skills, standing people well in today's increasingly competitive and changing economy whether they start or run a business or become employed in a private business or the public sector. They are important not just for increasing the pool of people interested in and capable of starting and running a business in Mittweida and Altenburger Land, but also for shifting the nature of business activity in the districts towards opportunity rather necessity entrepreneurship and towards incremental innovations in products, markets and production techniques that will make local businesses more competitive.

A balance is clearly required between activities to support the emergence of entrepreneurial attitudes and skills in the population as a whole and activities that support start-ups and established small businesses. However, it is easy to focus too much on so-called 'hard' support, such as finance, premises and start-up counselling, and too little on 'softer' support for encouraging the right skills and motivations. The latter type of activity will focus on encouraging people to consider entrepreneurship as a valid career choice for themselves and people they know and to view entrepreneurship as the pursuit of opportunities to profit from the development of new products and services, new markets and new ways of organising production.

Focus on growth enterprises

The above discussion has stressed the need for more opportunity entrepreneurship across the whole population of entrepreneurs Mittweida and Altenburger Land. However, it is generally the case that a very small proportion of fast-growth enterprises, often called 'gazelles', account for the majority of the job and income growth that can be attributed to the SME sector in given localities. Moreover, such growth businesses tend to suffer much more strongly than other enterprises from key market and government failures in the areas of finance, innovation and premises and this appears to be true in the specific case of Mittweida and Altenburger Land as well as in general in OECD regions. Special initiatives should therefore be developed to support growth enterprises in addition to the measures recommended for the population as a whole.

Current policy in Mittweida and Altenburger Land is promoting large numbers of necessity-based business start-ups to help address the social problems associated with recent economic shocks. Support for this type of activity can play an important role as part of social policy. Furthermore, it is one channel (together with other forms of welfare benefits) for injecting demand into depressed local economies and moving them temporarily towards full employment. However, most necessity-based entrepreneurship addresses non-tradable sectors with local markets, whilst in the long run unless a business exports out of a locality or substitutes for imports it is unlikely to generate the additional income required to reverse local economic decline in the long term.

An alternative is to support businesses that are capable of exporting out of the Mittweida and Altenburger Land local economies and hence of generating local income and employment growth. Here the principal objective of policy is economic growth. This type of policy will focus on businesses that can be regionally, nationally or internationally competitive. They are likely to be enterprises that innovate or embody innovation. They may have new products and services, new ways of delivering existing products and services or new production methods enabling them to compete on price or product differentiation. The role for policy here is to identify a small pool of potential innovators and growers and provide special support to this group to help overcome

the particular constraints they encounter, for example in terms of management skills development, growth finance, finding partners in external markets, linking into an innovation support infrastructure and accessing appropriate premises.

It is important to recognise the difference between the two policy objectives – social and economic – and to provide distinct support for each objective and achieve an appropriate balance between the two objectives. In the case of Mittweida and Altenburger Land a stronger effort is recommended on promoting the development of potential growth enterprises involving increased targeting and segmentation of business support. There could be considerable economic and social returns to increased public investment in identifying and supporting growth enterprises. This is not necessarily prohibitively expensive, since it will be focused on only a relatively small number of enterprises. Furthermore, it does not require abandoning support for necessity entrepreneurs or traditional SMEs but simply distinct and additional support.

A number of key actions are recommended to support potential growth companies including establishing mentor and patron panels, reviewing existing venture capital schemes, involving business angels, expanding technology institutions and activities, encouraging university-industry linkages, identifying and segmenting categories of enterprises, promoting business-to-business mentoring, promoting the internationally traded service sector, expanding export initiatives and considering the establishment of business incubators.

Examples of regional approaches in these areas in other countries include:

- Support for access to finance through direct public financial support to selected projects and partnerships with banks and venture capital organisations for the provision of equity capital and assistance to companies with their export plans (as in Dundalk, Ireland);
- Development and application of a survey tool to identify potential growth companies locally, combined with intense and tailored public support to support the development of these companies for example through consultancy to management teams and financial support for product and market development (as in Wales, UK); and,
- The development of a business incubator to support the development of high technology companies drawn from university students and researchers and spin-out companies, including support with appropriate premises as well as consultancy, counselling and mentoring services (as in Jyvaskyla, Finland).

In supporting growth enterprises in Mittweida and Altenburger Land it is important to establish transparent methods and careful procedures for categorising companies and to apply a process that is not rigid. In addition it is important for public authorities to foster close relationships with potential growth companies. It should further be recognised that providing more concentrated support for growth enterprises in the two districts does not imply abandoning other SMEs. Instead a segmented approach should be adopted that acts at different level, including relatively strong and tailored support to a small number of growth enterprises whilst at the same time providing lower cost or more standardised support to other SMEs.

Strengthening the local policy design and delivery framework

Current local entrepreneurship policy design and delivery arrangements in Mittweida and Altenburger Land are rather fragmented. This is manifested in a number of ways. Strong use of

top-down, generic instruments and limited resources available to develop local programmes limits tailoring to local context. Horizontal co-operation for policy design is limited among local actors implying that there may be missed opportunities for co-ordination and integration. There is also little systematic evaluation of projects and programmes, so that it is difficult to know which approaches are the most or least successful and hence to adapt policies to increase their impact. Furthermore, the multitude of entrepreneurship programmes on offer can make it difficult for the entrepreneur to find their way to the support available.

It is therefore important to foster a more proactive, future-orientated approach to entrepreneurship design and to seek ways to increase policy co-ordination and local tailoring. Two principal areas for intervention to achieve this are the development of integrated local entrepreneurship strategies and the introduction of the policy cycle methodology (which involves moving through four linked phases of policy development, namely problem definition, policy design, delivery, and evaluation and feedback). In addition, efforts should be made to simplify the interface between entrepreneurs and SMEs through partnerships among the relevant actors and clearly visible entry points into the system, for example using the one-stop-shop model.

Examples from other countries of regional approaches for strengthening entrepreneurship policy design and delivery frameworks include:

- Establishment of a regional strategy with clear priorities, based on an assessment of evidence on policy problems and an extensive consultation process and implemented by a regional business support network fronted by a one-stop shop single entry point (as in North East England, UK);
- Development of a business support partnership among public authorities, businesses and universities through a technology park vehicle that not only provides business premises but also delivers targeted enterprise support, including incubator, finance, innovation linkages and other support, to innovative businesses considered to have the greatest local growth potential (as in North Jutland, Denmark); and,
- Development of a regional small business strategy focused on encouraging businesses with growth potential, with clear links to a broader regional innovation and research commercialisation strategy and to local delivery structures including local business advisory offices and small business enterprise centres (as in Ontario, Canada).

