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Narratives by businesspersons and other actors indicate that only a few of the aspirations and strategies expressed by politicians and decision makers, who elaborate the objectives of SME policy, actually reach enterprises. A gap seems to exist between aspirations and realization. The study suggests that an important part of the explanation to the missing link is found in the different lifeworlds of SMEs, politicians and other decision makers.

How can the gap be bridged? The study concludes that policy is not statements only; it is organizing. For organizing to ensue, individuals with a common definition of challenges need to get together. The concept of lifeworlds cannot be ignored.
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MONICA JOHANSSON

Organizing Policy

A Policy Analysis starting from SMEs in Tuscany and the County of Jönköping
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Monica Johansson
November, 2008
Abstract

The importance of small and medium size enterprises (SMEs) for economic development is frequently debated. SMEs have been called “the backbone of the European economy and the best potential source of jobs and growth”. Political intentions are expressed in numerous programmes, strategies, and organizations, all claiming that their objective is to assist SMEs.

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How can the gap be bridged? The study concludes that policy is not statements only; it is organizing. For organizing to ensue, individuals with a common definition of challenges need to get together. The concept of lifeworlds cannot be ignored.
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1. Introduction

The purpose of this chapter is to define the central research problem of the thesis and the questions related to it. The central research problem will be presented as well as a brief outline of why, how and for whom. A brief overview of the chapters in the thesis will be given in the last section.

1.1 Central research questions

The central research question of this thesis is:

Do businesspersons create and/or interact with what is usually referred to as “policy” (such as systems, programs, strategies, organizations and institutions)\(^1\) when organizing themselves together with other businesspersons or actors to confront challenges and opportunities?

SMEs in the metal manufacturing and the furniture sector in a few local contexts in Tuscany in Italy, and the County of Jönköping in Sweden are studied. This is, hence a comparative research, using in-depth, semi-structured interviews with approximately 60 SMEs as its point-of-departure.

The research question with a bearing on the comparison is: Can we learn something in the field of policy analysis using a comparative approach, referring to a few local contexts in Sweden and Italy?

1.2 Research aims

The principal aim(s) of the research is to analyze and explain if and how SMEs interact with what is generally referred to as policy (such as systems, organizations, institutions etc.) as they confront challenges and opportunities.

More specifically, the research is a contribution to implementation research and policy analysis, a scientific field with the remit intention to answer to the question: “how well does the body politic link good representation of societal

\(^1\) The reason for using terms such as systems, programs, strategies, organizations and institutions instead of the general label “policy” is that the concept can take on various significances. This matter has been elaborated more in detail in Chapters two and three.
aspirations (‘politics’) with their efficient and effective\(^2\) realisation (‘administration’)?” (Hjern & Hull 1983:2)

The aim, in other words, is to explore the link (if there is one) between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. At a more pragmatic level this study can, hence, enhance our understanding of what can actually be attained from programs, strategies, etc.

The decision to adopt a comparative approach was taken at an early stage in the research process. The intent was to use the potential that I, together with my tutors, assumed that the comparison of a few different contexts in two regional and national settings could bring.\(^3\) The aim of the comparison is to analyze if the processes of development converge or diverge in different contexts, how possible similarities and differences between them can be explained and whether it is possible to learn something in the field of policy analysis.

1.3 Why? The relevance of policies for SMEs in the European context

Why have policies for SMEs been chosen as the focus of the thesis? The importance of Small and Medium Size enterprises (SMEs)\(^4\) for economic development is frequently discussed and mentioned, not least in the EU-context. SMEs have been called “the backbone of the European economy and the best potential source of jobs and growth.”\(^5\) In Europe there are approximately 25 million SMEs employing more than 100 million people. This

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\(^1\) The term efficient refers to an economic use of resources, while effective refers to the actual effect achieved.

\(^2\) In this thesis, the two terms are used interchangeably. The concept used here is adequate.

\(^3\) It should be mentioned that I have been traveling between Sweden and Italy for more than 10 years, and that I was already quite familiar with Italy, its history, culture, institutions and language when I started my research. I also have previous professional experiences from working as a civil servant at the County Administrative Board in Jönköping, mainly with issues related to regional development and the EU structural Funds. Together with other civil servants from Sweden I have visited colleagues working at Regione Emilia Romagna and Regione Toscana at several occasions. I therefore expected to have personal access to the overall policy field as well as to the national and regional contexts.

\(^4\) The definition of small enterprises derives from a recommendation by the Commission, which distinguishes the differences between SME (abbreviation for small and medium-size Enterprises) from small enterprises, which have 10-49 employees and a turnover not exceeding 7 million euros and a balance sheet not exceeding 5 million euros and micro-enterprises, which have less than 10 employees. Enterprises with 50-249 employees are referred to as medium-sized. In the notion of small firms lies also a definition of all of these three categories of enterprises as independent. Enterprises owning up to 25% or more of the capital or the voting rights by one enterprise, or jointly by several enterprises are considered independent. (Recommendation 96/280/EC).

1. Introduction

amounts to about 75% of the total number of jobs in the private sector. Furthermore, it is estimated that SMEs account for about 80% of the total of all new jobs created in Europe. In Sweden and Italy, SMEs make up to more than 95% of the total amount of companies in the countries. In Italy SMEs provide approximately 57% of all jobs in the manufacturing industry. A corresponding figure from Sweden would be that about 60% of all the jobs in the private sector are provided by SMEs.

Statistical evidence of this kind and other additional arguments claiming SMEs’ importance for economic development seem to have convinced politicians and decision makers to focus on targeting activities and policies on issues such as “competitiveness”, “innovation” and “research.”

Strategies and programs for economic development can, however, not be considered new phenomena. As a matter of fact, they have been implemented on national, regional and local levels at least since the beginning of the 20th century in Western Europe. Local economic development in industrial districts has fascinated researchers for more than 100 years, and theoretical roots of today’s research can be found as far back as in the end of the 19th century.

Structural policy in its present sense became a means for balancing and redistributing the socio-economic conditions in and between different territories (principally regions) mainly during the years following the end of the Second World War in Sweden as well as in Italy. Originally the support structures were national, but following the European integration of strategies to attain socio-economic development the policies have become increasingly European, even though also national policies and strategies exist alongside the new.

Initiatives focused on assisting SMEs and the difficulties faced by them have been much emphasized during the last couple of years, not least in the EU-context.

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6 Eurostat published a report with key-figures on European businesses (1995-2005) in 2006, a comparison among the 25 member states was included regarding the percentage of SMEs out of the total population of SMEs in the countries. The majority of the countries reached a percentage of SMEs of over 90% out of the total. Excluded from this comparison were Greece and Malta (where statistics were not available). Romania and Bulgaria joined the EU in January, 2007, and these two countries were of course not included in the research either. Information retrieved from “Key figures on European Businesses” published by Eurostat.

7 Figure from 2002 in report from NUTEK (2004).

9 As a matter of fact, in Sweden the extraction of natural resources in the North of Sweden started already in the 17th century, and, following the colonization of these parts the Swedish Government intervened and encouraged production of handicrafts and artisan products.

10 In 2006 the Commission decided to dedicate the whole month of June for activities focused on SMEs and on possible future activities that would help create and develop SMEs. Retrieved 15 February 2007 from http://sme.cordis.lu/news/news.cfm?id=B01D193F-A645-4D8F-8EDB1F5B96960D63
In Sweden, a country in which policies for industrial development have traditionally focused mainly on large enterprises, the emphasis has changed, due to the fact that SMEs have been identified as important (sometimes the most important) providers of jobs and economic growth. The EU Structural Funds is one of the most important common measures that exist, and that provide assistance and co-funding for enterprises, organizations, institutions etc.

These funds have been available since the mid-Seventies to member countries in the EU, and although the specific targets for the funds have been changing along with political aims and tendencies (innovation and research perhaps being the buzzwords for economic development at present), the most important overall objective is to reduce economic and social disparities in regions that are lagging behind within the EU and to enhance the competitiveness of the European economy. Structural measures account for approximately 38% of the total EU-budget during the time-period 2007-2013, which makes it the biggest single expenditure of the EU-budget. All structural interventions may - of course - not be invested in SMEs directly, but a quick glance at the objectives that have been formulated for the coming years indicate that SMEs are important direct and indirect receivers of the resources. Resources will mainly be used for infrastructural investments, environmental and energy projects, training programs, research and innovation (in health, food and agriculture, biotechnology, information- and communication technology etc) etc.

SMEs are specifically mentioned in the strategies for the current structural fund programming period as an important target group and beneficiary of innovation initiatives. The member countries have their own national structural, regional and local policies that complement and/or compensate activities co-funded by the EU Structural Funds. SMEs can thus be considered prioritized as a target group for interventions by national (and regional) governments as well as by EU institutions, politicians and decision makers.

Decision makers and politicians are trying to assist enterprises in facing these challenges. Some of the keywords are: local innovation systems, clusters and synergy. Success stories from the 1980’s and the 1990’s about local companies

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11 As a matter of fact, during the 1970s and early 1990s policies for SMEs were included in the general “structural policies”, but during the last decade of the 20th, and the first years of the 21st century, policies for SMEs appear to have become a certain “policy-area” for some national and regional programs in Sweden (NUTEK-report from 2004).
forming clusters and enterprises in happy cooperation continue to “fuel excitement” among policy makers (Schmitz 2004:1).

The principal aim of my research is, however, not to analyze aims held by decision makers concerning structural policies. My doctoral thesis takes, instead as its point-of-departure the challenges conceived by SMEs, the organizing undertaken in order to confront these challenges and the outcome of action taken by actors in processes of organizing. Of course, the strategies and programs established and promoted by institutions, politicians, decision makers etc. are not irrelevant to this study. As a matter of fact, a second aim encompassed in this thesis is to analyze and explain how policies, programs and strategies are related to SMEs and the challenges faced by them. Thus, the research does not depart from politicians, decision makers, and strategies or programs defined by these actors, but starts off from the principal potential beneficiaries of many of the strategies, the SMEs.

The relevancy of the study of SMEs and their relation to policy appears fairly evident. As a matter of fact, numerous policies for growth and development of SMEs have been carried out within economy, business administration, political science, geography, sociology and anthropology.

This thesis is a contribution within political science, more specifically in the field of implementation research and policy analysis. I do, therefore not intend to present any general overview of research carried out on SMEs and policies for SMEs neither for the fields just mentioned nor for political sciences. The reason for this is that I appreciate that it would take too much precious time and space away from this piece of research.

My specific field within policy analysis is “bottom-up policy organizing analysis”. In Chapters two and three, I will present an overview of this vein of research carried out from the bottom and up. One of the studies presented is “Helping Small Firms Grow” by Hjern & Hull (1987). This study has played an important role as inspiration and model for this thesis. This was, as mentioned by Bogason (2000), the first European bottom-up policy analysis on specific policies. Furthermore, it encompasses the comparative perspective, which makes it even more interesting and relevant as a model.

I have found no other bottom-up comparative studies of SMEs in Sweden and Italy and their relation to policies. Perhaps this is because no other PhD candidate has been bold or foolhardy enough to take on the task. I can assure the reader that the task sounds more hazardous than it actually is. The comparative aspect will, however be elaborated in more detail in chapter three.
1.4 Unclear links between *structure* and *action* in the contemporary complex society

Society has become increasingly complex and society itself, institutions and organizations and organizing can therefore not be analyzed, interpreted and mapped out easily. This also suggests that the investigation of whether and how *structure* and *action* are related to each other will be difficult.

Politicians, decision makers, governments, public administration and organizations have faced and are still facing serious challenges related to steering, control, decision-making, implementation and administration of public matters. These, in turn, are related to numerous and thorough societal changes. For example it is becoming impossible to maintain the centralized control of communication, power and economy, and increasingly difficult to foresee and plan action. There is no longer merely *one* power-centre, that is, if *one* such power-centre ever existed in the first place (Carlsson 1993).

Demands and needs at the local level are no longer directed towards the nation state, the central government and the post-war organizations as often happened in the past. Neither the nation-states, nor the mature organizations of post-war Europe have been capable of responding directly and adequately to the wide spectrum of social demands. Geographical administrative units such as regions and municipalities which were instruments in the hands of states and governments for territorial control and steering have lost a good part of their relevancy and importance for the same reason. Power becomes dispersed in new organizations, exchanges, collaborations, networks and institutions that have been established alongside the old for several decades (Castells 1997, Carlsson 1993, Hajer 2003 and Gjelstrup & Sörensen 2007).

Politicians and decision makers are, of course, not unaware of these tendencies. In order to maintain the equilibrium and to adapt to social phenomena in contemporary society, nation-states and central governments have created new institutions that canalise interests (Castells 1997). Steps have been taken in order to involve the surrounding society, and groups that were not considered “decision makers” previously. New forms and methods of planning have emerged mainly during the last decades. Examples of such initiatives from the field of regional and local development policies have emphasized the participation of local and regional authorities, organizations, businesses and other actors in the planning, implementation and evaluation of programs, incentives and other measures taken to favor local and regional development such as the “partnerships” in the EU-programs for structural development or
the Italian model of “programmazione negozia.” One of the principal objectives of these initiatives is to establish a contact between the private and the public institutions and spheres (Garofoli 2001).

The implementation researcher hence finds him or herself in a society where a multitude of activities and organizational processes are taking place also outside of formal organizations and governments. (Gjelstrup & Sörensen 2007). The demarcation line between state and civil society and private and public has become unclear in a web of interaction (Kooiman 2003). It is no longer as easy as it used to be to pin-point crucial actors in implementation processes (Carlsson 1993).

The tendencies in contemporary society described above as well as the aims expressed for the research definitely seem to indicate that the investigation needs to start among the actors from the bottom up, and with examining policy-processes through the eyes of businesspersons. Processes of structuration and collective action will need to be examined closely. Hjern et al., the pioneers among bottom-up researchers have provided the epistemological and ontological basis for my approach.

1.5 How? Analytical framework and methodological tools for evaluating SMEs’ situation and the context surrounding them

How can SMEs and their possible interaction with policies be analyzed? This question has become difficult to answer, particularly during the last few decades.

The study follows a bottom-up logic, starting off with SMEs as and interviewed businesspersons’ narratives on how they organize themselves to face and deal with challenges and opportunities related to local economic development. Semi-structured interviews have been carried out with CEOs or other persons in leading positions of approximately 30 small firms in Tuscany, respectively in the County of Jönköping.

In a second step, the “snow-balling method” has been utilized and a number of actors referred to by the interviewed representatives of the firms (such as administrative staff at local and regional level, bank officers, other SMEs, consortia etc.) as well as a few officers at the regional level have been
interviewed. This phase of the research served to identify the implementation structures (Hjern & Porter 1983) and to depict the process of structuration.

The number of interviewed actors amounts to approximately the same number as the firms. The questions posed in the semi-structured interviews follow the same logic as those posed to the businesspersons in the SME-interviews.

The challenges and possibilities and the problem solving processes described by SMEs are outlined through the identification and description of "cases". Yin (2003) is my main guide in constructing and analyzing case studies. The use of the semi-structured interview led naturally to the adoption of a phenomenological and narrative perspective. Phenomenology implied interpreting the meaning of the interviewees' narratives of lived experiences, challenges and comprehending how the interviewees conceive their world in order to track processes of self organizing (and collective action). The narrative perspective has been especially useful in conveying the narratives of the interviewees to the reader as well as in understanding and constructing my own narrative about the stories depicted by the interviewees. The concept of lifeworld has been brought into the research as a help in analyzing, understanding and depicting the individual’s sense of consistency and meaning in his or her existence, which derives from the conception and knowledge of the context in which he or she lives and thrives.

The case studies are compliant with four main lifeworld challenges around which the businesspersons' narratives evolve, and that are related to the challenges and possibilities confronted by SMEs. The case studies are: (1) financial resources, (2) collaboration with universities and Research & Development, (3) internationalization and exports, and (4) employment and vocational training.

From the analysis of these case studies, four common tendencies generated the same number of headings which were utilized to elaborate a few assumptions and to search for theoretical threads which could possibly help explain the phenomena identified in the case studies. The theoretical threads are: (1) institutionalization and organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) lifeworlds and arenas for communicative action.

Research findings from the case studies are confronted with theoretical threads, and possible explanations are investigated.

Studies within policy analysis elaborate a policy problem. The concept is an analytical construct and a question more than a social challenge.15 I have used

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15 See Bostedt 1991:41, for a more thorough definition of the two concepts.
1. Introduction

the definition lifeworld challenges to describe social challenges. Lifeworld challenges are challenges lived and perceived by businesspersons and the rest of the actors participating in the organizing process. The policy problem contains (and consists of) one or a bundle of lifeworld challenges. In my study I have used the lifeworld challenges to construct case studies. The concept of lifeworld, and its significance in this research will be discussed more in detail further ahead in this thesis.

As my research started, the policy problem hadn’t been defined yet, it evolved gradually and took shape as businesspersons and other interviewees narrated their lifeworld challenges to me. I found that there exist numerous programs, strategies, centers, organizations (structures), all claiming that their objective is to assist SMEs.

At the same time, as I spoke to the businesspersons and other actors participating in problem solving (policy) processes, it appeared that only a few of the ambitions and strategies expressed by politicians and decision makers who elaborated the objectives at the top actually reached the beneficiaries at the bottom. The link between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges did, thus, not appear to be particularly solid.

This finding is interesting and noteworthy as the same key concepts mentioned and emphasized by programs, politicians and decision makers at the top, are roughly the same as those mentioned by SMEs and other actors at the bottom. There seems to be coherence on the focus of the challenges and challenges, but disagreement regarding the solutions. Hence, a gap seems to exist between structure and action and my policy problem can be worded as in the following question: What is missing in the link between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges?

1.6 What can be expected from this research?

As I started this research, I approached it with great optimism. I will exemplify by quoting a few lines from one of my first drafts. One of the aims was elaborated as: “examining the opportunities that may possibly exist to learn from the findings and, thus refining and recycling successful cases of organizing.” Less successful examples could possibly serve as cases for learning how to avoid ending up in situations of failed policy. Good examples as well as
less successful cases would then serve as instructive paths for already existing institutions in order to improve methods and forms of collaboration.

Today, as I conclude my research, I’m still passionate about it and about the many narratives included in it, but as my research findings unfolded, I gradually adopted more modest expectations. I will provide the reader with several explanations on how I came to the conclusion that it does not make much sense to construct toolboxes or a set of successful policy examples. Luckily the case studies will convey examples of successful and partially successful examples of organizing processes which are used for drawing conclusions, although arriving at policy recommendations is not the ultimate aim of my research.

Another ambition that I nurtured initially was the capability to generate theories in an inductive research process. Popper (1972), Lin (1998) and Glændal (2008) have helped me conceive my position and my capabilities differently. I will attempt both to arrive at singular or universal statements supported by empirical observation and to provide a hermeneutic interpretation of lifeworld challenges, organizing processes and the link between structure and action.

A brief overview of other pieces of research adopting roughly the approach that I am also using for this piece of research, Hjern & Hull (1987), Bostedt (1991), Hanberger (1992), Carlsson (1993) and Kettunen (1994) will be included in Chapter three.

How does my comparison contribute to the field of policy analysis? The comparative perspective has been used before. Hjern & Hull’s research from 1987 was developed as a comparison between Britain, Italy, Sweden and the Federal Republic of Germany. My specific contribution lies in adding theoretical threads about collective action and lifeworlds, and in suggesting that the concept of lifeworld is crucial for indentifying, understanding, describing and explaining the possible link between structure and action.

1.7 For whom was the thesis written?

The target group for this thesis is, apart from fellow researchers, politicians and other decision makers, civil servants and businesspersons (private and public).

The study is not a benchmarking study between SMEs in various regions and/or sectors. It does not lay down any toolboxes or practices and it has no ready-made contexts to follow. Readers looking for such procedures I’m afraid will be disappointed.
I. Introduction

My hope is, however, that readers find inspiration as they wade through its chapters. Businesspersons will hopefully find stories of colleagues they are going to read mirror their own social reality. Politicians, decision makers and civil servants reading it may find answers to how and why certain individuals who make up “the backbone of Europe” act.

I first developed an interest in regional and local strategies aiming at assisting SMEs, and their interrelation with structure almost 10 years ago, when I worked as a civil servant at the County Administrative Board in Jönköping. My task was mainly related to communicating and promoting the EU and national and regional funds for regional growth. I often entered in contact with SMEs, and felt that their lifeworld was something quite different from that of the decision makers, politicians and some of the civil servants. A personal aim with this piece of research was to learn about the link between structure and action by starting off from the SMEs rather than from programs, strategies and organizations.

I am aware of the fact that, in certain respects, the thesis represents a somewhat alternative approach to political science and policy analysis, and therefore hope that fellow students will find it creative and enjoy reading it.

1.8 The outline of the thesis

Chapter two, The mosaic of implementation research

The next chapter, attempts to depict the mosaic of the academic field of implementation research, policy and analysis as well as my position as a researcher. It starts out by briefly recapitulating the history and different generations of implementation research and describes how different paradigms have affected the field of implementation. Specific attention is paid to top-down and bottom-up perspectives. The delimitations in regard to neighboring disciplines and to perspectives in my own discipline have been included in this chapter.

Chapter three, Bottom-up and the analytical framework

Chapter three, describes how the bottom-up perspective has taken on the form of an analytical framework. The chapter starts out with a thorough description of bottom-up policy analysis (or policy-organizing analysis) as developed mainly by Hjern et al.

This type of analysis and its epistemological and ontological positions also imply the adoption of a set of assumptions, which, taken together also make up the cornerstones of the frame of analysis for my study. The assumptions
integrated in the bottom-up organizing analysis, generally include claims regarding: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal institutions and their organizations, programs and strategies. Concepts such as implementation structure, organizations and organizing and their interpretation in the context of the thesis are outlined. A brief overview of research adopting roughly the same approach, Bostedt (1991), (Hanberger (1992), Carlsson (1993) and Kettunen (1994) has been included in Chapter two. Hjern & Hull’s research from 1987, “Helping Small forms grow”, has played an important role as inspiration and model for my thesis. The analytical framework has been used for comparative research in Britain, Italy, Sweden and the Federal Republic of Germany.

Chapter four, Methodological tools

Chapter four is a presentation of the methodological tools used. The comparative perspective and the combined approach suggested by Glemdal (2008) using Popper (1974) and Lin (1998) are discussed in this chapter.

The aim of the comparison is to analyze if the processes of development converge or diverge in different contexts, how possible similarities and differences between them can be explained and whether it is possible to learn something in the field of policy analysis. The comparison is also one of the two techniques adopted in this thesis aiming at arriving at singular or universal statements supported by empirical observation and at providing a hermeneutic interpretation of lifeworld challenges, organizing processes and the possible link between structure and action. The concept of lifeworld and its interpretation and use in this thesis is accounted for.

The last section of Chapter four is devoted to summarizing and outlining some of the difficulties and possible weaknesses relating to criteria such as reliability, construct validity, internal validity and replicability and generalization with which the research is confronted. I have also explained how I have tried to avoid and/or remedy the shortcomings or difficulties which have been or may be the result of certain choices.

Chapter five, Research design and introduction to the case studies

In Chapter five, I explain how the research has been designed. The case studies which make up the empirical material of the research are also outlined. In the last section, the research design is evaluated in brief.

Yin (2003) serves as the point of reference for elaborating the case study approach in my research. The research process, which involves generating findings and reconstructing processes of organizing through semi-structured
interviews with businesspersons (in a first phase) and other actors (in a second phase) pursuing the concept of snowballing is described in this chapter. The identification of the two national and regional contexts, as well as the selection of businesspersons to interview is outlined.

Challenge definitions have been grouped into cases. Four lifeworld challenges were formed as case studies. Chapters 6-9 make up the case studies, which explain lifeworld challenges faced by businesspersons and other actors interviewed, and how these take the shape of implementation structures of collective action and policy organizing. A brief introduction to the case studies explains why and how I have formed case studies out of the lifeworld challenges narrated by the businesspersons.

The last section of this chapter is devoted to a critical evaluation and a discussion on a few possible biases of the research design.

Theoretical threads which will help examine and explain empirical findings closer are provided in Chapter ten. By relating research findings from the case studies to existing theory I will try to arrive at explanations about the link between structure and action interpreted as the interaction between systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges.

**Chapters 6-9, Empirical findings presented as case studies**

These chapters make up the empirical section of the thesis. Research findings are integrated into one single case, while different solutions to similar or identical lifeworld challenges have been highlighted and explored. The case studies tackle the following topics respectively: (5) financial resources, (6) collaboration with universities and Research & Development, (7) internationalization and exports and (8) employment and vocational training.

Each of these chapters starts out with a story related to the specific lifeworld challenge defined by the businesspersons, and ends with a brief conclusion and analysis of the specific case study. No theory has been brought into the case studies. This is intentional, and a conscious choice made by the author.

**Chapter ten, Findings in relation to theory**

In this chapter, the empirical findings are analyzed with help of four theoretical threads, (1) organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) lifeworlds and arenas for interaction and communication. Threads 1-3 are presented first, in sections 10.2, 10.3 and 10.4. Section 10.5 aims at delivering some tentative explanations about the link between political
aspirations and adequate policy for SMEs. Section 10.6 is devoted to the last theoretical thread, which is central for the thesis.

Chapter eleven, Final analysis and conclusion

Chapter eleven is devoted to the final analysis and conclusions. The chapter starts out by recapitulating the aims of the research, and is followed by an outline of what came out of the confrontation of empirical findings and theoretical threads carried out in Chapter ten. The comparison of the two national and regional contexts is also be accounted for. Each case study is examined and similarities and differences between (a) the industrial sectors and (b) the two regional settings are analyzed. My contribution to the field of policy analysis and the possibility of using this study’s conclusions is discussed in the last section.
2 The mosaic of implementation research

The academic field of implementation research embraces many different approaches, values, directions and positions. This chapter attempts to depict this mosaic and my position in it. It provides an epistemological background to the choices available and those eventually made to develop the methodological tools and the research design. The chapter starts out by briefly recapitulating the history and different generations of implementation research and describes how different paradigms have affected the field of implementation. Specific attention will be paid to top-down and bottom-up perspectives. The bottom-up perspective will be explored extensively in Chapter three.

2.1 Policy sciences and implementation research

This thesis can be regarded as a work conducted within the tradition of implementation research, and the methodological approach that will be used is policy analysis. Several different approaches are, however, adopted in policy analysis, and it can be argued that it is neither a consistent scientific field, nor an approach adopted exclusively by political scientists or scholars within the fields of public administration or public policy (Hanberger 1997). As a matter of fact, as asserted by Saetren (2005), research on policy is carried out and policy analysis is used by scholars and practitioners in several other fields such as health, education, law, environment and economics. This list could possibly be further extended with fields such as biology, engineering and urban planning, and the field can thus, without doubt, be referred to as multidisciplinary.

One implication following from the manifoldness of the academic field is that a piece of implementation research must express a clear position regarding epistemology; the dissertation’s approach in relation to the theory of knowledge within the discipline. Implementation research is about finding and explaining one’s place in an epistemological sense, hence a sort of meta-level theoretical positioning. As we will see – the epistemological framework is closely related to a certain ontology, i.e. the methodological toolset with which the researcher frames the analysis. It can therefore be argued that the theory of the field of implementation is a part of the general theory of this doctoral thesis. It outlines how my view of policy, implementation, knowledge, objectivity, the prospects of generating new knowledge or achieve general solutions to problems and my
values have been shaped, and how this set of conceptions prompted the use of certain methodological tools.

Implementation research has its origins in the USA, and departs from the organizational-theory of Weber and a scientific field called policy sciences introduced and advocated mainly by Harold Lasswell in the 1950s. Lasswell suggests that the social sciences (and not exclusively the natural sciences as was the legacy in the past) should be used to create better policies and “a knowledgable governance, that is, the acquisition of facts and knowledge about problems so as to formulate better solutions” (Parsons 1995:17). By introducing policy sciences, Lasswell attempted to rationalize the state and provide an answer to the public expectations posed on decision/policy makers (ibid.:16). Policy analysis is the methodological approach of implementation-research. In Sweden, and to a certain extent also in several other European countries, social science research came to be influenced by this tradition from the 1970s and onward. Ever since, it has been used frequently as an (independent) analytical support for institutions and organizations.

Implementation research and policy analysis is a kind of evaluation, an investigation of delivery. One core concern that could be claimed as general to all implementation researchers is, thus, to reach a better understanding of the relation between policy and action, where two poles have generally discussed whether policy should be prescriptive or descriptive (see for instance Barrett 2004, Lin 1998, Glemdal 2008). Another continuous debate among scholars has concerned how policy analysis should relate to state power (Hanberger 1997). Many factors combined make implementation research a complex, multifaceted and often contested field.

First generation

The first generation of implementation researchers in policy sciences were engaged in social experimentation. Driven by the rationality of the industrial society, as already predicted by Weber in the first decades of the 20th Century, governments, institutions and organizations were strongly influenced by great optimism related to the possibilities and capabilities of programs and certain measures, and expectations concerning the outputs of specified actions among policymakers and politicians were high. Programs could be carried out according to the conventional order: agenda-setting, problem-definition, planning, implementation, evaluation and conclusion. Welfare was secured in the economies of the Western world (Carlsson 1993, see also Stame 2001). Also research came to be inspired by this outlook on efficiency. During the 1960’s and 1970’s grand scientific research-projects were carried out aiming at evaluating the effects welfare-policies and organizations could deliver to society and its members (Rothstein 1998.).
The intention of the researchers was to explore an “old theme in the study of politics: how well does the body politic link good representation of societal aspirations (‘politics’) with their efficient and effective realisation (‘administration’)” (Hjern & Hull 1983:2). This distinctive remit, was however soon lost, as it was distorted, adopted, adjusted and annexed to neighboring academic fields or alternative approaches such as for instance policy-output analysis and public administration (ibid.).

Pressman & Wildawsky are referred to as representatives of the first generation researchers in policy analysis, and have become renowned as the writers of the famous study of “How great expectations in Washington are dashed in Oakland” published in 1974 (de Leon 1999). This was the era in which the concept of implementation was perceived as "a hypothesis containing initial conditions and predicted consequences" (Pressman & Wildavsky 1973:14).

Although expectations were high among decision makers as well as scholars, Pressman and Wildawsky and other implementation researchers of the first generation soon found out that defining and analyzing decision and implementation processes as a textbook policy process (Nakamura 1987) of outcomes, would only result in studies confirming that implementation doesn’t work, that is, what Parsons (1995) refers to as analysis of failure. The first generation researchers therefore adopted a skeptical or even pessimistic position in relation to the prospects for successful implementation.

Second generation

Despite the difficulties and the disappointments experienced by the first generation, also the second generation of scholars continued the search for evidence of whether and (if yes) how implementation works, in the sense: whether it produces the expected outcomes. Mazmanian & Sabatier (1979) can be referred to as the first scholars of the second generation. They describe implementation as follows: “Implementation is the carrying out a basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court decisions. Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and, in a variety of ways, structures the implementation process” (Mazmanian & Sabatier 1983:20). Mazmanian and Sabatier had a clear aspiration to contribute in the theoretical field, and carried out empirical research which they attempted to complete with causal explanations of phenomena, but the independent variables were seventeen (!), and the result of the study was therefore most likely not as accurate as the authors had desired (de Leon 1999).

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Implementation processes, according to Lasswell (1963) result in: intelligence, promotion, prescription, invocation, application, termination and appraisal.
Although policy makers seemed optimistic regarding the prospects for implementation, the researchers adopted skeptical and/or critical attitudes towards implementation capacity. It can, however, be argued that these scholars were positivists – they believed that success or failure can be measured, that efficiency is a feasible objective and, consequently, that the adequate means and modes to achieve successful implementation exist. Lasswell, Pressman & Wildawsky and Mazmanian & Sabatier all had this positivistic spirit in common. Another common characteristic of scholars belonging to this generation is the perception of implementation processes that originate from policies elaborated by a power centre (often the government and/or the state). This power centre or central unit also decides on how to implement the policies and measure the result. The conceptual model is based on a belief that implementation is steering and that input- and output mechanisms are the means which should be used to reach the objective efficiency, thus a rational model. A third basic characteristic for these first implementation researchers is that they apply a so-called top-down approach to organizations and policy.

A top-down approach takes as its point of departure institutions and political and/or organizational solutions that are already established and often centralized when trying to find the solution to a certain problem following a process that starts at the top and finishes at the bottom. “Top-downers have been preoccupied with (a) the effectiveness of specific governmental programs and (b) the ability of elected officials to guide and constrain the behavior of civil servants and target groups. Addressing such concerns requires a careful analysis of the formally approved objectives of elected officials, an examination of relevant performance indicators, and an analysis of the factors affecting such performance” (Sabatier 1986:37). Important tools in conducting the analysis are certain variables that are chosen in order to obtain as well as measure results and impacts. Advocates of this model, hence, “saw it as a normative ideal for putting policy into effect” (Barrett 2004:254).

But the second generation of implementation research also embraces advocates of the bottom-up approach. A few of the most well-known bottom-uppers are: Lipsky (1971), Elmore (1978, 1979) and Hjern et al. (1978). The approach developed during the 1970’s, an era in which science was torn between the power to the people movement of the Marxists and the big expectations and the modernistic understanding of the positivists (Bogason 2000).

In the field of implementation research, the bottom-up approach mainly represents a criticism of the top-down (Parsons 1995). Bottom-up researchers found that power was becoming diffused, and by shifting the focus from the one decisional-unit towards federal systems or other power-centers, and the

For a description on common characteristics for top-down researchers, see for instance Hjern (1999) and Stame (2001).
analysis from the implementation stage to the problem and policy-formulation phase, they claimed to provide a more accurate picture of the policy-process (de Leon 1999).

Bottom-up policy analysis maintains that governance should be studied from a process perspective and insists that a process study should not take its starting point in the formal rules and procedures within an organization. First of all, this is because most policy processes cut across organizational boundaries and thus take place in an institutional void (Hjern & Hull 1984), and second, because institutional features such as path dependent research-allocations, formal norms, rules, habits, and routines, and hegemonic or competing resources are likely to have decisive influence on the nature of the policy process. For that reason, bottom-up policy analysts agree that a policy analysis should not take its departure from a study of policy processes as they are played out in formal organizations. Instead, it should start in the interplay between individual actors (Gjelstrup & Sörensen 2007:30).

Hjern and Porter (1981) applied the so-called network-approach in order to permit for bottom up policy analysis to be carried out in multi-organizational contexts in which programs and strategies are performed by many organizations contemporaneously in a complicated network of interactions, such as our contemporary society (Parsons 1995). The “bottom-up organizing analysis” developed by (Hjern 1999) will be described more thoroughly in the following chapter (Chapter three), and adopted as a cornerstone in my research design.

The bottom-up approach starts at the most local and detailed level possible to identify the problems and the solutions. The actors actually living the practical reality are analyzed (Rothstein 2002, Hjern 1999). Bottom-uppers are far less preoccupied than the top-downers with the extent to which a formally enacted policy decision is carried out and much more concerned with accurately mapping the strategies of actors concerned with a policy problem. They are not primarily concerned with the implementation (carrying out) of a policy per se but rather with understanding actor interaction in a specific policy sector (Sabatier 1986). Important concepts in conducting the analysis are: “goals, strategies, activities and contacts” (Sabatier 1986:32).

Barrett (2004:254-255) suggests that a wide range of models were lumped together in the bottom-up categorization, and that this was: “a somewhat misleading label.” Barrett writes: “The bottom-up ‘camp’ (Berman 1978; Hjern, Hanf and Porter 1978) was associated with those espousing a micro-political view of intra- and inter-organizational behavior, and included a range of models, some emphasizing consensus building, influence and exchange processes” as well as models focusing on the exercise of power and conflict.
As noted by many scholars (see for instance Palumbo & Calista 1987), the debate on top-down and bottom-up may have taken much energy away from policy analysts throughout the decades, and too much orthodoxy in applying any one of the extremes is perhaps not preferable anymore. Since I have adopted a bottom-up approach, I have decided to examine which main advantages and disadvantages it may bring to a piece of research.

Advantages and disadvantages related to the bottom-up approach

Sabatier (1986:34) mentions the following advantages:

- it is capable of identifying and reconstructing policy networks, and the methodology allows for replication;
- it takes more than one program/central authority/ other actors into consideration as policy is analysed;
- objectives and outcomes are not pre-established (as in the policy-output and the policy-organization analysis) therefore also unintended consequences and outcomes can be studied;
- it can deal with a wide range of policy problem areas at the same time;
- strategic interaction over time among various actors can be analyzed.

Stame (2001) claims that the bottom-up approach has a clear advantage of generating “knowledge” in more than one sense. For example, it attempts to understand the context through conceptualization and interpretations provided by the beneficiaries and it aims at defining the problems and at comprehending what can actually be attained from programs, strategies etc. (Stame 2001).

Bottom-up policy analysis, as any other approach, has its shortcomings, and does imply some difficulties. Sabatier (1986) presents a few of them as he compares the pros and cons of top-down and bottom-up approaches:

- Bottom-uppers run the risk of overemphasizing the importance of the “local” level to influence central power, and may underestimate the role

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18 I have included Sabatier’s criticism here, mainly because I would like to use this criticism as tools as I try to avoid falling into the trap of making my own research suffer from the general shortcomings of the approach. Since I have chosen to relate to the bottom-up approach as a theoretical (epistemological) model as well as a methodological approach, I will return to the discussion of possible disadvantages of the method in Chapter four, as I attempt to evaluate the methodology applied in my thesis.
The mosaic of implementation research

of the central power on the context at “the bottom”. An exaggerated decentralized view may, for example, fail to take notice of the fact that a programme or a strategy of the centre might be the result of action from the bottom and up. The researcher, taking the importance of certain participants in the implementation structure for granted and reconstructing the research from this context may ignore other individuals who have played an important part in shaping a programme or a strategy. The implementation structure may, thus, depict an incomplete picture of reality.