In order to introduce these types of approaches in Mittweida and Altenburger Land, agreement is needed on which organisation, or organisations, can lead the development of an enterprise strategy and pull organisations together in partnership delivery of this strategy. It is also important to develop appropriate links between local level and regional level strategy building and implementation arrangements, rather than to consider the needs of districts in isolation from wider regional opportunities and stakeholders.

ANNEX

Box 1. SPG, U.K.

(by Sally O'Connor, UK)

Description of the approach (aims, delivery, budget etc)

The "Sustaining Profitable Growth (SPG)" initiative is a 15-month strategic leadership development programme for SMEs.

Research shows that lack of management and leadership skills is a key factor affecting the high failure rate of SMEs. Many SME managers focus on 'fire fighting,' carrying on with the day-to-day activities of running the business rather taking a more strategic perspective to sustain a future for the business. Existing programmes focus on the 'operational' side of running a business, (i.e. time management, financial management etc), but there is a gap in the marketplace for programmes that address the need to become more strategic with an emphasis on leadership rather than management.

This project directly addresses this need by focusing on helping managers and leaders make the transition from an operational role to a more strategic one. The purpose of the project is to: develop future strategic leaders in SMEs in Wales in order to sustain growth and profitability for their organizations; and, to provide a challenging learning environment that will encourage and support the development of these individuals

Structure of SPG:

- 7 workshops
- 7 action learning sets
- 1 strategic business project
- 6 one-to-one coaching sessions
- 1 make a difference challenge
- 2 sponsor workshops

The workshops and action learning sets (delivered to owners and managers of SMEs) were centred on the following themes; purpose, vision and values, leadership, coaching, innovation, and entrepreneurship.

During the project participants are invited to undertake a strategic project. This involves studying and recommending improvements to the performance of a specific product or service process within their own organisation, supported by a member of academic staff at Cardiff University.

In-between workshops, participants receive one-to-one coaching sessions (from qualified individuals from the project partnership). The coach and participant discuss and agree a personal development plan to ensure the learning is applied back in the workplace.

The 'Make a Difference' challenge is undertaken towards the end of the programme. It provides the opportunity for participants to make a difference to themselves and another organisation very different to their own (e.g. a manufacturing firm might be placed in a charity) by taking the knowledge & experiences from SPG and their own organisation into a new environment and acting as a catalyst for change / improvement.

This involves critiquing (explore strengths and weaknesses) an organisation's purpose, strategy and performance as well as the leadership style of key decision makers inside the organisation.

At the start of each programme a 'Sponsors Workshop' is held. Sponsors, or line managers, are introduced to the programme to gain a deeper understanding of how they can maximise the impact that the participants' learning will have back in the workplace. A second workshop takes place towards the end of the programme.

SPG is a journey for all those involved, not an off-the-shelf training package. It is participative rather than prescriptive and it works by giving participants the chance to discover and develop their leadership potential through a wide variety of experiences. The workshops and the learning sets are designed to provide:

- Exposure to different people from different businesses and business cultures;
- An environment which is challenging, open and supportive;
- Entrepreneurial development;
- Feedback about and encouragement to work on issues of personal style, values and beliefs;
- Confrontations with unfamiliar and unexpected situations;
- Opportunities to discover different ways of doing things; and,
- Learning from and with other participants.

Budget:

The value of the project was approximately £1.5m, which included a grant of approx £600,000 from the European Social Fund (ESF)

The fees for the 15-month programme was £1500 per participant

This highly innovative project was led by Cardiff University (who had overall responsibility for implementing the initiative). A public/private partnership was developed comprising of Cardiff University, the local development agency, local enterprise agency, the Welsh Assembly Government, and a private sector organisation. Alumni from previous SPG programmes were actively involved in the recruitment and delivery of this project.

Two members of staff from Cardiff University were recruited to deliver the project, supported by other members of the Leadership, Enterprise and Economic Development (LEED) Unit at Cardiff University Business School.

Why the approach is relevant to the two districts/to East Germany?

Different businesses require different types and level of support. There is no 'one size fits all' approach. Increasingly, there is a need to develop and concentrate resources on those businesses most likely to grow, and therefore yield the greatest return on investment for the local economy. These 'growth' businesses are very ambitious and an intervention such as this can help them overcome the key leadership challenges currently facing them.

Lack of management and leadership skills is one of the key reasons why many small firms fail. Firms that will survive and grow need to be innovative, highly skilled and strategic in outlook.

If the districts wish to increase levels of entrepreneurship, it is therefore vital that the skills of these entrepreneurs are developed to ensure that they are well-equipped to plan for the future of their firms and the individuals employed within it. This approach could be easily replicated in these districts.

Reasons for the success of the approach

This approach was successful for a number of reasons:

Initially, only companies with growth potential have been recruited. The majority of these companies were identified through the Growth Firms Initiative. It was imperative that the participants had the full support and commitment of top management (if they were not top management themselves) within the company. Without this it is very difficult for participants to embed the learning back in the workplace. This was the main reason for introducing a 'Sponsor workshop' to get buy-in at the highest level. The sponsor workshop combined with the one-to-one coaching sessions ensured that the learning was transferred back into the workplace. A diversity of participants from a broad range of sectors and sizes has been actively involved. This added tremendous value to the whole learning experience for participants. Different individuals from diverse backgrounds bring different experiences and different approaches to dealing with problems. When this information is shared in a supportive learning environment this provides great benefits for all concerned. A fundamental aspect of the programme centres on the Action Learning Set methodology. Participants are grouped together in sets of between 6 and 8 people to share their experiences and learn from their peers. These are facilitated by the project team to ensure a richness of shared learning. The partnership represented key stakeholders, passionate about the development of SMEs and provided a nice blend between academics and practitioners.

The obstacles that were faced and the quality of the response taken

The main initial obstacle faced was recruiting SMEs to the programme. Given the dependency culture that exists in Wales many SMEs expected the programme would be free of charge. It was a challenge to persuade the SME managers that they needed time out from their business to plan for their future. This been overcome through running a number of 'taster workshops' where participants could find out more about the programme. These 'taster workshops' were also highly interactive and allowed participants to experience 'action-learning'. Where requested, we also visited potential participants for one-to-one consultations. Future programmes have involved the Alumni in taster workshops which have provided a very powerful recruitment tool.

Considerations for adoption of this type of approach in the two districts and in East Germany

This innovative and bespoke leadership programme has been hugely successful in developing over 100 leaders of SMEs. The key considerations are outlined below:

- Ensure that the programme is focused on 'strategic leadership';
- Develop an appropriate partnership with key stakeholders and experts in managing change and leadership development;
- Focus on companies most likely to impact on the economy;
- Develop role models that can help stimulate demand; and,
- Consider applying for European funding to run the project.

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Box 2. Growth Enterprises Programme, U.K.