- Hjern et al. concentrate too heavily on perceptions and activities performed by the individuals, but neglect to provide explanations and theory about legal factors, economic and social factors which shape and structure the perceptions of individuals.

Sabatier (1986) suggests a fusion of the two and, after having described the two approaches and their pros and contras thoroughly, he tries to use the best aspects of each one of them. As noted by Glemdal (2008), Sabatier does, however, eventually resort to a top-down perspective as he develops his coalition network. Sabatier explains that the different approaches can be considered adequate depending on the context and the situation. A few of the remedies advocated by Sabatier (1986) include carrying out research on policy change for longer periods of time (a decade or more), and indicating the actors who are involved and who might not be included in a strictly top-down or bottom-up perspective. The advocacy coalition approach focuses on strategic interests among actors, and their conflicting values. The analyst in such research plays “the role of an operating official rather than a critic of existing practice or a source of ideas. It is perhaps adequate (or inevitable) for the analyst hired by an agency, legislator, or other interest – and, indeed, conducive to career success” (Dryzek 1998:317).

Barrett (2004:255) concludes that even if the polarization between the two models have given rise to many problems, the “debate did raise a number of important questions and issues concerning the purpose of implementation analysis, and indeed the meaning of implementation. First was the question of what implementation studies are trying to do. Are they about prescription or description? Is the purpose to design better policy, achieve greater control over policy outcomes, and/or to seek understanding and explanations of what happens in practice?” As we will see, this question is still relevant in implementation research.

Sabatier’s article “Top-Down and Bottom-Up approaches to Implementation Research: A Critical Analysis and Suggested Synthesis” from 1986 has become a classic in policy analysis and provides an excellent outline of the two perspectives.
Further ahead in this thesis the bottom-up policy analysis as elaborated by Hjern (1999), which serves as a point of departure and an important cornerstone for my own thesis, will be presented in greater detail. In my opinion it would be possible to argue that the top-down and the bottom-up approaches gradually have become integrated, as time has passed by. Changes in society have made parallel changes in scientific approaches desirable and even unavoidable. I will eventually argue that the approach suggested by Hjern (1999) and adopted by Bogason (2000), despite its name, permits a fusion of the two. As a matter of fact, Bogason, perhaps in an attempt to avoid ending up in the endless battle between the two extremes, prefers calling the approach “post-positivist analysis”.

It is, however, important to understand that concepts are still relevant. As has been argued and as we will see, applying either the top-down or the bottom-up perspective will imply important differences to the research concerning for instance the interpretation and conception of policy and implementation, and whether or not the researcher decides to use the bottom-up or top-down label, he or she needs to clarify his or her position.

**Third generation**

The third generation of implementation models developed during the 1980’s. Models usually aimed at: negotiation and/or refinement of learning and negotiation within different policy-contexts, bridge between bottom-up and top-down approaches or the dialectics in the relation between policy and action (Barrett 2004, Parsons 1995). Googin, Bowman, Lester and O’Toole (1988) call their approach “a third generation approach”. These authors claim that third-generation scholars focus on “conceptual clarification, and the careful operationalization and measurement of variables” They continue: “equally important is a set of policy analytical techniques that are both comparative and longitudinal” (Googin et al. 1988). The authors state that researchers of the third generation of implementation have shifted emphasis “from theory construction to theory testing” (Googin et al. 1988).

Their aim appears to relate principally to combining various methodological tools, such as content analysis and interviews and mail-questionnaires. Googin et al. suggest that their “multi-method” approach is different compared to that adopted by scholars of previous generations, but their specific contribution to implementation-research remains somewhat unclear. The second generation had already prepared the way for the “multi-method”. It can be argued that no major changes actually came about, and that I and other researchers are still following in the footsteps of the second generation.
Challenges faced in the scientific field

Policy analysis has remained divided and incoherent, as noted by Dryzek (1982:309). He writes: “The divisions run deep; the field has no accepted paradigm, well developed body of theory, or set of methods to apply to specific policy problems. Indeed, definitions of policy analysis are almost as numerous as policy analysts.”

One of the most persistent critiques of the entire field of implementation research is perhaps that, despite the fact that numerous pieces of implementation studies have been carried out throughout the decades, a good body of theory is still lacking (Palumbo & Calista 1987). These authors also claim that the debate on top-down and bottom-up, the interpretation of policy as well as ideological and epistemological biases have impeded the development of the field of research. Furthermore, policy is an extremely complex phenomenon and, therefore, most difficult to improve. According to Palumbo & Calista (1987) implementation research has many weaknesses. Research within the field often takes on the perspective that government always fails. The view of policy and implementation that is reproduced is, furthermore, too narrow and does not reflect the manifold values, contexts, actors etc. Also, it tends to favor a top-down view of policy and implementation. In addition, the field has too many approaches, and scholars often ignore and/or disregarding the work carried out by others, and do, hence, not build on previously generated knowledge (ibid.).

The 1990’s saw a move towards alternatives to the existing models and approaches in implementation research as well as a return to the process model which had been developed by the bottom-uppers of the second generation. For instance, Palumbo & Calista (1987:99-100) indicate a tendency among scholars in the field of implementation research to move from the view “that there is an objective reality out there waiting to be discovered and that we can discover general laws of implementation applicable to all situations”, towards a methodology building on constructivism and the belief that “we create rather than discover reality” (ibid.). In this conception, laws applicable to all situations are unlikely to exist.

Hjern (1999) describes the gradual development of society, its organizations, the approach to analyzing organizations and the presumed outcomes and/or effects of policy. It is an evolutionary model which starts out with policy-output analysis, which is clearly top-down oriented via policy-organization analysis, still top-down oriented and defining standards and objectives as means for steering, to finally arrive at an alternative approach: the policy-organizing analysis. Hjern’s model is appealing to whoever prefers to think of policy analysis as a scientific field in continuous development in the sense that the last
model of the three depicts the multi organizational society, and a bottom-up approach is suggested as adequate for describing and analyzing organizing in the 20th and 21st Century.

Since I, myself adopted this approach for carrying out my research-work I believe that it is adequate, but this neither means that top-down approaches are not applied anymore, nor that positivist beliefs and measures do not still make up the basis for a great deal of implementation research and policy analysis.

As claimed by (Barrett 2004:258) during the 1990’s “policy centralization and agency decentralization and contracting out reinforced the separation and distance between politics and administration.” Public policy is, since then, often applied as an instrument to achieve cost-effectiveness. Monitoring and evaluation have been used as measures in policy sciences as the field has been strongly influenced by the ideas and the vocabulary of business management (Parsons 1995:458, Barrett 2004). Implementation in the contemporary period, claims Barrett (2004:258), is an answer to pre-established targets and indicators. She continues by pointing out that we are back to “dominance of normative, top-down coercive process models of policy implementation of performance and of ‘performance’ as conformance with policy targets.”

Peters (1998), Hoff (2003) and Stame (2001) all express similar opinions as they describe implementation research and what it has become. Peters (1998) notes: “Much public policy analysis in political science uses a process model, beginning with agenda-setting and ending with evaluation and feedback”. Comparative studies of institutions “often have a discernible functionalist bias built into them. Legislatures must legislate, and therefore they will tend to perform approximately the same tasks, although perhaps in markedly different ways” (Peters 1998:14). He continues: “Although the heyday of functionalist analysis was during the 1960s, much of its logic remains operative, albeit disguised, in contemporary thinking about governing (ibid.).

Hoff (2003) asserts that studies on governance and governance theory often take off from the perspective of politicians or civil servants and from “top-down”, and appreciates this is related to the fact that strong ties exist between practitioners and researchers within the discipline of public administration.

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19 Hjern & Hull (1983:4) recognized this tendency already in the 1980’s, and claimed that advocates of public administration focus on “the relationship between the result of ‘politics’ – statutes, executive orders and court decisions – and the administrative processes leading to policy outputs or outcomes.” There is, thus, a basic assumption of a stable and sequential relationship between ‘politics’ and ‘administration’ as if the aspiration of policies can be achieved (at least in significant measure) by the mere addition of clause to legislative clause. Hoff discusses the field of public administration which I consider a sister discipline to implementation research. It could be argued that implementation research struggles with problems analogous to those faced by public administration as regarding the ‘top-down view’ of implementation. Hjern & Hull (Ibid.) suggest that implementation research needs to adopt an “agnostic attitude as to the nature of the relationship between ‘politics’ and ‘administration’, and that this ought to be a specific remit for
Scholars have therefore often turned into practical problem-solvers or consultants. On the one hand, this favors empirical research and the discipline’s contact with reality; on the other hand it might limit the scope of research too much and the independence of the policy analyst may be threatened. Another risk, related to the independent role of the policy analyst, is that the researcher may become an “alibi” and serve mainly as an legitimizer for actions taken top-down by politicians or other decision makers.

So, what’s left for us, the future generation of implementation researchers? The previous section suggests some possible approaches regarding theoretical strands as well as methodological approaches available, and chances are good that this spectrum, except for provoking confusion and some perplexity at first sight, provides a great deal of information as well as inspiration for the next generation implementation researchers. Implementation research appears to have taken one or two steps forward, to eventually – because of various reasons - loop back into positivism and top-down orthodoxy. At the same time there is a need to continue the scientific discussion and perhaps a revival of implementation research would be timely (Barrett 2004).

Experienced implementation-researchers have, as we have seen, summed up the criticisms awakened by more than half a Century of implementation research and leave some torches for us to pick up.

Susan Barrett (2004) claims that implementation research as a specific field ceased to exist for a few decades, and calls for a revival. Barrett appears, however, a bit hesitant about the specific tasks and contents of such a research, but provides some general suggestion and proposes that we aim at achieving a better understanding of policy and action and how they are related to each other. Barrett also suggests that the multidisciplinary nature of implementation studies be used as a resource to establish a common language and joint- research projects among scholars in the field. Public and democratic accountability, responsiveness, control, ethics, and social responsibility are additional parameters and issues that Barrett would like future implementation researchers to engage in.

Palumbo & Calista (1987) urged the third generation researchers not to fall into the trap of conceptual and methodological issues. Referring to Lester et al. (1987) the authors assert that comparative research would provide one of the tools which could help explain implementation behavior by indicating possible
variables. Palumbo & Calista go on by observing how the interpretation and conception of implementation is gradually changing. From the positivist model of the “objective reality” and “general laws” of implementation universally applicable, we are moving towards a relativist and constructivist view.

Peter de Leon (1999:29) suggests “a post positivist (discursive) perspective” rather than “a more traditional top-down perspective.” He encourages scholars to bring in examples also about successful policy instead of continuing to focus on policy failure, so that both sides of implementation are included. A third suggestion provided by the same author is that we should strive to arrive at a better understanding without necessarily predicting implementation.

Lin (1998) warns for overemphasizing the specific in the case that is being analyzed and thus to impede the mere thought of recycling solutions in any other cases than in the case/cases studied at that particular point of time or in that specific piece of research. Researchers should also be careful not to overemphasize the causality in mechanisms, and thus, when trying to learn all about policy processes and the prospects for making them work, searching for exactly all the mechanisms in a policy process as a checklist. Such attempts are likely to fail, since policy processes are complex and multilayered (Lin 1998:164). Lin continues: “Policy researchers must move, beyond the recognition of causal patterns, toward the discovery of solutions (ibid.:168).

2.2 Analytical frameworks for understanding action

In the previous section, I have attempted to summarize some of the many views and positions present in the field of policy analysis. Naturally, a doctoral thesis can’t be expected to come to grips with all of the problems of the field, neither is this my objective, but the historical and epistemological background and critique summarized above give a picture of the problems that scholars have been concerned with for decades, and they do emphasize some of the considerations and choices that have been made in this thesis when relating to and interpreting concepts such as objectivity/subjectivity, top-down and bottom-up, implementation, policy and government, just to provide a few of the examples.

One of the crucial quests in current implementation research springs from the question on whether, and if yes how findings in social sciences can be utilized in producing solutions to societal problems, which, as we have seen, is exactly what Lasswell was aiming at in the era in which policy sciences emerged. Although this difficult knot and its practical implications in implementation
research have already been touched upon in the previous section, it is crucial to explore these issues thoroughly and clarify and explain my personal position in relation to them.

My values and conceptions of how knowledge is generated will namely imply certain choices regarding the ontology, research design and analytical framework of my own study. The discussion will, hopefully, also help in arriving at arguments regarding what results could possibly be expected from my study. In the following I will attempt to express my values and my position by attempting to recapitulate the discourse. Various analytical frameworks are available for understanding action. Bogason (2000) makes an attempt to categorize research using the bottom-up approach to policy analysis by placing them in various paradigms: social constructivist, critical theorist and hermeneutic and post-positivist. He also gives several and rich examples of studies carried out in each of these strands. In the following the different approaches will be presented briefly.

Social constructivism

Social constructivist studies, as indicated by the name, all have in common that they *construct* research and its results by capturing interpretations of concepts and processes, and that different rather than similar interpretations and perceptions are sought for. Social constructivists aim at obtaining an understanding that can be accepted as common by communication and social interaction in which the researcher generally is *included* and plays an active part. Constructivists have a *relativist* approach to research, that is: there is not one truth or reality, since reality is socially constructed. The unit of analysis and the researcher *interact* to *construct* the research and the result.

Hermeneutics and critical theory

Hermeneutics and critical theory have the perspective of policy analysis as an “empowering” activity in common. One of the most well-known representatives of critical theory in political science is Jürgen Habermas, who focuses on the role played by research to enhance and improve public knowledge of relations and contexts. This implies, thus that policy analysis would play an enlightening role that would lead to the participation and mobilization of people (Dryzek 1982). Deliberative practices are expected to lead to social change and equality, and a more open decision-making process (Parsons 1995). These can be said to be common features of hermeneutics and critical theory.

Bogason (2000) explains however that research referred to either as hermeneutical or critical theorist can expose important differences regarding the
approach to the researchers’ involvement in the process. Research in these two fields is sometimes concentrated on the researcher as a policy businessperson, acting faithfully according to a certain set of values, while others focus on the importance of the researcher as free of value commitments.

Dryzek (1982) presents a hermeneutic model for policy analysis. He claims it is adequate in multi-actor and multi-interest situations in which good outcomes appear to be absent and there is little consensus on problem definition. Dryzek defines his model for policy analysis as a type of “evaluation of existing conditions and the exploration of alternatives to them, in terms of criteria derived from an understanding of possible better conditions, through an interchange between the frames of reference of analysts and actors” (Dryzek 1982). As a matter of fact, hermeneutics is considered the study of self-reflecting humans (Flyvbjerg 2001:32). This implies an aspiration to identify success criteria developed in the context in which the target populations live. It is also the target population to indicate the perceptions and values of success criteria. Another specific feature of hermeneutics is that the analyst plays the role of studying and intervening in the discourse and understanding and unveiling problems and frames of reference in policy, but he/she must at the same time remain critical to the practices in which the studied actors are involved. In Flyvbjerg’s words: “Just as the people studied are part of a context, research itself also constitutes a context, and the researchers are a part of it. The researcher’s self-understanding and concepts do not exist in a vacuum, but must be understood in relation to this context.” People and phenomena studied “talk back” to the researcher (Flyvbjerg 2001:33).

There is, as we can see, a component of advocacy also in this approach, and as mentioned above, one of the objectives of hermeneutics is emancipation, thus, the improvement of human existence by raising the social consciousness (Dryzek 1982). Dryzek appears to set high objectives for his hermeneutic model of policy analysis initially, but at the end of the outline, he seems to express a less strict attitude. He refers to policymakers, and the fact that they are not likely to be apt to consider research that questions or criticizes the current “order” in a particularly constructive manner. For this reason he calls for assessing “the success of a piece of analysis by its contribution to raising the level of discourse and changing climates of opinion” and challenging the status quo that end.

**Post positivism**

*Post-positivists* all set off “with the scientific construction of the policy problem that is to be investigated” (Bogason 2000:147). The researcher is responsible of doing this. Most of the studies carried out within this tradition focus on local governance, and challenge consolidated forms of local government. Hjern &
Hull’s research from 1987 “Helping Small forms grow”, which played an important role as inspiration and “model” for this thesis was the first European bottom-up policy analysis on specific policies is placed in the “post- positivist-paradigm” by Bogason, together with other such as: Hanberger (1992), Bostedt (1991), Carlsson (1993) and Kettunen (1994). These are all researchers following Hjern’s approach. A brief presentation of these studies, and their contribution to the bottom-up vein of policy research will be provided in Chapter three.

Bogason would probably place my research in the postpositivist paradigm but, at the same time, the analysis does include aspects from social constructivism as well as from critical theory and hermeneutics. It should also be mentioned here that some additional, complementary cornerstones which are part of the postpositivist tradition (narratives and phenomenology) have been added to the ontological framework in Chapter four of this thesis.

Critical rationalism and a mixed approach

Glemdal (2008), as to create an analytic framework for understanding action and as to define his position from a scientific (epistemological) point of view poses the question if his “objective should be to (1) Arrive at universal or singular statements supported by empirical observation?”, or to “(2) Arrive at a hermeneutic, empathic interpretation which can contribute to that the researcher and others can re-experience the experiences of the actors investigated?” (Glemdal 2008:19). The first claim builds on assumptions supported by positivists such as Schlick (1934) and critical rationalists as Popper (Glemdal, ibid.), who presume that objective knowledge is possible and that it can be achieved through testing observations and assumptions against hypotheses), while the second claim is supported by advocates of hermeneutics (or post positivists) such as Collingwood (1938), who presume that it is impossible to achieve objective knowledge, since the investigated individuals as well as the researchers have their own subjective experience of the situation. Advocates of the hermeneutic tradition come close to what Weber calls verstehen, and focuses more on understanding than on explanation (Flyvbjerg 2001:33).


Glemdal (2008:19) adds a third objective for social research, namely to “arrive at conclusions which combine objective 1 and 2”. Glemdal uses Popper (1972) and Lin (1998) to construct his analytical framework, which is a combination of objectives 1 and 2.

Popper (1972) is a critical rationalist. Critical rationalists hold that claims and hypotheses need to take on such a form that knowledge about reality can be falsified. They also hold that knowledge is always theory-laden. Knowledge is, thus, generated through deductive research. Popper (1972) advocates the “falsification” of an empirical observation through hypothetical testing in relation to an already established body of knowledge. This is a kind of dialectical theory-development process in which a conception of “truth” prevails until it is falsified by new empirical evidence which can over proof the “old” established truth and take its place as “objective knowledge”. Popper claims that conceptions of a phenomenon are present on three levels, that he calls “worlds”. The first world is the physical world, the second is the mental and the third is the world of ideas. This “third world” contains logic and mathematical arguments and theories and holds objective truth, not only about natural but also about social sciences (Popper 1972 as referred to by Glemdal 2008). Critical realism aims, thus, to contribute to hermeneutics by adding the objective dimension, the third world. Popper claims that the interpretation of the social world makes objective knowledge possible (Glemdal 2008:31). This suggests a combination of objective 1 and 2 as they have been presented above by Glemdal (2008).