(by Sally O'Connor, UK)

Description of the approach (aims, delivery, budget etc).

The Growth Firms Network was developed in response to the policy need to increase understanding and knowledge of local SMEs in order to identify the support that firms need to access the global economy.

The 18-month initiative added value to existing knowledge on SMEs and market intelligence on the performance of different industrial sectors in Wales. This enabled the business support organisations to identify firms that have both the capacity and the desire to grow, thus targeting resources more effectively.

The aims of the initiative were; firstly to analyse the characteristics of successful firms; secondly to identify local SMEs with growth potential; and, thirdly to assist them to develop further these key growth factors through a bespoke workshop programme.

It was divided into two main parts:

Research:

It began with a postal questionnaire to a sample of 4 000 SMEs containing a balanced cross-section of firms employing between 5 and 250 people. The response rate was exceptionally high at 53% - largely because it was not seen as a one-off survey with little to offer respondents. In contrast, it specifically set out to ascertain the needs of SMEs and to provide direct support to those firms that responded to the questionnaire.

The sample represented a significant pool of firms in terms of size and sector. The questionnaire was developed from a number of pilot studies undertaken across Europe that had sought to identify the key characteristics of successful firms. In other words, firms that succeed and grow tend to do certain things better than less successful firms. This research led to the questionnaire being split into eight substantive sections; general information on the owner/manager, the firms use of information and communication technology (ICT), product and process innovation, skills and training, company networking, export orientation of the firm, its access to different forms of finance and its use of business support services. The results of the questionnaire were subsequently analysed and companies were given a ranking according to their potential to grow.

Application of Research:

A bespoke programme of workshops was consequently designed and delivered to the respondent businesses. The workshops were varied and based on 'actual' issues that the businesses themselves identified as important to their future growth. Workshops were free to members of the network and delivered by members of the partnership with appropriate expertise. Other deliverables included; provision of a free benchmarking report for respondents specific to their sector, free access to experts from both the public and private sectors for one-to-one consultations and advice, and comprehensive information on financial assistance and business development support available to the firms

Budget:

The value of the project was approximately GBP 150 000 which included a grant of approximately GBP 70 000 from the European Regional Development Fund (ERDF). The remaining GBP 80 000 was a combination of cash and in-kind contributions from the project partners, some of whom were delivery partners. Others were represented at Steering Group level.

The partnership, led by Cardiff University included; the regional development agency, local enterprise agencies, chambers of commerce, local authority and partners from the private sector

Why the approach is relevant to the two districts/to East Germany?

The two regions are currently looking at developing entrepreneurs and entrepreneurship policy in the two districts. In order to do this successfully a first step must be for the local stakeholders to have detailed information and knowledge on who are the entrepreneurs in their area and why they are successful (or not).

Only when you know who these firms are and you have identified their potential for growth can you formulate effective strategies to develop and support them. This approach also allows better utilisation of resources focusing on those with potential for growth.

Specifically this would involve the following steps:

1. Identify an appropriate local partnership involving key stakeholders from the public and private sectors;
2. Secure funding for the project (possibly through ERDF);
3. Develop the existing questionnaire to reflect local issues using the following section headings: Background information (on company and leader), Company growth, Product and process innovation, Networking, Skills and training, Exporting, Communications technology, and Finance;
4. Utilising the expertise of an existing University or working with Cardiff University develop a 'Potential Growth Index' which characterises a company's potential to grow based on weighted responses to individual questions;
5. Develop an appropriate sampling frame of SMEs;
6. Distribute and analyse responses;
7. Design and implement a bespoke workshop programme based on the results of the questionnaire; and,
8. Disseminate results to support providers to help inform their delivery programmes.

Reasons for the success of the approach

The approach worked for a number of reasons:

- A public/private partnership involving all local stakeholders;
- A robust approach to identifying firms with growth potential (focusing on a number of criteria and not just employment and turnover);
- Opportunities for firms to network with each other and share experiences;
- The project partners benefited from increased knowledge of their local firms which helped them target resources effectively and develop demand-based programmes; and,
- The high response rate (53%) proved that firms saw a benefit in completing the questionnaire in that they had access to the workshops and the growth firms network (typical response rate to questionnaires is 5-10%).

The obstacles that were faced and the quality of the response taken

There were not any real obstacles faced with this initiative. However, there are a few areas which we might do differently next time. These include:

- Consideration of sector specific issues when analysing growth potential of individual firms

- Introducing targeted workshops for different size of firms and different sectors

Considerations for adoption of this type of approach in the two districts and in East Germany

This approach is highly relevant for the two districts. It is relatively easy to set up and is low cost. There are however, a number of areas for consideration as detailed below:

- It is important to establish an appropriate partnership at the outset that reflects the local stakeholders;
- Consider applying for European funding to run the project;
- The growth firms questionnaire may need to be adapted (if required) to suit local circumstances and local firms; and,
- It is important that the benefits to the firms in completing the questionnaire is made clear.

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Box 3. Y4-entrepreneurship process, Central Finland

(by Ritva Nirkkonen, Finland)

Description of the approach (aims, delivery, budget etc).

The Y4-entrepreneurship process "Yrittäjyys Ylös Yhteiskunnassa Yhteistyöllä" (English: Promote Entrepreneurship in Society by Co-operation) started in 2002 as an initiative of various public and private actors in Central Finland aimed at the creation of a conducive overall framework for entrepreneurship development.

The objective of the process is to develop Central Finland into one of the most vital regions worldwide for business development and growth by motivating and encouraging its people to be entrepreneurial and innovative in their thinking and working. The goal is therefore a general mobilisation for entrepreneurial action and the removal of administrative and cultural barriers to entrepreneurship. The process is a Finnish candidate for European Enterprise Awards to be granted by the European Commission and the Committee of Regions in Brussels in December 2006.

Today, more than 36 organisations have signed an agreement for the period 2003-2009, contributing to the process and being committed to driving its implementation forward. The long list includes local companies, business associations, the Chamber of Commerce, local governments, elected officials, civil servants, schools, vocational and professional training institutions, public and private employment services, trade unions and employer organisations, the universities of Jyväskylä and other institutes of higher education, and different non-governmental organisations. The Chamber of Commerce has taken over the leadership. Over 8 000 people have participated so far, and 450 entrepreneurial ideas have been registered. Various activities, such as workshops, seminars, and conferences, as well as open-days of participating institutions are organised to gather, discuss and disseminate information about business and community needs. The activities have also been expanded to other regions.

In 2005, with the creation of the post of a Y4 process co-ordinator and a Y4 web site, further steps towards the institutionalisation of the Y4 process have been successfully completed. The work of the co-ordinator includes co-ordination of the Y4 process as a whole, further strengthening key traits of entrepreneurial thinking and action, and the evaluation of related policies and programmes throughout Central Finland. The following four sectors have therefore been underlined: entrepreneurship evaluation; entrepreneurship juries at the regional and sub-regional levels; Y4 entrepreneurship agreements; and, Y4 development projects.