Lin (1998) also contributes with important arguments supporting a combined framework. Lin’s emphasis; that she is not attempting to construct a new epistemology, should however be mentioned here. Lin recognizes the advantages for social sciences of not keeping the two approaches (which she calls positivist and interpretivist) completely disparate and separated, and she criticizes the claim put forward by Guba & Lincoln (1985) that post positivism should be considered a new paradigm and that it therefore cannot be combined with the old positivistic paradigm. Lin warns that such a perspective may subordinate “understanding to dogma” (Lin 1989:163).

Lin continues by explaining why she believes that there is a need of a combination of the two. Lin explains that it is “precisely because the logics of inference are different, and suited for answering different questions, that research combining both logics is effective (Lin 1998:163).

Referring to Popper (1979) and Lin (1998), aiming at combining the two purposes and achieving objectivity, Glemdal builds a model for analysis encompassing Popper’s suggestions to use falsification as a method for testing observations and arriving at objective knowledge, from which generalizations
can be made. The problem solving model is a situational analysis of individuals’ experience and conception of a situation related to the real situation. The basic unit of analysis is the individual and the setting is the specific situation and the problem. The methodological tools used are hypotheses and critical arguments which may serve to falsify the claim (or assumptions built on research findings).

Fischer (1998) experiences problems with Popper’s approach, One of the core reasons for this is that knowledge and reality, according to Fischer, are relative and constructed. Objectivity can, therefore, be conceived and utilized “as an ideal but requires a critical community of interpreters” (Fischer 1998: 144). This means that value-neutral generalizations are impossible to achieve, and that the focus of research should be to understand the discursive processes that construct various situational contexts. Furthermore it implies that knowledge about a phenomenon only can be achieved through examining data retrieved about the meaning/s of phenomena (Fischer 1998). Applied in the field of policy this means understanding and describing the mechanisms and the reasons of action (Barrett 2004 and Lin 1998). The researcher him or herself can, hence, according to Fischer never free him or herself from his or her own interpretation and understanding of it.

Fischer (1998) claims that it is impossible to arrive at a factual description of social circumstances, neither is it possible to test and relate empirical findings to and can, consequently, not be falsified. Fischer also argues convincingly against the possibility of using a value-neutral body of theory in the process of falsification. He mentions that historical analysis of scientific research shows that the scientific community has been reluctant to disregard or discard discredited propositions, and that research resting on positivistic views runs the risk of becoming dogmatic. Fischer (1980) attempts to solve the problem by adopting what Dryzek (1982) refers to as a hermeneutic approach. as he sets off from the conflicting values in the policy context, and tries to develop a method for measuring and analyzing the consistency of the values among stakeholders in relation to a system of values and in relation to the political culture. Flyvbjerg (2001) is another contemporary political scientist who encourages social scientists to abandon the old rationale of “scientism”, according to which the task of science is to develop theory, and to adopt what he calls a “phronetic social science”. In this perspective, social science should contribute to clarify where we are, where we want to go and what is desirable according to diverse

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2 The mosaic of implementation research

25 The term phronesis stems from the Greek term for prudence, used by Aristotle and has no valid interpretation in the contemporary vocabulary, but in attempt to explain its meaning to the reader Flyvbjerg’s (2001:60) conceptualizations may help: “The principal objective for social science with a phronetic approach is to carry out analyses and interpretations of the status of values and interests in society aimed at social commentary and social action, i.e. praxis.” As we can see, some of the central concerns of a phronetic study are to analyze whether the praxis is desirable, and what should be done. Therefore, it does involve a normative, advocacy content. One additional point of analysis in phronetic research is power and its implications on action. Flyvbjerg (2001:32) refers to a series of scholars who have adopted a phronetic approach to social research. Among those mentioned are; Bourdieu, Bellah, Bernstein, Rorty and Foucault.
sets of values and interests” (Flyvbjerg 2001:167) and thus, to develop a practical rationality in society. Flyvbjerg claims that it is not meaningful to speak of theory in relation to social phenomena, at least not in the sense in which natural scientist interpret theory (2001:25). As we have seen in Bogason’s presentation, scholars adopting a phronetic approach in social research often have a close relation to hermeneutics.

Popper questions hermeneutics. It is, however, not the process and the method of achieving knowledge that is central to his critique. Popper claims that the basic problem of hermeneutics relates to the assumption held by advocates of approach that understanding produces subjective knowledge. Knowledge, according to advocates of the hermeneutic tradition would, therefore, belong to the subjective world, Poppers second world. Popper claims that the outcomes of the understanding, the interpretation may well reach the third, objective world, and should therefore be referred to as objective knowledge (Popper 1972). In contrast with Popper (and Glemdal), however, for reasons that I have already touched upon above, I don’t believe that it is possible to arrive at an independent, objective and/or value-neutral truth about a situation.

2.3 What can be expected of my research?

My research will certainly not result in any ready-to-use toolbox, neither for decision makers or politicians nor for businesspersons, but I do hope to provide a description of the contemporary situation regarding action and contribute with my interpretation of how action is related to programs and strategy (i.e. what is generally referred to as policy).

For reasons already touched upon I would prefer to remain skeptical in relation to objective truth as well as clear cut evidence solutions or explanations building on causal relation. In indicating and analyzing the process, it is however clear that solutions to common problems will also be studied.

My belief is that policy is firstly about description and secondly about prescription. We must make a serious effort to describe reality and action before we can expect to be able to say anything about the adequacy of current as well as prospects for future policy.

The approach chosen in this research aspires to understand the context and processes of collective action using the conceptualization and interpretation provided by the assumed beneficiaries. I also hope that my research can help
defining the problems and comprehending what can actually be attained from programs, strategies etc.

Regarding the discussion carried out in the previous section considering the researcher’s possible commitments related to specific actors, and the role that the researcher aims at playing, I would like to point out that I do aspire to enhance the general knowledge about the policy process, but that it is not possible to expect that my work will play any greater part in theory development. Theories, in this thesis, will be used as frames to which the findings of my study will be compared, with the objective to reach a better understanding. I do find Popper’s as well as Lin’s frameworks useful for my own work.

Dryzek (1982:324) refers to the difficulties related to arriving at understanding and describing reality and calls for a multi-method inquiry, which “is not a prescription for methodological anarchism; but there is no need to set up paradigms and judge between them…” A mixed approach has been adopted in this thesis. It seems wise to combine different views and approaches rather than just building on and increasing the distance between the two poles in the dichotomy of positivist and interpretivist, and findings need to be analyzed in the light of critical arguments. I understand Popper’s and Glemel’s attempt to arrive at objective knowledge and critically test assumptions as well as the idea of aspiring to achieving knowledge, and using it as an ideal though not an objective truth is appealing. Myrdal (1968:11) writes that one of the core ambitions among social scientists is to achieve objective truth. This ambition originates from the belief that truth is virtuous and that and that illusions—particularly those that are opportunist—are harmful. Social scientists, claims Myrdal, strive to arrive at realism, which is a concept that takes on mainly the same meaning as objectivity. Myrdal calls for the repudiation of the positivistic ideal of objectivity, since “total objectivity is impossible” (1968:52). I agree with Myrdal. I do not think that it is plausible to arrive at universal (policy) solutions that can be applied generally legitimizing them by relating them to a logical “world of reason”. I also agree with Fischer (1998:133) as he refers to falsification and mentions the risk of falling into the trap of dogmas, instead of adopting a critical and non dogmatic attitude in relation to empirical observations.

As I adopted the bottom-up organizing analysis and its epistemological and ontological positions, I decided, however, to accept a set of assumptions, which,

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26 The qualities of the chosen approach have been mentioned by Nicoletta Stame (2001). Stame is an evaluation-researcher and in the text I’m referring to she is describing the “social process constructivist” approach and is aiming more clearly than I do in my research at advocacy and the researcher’s personal participation and involvement in the process.
taken together also make up the cornerstones of the frame of analysis for my study.

The assumptions that I see as integrated in the bottom-up organizing analysis generally include: the definition of policy, the need to identify the unit of analysis and the method for finding the unit of analysis, structuration and organizing and relation to formal power and its programs and strategies. These assumptions, and the role played by them in this piece of research, will be discussed in greater detail in Chapter three.

What has been said above implies that my thesis runs the risk to end up in the necropolis of pieces of implementation research or perhaps, if not buried, refused as a study among many others about failed policy, not producing a toolbox of policy-instruments for politicians and decision makers under pressure. It is true that my study does divert considerably from Lasswell’s original ambition and how it was articulated a little more than half a century ago. As we have seen, Lasswell’s aspiration to create better policies and “a knowledgeable governance, that is, the acquisition of facts and knowledge about problems so as to formulate better solutions” (Parsons 1995:17) would need to be combined with a number of questions to be considered adequate at all in the contemporary society. Such questions would be: “What do we mean by better policies?” “Policies for whom?” “Better according to whom?” and “What knowledge can we expect to generate?”; “Knowledge in relation to which values?” etc. We have seen that one of the prevailing criticisms pronounced against implementation research is that no common body of theory has been developed. Flyvbjerg (2001) claims that the task of social sciences should not be to develop theory, but rather to analyze practical rationality related to sets of values and interests.

2.4 Delimitations

Delimitations in regard to neighboring disciplines

Prior to constructing my own theoretical framework for this thesis, I browsed some of the research produced by scholars in neighboring disciplines such as economics, economic sociology, business administration and economic geography. Concepts such as embeddedness, social capital and industrial districts have been developed for studying social interaction among businesspersons and other actors.

At the beginning of the 1980s, leading economists started to conceive the importance of the interplay between economic, social and institutional factors and that these aspects needed to be included in research (Russo 1996).
Economists and geographers have started to adopt forms of analysis using terms imported from sociology, such as embeddedness, a term originally coined and elaborated on by Granovetter (1985), suggesting that economic action is socially grounded, and that research on economic phenomena should always take social aspects into account (Granovetter 1985, Trigilia 1998:192).

A concept which is closely related to embeddedness and which aims at explaining local systems and processes of mobilization and development is social capital. A brief definition of is provided by Trigilia (1998) in which he says that social capital encompasses “all of the social relations that an individual subject (for instance an entrepreneur or a worker) or a collective subject (private or public) has at disposal in a certain moment in time.” Putnam (1993) defines social capital as an element that facilitates the efficiency of a society endorsing coordination functions. Examples of such elements are trust, norms and networks of collaboration.

Social capital is often studied in contexts of entrepreneurship, in an aggregated form, such as industrial districts. Industrial districts are “local systems with an active co-presence of people and of a primary industry consisting of small, independent firms specialized in the different phases of a single production process” (Sforzi 2003: 158-159). Italy, especially the northern regions, enjoys good reputation as highly industrialized, especially concerning SMEs and industrial districts. It has often been argued that the aggregation of SMEs into districts is a characteristic of the Italian industry. Specific laws and regulations have been designed by the central government and the regional councils to define districts according to certain criteria. Since the mid 1980s, several studies have investigated the so-called industrial districts. A new theoretical and analytical framework is attributed mainly to Italian economists (Becattini 1979 and Brusco 1986).

There are numerous studies which examine phenomena with a bearing to those I explore in this thesis. When developing the theoretical and analytical framework I have, however, had to delimit the scope of my study, and I will not dwell here on any of the concepts mentioned above.

27 The study by Putnam (1993) aims to explain how institutions are built and how they adapt themselves to the environment in which they live. Putnam’s study has opened many readers’ eyes to the phenomenon of civil society. Northern Italy, Emilia Romagna above all, has become a frame of reference for its vivid civil society, strong social capital and successful policies for regional growth.

28 See Berggren et al. (1998) for some interesting reflections on social capital, and some parallels between Sweden and Italy on the potential of developing social capital.
Delimitations in regard to perspectives in my own discipline

Reading the related literature, I often came across a few concepts which some political science and policy analysis scholars see as central. Nonetheless, they are not tackled in my study. These are generally related to concepts such as democracy, values and power.

**Democracy**

I have chosen not to use democracy as one of the central foci. Readers might find this as peculiar, more particularly so when Lasswell as early as the 1950s saw an improved democratic order in society as one of the central aspirations of policy analysis should contribute to.

Habermas’s theoretical framework about life worlds and communicative rationality make up parts of his theory of *deliberative democracy* which is an attempt to combine sovereignty (and civic republicanism) on the one hand, and the individual rights and constitutionalism (which, as we know, are features of liberalism) on the other (Wiklund 2002). Policy analysis does encompass the ambition to enhance democracy, but I have chosen not to treat it as a specific theoretical concept in this thesis, and will not discuss it explicitly. Neither does my study serve explicitly as a mean for empowerment or emancipation. I’m not interacting with the possible stakeholders in any strategic or systematic manner, and although I hope that the study will be read by politicians, civil servants and entrepreneurs, I am not planning to measure or evaluate its possible impact or any reactions it may provoke.

**Values**

Furthermore it can be claimed that values are central to policy analysis. It is argued that analyzing policy processes implies exploring and understanding the values shaping it. Stone (1997) puts contrasting values and meanings in focus as she depicts the world of policy (and politics, which for her is inseparable from policy) as a paradox. Stone describes how politics is about metaphors and analogy and about getting “others to see a situation as one thing rather than another” (Stone 1997:9). Maynard-Moody & Stull (1987:251) express a similar opinion as they contend that “[t]he policymaking process involves framing issues so that conflicting views and values are brought together. These authors claim that consensus building is central to policymaking, and articulating values are at least as important as tangible results in understanding public policy.

Values are relevant as components in my research at the individual level and as part of the lifeworlds, while values as expressed at the macro-level such as political ideologies, tendencies in general debates, for example environmental issues, justice, equality and rights etc. will not be analyzed in this research.
2 The mosaic of implementation research

Power

Flyvbjerg (2001) claims research in social and political science often lacks an adequate representation of the concept of power. He calls this a “general deficiency”. Flyvbjerg refers to Habermas and Foucault, who both argue that the misuse of power is among the most important problems of contemporary society (Flyvbjerg 2001). Flyvbjerg reiterates, however, an old criticism towards Habermas. Habermas is discursive and idealistic. He suggests institutional development and constitutions as solutions to the problems in contemporary society, and advocates consensus rather than conflict. Flyvbjerg claims that if social scientists continue to resort to the chimera of communicative rationality, it will run the risk of getting lost in theoretical discourses and ignoring practical everyday contexts in which people are constantly involved in situations of power, interests and conflict rather than consensus. Conflict is, according to Flyvbjerg, a natural constitutive of a strong democracy. This is the main reason why he places power and conflict at the centre of his analysis of society. Flyvbjerg does, however, not repudiate Habermas’s entire philosophy as he writes: “Habermas’s work has value, especially at a time when most philosophers have given up on the high ambitions for philosophy and social science that Habermas still pursues, for instance regarding universal grounding of our thoughts and actions. Even if such ambition cannot be fulfilled, the history of philosophy and science shows that we have much to learn from attempts at doing so” (Flyvbjerg 2001:109). Flyvbjerg eventually advocates Foucault, who: “focuses his efforts on the local and context-dependent and toward the analysis of strategies and tactics as a basis for power struggle (ibid.:107).” The analytical framework of this thesis follows the bottom-up approach as it has been developed by Hjern et al. This approach adopts, as we will see, an agnostic attitude to formal institutions, and does not take them for granted as implementation structures are reconstructed.

2.5 Conclusions

This chapter attempts to depict the mosaic of the academic field of implementation research and my position in it. It starts out by briefly recapitulating the history and different generations of implementation research and describes how different paradigms have affected the field of implementation. Specific attention is paid to top-down and bottom-up perspectives. The bottom-up perspective, which is the adopted approach for this piece of research will be explored extensively in Chapter three.

30 The approach represented by Foucault has shortcomings just like the theories of Habermas. Flyvbjerg (2001: mentions that Foucault’s understanding is materialist, and it can thus help us to understand specific, particular and local contexts. A researcher adopting such an approach may miss out on the more generalized view on institutions and structure etc. For a more complete discussion on how Foucault can be used in phronetic research see Flyvbjerg (2001).
At the end of the presentation of the three generations, some suggestions and recommendations are provided on how implementation research could be improved and carried out in the future. Scholars give general suggestions and indicate the need for: achieving a better understanding of the relation between policy and action; adopting multidisciplinary and comparative approaches and techniques; avoiding methodological orthodoxy and arriving at a better understanding of policy processes without necessarily predicting implementation.

With these recommendations in mind, I looked for available analytical frames for understanding action. Several analytical frames are presented and discussed in this chapter. Popper (1973), Lin (1998) and Glemdal (2008) indicate a framework which combines the objectives to “(1) Arrive at universal or singular statements supported by empirical observation”, and to “(2) Arrive at a hermeneutic, empathic interpretation which can contribute to that the researcher and others can re-experience the experiences of the actors investigated… (Glemdal 2008: 19).

The first objective draws on the assumptions supported by positivists such as Schlick (1934)” and critical rationalists as Popper (Glemdal, ibid.), who presume that objective knowledge is possible and that it can be achieved through testing observations and assumptions against hypotheses. The second is supported by advocates of hermeneutics (or post positivists such as Collingwood (1938)”, who presume that it is impossible to achieve objective knowledge, since the investigated individuals as well as the researchers have their own subjective experience of the situation (Glemdal, ibid.).

I have argued in this chapter, that I don’t appreciate it is possible to arrive at objective knowledge about social phenomena, but that I find the combined approach suggested by Popper (1974), Lin (1998) and Glemdal (2008) appealing and useful for my own work. I need, however, to complete and adjust it to my own policy problem and the lifeworld challenges perceived by businesspersons and actors.

The bottom-up organizing analysis, which will be elaborated further in Chapter three, is used as the epistemological and ontological framework, and shape the frame of analysis of my research. It can be argued that this piece of research is an attempt to test and examine if the set of claims which are integrated in the

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bottom-up organizing analysis hold as they are confronted with empirical findings. The assumptions, which I consider integrated in the bottom-up organizing analysis, generally include claims regarding: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal institutions and their organizations, programs and strategies.

In the next chapter, I will describe how the bottom-up organizing analysis and the assumptions and perspectives integrated in it assumed the form of an analytical framework.
3  **Bottom-up policy analysis and the analytical framework**

In the previous chapter, I have briefly explained my choice to adopt a bottom-up approach, and the underlying reasons for it. In this chapter I will make an attempt to describe how this perspective assumed the form of an analytical framework. The chapter will start out with a thorough description of bottom-up policy analysis as developed mainly by Hjern et al.

### 3.1  Policy analysis

This section outlines policy analysis as described mainly by Hjern (1999). The bottom-up policy-organizing analysis is the approach which has been used in the thesis. Bogason (2003) defines it as a theoretical strand. Hjern (1999) suggests that implementation-research is the *scientific field* within Policy Sciences, while policy analysis is the *methodological* approach of implementation research. I adopt and use it here as a theoretical field and a method. It is cumbersome to separate what’s theoretical and what’s methodological about it, but it can be argued that policy-organizing analysis implies certain epistemological choices (see Chapter two for a discussion) as well as the adoption of certain ontological perspectives (see Chapter four).