The annual budget is EUR 200 000 plus around EUR 76 000 annual salary costs for the co-ordinator. The budget is funded by the Municipalities of Central Finland (50%), and by the Regional Council of Central Finland, and the EU.

Why the approach is relevant to the two districts/to East Germany?

A business and entrepreneurship friendly atmosphere is an important ingredient for encouraging the establishment of new companies and fostering their growth. Both districts are offering some initiatives to this end. The involvement of all relevant stakeholders and actors in a society-wide process will help to bring forward the idea of an entrepreneurial society, where enterprises can be established and grow, and administrative barriers are being removed. The experience of Y4 in Central Finland shows that the process outcomes positively influence attitudes towards and interest in business succession, which is a relevant issue in both districts.

In both districts the development of a process, similar to Y4, would also help to strengthen already existing policies and programmes. The already existing initiatives to develop and promote role models could be completed by activities like the "Entrepreneur of the Year" and weekly special

entrepreneurship pages in regional newspaper.

Furthermore, a process like Y4 would also be in line with the objective of building an entrepreneurship friendly wider region in East Germany.

Reasons for the success of the approach

The main reason for the success of the approach has been the creation and maintenance of an entrepreneur-friendly environment, where supportive and pro-active attitudes towards entrepreneurship have been anchored within the public administration and public and private support structures. Here, also the agreements signed by important stakeholders are of great importance for a successful continuation of the Y4 process. Local governments added prior impact assessment of policies and regulations on entrepreneurship development as additional criteria to local decision-making. This also helped to establish a more common understanding of business and community needs, shared by the local government and the local companies and entrepreneurs. The approach of improving business climate and establishing an entrepreneurship-friendly climate has been accompanied by direct support services offered to local companies. Start-up and young companies for example have been offered free access to a mentor and patron panel.

The obstacles that were faced and the quality of the response taken

Starting the process took longer than foreseen by its initiators. Major delay has been caused by sceptical and suspicious decision-makers that were not convinced by the Y4 process concept and the tangibility of its results and outcomes. In order to increase understanding of and an overall feeling for entrepreneurship, numerous regional events, workshops, seminars and open-days have been organised.

It was also important to mobilise rural areas and to increase awareness about entrepreneurship and the Y4 process in areas that tend to be less included in major developments and movements of that kind. The process has therefore been developed step by step. It started in city areas and was later extended to rural areas.

Considerations for adoption of this type of approach in the two districts and in East Germany

In both districts main stakeholders, like local governments, Chambers of Commerce and Trade, Chambers of Crafts, the Public Employment Service, higher education institutes, etc. are supportive to entrepreneurship development. This is a good starting point for a wider process like Y4 to promote entrepreneurial and innovative thinking and working. Both districts suffer from high unemployment rates and seem to have difficulties in business succession. They are in need of tools to encourage the establishment of new companies and the growth of existing companies. The Y4 process could give more voice to entrepreneurship development. It could help bringing together different stakeholders in order to develop visions and strategies for the districts. Joining efforts of different institutions also provides new inspiration for developing and testing innovative tools and instruments.

The successful Y4 process turned a number of municipalities into entrepreneurship friendly cities in Finland. The city of Jyväskylä is one of these. Here the Y4 process helped to boost the "Human Technology City"- concept, the further expansion and international outreach of Jyväskylä higher education institutions, and promoted the Jyväskylä Science Park as one of the leading Centres of Excellence in Finland. Such a process could also help in making participating territories known to the outside world. To be well-known for their entrepreneur-friendly attitude is a local asset that could attract the settlement of new companies and people in these territories.

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Box 4. Business Incubator, Jyväskylä Science Park, Finland

(by Ritva Nirkkonen, Finland)

Description of the approach (aims, delivery, budget etc).

The business incubator concept that has been developed in Jyväskylä Science Park is not limited to the actual business incubation period, but includes both pre-incubator and post-incubator phases where assistance and counselling are offered to the companies.

The pre-incubator represents the planning phase for business operations. Together with the expert personnel from the Business Incubator the future entrepreneur prepares a business plan for the company. It takes 2 up to 6 months before a business plan that includes a cash flow estimate for 12 months and budget planning for three years is ready. During this period the future entrepreneur has access to well developed and tested budget and production planning tools of the business incubator.

In 1992, the first business incubator for high tech companies has been established as part of the Jyväskylä Science Park. Since its establishment more than 140 companies have passed the incubator phase. In 2005, 22 companies were using the services. Tenants are university or polytechnic graduates, researchers or continuing students, young companies (1-18 months or "desk drawer") and spin-off companies. Recently, the Regional Development Agency (Jykes Ltd.) opened a new incubator for companies in the service and industrial sectors.

Annually, 150-200 business ideas are assessed. Preconditions for accession are a solid business plan, novelty value of the business idea and a growth orientation.

With companies that successfully pass the pre-incubation period an incubator agreement is made for the maximum period of two years. As a principle, premises and facilities are negotiated individually with each company.

The agreement also foresees business consulting services and individual counselling for the incubation period. Additional services offered include monthly target and follow-up meetings concerning sales and the development and economic figures. Tailored training and coaching services consists of ten days training for key personnel, five days sales coaching plus three and a half days exercises in small groups, and five days of individual company consulting. Tenant companies can use accredited branch specialists and mentors. They benefit from co-operation and networking between incubator companies and have access to consulting services in patent and intellectual property rights issues.

The financial contribution of tenant companies consists of a monthly incubator fee of EUR 200, and one per cent of turn-over during a period of 3-5 years after incubation up to a maximum amount of EUR 10 000. Financial support schemes are in place. Companies can get 45% of their costs for renting the premises including facilities, for purchasing of services, and for the key person's salary subsidised. The purchase of technical equipment is supported with up to 15 %. The total financial support for the period of 2 years amounts between EUR 20 000 –EUR 50 000.

The post-incubation phase consists of a mentoring service that is offered for the company. The mentor advises the company and helps finding business related solutions. The mentor can serve as either as advisor to the company, as an outside advisor to the board, or as a member of the board.

Why the approach is relevant to the two districts/to East Germany?

The business incubator in Jyväskylä Science Park follows a comprehensive approach, including pre- and post-incubation support, which extends standard incubator programmes. The

development of a comprehensive incubator service can help to bring different initiatives together and facilitate the channelling of public support to growth companies. Altenburger Land does not have a business incubator facility and Jyväskylä offers a relevant model if one is developed.

Additionally for Mittweida, which has the advantage of having a local university of applied sciences with already established linkages to the *Technologiepark Mittweida*, pre-incubation services, like the ones offered in Jyväskylä, could help to increase the occupancy rate of the *Technologiepark*.

Reasons for the success of the approach

The pre-incubation services facilitate the identification of growth companies at an early stage and allow for a more needs-oriented and company-tailored approach.

The systematic approach of structuring support services, including monthly target and follow-up meetings, during the incubation phase are very successful and help to improve the understanding of business environments and processes. As a result, many of the incubator companies have reached their growth targets much earlier than other start-ups. It also helped companies to follow a more realistic approach in target setting.

The obstacles that were faced and the quality of the response taken

It was found that incubator companies did not always understand the importance of, and the need for, systematic development. Some also had too optimistic ideas about the market potential of their products or services. Thus, before being accepted to the incubator, the companies have to pass a pre-incubator phase. They also have to commit themselves to the incubator concept, which includes coaching, mentoring, consulting and frequent follow-up meetings.

Considerations for adoption of this type of approach in the two districts and in East Germany

It is not necessarily the case that new business incubators should be set up in the two districts of Mittweida and Altenburger Land. This would need to be subject to a feasibility assessment. An alternative would be to ensure access of local companies to existing facilities locally or elsewhere. However these facilities should include both pre-incubation and post-incubation services. The approach has been applied in Central Finland since 1992 and experiences and results made so far have proved the relevance of this model.

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Box 5. Company Clinic Services, Regional Development Company Jykes Ltd, Jyväskylä, Finland

(by Ritva Nirkkonen, Finland)

Description of the approach (aims, delivery, budget etc)

Company clinic services are designed for young companies (1-5 years). Nearly half of all newly established companies risk ending their activities during their first five years of existence. In order to help companies survive this critical period, company clinic services have been developed. These services are offered by the Jyväskylä Regional Development Company Jykes Ltd, which is a company owned by five municipalities in the region of Central Finland.

Annually 20-25 young companies are assisted in this one-year process, which is a lighter version of the local incubator model. The services have been tailored especially for companies working in the field of knowledge-intensive business services, but the clinic is open to all interested young companies.

The clinic services identify specific barriers and obstacles to the survival and growth of participant companies. The services are also aimed at helping companies to better plan and manage their growth, which is of great relevance for growth-oriented companies. On a needs basis, tools to enhance the company's capacities and capabilities are developed. The most challenging issues for the assisted companies tend to be the development and implementation of sound sales and marketing strategies. Together with the company, marketing materials, including brochures and web-sites, and strategic documents, including sales manuals are therefore frequently developed. Priority is given to individual consulting, but also training in groups is practiced.

The participation fee for companies is EUR 50. Individual consulting and advice is offered up to a maximum value of EUR 3 000, of which 30% is covered by the company and 70% by public funding.

Why the approach is relevant to the /to East Germany?

Very often young companies do not realise that their current business capabilities and know-how are insufficient and that external help would be a real advantage. They are often too optimistic in their visions about business possibilities and growth in the near future. Young companies lack experience in developing sound sales and marketing strategies, which may cause severe financial difficulties, especially during the first critical years.

Systematic coaching and assistance services can be a crucial support to such companies during their first years of existence. Company clinic services can be used as a tool to provide special assistance and support to growth-oriented companies, which could be of particular interest for the strategic economic sectors of the two districts.

Given the high number of small-scale service oriented micro companies created in the two districts and in East Germany, such a service could be offered to this kind of companies as well. A close co-operation with the Chamber of Commerce and Trade, the Chamber of Crafts and the Labour Office could be used to develop programmes to raise the quality of products and services offered by these companies and their productive efficiency.

Reasons for the success of the approach

Company clinic services address a well-defined need of young companies for support and coaching during a difficult stage of their development. Individual coaching is one of the success factors of this service. During the clinic period growth and survival obstacles are identified and removed. Concrete measures are carried out, such as strategy development, sales and marketing promotion, etc.

A broad information and outreach programme is also organised. This helps increase awareness about the existence of and interest in such services amongst regional companies.

The clinic services complement the incubator model and firms can benefit from both types of support.

The obstacles that were faced and the quality of the response taken

It was difficult to get over to SMEs the message that external advice can help fill gaps in their knowledge and capabilities. An information and awareness programme was therefore operated to increase take up of the service. Companies can also have reservations about the quality of the consultants offering support. Consultants are therefore regularly evaluated, which helps to keep the quality of the clinic services high. To ensure the commitment of participating companies, a participation fee (although only a small amount) is charged.

Considerations for adoption of this type of approach in the two districts and in East Germany

Company clinic services could help to offer tailored assistance to potential growth companies. It could also be used to help small and micro businesses to improve their products, services and efficiency and hence increase their survival chances.

The services already in place offered by the Chamber of Commerce and Trade, the Chamber of Crafts and business organisations could be further developed and eventually merged into joint company clinic services.

The example of Jyväskylä shows that this kind of service has been accepted by companies as a concrete help in business development, which in some cases made it possible for them to avoid severe mistakes. Participant companies were less likely to go bankrupt during the first few years of their existence than non-participants.

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Action Plan

(This "ActionPlan" builds on recommendations given in the draft summary report on the districts Mittweida (Saxony) und Altenburger Land (Thuringia), March 2006, presented at a regional workshop on 20 March 2006 in Leipzig, Germany)

ENTREPRENEURSHIP ATTITUDES AND SKILLS

<i>What</i>	<i>How</i>	<i>Who*</i>
<i>Increase institutional collaboration</i>	Stronger collaboration between Chambers of Commerce and Trade, Chambers of Crafts and the Public Employment Service would help increase the level of support from mere appraisal of a business idea, which is a pre-requisite for starting a business with the financial support of the Public Employment Service, to jointly organised orientation and coaching activities for new self-employed and entrepreneurs. Because of its strong orientation to the general population, the local Public Employment Service is a good starting place to identify potential entrepreneurs from all segments of society and direct them to appropriate advice and coaching.	Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, and the Public Employment Service
<i>Improve the image of the Districts</i>	Changing the entrepreneurial culture means changing the image of the Districts with both internal and external populations. If people do not believe that a place is attractive to live in, and that it allows the development of innovative and growing activities, then they will not set up businesses, or will set up or operate their businesses in more attractive places. Campaigns should therefore be created to generate trust in the endogenous strengths and future of the Districts. In strengthening their entrepreneurial image Mittweida and Altenburger Land should promote key specific strengths or 'magnets of attraction'. The Technology Centre and University of Applied Sciences, Mittweida, and the Altenburger Land-Nobitz airport are excellent examples of 'magnets of attraction'.	All relevant stakeholders
<i>Role models</i>	Successful local entrepreneurs should be profiled and publicised much more than is currently the case. They should be described as 'profiles of success'. Approaches include 'SME of the Year' awards in various categories (regional awards, sectoral awards, awards for biggest SME job creator, best exporter, etc.), regular newspaper reports, press releases when particular progress has been made and interviews on TV/radio. It is useful to emphasise the contribution made by these entrepreneurs to local development (e.g. jobs, exports, local services purchased/supported).	District administrations, other key stakeholders