As has already been explained in the previous section of this thesis, there doesn’t exist *one way* of carrying out policy analysis. The illustration presented below is an abstract from a model originally constructed by Benny Hjern to describe organizational analysis during three main periods of time. According to Hjern (1999), the field of Policy Analysis has been reconsidered and refined step by step along with general changes in society. In the multi-organizational society the approach adopted for organizing analysis is to be considered bottom-up and is recommended by Hjern (1999). Its characteristics, views and positions are well described in the illustration below.
Figure 3.1 Policy analysis

Three types of policy analysis, illustration elaborated by the author after Hjern (1999:17).

The illustration presented above attempts to describe three traditions in policy analysis which (according to Hjern 1999) also represent three main periods of time: policy output analysis, policy-organization analysis and organizing analysis. As we can see, the approach to organizational studies has been reconsidered and refined step by step along with general changes in society. Nicoletta Stame, (2001), who is an evaluation researcher describes the same gradual changes and explains how the three different kinds of analyses have been and are used for evaluating the impact of programs and strategies. Parts of her outline have been integrated in Hjern’s (1991) presentation.

Model number 1 and 2 see policy as a bundle of ideas that can be referred to as, for instance programs, regulations or documents defined by for example the central government, the regional government, the municipality or, in private firms, the manager. Policy conceived in this manner is the result of decision making processes of an authoritarian centre.
Policy-output analysis

The so-called policy output analysis was introduced in the 1960’s and 1970’s. It measures output of programs and strategies. The satisfaction (conceived by a certain target group or certain individuals) relates to the implementation of a program, and the result is mainly presented using quantitative measures at an aggregated level. The actors are not specified, but are often described as systems where for instance the municipalities, at least in the Swedish studies are referred to as “the local political system”.

The policy output analysis does not depart from an organizational perspective, that is the organization or specific actors per se don’t seem to have any impact on the result of policy-implementation. Analyses of this kind have often been carried out on specific sectors of an organization, and the organization as a whole has not been taken into account. Examples of such studies are those taking place in contexts such as schools, public medical services, etc. that usually have their own budgetary frames (Hjern 1999:17).

The policy output analysis bears the spirit of “optimism on programs and optimism in evaluation” (Stame 2001). Applied in its most extreme form, it suggests analysis mainly on whether to continue on carrying out a certain programme or to abandon it for another solution. Evaluation is expected to provide input for politicians and policy makers that will enable them to take adequate decisions. This approach has developed the ex-ante and ex-post evaluation phase, and in the 1990’s Rossi & Freeman also added an intermediary evaluation phase. These phases of evaluation are applied for instance in the European Structural Funds’ programs.

The approach does have its shortcomings. It can be discussed whether evaluations of this kind are really capable of generating findings on the true effects of the policy. It runs the risk of becoming too positivist, in the sense that it might rely too heavily on input-output mechanisms and/or theories and hypothesis. Implicit effects that are not part of the set of indicators may not be detected and/or taken into account by the evaluator/s. Thus, since results are pre-defined mainly by decision makers the evaluators may not be capable of detecting and/or measuring the outcomes for actors who cannot be defined as decision makers or stakeholders.

In spite of the shortcomings mentioned above, this approach continues to be the most commonly applied when the results from social as well as welfare and cohesion policies are to be measured. Stame (2001) tries to explain why this approach has become so trusted, and concludes that the explanation is probably to be found in the fact that politicians search for clear-cut answers to legitimize their decisions. The academic and scientific field provides an acceptable answer
by suggesting their paradigm as the preferred evaluation method, which has also been adopted by consultants and public research-centres.

**Policy-organization analysis**

What *policy-organization analysis* has in common with *policy-organizing analysis* (see below) is that organization is considered relevant for the analysis (Hjern 1999). In this model, unlike the situation in the previously mentioned model, certain groups or public programs are identified and analyzed. The organization per se can, according to this view affect results in processes. A problem confronted by this model is that it is difficult to supervise and measure how the interaction between and among the organizations affect the outcome. Another problem is that researchers often try to *measure and weigh* and arrange the organizations that are studied according to a hierarchical pattern. One organization is presumed to have authority over another and it is taken for granted that this organization coordinates the actors of all of the other organizations. Policy documents are used as guidelines for identifying the units of analysis.

The units of analysis are mentioned as in charge of implementing the policy documents and the coordinators are expected to be in charge of the policy. *Policy-organization analysis*, like *policy-output analysis* according to Hjern developed during the 1960’s and the 1970’s. During the 1980’s policymaking and policy analysis were influenced by economic models and the importance of approaches that built on clearly expressed goals by a *manager* increased. The conception of the *manager* that could come up with a solution to problems was borrowed from the business sector and moved into politics and policy making as well as in the area of policy analysis (Ibid.:16).

Evaluation aims at assessing to what extent the results meet these standards. It has been developed as a reaction to the positivist approach, and has been intended to be *goal free*. The criteria that are used by the evaluator are to be established in the form of *general quality standards* that do not refer to a specific programme (as is the case in the first model) but that can be assessed by evaluating problem solving in situations that appear regularly. These general standards are then to be applicable also when evaluating single programs, when classifying programs according to results and when giving them a final judgment. Evaluation that is carried out according to the *quality pragmatist approach* has been influenced by managerial programs such as *TQM* (Total Quality Management), and sometimes it also refers itself to, or gets close to established quality programs such as *ISO* (International Organization for
Standardization. Often this type of evaluation is carried out by external evaluators that are considered expert panels.33

One of the major shortcomings of this approach is that it runs the risk of becoming too standardized, in the sense that it adopts procedures that were initially developed for improving the general quality standards of production of goods and services. This strongly limits the role of the evaluator who doesn’t have to rely on his/her personal ability anymore. Evaluation becomes a certificate that is issued upon the achievement of certain standards, and secures the fulfilment of pre-established procedures.

This view doesn’t only limit the evaluator and his/her capabilities. It also limits the result, in that it may provide information for the management, but it hardly serves the “consumer” (ibid.).

This may imply that the decision makers’ objectives take over, and that the final beneficiaries’ and their perception of the effect of a certain action are not taken into account neither in undertaking a certain action, nor when evaluating the results. Thus, this approach may suffer from the same shortcomings as the positivist experimental approach.

Policy-organizing analysis

As we can see, in this third model Hjern (1999) speaks of “organizing” instead of “organization”. Organizations and organizing are two distinct things, and it is important to distinguish between the different meanings. Organizations (i.e. associations based on strategies/plans) may be, but don’t necessarily have to be the outcome of the organizing process (Carlsson 1993). One of the reasons adopting an organizing analysis, rather than an organization analysis is that we cannot take for granted that organizations also make up the only ‘true’ organization and order – it is something we have to examine. This is particularly evident in today’s multi-organizational society. What if organizations bring order, but can’t be considered effective? For instance, organizations (such as political institutions) might seem to bring order (in politics), but we cannot be sure of that “they are equivalent to order itself” (Carlsson 1993:16). These arguments all provide reasons for abandoning the organization analysis. Organizing may come about outside and independently of formal organizations. It is a process that is initiated when individuals face challenges or problems. In such a situation individuals act in order to solve problems and fill the needs that appear important by interacting. The result of

33 In the Structural Funds programs this kind of standards are often developed to facilitate in selection among projects that have applied for co-financing from the Structural Funds. The selection-process is sometimes entrusted to an external core of “experts” that mainly uses quality standards that are general, but can be used in evaluating the possible impacts and outcomes of a certain project. (Author’s own comment).
such interaction may be organized collective action. The concept of organizing/collective action can briefly be described as “individuals that interact aiming at finding the solution to a common problem” (Hjern 1999:18 and Carlsson 1993:44).

In contemporary society organizations are expected to bring order, perform their tasks and solve society’s problems (Carlsson 1993). Therefore, as we analyze and attempt to explain organizations, we tend to look for answers in the organization per se. This is what Hjern (1999) would call a policy-organization analysis. An organization, as defined by Carlsson (1995:11) referring to Downs (1967:24) is “a system of consciously coordinated activities of forces of two or more persons explicitly created to achieve specific ends” and should be conceptually separated from institutions, which can be defined as a system of rules (Kiser & Ostrom 1982:184). Members of organizations are generally aware of the fact that they are part of the organization, and generally except tasks given to them by the organization. But if the organization fails in achieving its objectives or abuse its trust (the authority) given to it by its members, it can’t survive in the long run (Hjern 2001). Organized action does not have to entail reciprocity between individuals, neither does it presuppose common objectives, altruism or the like (Carlsson 1993).

Policy-organizing analysis differs from the previous two models also in other ways – for instance in how policy is defined. It has already been stated that the concept policy can be defined as “a hypothesis containing initial conditions and predicted consequences” (Pressman & Wildavsky 1973:14), or “a bundle of ideas and the search in praxis for organizational arrangements to realize them” (Hjern 1999:11).

Although these two definitions don’t seem all that different, they mark two fundamentally different approaches to policy analysis. Therefore they require a more thorough analysis and discussion. The same goes for the concept of implementation, which could briefly be defined as “a process of interaction between the setting of goals and actions geared to achieving them” (Pressman & Wildavsky 1973:15) or “the ‘craftsmanship’ to describe and evaluate arrangements that contribute to enhancing the reliability of the realization” (Hjern 1999:11).

By reading these definitions closely we can grasp that Pressman & Wildawsky represent the positivist (and top-down) tradition while Hjern takes on a more postpositivist (bottom-up) perspective. The predicted consequences can be expected to be more difficult to foresee in a situation where the starting point is a bundle of ideas than it would be in a situation of hypothesis containing initial conditions. Pressman & Wildawsky anticipate and focus on an outcome, while Hjern’s organizational arrangement to realize the bundle of ideas immediately
appears more apt to adopting a relativist approach. As a matter of fact Pressman & Wildawsky refer to implementation as carrying out a decision, which is a clear top-down perspective.

Policy-organizing analysis does not depart from a power centre (as a set organization, a state or a government for instance) as it aims at “investigating the rationality of established power in relation to contemporary problems and challenges” (Hjern 1999).

So, what definition of policy should be adopted? In everyday life we often speak about policy in more general terms. Policies are agreements, rules, strategic documents etc. We also speak about governmental policies, and refer to general frameworks of laws, programs or strategies. This is why I use words like systems, programs, strategies, organizations and institutions instead of policy in the introductive chapter. The concept of policy as it has been understood in the context of this research is something different than formal political decisions resulting in laws, regulations, recommendations etc. These are the documented outputs of politics, and can be conceived as an institutionalized form of political ambitions accompanied by norms, organizations and resources. But these outputs are not equal to, and may not have been preceded by policy processes. Political ambition may be a result of organizing processes among actors in society; the outputs may be different from what was initially intended by the actors.

I have promised the readers not to dwell too much on the top-down vs. bottom-up dichotomy, and as we will see the definition of ‘policy’ and ‘implementation’ lies not in the definition of concepts per se, but in the identification of who owns the problem and for and by whom action is carried out. One of the clues for interpreting the concepts mentioned above is to find the unit of analysis by looking at a specific policy-area and by posing the question: for whom?

In the policy-organizing model described in the model above, the starting point is each SME. The problems and/or possibilities are conceived and owned by the SME, i.e. not necessarily by the formal, established power. Policy-organizing analysis starts with the beneficiaries of the analysis and their conception of success is analyzed and emphasized. Analyses also aim at elaborating an explanation of why a certain result was achieved in a certain situation (Stame 2001).

Individuals in the for whom-group are asked to express their opinion about what does work, and what doesn’t, by describing the problems and solutions that are found along the road. Using this approach implies accepting the expected outcomes; results considered positive by the actors may well be unexpected and not programmed in the policy.
Policy-organizing analysis strives to find solutions that the actors who own the problems can accept immediately, after having received information about it, or after having participated in a discussion (Hjern 1999:18). This type of analysis is relevant in situations where many actors, organizations and policies are interrelated, and when it is difficult to find one manager or person in charge of the phenomenon. In other words, the policy-organizing analysis appears to be an adequate approach in the study of a modern organization-society where institutions, organizations and actors are involved in many different problem solving situations contemporarily, and where the responsibility and hierarchy is not clearly defined or given (ibid.).

3.2 The relation between structure and action

This far I have hopefully been able to present some of the perspectives which make up the cornerstones of the frame of analysis. Two more perspectives I have touched upon very briefly, the individual as the point-of-departure and the structuration of individual action, remain. I will turn my attention to these two below.

Reality can, according to Knorr-Cetina (1988), be described from two main perspectives. These two perspectives build on individualism or collectivism (or action or structure). The former follows the approach of methodological individualism, and concentrates on actors’ strategies under various institutional constraints, while the latter has collectivism and the possible role that institutions (and thus structure) can play in creating social order as its main interest (Bogason 2000). A number of scholars have, however, recognized that structure and action must be considered contemporaneously, and have hence tried to bridge the gap between these two perspectives. Bhaskar and Giddens are two of the names mentioned. They see the problem as a “linkage between voluntary action and social restraints” (Knorr-Cetina 1988:21). Giddens (1984:19) coins the notion of duality of structure and describes that resources and rules “drawn upon in the production and reproduction of social action are at the same time the means of system reproduction.” This means, in other words, that structure is action and action is structure.

Knorr-Cetina attempts to bridge the structure action gap through suggesting an analysis of structuration beginning at the individual level, and in a specific situation/context. The scientific tradition that she is referring to is “methodological situationalism” (ibid.). Methodological situationalism is a conception of social phenomena that regards “large scale social phenomena be grounded in statements about actual social behaviour in concrete situations”
Knorr-Cetina claims, however, that it is not sufficient to conceptualize large-scale phenomena as “social behaviour in concrete situations” (Knorr-Cetina 1988:41). She also recognizes that the macro-situation always affects the micro-situation, but that the question is how (ibid.).

The researcher must explore the role and the meaning of the micro-situations, i.e. “macro-structures cannot be taken to unproblematically subsume (control) micro-situations” (ibid.).

Elinor Ostrom (1990:26) poses individual behavior as the point of departure as she studies processes of collective action, which she describes as extremely complex. She writes: “Biologists also face the problem of studying complex processes that are poorly understood. Their scientific strategy frequently has involved identifying for empirical observation the simplest possible organism in which a process occurs in a clarified, or even exaggerated form. The organism is not chosen because it is representative of all organisms. Rather, the organism is chosen because particular processes can be studied more effectively using this organism than using another.”

Bogason (2000:86) suggests a compromise, which he calls Actor cum Structure between the micro and macro-context, and sees structure as an aggregate result of human action and interaction. This implies a process view in which the researcher is concerned with investigating structuration of the institutional setting in which action is performed by individuals. Activities may be performed in a network bringing together actors from different organizational settings and crossing organizational boundaries, or it may take place in one formal organization in a context of collective action where individuals have followed the rationale of the institution/s that they have constructed. Norms, rules and actions established and taken by the group of individuals may be at odds with the rules and norms of the organization.

As we will see, also Hjern uses the individual as point of departure in organizing analysis, to generate implementation structures (see below for an account of the concept). As a matter of fact, Bogason (2000:107) recognizes that his own approach, individual-cum-institution is practically identical to the aim of the bottom up analysis and the implementation structure.

The approach suggested by Hjern and Bogason implies, thus, trying to bridge between structure and action. This implies studying structuration. Giddens (1984:25) provides an extensive theoretical framework on structure and

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3 Bottom-up policy analysis and the analytical framework

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Ostrom’s research involves the so-called CPR (Common Pool Resources) of 50-150,000 persons which means she studies the phenomenon of collective action in settings quite different from those studied by myself. Ostrom has, however developed relevant theories in this field, and I will therefore use some of her material in Chapter nine.
structuration. To Giddens, structure means “the rules and resources or sets of transformation relations, organized as properties of social systems.”

Structuration, as described by Giddens, “knowledgeable activities of situated actors who draw upon rules and resources in the diversity of action contexts who produce and reproduce” structures (ibid.).

**Implementation structures**

Hjern & Porter (1983) claim that formal organizations are no longer relevant as units of analysis in implementation studies. Formal organizations depart from the assumption that they are capable of coordinating and controlling action despite the fact that, in the contemporary period, programs are implemented in a set of organizational pools rather than by single organizations. Therefore, policy analysis aiming at identifying and exploring and/or evaluating program implementation and departing from the objective of formal programs and single organizations will not be very successful (Hjern & Porter 1981:217).

It should be mentioned that formal organizations may be part of the structuration. What Hjern & Porter are suggesting is simply that formal organizations should no longer be treated as starting points and taken for granted as points of reference.

Instead Hjern & Porter (1983) suggest implementation structures as a new unit of analysis. Implementation structures are “bundles of program related activities and parts of organizations” and “a group of persons with various organizational memberships” (Hjern & Porter 1983:265). The formation of an implementation structure is most often a result of a process of self organization, thus the conduct and the rationale of the implementation structure can not be explained by simply referring to the norms and rules of neither the organization, nor the formal hierarchy. Many rationales such as the expectations of mutual benefits, power, force or induction, individual self-interest, etc. may be the motives behind the formation of implementation structures.

Hjern & Porter (1983:273) advocate that focus in implementation studies be placed on the use that participants in the implementation structure make of resources, since motives are most likely not sufficient for delineating and understanding the implementation structure, and since several different motives may coincide and influence collective action.

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35 Social systems, as explained by Giddens (1984:25), are “reproduced relations between actors or collectivities, organized as regular social practices.”
Structuration and collective action

Let us return for a moment to the concept of structuration. Giddens tries to bridge between structure and action, and shows that structure contains action and that action generates structures. To Giddens, structure means “the rules and resources or sets of transformation relations, organized as properties of social systems” (Giddens 1984:25). Structuration, as described by Giddens, is “knowledgeable activities of situated actors who draw upon rules and resources in the diversity of action contexts who produce and reproduce” structures (ibid.). To study implementation structures is to study the relation between structure and action - the process of structuration. By defining the concepts of structure and structuration, Giddens indicates some of the key aspects which need to be brought into the analysis. Such key aspects are rules and resources or sets of transformation relations. Gidden’s actor is a conscious, knowledgeable actor who draws upon rules and resources and, by doing this, generate structures. This means that a researcher who intends to carry out research on structuration must understand the perceptions and the situation of the individuals studied. I have found that the concept of lifeworld, which has already been introduced very briefly in the opening chapter of this thesis, is a useful concept, which well depicts the individual’s sense of consistency and meaning in his/her existence, which derives from the conception and knowledge of the context in which he or she lives and thrives. Norms and rules which constrain and/or create possibilities for individuals and the group of actors must also be taken into account (Bogason 2005:86).

Hjern & Porter’s implementation structures are processes of collective action and structuration. The concept of collective action can be understood as “a process where actors organize for joint decision-making for one or more purposes and, in doing so, give up some of their autonomy and give up their freedom of action in favour of the joint-decisions regarding that purpose” (Bogason 2005:66). Kiser and Ostrom (1982), Ostrom (1998) and Ostrom & Ahn (2001) all suggest perspectives on collective action which can contribute to the theoretical framework that is needed to explain the relationship between structure (collective units such as institutions) and action (individuals and their collaboration) in this thesis. I will return to these perspectives in Chapter ten of this thesis, as research findings are related to existing theory.