<i>Increase awareness of entrepreneurial opportunities</i>	Special promotions, where not already conducted, and promotional material aiming at increasing publicity and awareness of the opportunities for new business start-ups amongst all segments of the population should be developed. While there are already some initiatives on these lines, the experience of other regions shows that this needs to be intensive and continuous. Further, Mittweida and Altenburger Land should be innovative and initiate their own local promotion that establishes their own identity and is directed at their own local populations.	District administrations, other key stakeholders
<i>Establish mentor and patron panels</i>	The availability of a panel of retired business people to counsel new and expanding companies has been an important feature of working with, and supporting SMEs, in other OECD countries. Both Mittweida and Altenburger Land should look at mentoring and patron type programmes and seek to have dedicated panels of people that can contribute to the strategic development of local companies. This should be seen as counselling and not consultancy where the consultant would operate on commercial terms (e.g. assist in preparing financial accounts). Given the high level of business plans that are deemed inadequate by banks the introduction of mentors at the early discussion stage of start-up proposals may assist in addressing this issue. This type of mentoring service is relevant to both micro and larger SMEs, and at start-up and later stages of development in the life cycles of companies.	District administrations, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Venture Capital schemes, Business Angels, public and private banks

** This is not an exhaustive list of stakeholders and actors. It needs to be adapted to and completed for the local context.*

ENTREPRENEURSHIP FINANCING

<i>What</i>	<i>How</i>	<i>Who*</i>
<i>Instigate discussion on the role of banks for local entrepreneurship development</i>	Local agencies should instigate discussion with regional and local management of all banks and financial institutions on how these bodies can play a stronger and more active role in promoting and providing funding to start-ups and existing SMEs. This discussion is not about persuading the banks to adopt a less commercial approach but about seeking more engagement from them in the new enterprise strategy of the region. It should also address the scope of local management in banks to deal effectively with local enterprise.	District administrations, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Venture Capital schemes, Business Angels, public and private banks

<i>Address weaknesses in business plan preparation and business development</i>	As a contribution to resolving the problem, the banks might consider producing a guide to business applicants or undertaking some work on establishing 'mentor' panels and 'patron' panels that will guide entrepreneurs before they make any formal application to banks. The work of banks here might be done in conjunction with existing schemes of advice to entrepreneurs. If such work has already been done, then the question of its effectiveness needs to be examined by the banks.	Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Venture Capital schemes, Business Angels, public and private banks, InnoRegio initiatives
<i>Enhance value added in enterprises</i>	A persistent theme from feedback in both Altenburger Land and Mittweida was the low equity levels in many companies and the need for existing SMEs to strengthen their balance sheets and profit levels. This will require strategic changes such as changes of products or enhanced value added in products and services. For high tech companies, where sometimes the level of investment needed is significant as companies grow through development stages, the issue is more pronounced.	Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Venture Capital schemes, Business Angels, InnoRegio initiatives
<i>Simplify and streamline regulations and procedures in existing support programmes</i>	Regulations and conditions for existing and new enterprise support programmes need to be more transparent and procedures simplified. Bureaucracy should be reduced, decision making accelerated and information made more accessible with respect to enterprise access to funding. An evaluation of the impact of regulations and procedures should be conducted on an annual basis based on feedback from client companies. The public banks ("Aufbaubanken" of Saxony and Thuringia and other relevant authorities should examine how existing administrative procedures in regard to investment allowances, which might be simplified and streamlined.	Land governments, public banks, private banks, district administration, other institutions involved in delivering public support programmes for entrepreneurship development, like InnoRegio initiatives, Regional Management
<i>Increase the availability of microcredit</i>	A need for increased availability of microcredit schemes is an issue highlighted in both regions as key to start-ups. This should be the subject of special discussion with all banks and financial institutions.	Land governments, public banks, private banks
<i>Review existing venture capital schemes</i>	The existing schemes of venture capital provision should be reviewed in more detail as to their relevance and effectiveness in generating and supporting new companies and growing SMEs. It appears that much of the venture capital, insofar as it has happened, is less effective than in other locations worldwide. Local agencies should examine, in co-operation with financial institutions, how joint funding initiatives might enable more local venture capital to be introduced.	Venture Capital schemes, Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Business Angels

Seek the involvement and advice of business angels

A developed venture capital system needs individual investors as well as venture capital funds. 'Angels', that is people who are prepared to invest in individual companies and frequently bring knowledge of the sector or other strategic advice to companies, are common in most OECD countries. They may be people who successfully started a company in the past and may have a series of companies in which they have invested. Often this type of investment is accompanied by mentoring where the individual investor or another nominated person acts as a counsellor to the entrepreneur and business. This is particularly important to business that are seeking to tackle international markets or where they have ambitious growth plans and could benefit from business advice and networking to other potential financiers, market contacts or expert advisors.

Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Venture Capital schemes, Business Angels, InnoRegio initiatives

** This is not an exhaustive list of stakeholders and actors. It needs to be adapted to and completed for the local context.*

SME INNOVATION AND EXPORTING

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What

How

Who*

Expand technology institutions and activities

Given cost structures, SMEs in OECD countries increasingly need to compete on technology or other added value features that give them competitive edge on international markets. The establishment and further development of external R&D services could help local SMEs to innovate. The work of the Technology Centre and Laser Institute in Mittweida and the InnoRegio activities are examples of key regional institutions that foster knowledge transfer to SMEs and should be actively supported and encouraged to expand their scope of work. It might be that the Districts perceive themselves as too small to create by themselves the innovation support infrastructures necessary for SMEs. In this case, collaboration with neighbouring Districts or thematically related higher education institutions should be sought.

InnoRegio initiatives, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Business Incubators, HEI

Encourage university-industry linkages

Increased enterprise by the academic sector, and stronger links between regionally and locally present higher education institutions and the local SME sector, should continue to be encouraged and promoted. This should also refer to commercialisation of academic research, technology and innovations.

InnoRegio initiatives, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, Business Incubators, HEI

<i>Identify and segment categories of enterprises</i>	<p>Identifying and segmenting categories of enterprises that have the features of growth will be crucial to tackling the challenge of company scale, lack of capital and low exports in the SME sector. Growth companies can emerge from all sectors, for example, from manufacturing automotive components, from traditional manufacturing in the clothing, textile, construction products and food sectors, from the tourism sector, and from the service and new technology sectors. At present the focus in Mittweida and Altenburger Land is largely sectorally based (automotive and technology where the regions have traditional strengths) and concentrated on the manufacturing sector. While retaining a sectoral strategy and focus, it may be useful to look horizontally across sectors and to tailor programmes of advice, support and funding more to the growth needs and growth prospects of different segments of companies. This process is not about picking winners, which state bodies or indeed banks and other bodies cannot do with any degree of certainty of eventual success. However, it is about recognising new business plans and company features that can form the foundation for business expansion and lead to growth, and then identifying and segmenting the companies that display such features. It is crucial that transparent categorisation procedures and objective and clear criteria be used in any such approach.</p>	<p>Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives</p>
69 <i>Promote business-to-business mentoring</i>	<p>Larger companies can play an important role in encouraging SME innovation and exporting by making available expert managers to SMEs for short advisory sessions. This can be very effective and valuable to many companies at the early stages of their development.</p>	<p>Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives</p>
<i>Promote the internationally traded service sector</i>	<p>Mittweida and Altenburger Land's enterprise strategy on the service sector (where most people are employed today) warrants review and increased attention. While traditional industry and technology skills remain a major source of new projects, the use of those skills in the service sector may deliver greater opportunities. A strategy and focus by Altenburger Land and Mittweida on the service sector in their regions as a source of new jobs and, in particular, on the internationally traded sector should be developed further. The establishment of a special Task Force to develop a regional and local strategy on the service sector might be considered as a first step. This Task Force should ideally have representatives of responsible ministries, agencies and especially expert representatives from service business companies (both domestic and international) in Thuringia and Saxony.</p>	<p>Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives</p>

Expand export initiatives

There is scope and need for new export promotion initiatives and export support services.

Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives

Focus on growth enterprises

Mittweida and Altenburger Land should review the scope of their support to SMEs and seek to focus support in a more concentrated way, across all sectors, on those companies that have the best prospects for future growth. Other SME company segments should continue to have support relevant to their needs and stage of development, for example, website information, selected business development advice, information on quality standards and training.

Land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives

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INFRASTRUCTURE AND PREMISES

What

How

Who*

Consider the establishment of business incubators

Stronger emphasis should be placed by Mittweida and Altenburger Land on developing and extending incubation centres as a way to provide appropriate premises for new and small businesses. To ensure that the range of services provided matches with OECD best practice the opportunity for 'twinning' and regular experience sharing with successful and innovative incubators in other countries should be explored. For Altenburger Land it could be recommendable to conduct a study on the need and possible utilisation of such business incubators or technology centres in the district. In case of insufficient demand, possibilities to use existing facilities in neighbouring Districts should be elaborated by public institutions in charge.

Local governments, land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives

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POLICY DELIVERY ARRANGEMENTS

<i>What</i>	<i>How</i>	<i>Who*</i>
<i>Establish a vision and strategy for entrepreneurship policy</i>	A clear and mutually agreed strategy for entrepreneurship aims to formalise the aspirations and co-operation of key partners locally. A strategy such as, for instance, 'Entrepreneurship and SME Development Strategy 2006-2010', should be the product of public debate, deliberation and consensus building amongst relevant local institutions, as well as consultation amongst relevant communities, and seek to develop a comprehensive and integrated approach. Once established, the strategy can be translated into an action plan with clear priorities and roles for partners, timescales and resources.	Local governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives, public employment service (Agentur für Arbeit)
<i>Enhance policy co-ordination</i>	A broader entrepreneurship strategy may necessitate further co-operation and co-ordination in functional policy areas between local institutions at the District level. Key local partners may benefit from more formalised joint working, for example using partnership models. While offering a degree of flexibility and built upon well established local contacts, the relatively informal, issue-based and <i>ad hoc</i> current system raises questions about how institutional relations and contacts renew themselves over time and maintain their problem solving capacity. If the District level is too small, then ways need to be developed better to co-ordinate and integrate policy horizontally between Districts and vertically with the Land. Looking beyond the District boundary may provide a stimulus to collaboration, innovation and joint working.	Local governments, land governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives, public employment service (Agentur für Arbeit)
<i>Simplify the interface with SMEs</i>	Local Economic Development Offices should also play a stronger pro-active role in working with SMEs. This entails understanding the strategic issues faced by such companies in achieving growth and maintaining close and regular contact with them. The co-ordination of support services to such companies and simplification of procedures – in cooperation with all regional partners: technology and R&D centres, universities, training bodies, banks, venture capital groups – should be a priority task. The clarity, transparency and communication of business support services for local entrepreneurs and businesses may be improved by the establishment of a single institutional identity or brand and gateway, for example using the 'One Stop Shop' model to provide a single and widely communicated information point for services. A free public access website may further underpin this model, for example drawing upon the experience of the Virtual Start-Up Centre of the Chambers of Industry and Commerce in Thuringia or the joint Internet portal of Chambers of Industry and Commerce and Crafts in Saxony.	Local governments, public banks, private banks, Chambers of Commerce and Trade, Chambers of Crafts, Crafts Association, InnoRegio initiatives, public employment service (Agentur für Arbeit)

<i>Focus on linkages with more dynamic regions</i>	Both Districts should build on the potential to benefit from a location adjacent to growth areas in the Dresden-Leipzig-Chemnitz triangle. They have a comparative advantage as proximate, well connected and lower cost business locations, particularly given air and road infrastructure upgrading.	Local governments, development agencies, InnoRegio initiatives
<i>Adopt the policy cycle methodology.</i>	Policy development should be thought of as involving four linked stages – problem definition, design, delivery and evaluation. These stages underpin a potentially stronger and more systematic approach to entrepreneurship policy. The policy cycle also includes a more forward looking policy development approach. This may begin to foster a more proactive approach locally that may be more future-oriented rather than reactive in its responses to local economic change and Land level initiatives.	All institutions involved in policy and programme development
<i>Tailor policy to the local and regional context</i>	Building a more systematic approach to policy development amongst local institutions provides an opportunity better to shape policy more effectively to address particular local and regional conditions rather than relying upon generic, 'off-the-shelf' instruments. For local institutions, this may involve seeking to establish local policy-making discretion within their competence in the Land context or using existing policies in different ways. Given the potential this creates for policy divergence and diversity, efforts will be required to maintain co-ordination and integration between different institutions working at different geographical levels.	All institutions involved in policy and programme development
<i>Establish clear priorities</i>	An entrepreneurship strategy, local institutional framework and systematic approach to locally-oriented policy provide a means for identifying key priorities. A clear focus can help local institutions to be more discerning about the quality of entrepreneurship, potentially seeking to encourage and support those entrepreneurs and businesses with growth and sustainability potential. Priority policy areas can also be targeted at key needs and/or bottlenecks locally, for example developing micro-finance instruments together with local financial institutions to address the weak capital base of local SMEs, and extending current knowledge transfer activities to encourage innovation in SMEs.	All institutions involved in policy and programme development