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36 Social systems, as explained by Giddens (1984:25), are “reproduced relations between actors or collectivities, organized as regular social practices.”
3.3 A few examples of studies adopting the bottom-up approach

In Chapter two Bogason (2000) outlines some analytical frameworks for studying policy and local governance. He places Hjern et al. in the postpositivist paradigm. A brief overview of research adopting the bottom-up policy analysis approach, Bostedt (1991), Hanberger (1992), Carlsson (1993) and Kettunen (1994) will be provided here. Bogason’s outline will serve as a guide.

**Hjern & Hull (1987) - Helping small firms grow**

Hjern & Hull (1987) uses the network analysis to analyze the possible link between political aspirations and the realization of adequate solutions for small firms in four regional settings in Europe. The network analysis permits examining the policy problem – helping small firms grow, which is also the denominator for comparison between the various national settings, across several programs.

The analytical framework builds on four implementation functions: businesspersons’ understanding and definition of challenges, evaluation of possible solutions and appropriation of the resources needed and, finally, evaluating the result. As the reader will see, I have adopted exactly this approach for carrying out my analysis. The policy problem is roughly the same also in my piece of research, although adequate solutions to SMEs’ challenges, rather than “growth” is the phenomenon studied, and the analytical framework adopted use Hjern et al. as a model. Hjern & Hull use the snowballing method to reconstruct implementation structures, and I have adopted the same technique.

One important finding made by Hjern & Hull is that particular programs from the top are adjusted to fit the objectives of local firms. Civil servants and other actors at the local level play an important role as intermediaries. They form the policy so that it fits local needs and challenges. Since programs change and adjust along the way, they do not follow pre-established strategies. Outcomes evaluated from the top, based on the aspirations of politicians and policymakers, may therefore conclude that the programs are poorly executed. Firms may, however, see the same programs as successful.

**Carlsson (1993) - Revitalizing rural areas in Northern Sweden**

Carlsson (1993) analyses three types of programs for revitalizing rural areas in Northern Sweden and selects two case studies from each policy area. One of the...
findings of this research is that all actors relate to formal public policy in some way, but that implementation structures consist of several different sets of actors. Programs or organizations which are formally not linked to each other join in implementation structures. Individuals do, hence, not organize according to a conform pattern. Carlsson does not select the policy problem, but lets the local actors define it, and this is also one of his key contributions to the framework provided by Hjern et al.

Hanberger (1992) - Strategies for internationalization and trade

Municipalities in Sweden often adopt a strategy for internationalization. Hanberger (1992) studies some of these local strategies aiming at enhancing international trade for enterprises. Hanberger finds that strategies often fail, since they build on administrative structures which do not make sense to businesspersons. Also, businesspersons develop their own networks which go beyond those foreseen by local strategies. The findings of the study indicate, hence, that strategies for internationalization are not highly valued by businesspersons, who may even ignore the strategy for reasons already mentioned.

Hanberger uses the snowballing method to identify implementation structures. He shows how he would not have found the firms which he is analyzing in his study, if he would have relied on official (top-down) statistics. A different research population would, most likely, also have produced a different result. This, Hanberger suggests, shows how important the methodological starting point and the reconstruction of the implementation structures is to define the actors who actually engage in activities in a certain policy area.

Bostedt (1991) – Occupational health organization

Bostedt (1991) examines occupational health organization in three Swedish municipalities. He carries out interviews with employees about working environment. Bostedt shows how the structure of occupational health is organized according to a hierarchical system, where small problems (such as noise from machinery) are taken care of by a number of employees at the bottom, while bigger problems (psychological problems, fresh air and serious danger to physical health) move upwards in the organization. Bostedt's study shows that these serious and complex problems are often not solved. The author suggests flexibility in solutions, and more autonomy for individuals to act within the formal organization.

Kettunen (1994) Environmental health

Kettunen (1994) uses local health inspectors in three Finnish municipalities as his starting-point as he examines environmental health policies in four areas: protection against environmental hazards, clean environment in the
municipalities, clean water and control of food production and sale. Kettunen shows how local policy solutions use national standards for coping with environmental hazards, but that the organizing of solutions for minimizing risks generally are handled by individuals at the local level. Also this study emphasizes, thus, the importance of analyzing and understanding organizing at the local level to understand the link between structure and action.

3.4 Conclusions

In this chapter I have made an attempt to describe the bottom-up policy analysis (or policy-organizing analysis) as developed mainly by Hjern et al. As I adopted this type of analysis and its epistemological and ontological positions, I also decided to accept a set of assumptions, which, taken together also make up the cornerstones of the frame of analysis for my study. The assumptions, which I consider integrated in the bottom-up organizing analysis, generally include claims regarding: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal institutions and their organizations, programs and strategies.

The unit of analysis must be searched and identified by looking at a policy-area and by posing the question: for whom? Policy-organizing analysis starts, thus, with the beneficiaries of the analysis and their perception of adequacy is analyzed and emphasized. The concept of lifeworld has been used in this thesis to examine and depict individuals’ sense of consistency and meaning in his or her existence, which derives from the conception and knowledge of the context in which he or she lives and thrives. Snowballing, a kind of upward mapping is an appropriate method for defining implementation structures.

The solutions found and the action taken by the SMEs in order to solve the challenges and/or to seize opportunities are referred to as policy. Formal power and/or organizations can be entirely or partly engaged in the policy process, or they might not be involved at all. Exactly which parts of the programs and/or organizations are involved depends on the problem that is to be solved and/or the opportunities to be seized. In trying to solve problems and/or seizing opportunities individuals organize *policy*. This is, thus, what Hjern (1998) means by defining policy as: “a bundle of ideas and the search in praxis for organizational arrangements to realize them” (Hjern 1999:11).

Individuals who face common challenges interact aiming at finding a solution (Carlsson 1993, Hjern 1999). In other words, they set off a process of collective action. As these individuals interact, they form implementation structures. To study implementation structures is to study the relation between structure and action - the process of structuration. The result of a structuration process may
be organized collective action. Organizations and organizing are two distinct things, and it is important to distinguish between the different meanings. Organizations are associations based on strategies/plans, while processes of organizing are processes of structuration and collective action.

Policy-organizing analysis does not depart from a power centre (as a set organization, a state or a government for instance) as it aims at “investigating the rationality of established power in relation to contemporary problems and challenges” (Hjern 1999). As a matter of fact, research starts with the owners of the challenges, the businesspersons and other actors (i.e not necessarily the formal, established power). We cannot take for granted that organizations also make up the only true organization and order – it is something we have to examine (Carlsson 1993). As we can see in Figure 3.1, the policy-organizing analysis permits for examining multi-organizational contexts, since this type of analysis examines the various actors and resources which together shape the implementation structure. Actors and resources may come from several different organizations. Thus, it is actors and resources rather than organizations that interact.

In the next chapter I will explain how the epistemological perspectives presented in this chapter, and Chapter two have developed into methodological tools for the research.
4 Methodological tools

In this chapter, I will explain how the epistemological perspectives of Chapters two and three have developed into methodological tools. The last section of the chapter will be devoted to presenting some criteria for evaluating my research.

4.1 Operationalization of the research question and the research aims

The central research question of the thesis is:

Do businesspersons create and/or interact with what is usually referred to as policy\textsuperscript{38} when organizing themselves together with other businesspersons or actors to confront challenges and opportunities?

This a comparative research, using in-depth, semi-structured interviews with SMEs in the County of Jönköping and Tuscany in the metal manufacturing and furniture sectors as its point-of-departure. The research question with a bearing on the comparison is: Can we learn something in the field of policy analysis using a comparative approach, referring to a few local contexts in Sweden and Italy?

The aim is to explore the link (if there is one) between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. At a more pragmatic level this study can, hence, enhance our understanding of what can actually be attained from programs, strategies etc. The decision to adopt a comparative approach was taken at an early stage in the research-process. The intent was to use the potential that I, together with my tutors, assumed that the comparison of a few different contexts in two regional and national settings could bring. The aim of the comparison is to analyze if the processes of development converge or diverge in different contexts, how possible similarities and differences between them can be explained and whether it is possible to learn something in the field of policy analysis.

\textsuperscript{38} The reason for using terms such as systems, programs, strategies, organizations and institutions instead of the general label “policy” is that the concept can take on various significances. This matter has been elaborated more in detail in Chapters two and three.
The research maps out, analyzes and interprets the processes of self organizing among the SMEs. These processes are constructed through interviews with businesspersons (in a first phase) and other actors (in a second phase) pursuing the concept of snowballing. Chapters 6-9 deal with the cases studies which explain lifeworld challenges faced by businesspersons and other actors interviewed and how these take the shape of implementation structures of collective action and policy organizing.

The concept of lifeworld introduced in brief in the opening chapter and in Chapter three of this thesis, is a useful concept for arriving at a better understanding, analysis and presentation of the individual’s sense of consistency and meaning in his/her existence.

**Policy organizing as outlined in the thesis**

The bottom-up policy-organizing analysis as imagined and used in the thesis starts from individual SMEs. Businesspersons might participate in planning, carrying out and evaluating many different policies. Hjern & Porter (1983) call these networks of organizing implementation structures. The policy in this approach is, thus, not equal to a program. A program could, for instance, be a regional development plan issued by the regional authorities, or an EU Structural Funds’ program such as Objective 2.

The solutions found and the action taken by the SMEs in order to face challenges and/or to seize opportunities is referred to as policy. The triangles in the model can be referred to as programs, organizations, authorities, etc. They can be entirely or partly engaged in the policy process, or they might not be involved at all.

Exactly which parts of the programs and/or organizations are involved depends on the challenge that is to be solved and/or the opportunities to be seized. In trying to solve challenges and/or seizing opportunities, SMEs organize policy. This is thus what Hjern (1998: 11) means by defining policy as: “a bundle of ideas and the search in praxis for organizational arrangements to realize them.” The units of analysis are the implementation structures of actors and resources which are combined to face challenges or seize opportunities.

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39 Objective 2 was a program which was carried out in all European member-states. During the programming-period 2000-2006, the program applied to geographical areas with structural problems, for instance industrial or rural areas facing the following problems: lacking evolution of industrial or service sectors, a decline in traditional activities in rural areas, a crisis situation in urban areas and difficulties affecting fisheries activity.
4 Methodological tools

Action as explained in the thesis

I used to describe my research as inductive, since it takes off without any specific reference to theory. Among other things, I wanted to avoid the danger of becoming too dependent on theory. I agree with Clegg who writes: “We will only ever see what it is that our theories enable us to focus upon. All ways of seeing are simultaneously ways of not seeing.” (Clegg 1990: 20). It is important to question already established knowledge. My claim to carry out an inductive study has gradually been re-considered, though. Popper (1972) has served as my guide here. He writes: “All acquired knowledge, all learning, consists of some form of knowledge, or disposition, which was there previously.” He continues: “there is no observation which is not related to a set of typical situations – regularities – between which it tries to find a decision” (Popper 1972:71).

How can the link between structure and action be explored and explained? Glemdal (2008) uses Popper (1972) and Lin (1998) to combine positivist and interpretivist approaches in policy research. In Chapter two, I have also asserted that I find Popper’s, Lin’s and Glemdal’s combined approach interesting. I agree with Popper (1972), who claims that knowledge is always theory-impregnated, since theories build on theories and/or myths that were previously there. No completely inductively generated knowledge can therefore exist. I have no major objections in regard to Popper’s claim. To me the difficulty related to Popper lies, not in the method for generating knowledge but in arriving at objective truth, for reasons that I have already touched upon in previous sections of this thesis.

As has been mentioned in Chapter three, the bottom-up organizing analysis contains a set of assumptions, and it suggests the adoption of a specific epistemology which is a theory about science. It also includes certain cornerstones shaping the methodology of the research in various ways. These cornerstones generally regard: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal institutions and their programs and strategies.

I will attempt both to arrive at singular or universal statements supported by empirical observation and to provide a hermeneutic interpretation of lifeworld challenges, organizing processes and the link between structure and action. Research findings are presented in the case studies and analyzed and explained by confrontation with existing theory in Chapter ten.
4.2 Narrative research, phenomenology and lifeworlds

What has been stated earlier in this thesis about the aim of the research is closely related to how the joint cases are presented in Chapters 6-9. Readers will see that challenges and opportunities are narrated by the interviewees and become a presentation of reality as seen by the interviewees themselves. I have chosen this form for reasons that have already been touched upon in this thesis. I see reality as subjective and highly dependent on context. It must therefore be interpreted, described and narrated by individuals living the reality, the contexts and the situations that my research aims at presenting.

Narrative research

It can be argued that my research is a contribution in the field of narrative analysis. Heikkinen (2002:14) says that social sciences have gone through a “narrative turn” during the last decade. The turn refers to changes in basic beliefs on how reality and knowledge are produced. The arguments advocating a narrative approach to research are very similar to those used in hermeneutics or interpretivist research, and clearly takes on a postpositivist orientation. Knowledge, according to advocates of the narrative approach, “is a composition of narratives, which is perpetually being constructed in the process of social interaction.” The scholars who I reviewed (c.f. Genette 1980, Skott 2004, Czarniawska 2004 and Lieblich et al 1998), to arrive at a better understanding of what narrative research is about, discuss narrative research and whether it is a completely new paradigm, an entire method or a school of thought. Personally I agree with Heikkinen (2002:15) who claims that “narrativity is not a method nor is it a school of thought.” I use the interviewees’ narratives as sources for understanding how the interviewees construct their knowledge and conceptualisations of challenges and opportunities. As I attempt to interpret, understand and present the narratives, I inevitably construct a narrative of my own.

In accordance with the epistemology and the ontology selected as the frameworks for this thesis, I agree with Heikkinen and his claim concerning realities that a number of different realities are being constructed in individuals’ minds through their social interactions with one another, and I hope to “produce some kind of authentic view of reality, although the belief in the potential attainment of an objective reality is rejected” (Heikkinen 2002:17). Narrative research aims at interpreting and understanding “local, personal and subjective knowledge” (ibid:18).
Narratives are important and useful in the context of this research as a complement to the bottom-up, interpretivist, hermeneutic and phenomenological perspectives.

My research approach takes off from a specific theory on behavior and action that, briefly described, implies that individuals’ actions are based on experience and knowledge, and that our actions have underlying motives. These, in turn, derive from our so-called lifeworld (Jensen 2003:3). As we shall see, lifeworlds is one of the central concepts serving to understand and explain the findings generated in the case study. Narratives and narrative approaches have been especially useful in conveying the interviewees’ stories to the reader as well as in understanding and constructing my narrative about situations, lifeworlds and contexts depicted by the interviewees. The literature on narrative research has also helped in bringing order into the rich material I gathered from more than 100 interviews, and in sketching some frames for whether and how and according to what criteria research could possibly be evaluated by readers.

**Phenomenology and lifeworlds**

I intend to interpret the meaning of the interviewees’ narratives of lived experiences, and challenges. I will also try to comprehend how the interviewees conceive their world in order to track processes of self organizing (and collective action). Adopting a phenomenological approach implies accepting two presuppositions when carrying out research. The first proposition focuses on "the primacy of immediate experience: what is perceived by a conscious individual adequately reveals what [it] is. Being is confirmed as existing only through our subjective experience". Under the second proposition the "philosophical analysis must somehow reveal essential structures of reality", this "despite the subjective quality of valid knowledge" (Gorman 1976:496). Furthermore Gorman (ibid.:500) holds that: "social phenomena are not meaningfully explained when isolated from other phenomena present in a social world actors share, or when cut off from their past and future. Society as a whole is not the sum of its qualitatively distinct parts; there are no parts distinct from the dynamic society from which they have been abstracted."

40 The concept of lifeworld, plays, as we will see, an important role in Habermas’s theory on communicative action.

41 Phenomenology can benefit from using certain features of Marxism, and there are similarities between the two perspectives. For instance, they both stress the dialectic change. There are, however, important differences between the two. One of them is that phenomenology considers self-consciousness as an integrated part of social environment, being our subjective conception of a social context, while the Marxist conception builds on an idea of revolution where the proletariat is self-conscious, i.e. the consciousness is considered to exist apart from the social context (Gorman 1976:505). Phenomenology builds on “free, reflective self-consciousness of beings who are essentially open to their spatial and temporal worlds (perhaps you mean worlds), while Marxism builds on a ‘totalizing materialism that includes subjectivity as one moment within a determining objective historical progress deriving from the free praxis of creative social actors, acting from within, but never determined by, their dialectically defined environments’” (Gorman 1976:511). The Marxist
The researcher must get access to other persons’ lifeworlds in order to try to understand and interpret the meaning of concepts, phenomena and actions departing from the perspective of the interviewee. The discussion on lifeworlds is sometimes integrated into the interpretative methodological tradition called phenomenology.

What is then meant by lifeworld? The concept of lifeworld or Lebenswelt was originally developed by Edmund Husserl, who can also be said to be the father of phenomenology. Lifeworld is to Husserl “the everyday common-sense world in which we live and work (Gorman 1976:491).” Another definition is that lifeworld is every individual’s sense of consistency and meaning in his/her existence, which derives from the conception and knowledge of the context in which we live and thrive. Lifeworlds can, through communication, be explained to other individuals. This approach and this conception of the world and other individuals also entail a certain understanding of individuals’ responses to things that happen to them or experiences that they live. Individuals’ reactions to things that happen or experiences lived are not to be conceived as objective, but as perceived and comprehended by the individuals. It is clear that narrative research and phenomenology depart from the same epistemological perspective.

The phenomenological method aims at comprehending “the relation of meaning between an individual and a specific part of reality (a phenomenon)” (Solèr 1997:71 and Larsson 1986). It also involves “developing concepts” and “comprehending how individuals conceive their world” (Esaiasson et al. 2002: 282 ff).

Dryzek (1982), a scholar applying hermeneutics in his research, repudiates, however, phenomenology as a viable approach in policy analysis, and claims that phenomenology seeks to reconstruct life situations rather than suggest solutions to social challenges. Furthermore, it conceives of the researcher as “a passive and disinterested observer” and is “incapable of identifying positive changes”. It is, therefore, “inapplicable as a model for policy analysis” (Dryzek 1982: 322). The author admits, however, that phenomenology can be useful in policy research, in providing “an understanding of how social reality looks to the individuals affected by a policy”, and it can assist in identifying policies that will not work in a given situation.

binds the historical and the individual telos, i.e. it presupposes both the necessity of free praxis and the inevitability of its historical appearance (ibid.).

The concept of lifeworld had also been used by Durkheim, departing from the affirmation that traditional societies are characterized by a common order called “life world”, in which collective mythical and religious values are intertwined and they are important integrative forces in society (Wiklund 2002:39). Durkheim together with Husserl, and Wittgenstein have originally coined, interpreted and developed the concept. One contemporary theorist, who has contributed with important developments and applications of the concept in his analysis of communicative action is Jürgen Habermas (Habermas, 1986).
My personal impression is that Dryzek eventually comes closer to the phenomenological approach than he appears to be aware of, and I see no reason for adding to the debate on the “be or not to be” of phenomenology. As a matter of fact Dryzek himself notes that multi-method inquiry is highly desirable and that there is no one paradigm that “can describe the world in a comprehensive way” (Dryzek 1982:324).