** This is not an exhaustive list of stakeholders and actors. It needs to be adapted to and completed for the local context.*

List of interview partners

*(Review panel study visit to the districts of Mittweida und Altenburger Land,
28 November – 2 December 2005, in alphabetic order)*

Ms Feller	Landratsamt Altenburger Land
Mr Fischer	Geschäftsführer des GF Standortpolitik/Starthilfe und Unternehmensförderung, IHK Gera
Ms Fulle	Leiterin des Regionalbüro der Thüringer Aufbaubank in Gera
Mr Geissler	Ehrenkreishandwerksmeister
Mr Grahmann	Fachdienstleiter Wirtschafts- und Tourismusförderung Landratsamt Altenburger Land
Mr Gützhöld	Ansprechpartner für Arbeitgeber, Agentur für Arbeit Hainichen
Ms Heß	Starthilfe/Unternehmensförderung Industrie und Handelskammer Südwestsachsen Regionalkammer Chemnitz
Ms Dr. Hübsch	Außenstelle der Handwerkskammer Freiberg
Ms Huth	Regionalmanagement, Landratsamt Altenburger Land
Mr Klein	Mitglied des Vorstands Wirtschaftsverein Altenburg
Mr Krys	Geschäftsführer der Kreishandwerkerschaft Altenburgerland
Mr Lichtenstein	Vorsitzender des Wirtschaftsverein Altenburg
Mr Martz	Leiter der Regionalstelle der Gesellschaft für Arbeits –und Wirtschaftsförderung des Freistaates Thüringen GfAW
Mr Mehner	Abteilungsleiter Firmenkundenberatung Kreissparkasse Mittweida
Ms Meineck	Vors. Mitglied der Geschäftsführung Agentur für Arbeit Altenburg
Ms Meischatz-Degen	Geschäftsstellenleiterin des Verbundes HC/RL, Agentur für Arbeit Hainichen
Ms Meister (Prof. Dr. rer. pol.)	Fachhochschule Mittweida FB Wirtschaftswissenschaften
Mr Dipl. Ing.Merkel	Geschäftsführer Project Manager "INNtex" Innovation Netzwerk Textil e.V.
Mr Dipl.-Ing. Meyer	Werkleiter KRIEPA Hygienepapier GmbH
Mr Moewes	Stellv. Kreishandwerksmeister
Mr Dipl.-Ing. Müller	Geschäftsführer IMM Holding GmbH
Mr Nötzold	Betriebswirtschaftlicher Berater, Handwerkskammer für Ostthüringen

List of interview partners

Mr Dr. Opitz	Geschäftsführer Technologie Park Mittweida GmbH
Mr Ostendorf	Geschäftsführer, Kunststofftechnik Nobitz GmbH
Mr Peisker	Geschäftsführer Kreishandwerkerschaft
Mr Popitz	Kreishandwerksmeister
Mr Reißmann	Kreishandwerksmeister
Mr Richter	Betriebsleiter/Prokurist Color-Textil Veredelung
Mr Rydzewski	Landrat des Landkreises Altenburg
Mr Scheidel	Leiter des Referats Wirtschaftsförderung und Beteiligungscontrolling
Mr Dr. Schlütter	Leiter des Kreisverbandes des Bundesverband mittelständische Wirtschaft BVMW, Unternehmerverband Deutschlands e.V.
Mr Dr. Schramm	Landrat des Landkreises Mittweida Landratsamt Mittweida
Mr Schumann	Projektleiter SAXEED - Das Gründernetzwerk
Ms Uhle	Amt für Wirtschaftsförderung und Regionalentwicklung Regionales Umsetzungsmanagement
Mr Ulbricht	Leiter des Amtes für Wirtschaftsförderung und Regionalentwicklung Landratsamt Mittweida
Mr Unger	Assistent des Geschäftsführers ISE Industries Hainichen GmbH
Mr Wagner	Vorstandsvorsitzender der Sparkasse Altenburger Land
Mr Wätzold	Geschäftsstellenleiter "InnoSachs" Projektleiter Gesellschaft für Wissens- und Technologietransfer der TU Dresden mbH Geschäftsstelle Chemnitz
Ms Weinert	Standortpolitik und Unternehmensförderung, IHK Gera
Ms Westermeier	Agentur für Arbeit Altenburg
Mr Woda	Mitglied des Vorstands, Volksbank Altenburg
Mr Wolf	Oberbürgermeister der Stadt Altenburg

International review panel and workshop participants

Jaime Del Castillo has been Chairman of "*Información y Desarrollo, S.L.*" since 1982. Infyde is a consulting company specialising in the definition and start-up of territorial development strategies in regions and areas with development problems, laying particular emphasis on technological innovation and training as strategic resources in development processes and on policy and programme evaluations as an instrument for improving the efficiency of public sector action. He is also working as a consultant for the European Commission on the "SPRINT" programme, evaluation, regional innovation and strategy and infrastructure for technology transfer studies like Transfer of Technology ("RITTS") and the elaboration of the Strategies and Regional Infrastructures of Innovation and Regional Strategies of Innovation ("RIS"). Since 1992 he is professor of Applied Economics at the University of the Basque Country ("UPV- EHU"), Spain. (E-Mail: infyde@infyde.com)

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Andrea-Rosalinde Hofer is a Policy Analyst in the OECD working in the field of local governance. She is based at the LEED Trento Centre for Local Development in Italy where she manages the activities related to partnerships and governance in Central, East and South-East Europe and the LEED Forum of Partnerships and Local Governance. (E-Mail: andrea-rosalinde.hofer@oecd.org)

Declan Murphy has extensive practical experience of over 30 years in evaluating and guiding structural policy development at national, regional and local levels in over 25 countries. Much of this work has dealt with entrepreneurship and SME development (e.g. institutional, tax and regulatory structures, finance, advisory, education/training services and incubators) and he has published numerous reports and reviews (see attached). As Director of the OECD Investment Compact for South East Europe from 1999 to 2005, and Head of the OECD Centre for Private Sector Development, Istanbul he led OECD policy assessments and promotion initiatives on SME development in a range of countries. He is currently advising the German Ministry of Economy (BMWA) in an EU twinning project between Germany and Turkey, evaluating entrepreneurship and SME development policies in Turkey. He is also advising a number of SMEs in Ireland, Italy and Sweden on their business development. He sits on the advisory board of the Project Development Centre, a major SME project development and training centre in Ireland. Formerly he headed the main national programmes in Ireland dealing with enterprise and SME policy and promotion, and the attraction of FDI (e.g. 150 German firms, mainly SMEs) to Ireland. (E-Mail: djkm@eircom.net)

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