4.3 Comparative research

I settled on the comparative perspective quite early in the research process, and decided to hold on to it after having considered and reconsidered the issues on countless occasions. Tutors and professors sometimes discouraged and warned me of conducting a comparative study in two contexts that were expected to be so different. Many and significant differences can be observed in the two regional contexts and between the industrial sectors studied. I will give a few examples of differences here.

**Tuscany**

Tuscany is a region in the central western part of Italy. It has 3.5 million inhabitants. One of the socio-economic characteristics of Tuscany is the presence of many small (and very small) companies. More than 50% of the firms in Tuscany have less than ten employees, while 25% have from 10 to 49 employees. Some of the most important industrial sectors are: textiles, clothes, leather and shoes. These sectors together occupy approximately 35% of the work force in the region, with metal manufacturing industry production (including production of vehicles and high-precision metal manufacturing) employing 28%.

The furniture sector is, according to the authors of the Regional Development Plan for 2007-2010, a sector which has been experiencing some difficulties during the last decade. This sector and the industries around Poggibonsi in the Province of Siena is, by the way, one of the old industrial districts of the region.

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45 Industrial districts are "local systems with an active co-presence of people and of a primary industry consisting of small, independent firms specialised in the different phases of a single production process (Sforzi 2003: 158-159). Industrial districts have been referred to as important nodes in the Italian regional industrial networks since the 1970's. Italian districts, it is often argued, is a characteristic of the Italian industry. The Italian Government and the Italian regions have designed specific laws and regulations with the aim to define districts according to certain criteria."
The county of Jönköping

The county of Jönköping is located in the central southern part of Sweden. It has about 330,000 inhabitants. The statistics available for describing the socio-economic structure of the county of Jönköping differs from that of Tuscany. Approximately 28% of the total labor force works within the manufacturing industry (including the two sectors that I have been studying) and that this is a figure which is considerably higher than the national average which is around 17%.

The most important industrial sectors include wood, rubber, machineries and electrical products. Furthermore, many of the companies in the metal manufacturing sector are sub-contractors to larger Swedish and foreign enterprises. The industrial structure diverges, however, between different areas and municipalities.

In policy documents and promotion material, the county is often characterized as an entrepreneurial and productive part of Sweden. The south western part of the county is often referred to when giving examples of high performing regions. This small area has managed to create a strong centre for small-manufacturing (often family owned) firms. A special spirit of entrepreneurship is said to find its origins in and around the town of Gnosjö. Statistically the municipality of Gnosjö is often mentioned alongside the municipalities of Gislaved, Vaggeryd and Värnamo as a region of success in relation to growth figures and return on investments. As we will see, I initially started in this part of the county, and eventually expanded the geographical scope to cover almost the whole county. Firms in the furniture sector are more geographically dispersed than the metal manufacturing firms, although the major concentration of the firms interviewed is found on the highlands around Nässjö, Sävsjö and Eksjö.

In addition to the differences mentioned above, many more could be added. Political institutions at the regional and local level are completely different in the two contexts.

Some of the most salient differences are that the 20 Italian regional authorities, such as Regione Toscana have their own statuto, a regional constitution, and regional legislative powers in areas such as: environment, regional development, schools and vocational training, innovation and technology, the Region’s relations with the institutions of the European Union, infrastructure and commerce with foreign countries. The President of the Regione, and other

\[\text{footnote}{\text{It has not been possible to retrieve specific information regarding the percentage of employed within metal manufacturing, respectively the furniture sector.}}\]

\[\text{footnote}{\text{The Italian Constitution of 1947; art 114;117 (came into force 1948).}}\]
representatives of the Regional government, (the regional government, giunta and the regional parliament, the consiglio regionale) hold political offices. The components of the giunta are the managers of the various departments of the Regione (the so-called assessori) are appointed by the President.

In the County of Jönköping, the Regional Council is the point of reference for issues connected to regional development. Decisions are now made by an elected assembly of politicians representing the 13 municipalities in the County of Jönköping. There is, however, no direct election to the Regional Council. Voters elect political representatives at the local (municipal and council) level, and the municipalities take seats related to the outcome of the general elections. No “assessori” exist in the Swedish system. The director of the Region does not hold a political office. He or she is nominated by the politicians in the Regional Councils. The Regional Council of Jönköping is responsible for planning and carrying out activities related to development and growth considering for instance: communication, trade and industry, environment and attractivity, labor market and competence, local plans and programs and international cooperation.

As we can see, it is hardly possible to base the comparison on available statistics which describes the industrial structure. Furthermore, the industrial sectors eventually chosen for the study, the metal manufacturing and the furniture sector appear to be of various importance in the regional and local economic context (s) in the two geographical settings. The institutional design does certainly not allow for confronting Tuscany and the County of Jönköping. Moreover, it can be argued that substantial differences would be observed regarding aspects such as culture or history.

The potential of adopting the comparative perspective

My main reason for insisting on trying it in my research design has been my interest in carrying out an analysis on whether organizing processes converge or diverge in different local (and industrial) contexts, and whether it is possible to explain the similarities and differences between them. I intended to use the potential in the comparative perspective, seizing on the knowledge and the contacts I already had in Italy and Sweden and the two regional contexts I had selected.

Retrieved 25 November 2007 from: http://www.regione.toscana.it/ and from the report: Organisera för näringslivets medverkan – En studie med förslag för att öka näringslivets möjligheter att medverka i utvecklingsprogram, NUTEK, Nutek - the Swedish Agency for Economic and Regional Growth


It should be mentioned that I have been traveling between Sweden and Italy for more than 10 years, and that I was already quite familiar with Italy, its history, culture, institutions and language when I started my research.
One of the central questions of this research is whether we can learn something in the field of policy analysis using a comparative approach involving both Sweden and Italy. One of the persons consulted on the matter was Professor Trigilia at the University of Florence. In one of his studies on local economic development he writes: Local economic development does not manifest itself in one uniform way, but takes on many forms and follows different directions. Moreover the relations between political institutions and the enterprises manifest themselves in different ways in different contexts, and the importance of politics varies. (Burroni & Trigilia 2001).

The conditions and prospects for organizing are different in the two contexts selected for the study, and many factors could probably be suggested to explain why these differences occur. As a matter of fact, initially I asked myself the question: “Does it make sense to conduct research on two countries such as Sweden and Italy?” One could add to the examples of differences mentioned above that laws and the system of incentives and support are completely different in the two diverse contexts, and that a research project of this kind is useless. I would, however, like to defend my approach.

In the previous chapter, I have distinguished between the individualist and the collectivist approach in studying structuration (and collective action). Bogason (2000) explains that the same distinction can be made within institutional analysis. This is an important remark in regard to the comparative aspect. Bogason writes that if research sets off from and focuses on organizations and collective units per se, a comparison will not be possible.

He takes empirical analysis which is limited to formal aspects of the political system (such as the Italian Regions and the Scandinavian Counties) as an example and claims that comparisons “based on such formal designations do not make much sense for political scientists. Formal entities with the same designations differ in size, powers, functions and political culture, and a comparison must be based by something other than the regional level” (Bogason 2000). He strongly discourages researchers to carry out comparative research on “an Italian region and a Scandinavian county as equivalents” and continues by describing such a research as “at best a hazardous task” (Bogason 2000:80).

It should be mentioned here that I did not select the Region of Tuscany and the County of Jönköping as two equivalent and comparable units. The geographical units were chosen mainly because I had to start off somewhere. In order to find the first batch of interviewees, the businesspersons, I needed to consult databases and representatives of various organizations. The focus on the region as the basis for selection, and the choice of the metal manufacturing and
4 Methodological tools

the furniture sector as well as other selection criteria were mainly attempts to limit the vast population of SMEs.

The reader will notice that no actual comparison is made between the two regions as such. I use individual situationalism to analyse collective action and the structuration into implementation structures. It is thus about organizing, rather than organization. This perspective is different from the institutional analysis focusing on regions and counties.\(^1\)

The bottom-up approach, starting out from the individual SMEs rather than from a specific organization, permits studying phenomena without having to confront specific administrative and legal structures to explain the organizing processes. A research using the geographical territories as contexts but not as units of analysis, permits for defining generalities, but also the limits of generality through interpreting the two kinds of research findings: similarities and differences.

Lin (1998) uncovers some of the potential in adopting a comparative approach. She claims a comparison “makes it possible to incorporate some of the best features of positivist and interpretivist work in the same study” (1998:176). As a matter of fact “it provides a structure through which both positivist and interpretivist ends easily can be reconciled” and “the structure makes this combination hard to avoid” (Lin 1998:177). She also observes that the comparative case study design, with several case studies in one project “forces the researcher to be more rigorous about defining specific relationships, provides the researcher with a ready-made collection of alternative explanations, and keeps the definition of terms from being so situation-specific that parallels to other situations are lost” (Lin 1998:176).

I can see the advantages of combining the positivist and the interpretivist approaches when carrying out the comparison, and have tried to seize the opportunity. I will elaborate these thoughts more thoroughly in the analysis of my case studies.

Scharpf (2000) argues that comparative studies combining institutional analysis (generally oriented towards studying genetic and consequential institutional aspects) and policy research (generally challenge- and interaction-oriented) can be fruitful. Scharpf adopts the perspective in which institutions are interpreted as “one set of factors affecting the interactions between policy actors and hence the greater or lesser capacity of policy-making systems to adopt and implement effective responses to policy challenges” (Scharpf 2000:764). This interpretation

\(^1\) Using other types of agglomerations, industrial districts for instance, as starting point would entail similar difficulties.
doesn’t seem to contrast with Kiser and Ostrom’s (1982) definition of institutions as “a system of rules” as suggested in Chapter three.

Scharpf claims that comparison is the only way for social scientists to detect causal relations between “differing institutional conditions” (structure) and “policy outcomes” (action).

Given the complexity of the phenomena studied, however, the capability of such research “to empirically identify the causal effect of differing institutional conditions on policy outcomes depends on a restrictive case selection” that, except for identifying the causal effect of differing institutional conditions on policy outcomes “would need to hold constant the influence of two other sets of contingent factors – the policy challenge actually faced and the preferences and perceptions of the actors involved” (Scharpf 2000:762).

Besides being an extremely difficult, not to say impossible mission, accepting this way of carrying out research would partly imply accepting the top-down perspective, since it suggests interpreting causal effects of programs and strategies. This would bring us back to the positivist or neo-positivist context.

Scharpf (2000:784) does, however, identify the difficulties and the inadequacy of adopting such a perspective, and continues by advising the researcher to also “seek empirical information on the actual preferences and perceptions of the policy actors involved” (Scharpf 2000:784). This is, to Scharpf, a way of resorting to a set of institutionalist working hypotheses that are derived from the theoretical assumptions of rational–choice institutionalism. Rational-choice institutionalism means analyzing patterns of action, rules and norms which constitute organizations (Gjelstrup & Sörensen 2007).

Even a research adding the rational-choice perspective on institutions implies using a set of narrowly defined theoretical assumptions. These will, according to Scharpf, often be wrong and lead the researcher to discover “discrepancy between theoretical predictions and observed policy choices” (Scharpf 2000:784). The finding, which can be described as “policy failure” will, however “greatly simplify the empirical search for those preferences and perceptions that actually can explain the failure to adopt effective policy responses” (ibid.).

Scharpf does, hence, like Lin (1998) and Glemdal (2008), advocate a combined approach for carrying out policy analysis. While Lin (1998) writes about positivist and interpretivist, Scharpf mentions the aim of “empirically identifying the causal effect of differing institutional conditions” and the search for preferences and perceptions that can explain why effective policy responses are not adopted. Scharpf claims “structured comparisons within varying subsets of
cases” combined with “rational-choice working hypotheses” seem to be our best hope for building a body of generalizable knowledge about the causal relations between types of policy challenges, types of institutional structures, and actor orientations (Scharpf 2000:785). It should be mentioned here that Scharpf has defined a higher goal for policy research. His objective to explain and to find causal relations is more strongly expressed than in this thesis, being more descriptive, although, as has been mentioned I have found it adequate to adopt the suggestions provided by Lin (1998) and Glemdal (2008) about combining the objectives to (1) Arrive at universal or singular statements supported by empirical observation”, and to “(2) Arrive at a hermeneutic, empathic interpretation which can contribute to that the researcher and others can re-experience the experiences of the actors investigated?” (Glemdal 2008: 19).

One aspect that I have found interesting and useful in Scharpf’s approach is his calls for defining cases either by common challenges, common actor orientations or common institutions (Scharpf 2000:785). My case studies are mainly based on one of these, namely common lifeworld challenges. According to Peters (2008), a comparative case study involving two or more national contexts must be analyzed out of a “most common” or a “most different” design. Researchers selecting a “most common” design could, for example, search for what characteristics or phenomena a number of countries have in common to explain why settings, which appear different in a number of ways, produce similar research findings (ibid.:37, referring to Skocpol 1979).

### 4.4 Criteria for evaluating the research

The epistemological and ontological choices made by the author imply certain difficulties and may create biases in the research. In the following I will explore some central criteria that ought to be met in my research and attempt to summarize and point out some of the difficulties and possible weaknesses with which my research is confronted. I will also explain how I have tried to avoid and/or remedy the shortcomings or difficulties which have been or may be the result of certain choices.

The material of my research is text in the form of interviews and documents. There will be no analysis of statistics and no numerical elaboration of the findings. It is, thus, a so-called qualitative study. Lieblich et al (1998) discuss how new, qualitative methods for generating knowledge call for criteria for evaluation different from those used in quantitative research. The old criteria were mainly reliability, validity, objectivity and replicability (Lieblich 1998). Lieblich et al (1998) present four alternative criteria or dimensions which they suggest for evaluation of narrative or interpretive research: width, coherence, insightfulness and parsimony. I will return to them shortly, although I feel it is
of importance not to completely lose touch with the old criteria. I don’t expect my research to be evaluated merely as a narrative research, and I believe the old criteria may still provide important opportunities for reflection and scrutiny of perspectives and methods adopted, as well as of the analysis, findings and results of my research.

Furthermore, the case study design used in my research relies much on Yin (2003), who is a positivist. He, therefore, advocates that traditional criteria be used for evaluating research. Hence, I find it appropriate to at least consider the possibility to use them as points of reference. In the following I will first refer to the traditional and then to the new criteria for research, and how I have related my own study to them.

Reliability

The objective with the criterion of reliability is to make sure that a research, when and if repeated with the exactly the same procedures that were employed the first time, would produce the same results and conclusions. This implies that it is necessary to describe and document each step in the research process closely.

As mentioned, all interviews have resulted in a protocol with the answers summarized. It should therefore be possible to repeat the interviews, compare the answers, and also evaluate whether the cases have really been constructed on main policy challenges as businesspersons see them. Furthermore, the narration is extensive and contains a considerable number of quotations.

Construct validity

Construct validity is a criterion defined by Yin (1994). Yin mentions that it is a difficult criterion to meet for several case studies. It refers to the capability of the researcher to chose an operational set of measures and provide a proper explanation (i.e. not subjective judgments) for his/her choice. If Yin would have been confronted with my research, he would probably define the focus of the case studies, financial resources, collaboration with universities, and R&D, internationalization and exports, and employment and vocational training as phenomena that need an adequate set of measures to be explained. It is the self organizing undertaken to face challenges and seize opportunities related to these issues which is analyzed and needs to be comprehended and explained.

Yin (1994:33) suggests the researcher use multiple sources of evidence and that a chain of evidence is established in order to ensure that this criterion is considered. Yet another idea provided by Yin is to have the draft case study report reviewed by key informants.
I don’t see the multiple source of evidence as a big challenge for my own study, though, since the challenges and possibilities faced by the interviewees have been carefully documented in the protocols. Of course there is always a risk that the researcher gets excited as patterns and tendencies are gradually discerned, and it is tempting when carrying out the interviews to talk to interviewees about the findings generated so far, once one has something to share. The researcher can then find stability by holding on to the set of questions that have been prepared for the interviews. Various sources of evidence have been consulted, in the sense that a large number of interviewees have participated in the study, and that reports, pamphlets, strategies, programs and other kind of material has been analyzed to arrive at the findings produced through my research. I also consider Yin’s suggestion regarding “establishing a chain of evidence” as sorted out in my study, in the case studies.

I have also pursued Yin’s third advice, the draft-report review. I would have preferred to have a draft case study report reviewed by a group of key informants, and regret not having had the time to do so. I did, however, have the opportunity to communicate parts of my results to them. During 2006, I participated in a discussion on internationalization in the municipalities of the County of Jönköping. I was invited by the Regional Council of Jönköping. My task was to give inspiration to civil servants and politicians in the municipalities and the Regional Council through providing some good examples of assistance and challenge solving to SMEs in Tuscany. In February, 2007, I was invited to CNA in the province of Pistoia to share some of my findings about good examples from Sweden. A handful of the interviewed businesspersons and about ten high-ranking civil servants and politicians of various organizations such as the province of Pistoia, CNA, the Chamber of Commerce, consortia etc. were present. These meetings have been useful and fruitful for me to a certain extent, although I believe that it would have made more sense and contributed to the research if I had the time to consult a handful of key informants. It should be mentioned that there is also the challenge of language, especially in Tuscany. Many of the Tuscan interviewees have told me that they don’t understand English, so in order for them to understand the case studies I would have need to have them translated.

It should be mentioned that as I carried out the interviews, it was unavoidable that I also made friends. Some of these persons became important to me, since they opened up doors, and provided me with information such as reports, articles or personal advice that wouldn’t have been easily available to me as an outsider (and in Tuscany also a foreigner). These persons have not read my research in its current shape, but I always knew I could call them for consultation if necessary to test ideas and thoughts, and I did. Meetings and discussions of this kind have, of course, not been documented but they are

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52 A national federation for artisan/craft firms and SMEs in Italy.
inarguable part of the narratives as they are reconstructed and told by me in the case studies. As already mentioned, I personally consider it impossible to remain completely objective. It is natural that a narrative research itself leads to the construction of the researcher’s own narrative and that it is shaped by formal and informal contacts established during the journey.

One partial solution to the challenge for the research is to try to openly express the presumptions as well as the interpretations and meanings which make up the basis for the presentation of actors. Another solution that needs to accompany the one already mentioned is that the researcher strives to deliver as a thorough presentation as possible of the various positions and views that make up the research findings.

**Internal validity and replicability**

Internal validity is not greatly relevant to my study, since it presupposes the aim of attempting to arrive at causal explanations (if \( x \) then \( y \)). As my research is more descriptive than prescriptive, I will refrain from detailing this particular criterion. Another criterion of equally limited relevance to my research is replicability. The replication logic should, according to Yin (1994:45), be applied when cases are selected for multiple-case studies. It involves selecting cases that predict either similar or contrasting results. This criterion is intimately tied to the ambition to develop a rich, theoretical framework, and presupposes a high degree of predictability, and this is also why I find it unnecessary to dwell on it at length here. But replicability can also refer to the method. In fact Sabatier (1986:33) mentions the “snowballing” carried out by Hjern & Hull (1982) and asserts that one of the strengths of the bottom-up approach of Hjern et al. is that “an explicit and replicable methodology for identifying a policy network (‘implementation structure’)” has been developed.

**Additional criteria**

As has been mentioned above, Lieblich et al (1998) suggest new criteria when evaluating qualitative research. These are briefly presented below:

**Width**: This refers to the comprehensiveness of evidence. It must be possible for the reader to comprehend and judge the quality of the observations, interviews, interpretation and analysis. Citations should be numerous, and suggestions of alternative interpretations and explanations.

I have tried to answer this criterion through providing an extensive description and by quoting the interviewees directly in order to permit for the reader to comprehend the content and meaning of what is narrated. Each of the case
studies is followed by a lengthy discussion in which I consider various possible interpretations and explanations.

Internal coherence dimension: This refers to how well the different parts of the narratives fit together and how they create a meaningful picture. The external coherence criterion refers to whether the narrative is coherent also when it is evaluated in the light of previous research and existing theories.

I will leave it to readers to evaluate if I have been successful in making the narratives coherent. The external coherence criterion can partly be tried by the reader as he or she go over Chapter two, in which I have summarized some of the studies adopting a bottom-up and postpositivist approach. It should be mentioned, however, that the studies that I’m referring to would probably not fall under the category of those pursuing a narrative research.

Insightfulness: This criterion is related to the sense of innovation or originality in the presentation of the story and the analysis.

And, finally, parsimony which is related to the capacity of presenting an analysis containing a small number of concepts, presented elegantly. Again I leave it to readers to decide whether my study meets the last two criteria.

Critique regarding the bottom-up approach

In chapter two I have given examples of some of the critique expressed by Sabatier (1986) regarding the bottom-up approach. He claims bottom-uppers run the risk of overemphasizing the importance of the local level to influence central power, and may underestimate the role actually played by the central power at “the bottom”. An exaggerated decentralized view may, for example, fail to take notice of the fact that a programme or a strategy of the “centre” might, in effect, be the result of action from the bottom and up.

The researcher reconstructing the research by leaning exclusively on individuals in the “for whom-group” may ignore actors who have played an important part in shaping a programme or a strategy and may thus depict an incomplete picture of reality.

Sabatier continues by arguing that Hjern et al. concentrate too heavily on perceptions and activities performed by individuals, while they neglect to provide explanations and theory about legal, economic and social factors which shape and structure the perceptions of individuals.

These criticisms are valid in the context of my own research. It is true that there is a risk that the limited bottom-up perspective may prevent me from seeing the possible effects of central programs and/or policies. I would, however, like to
mention that my central research question does take the strategies and programs into account, and that my objective isn’t to ignore them, but to try to understand what can actually be attained from them at the bottom.

Sabatier is right when he warns researchers like myself of the possibility of overlooking some individuals who have shaped, changed or affected an issue, a programme, a local policy and/or a context in various ways. This criticism is, in my opinion, also connected to my decision of leaving the concepts of power and values outside of the immediate focus of the research. This delimitation is, however, a conscious choice that I have had to make.

The second criticism relates to the risk of neglecting aspects such as law, social and economic factors, etc. in the analysis. I will leave it up to the reader to judge whether I have succeeded or not. My ambition is, however, via the snowballing and via using phenomenology and narratives as tools, to map the structuration process from the bottom and up. This does imply starting off from individuals in local concepts, but it cannot ignore the existence of laws, economic or social context. On the other hand, the research must have a clear scope and a clear point of departure, and I have made a choice. I can’t expect to come to grips with all possible disadvantages of my approach in this dissertation but I can study criticism carefully, and I can take care not to commit obvious errors.

4.5 Conclusions

In this chapter, I have explained how the epistemological perspectives of Chapter two and three have developed into methodological tools. The last section of the chapter is devoted to presenting some criteria for evaluating my research.

The central aim of this thesis is to explore the link (if there is one) between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. At a more pragmatic level this study can, hence, enhance our understanding of what can actually be attained from programs, strategies etc.

This a comparative research, using in-depth, semi-structured interviews with SMEs in the County of Jönköping and Tuscany in the metal manufacturing and furniture sectors as its point-of-departure.

The decision to adopt a comparative approach was taken at an early stage in the research-process. The intent was to use the potential that I, together with my
The research maps out, analyzes and interprets the processes of self organizing among the SMEs. These processes are constructed through interviews with businesspersons (in a first phase) and other actors (in a second phase) pursuing the concept of snowballing. Chapters 6-9 deal with the cases studies which explain lifeworld challenges faced by businesspersons and other actors interviewed and how these take the shape of implementation structures of collective action and policy organizing.

How can the link between structure and action be explored and explained? Glemdal (2008) uses Popper (1972) and Lin (1998) to combine positivist and interpretivist approaches in policy research. In Chapter two, I have also asserted that I find these scholars’ combined approach interesting, and that I intend to use it in my own research.

Lin (1998) recommends researchers to adopt the comparative design, with several cases in one piece of research, and claims that it provides the researcher with several possible explanations and make findings less case-specific. The bottom-up organizing analysis contains a set of assumptions, and it suggests the adoption of a specific epistemology which is a theory about science. It also includes certain cornerstones shaping the methodology of the research in various ways. These cornerstones generally regard: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal power and its programs and strategies. These aspects have been discussed extensively in Chapter three.

My research approach takes off from a specific theory on behavior and action that, briefly described, implies that individuals’ actions are based on experience and knowledge, and that our actions have underlying motives. These, in turn, derive from our so-called lifeworld (Jensen 2003:3). 53

The lifeworld is every individual’s sense of consistency and meaning in his/her existence, which derives from the conception and knowledge of the context in which we live and thrive. Lifeworlds can, through communication, be explained to other individuals. This approach and this conception of the world and other individuals also entail a certain understanding of individuals’ responses to things that happen to them or experiences that they live. Individuals’ reactions

53 This concept is often used by Habermas. The notion plays an important role in his theory on communicative action.
to things that happen or experiences lived are not to be conceived as objective, but as perceived and comprehended by the individuals. The discussion on lifewords is sometimes integrated into the interpretative methodological tradition called phenomenology. The phenomenological method aims at comprehending “the relation of meaning between an individual and a specific part of reality (a phenomenon)” (Solér 1997:71 and Larsson 1986). It also involves “…developing concepts” and “…comprehending how individuals conceive their world” (Esaiasson et al. 2002: 282 ff). Narratives and narrative approaches have been especially useful in conveying the interviewees’ stories to the reader as well as in understanding and constructing my narrative about situations, lifeworlds and contexts depicted by the interviewees.

The comparative perspective raises many doubts and questions. There are many and substantial differences between the two regional contexts, the region of Tuscany and the County of Jönköping. Some of the most salient differences can be discerned in the design of the political institutions, the importance of the industrial sectors eventually analyzed in my research, the statistics available and the number of inhabitants. Cultural, historical and legal aspects have not been touched upon here, but can hardly be expected to be similar in the two geographical settings.

The fact that the study adopts a comparative approach appeared cumbersome at first, but as my study proceeded, I felt reassured, and thrilled to find that despite the many differences observed, challenges identified prove to be identical or very similar even if they are found in two different national and regional contexts and/or in several different local contexts.

The epistemological and ontological choices made by the author imply certain difficulties and may create biases in the research. The last section of this chapter has been devoted to the exploration of some central criteria that ought to be met in my research. I have also attempted to summarize and point out some of the difficulties and possible weaknesses with which my research is confronted. The challenges and possible biases are related to reliability, construct validity, internal validity and replicability and generalization. I have explained how I have tried to avoid and/or remedy the shortcomings or difficulties which have been or may be the result of certain choices. I have also referred to Lieblich et al (1998:171), who discuss how new, qualitative methods for generating knowledge call for criteria for evaluation different from those used in quantitative research. Lieblich et al (1998:173) present four alternative criteria or dimensions which they suggest for evaluation of narrative or interpretive research: width, coherence, insightfulness and parsimony. These dimensions have been integrated in this chapter, and I have made an attempt to evaluate my research by using them.
4 Methodological tools

This chapter will be followed by a presentation of the research design and a brief introduction to the case studies, Chapters 6-9.
5 Research design

This chapter describes how the research has been designed and introduces the case studies, which make up the empirical section of this thesis and which will be presented in Chapters 6-9. In the last section, the research design is evaluated in brief.

5.1 An embeeded multiple case design

Yin (2003) serves as the point of reference for elaborating the case study approach in my research. Yin (2003) suggests that case studies can be used in any kind of investigation in which a need for understanding complex social phenomena arises. The author distinguishes single-case-designs from multiple-case designs, holistic from embedded case studies. A holistic study examines “only the global nature of an organization or of a program” (Yin 2003:43), while, in the embedded study, one case might involve more than one unit of analysis. By “embedded”, Yin means that several projects, processes etc. take place within the case (as opposed to the ‘global’ conceptualization).

My research can be considered an embedded multiple-case design, where each single businessperson interviewed may start off a process of organizing. The contexts of the study are: Italy and Sweden, the region of Tuscany respectively the county of Jönköping and several local contexts within these regional settings. Every interview identifies one or more lifeworld challenges and solutions or ways to seize opportunities.

Each study indicates how the organizing process has taken place; what resources were utilized, and which persons, organizations, institutions etc. were involved in the process. But the case studies evolve around the lifeworld challenges defined by the businesspersons.

5.2 The research process step by step

Interviews with business persons

One representative (the CEO, the main owner or the like, depending on who possibly knows best the history and the true soul of the company) from each company has been interviewed. This phase aims at generating findings about challenges faced and organizing processes initiated.
Snowballing

In a second step, the snow-balling-method has been utilized. Thus, the interviews with representatives of the small firms also involve the intermediate level in the organizing process, for instance a public administrator of the municipality, a consultant or an advisor at a business centre, etc. The questions have been posed following the same basic principles, with a few adjustments so that they will be suited to the interviewees and their situation (Hull & Hjern 1987:52). The number of interviewed actors amounts approximately to the same number as the firms. The actors directly referred to by the firms interviewed have also indicated organizations, institutions and authorities to contact.

For a fuller and thorough picture, I have tried not to leave out any interviewees considered important by the actors referred to directly by the firms. This is a complement and an alternative approach to the top-down: an upward-mapping. Some of the actors have been interviewed although they were not snowballed to directly by businesspersons. Actors’ perceptions of challenges and solutions (thus not only those perceived by businesspersons) have been analyzed and presented in the case studies. One of the reasons for including narratives from actors who have not been directly snowballed, is that I hope to provide a more complete narrative, but there are also other reasons. The aim of the thesis is to explore the link (if there is one) between structure and action interpreted as the interaction between systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. To fulfill this aim it does not suffice to take merely the businesspersons’ narratives into account. Moreover, as we will see, it is crucial to enter into the lifeworlds of businesspersons as well as other actors in order to examine and understand interaction, collective action and structuration or the absence of these processes.

Documentation

An individual protocol has been generated from each of the interviews. The structure corresponds to the sequence and content of the questions posed: challenge/occasion, solution, resources utilized, the persons/organizations, authorities, etc. contacted and result (the type of interview and the questions posed will be presented further ahead in this chapter). Lifeworld challenges and opportunities have been identified in the interviews.

Constructing cases

The organizing process referred to in the interviews may or may not take on similar forms for several enterprises, but in order to end up in the same case, the firms must have a common general definition of the challenge. The varieties in
organizing (the organizing process and the collective action undertaken) within each group is illustrated and analyzed. In many cases, the definitions of challenges are similar for firms in the furniture sector and the metal manufacturing sector. Sometimes the firms have even participated in the same organizing process in order to face a challenge or seize an opportunity. In some cases several interviewees have referred to the same persons/institutions as important actors. In most cases I have started to feel the saturation of a finding after a few interviews, i.e. the interviewees talked mainly about the same challenges which they saw as common and general. The organizing process though was carried out in several different ways in and among different enterprises.

Additional interviews

Occasionally, I have come across new and unexpected findings. For instance, in Tuscany I carried out almost all of the interviews with the firms, with all those interviewed expressing disappointment with local banks and their relationship with the SMEs apart from one businessperson who unexpectedly spoke in favour of his local bank, and the way it dealt with SMEs’ challenges. In this case I was about to complete the interviews with the actors, but felt that I could not ignore the fact that this one bank was considered to be working professionally with these challenges. There are other such examples where I would come across an unexpected result after a couple of interviews extra while the idea was just to try to make sure that I would penetrate the issue as far as possible.

The steps described above have been taken into account in the study in both national and regional contexts. Constructing cases based on the narratives provided by interviewed businesspersons and actors, and carrying out additional interviews in order to complete the narrative.

Cross-case analysis

Then a cross-case analysis as defined by Yin (2003) has been carried out. Each challenge group in the two different national contexts was compared with the analogous challenge group in the other national context. The purpose of conducting such an analysis was to find out whether challenges and self organizing differ between the two contexts. As we will see, challenges identified prove, however, to be identical or very similar even if they are found in two different national and regional contexts and/or in several different local contexts. Therefore, cases have been constructed on common lifeworld challenges, and Italian and Swedish businesspersons’ and actors’ narratives are presented under joint headings in the case studies. The lifeworld challenges, and the titles of the case studies are: (1) financial resources, (2) Collaboration with universities, and Research & Development, (3) internationalization and
exports, and (4) employment and vocational training. The results are, hence, integrated into one single case, while different solutions to similar or identical challenges have been highlighted and explored.

5.3 The interview

Type of interview

There are several forms of interviews to choose among in order to conduct a research of this kind. In order to map out the organizing process I have chosen the semi-structured form, combined with a narrative component. The semi-structured interview doesn’t have fixed categories of answers and the degree of systematization when posing the questions varies. This type of interview uses, in most cases, a guide and takes into consideration theoretical as well as dynamic aspects. The semi-structured interview is based on certain issues that the researcher would like to discuss during the interview. The researcher uses the guide as a support, but does not stick strictly to the systematic sequence of question as long as the interviewee discusses issues that the researcher finds relevant for the study.

The researcher has thus to keep in mind the questions that he/she needs to have answered, and cannot take for granted that the questions will be answered in the order that they have been posed in the “guide” (Jensen 2003:11). The narrative interview does not follow a certain agenda of questions. Instead, the researcher asks the interviewee to narrate freely and spontaneously about a certain experience. An objective is that the narration should be as coherent as possible. The interviewee needs to be spurred by the researcher to tell about his/her experiences of an event/occurrence.

The researcher has therefore an important role to play, and he/she must have a clear picture of which issues he/she needs to discuss in order to answer the questions posed. The researcher also has to pose questions in order to clarify potential misconceptions or to facilitate the understanding of the answers in general (ibid.).

The questions of the interviews

The organizing process as described by representatives of small firms is assumed to be mapped out by posing the following questions:
5 Research design

Challenge definition
Please supply an example of an event during the last three years that in your opinion marks an important challenge to the company and which spurred you to confront and solve challenge/s and/or seize the opportunity/ies (and which have led to a change in the life of the company).

Do you remember how you figured out in your mind the way you confronted and solved the challenge/s and/or seized the opportunity/ies?

Operationalization/priorities
How did you go about when confronting and solving the challenge/s and/or seizing opportunity/ies?

Please describe how you planned and carried out the action that led to the confrontation and the solution of challenge/s and/or the seizing of opportunity/ies?

Contacts/resources
What resources were necessary to make it possible for you to confront and solve the challenge/s and seize the opportunity/ies? Please describe how you went about to acquire these resources and what contacts you established in order to solve the challenge/seize the opportunity?

Experiences/evaluation
Are you content with the way in which you confronted and solved the challenge/s and seized the opportunity/ies? What were the actual results from the contacts that you took? What did they mean to you?

In your opinion, could the confrontation and solving of the challenge/s and seizing the opportunity/ies have been done differently?

5.4 Selecting the firms

When selecting the firms for my research I asked my academic tutors for help. The advice that I was given was to be quite specific, i.e. not to select SMEs in general, but to try to focus on one or two specific sectors, since the challenges and opportunities would possibly differ from one industrial sector to another.

I discussed some possible choices with some key-persons who have been working with strategies for industry/SMEs for several years, and whom I thought could provide me with good advice on where to start. The persons
contacted indicated the furniture and the metal-manufacturing sectors as important in my home region: the County of Jönköping. I asked my Italian tutor to indicate one or two Italian regions where the regional industrial structure and industries that were similar to those considered in the County of Jönköping could possibly be found. I was given the advice to start searching in Tuscany.

One of the difficulties involved with selecting firms was the comparative aspect. The challenge connected to the comparison has cost me many sleepless nights. However, the research process had to start somewhere, and I found myself looking for a few selection criteria for how to find the enterprises that were to be interviewed. The criteria that I have been trying to keep as constant as possible are the specific characteristics of the SMEs that are found in the County of Jönköping and (as far as possible) the size of the firms. The similarities and differences regarding the industrial structure and socio-economic characteristics of Tuscany, and the County of Jönköping will, of course, be analyzed and described in this thesis. I would, however, like to emphasize that the comparison between the two regions will not be based on statistics, nor will the research be conducted as a benchmarking project. This was one of the prerequisites already considered as I started to search for the SMEs that were going to be included in my research.

Searching for and selecting SMEs

Criteria

The criteria presented below are the criteria that I initially elaborated on for the selection, asking for help from local employees, and some of the development centres that work with activities that are related to the furniture and to the metal-manufacturing sectors in my home region. The reader will notice that I have not been able to keep the selection criteria strictly constant in the metal manufacturing sector when searching for enterprises that would match the structure of my home region. The idea to hold the metal manufacturing and furniture sectors and the approximate number of employees constant was an attempt to find a point-of-departure for a comparative study of organizing in the two regional contexts.

Most of the industries within the metal manufacturing sector use turning and milling\footnote{Turning and milling, Sw. svarvning och fräsning and It. tornitura e fresatura.}, to work metals such as steel, brass and aluminium.

Most of the enterprises in Jönköpings län (the County of Jönköping) are subcontractors and have up to 50 employees (most of them have 20-25
The customers are mainly other subcontractors in the metal manufacturing sector within engineering, packaging and automotive.

The furniture enterprises selected for the study mainly make their own products. Some of them operate as subcontractors, mainly with small and specific series of furniture for offices, schools, libraries, public institutions, hotels, etc. Furniture enterprises in the County of Jönköping may employ 50 people but the majority have approximately 15-25 employees. The clients are mainly businesses that work with interior design and/or furnishing of public environments and about 90-95% of the products are sold on the domestic market.

The SMEs eventually selected for the study generally have a number of employees not more than 50, and not fewer than 15.

Selecting SMEs in the furniture sector

Regarding the furniture sector in the Region of Tuscany I contacted CSM\textsuperscript{55} in Poggibonsi, the centre which all interviewed persons recommended for more information on this sector. The president of the centre helped me select ten firms all over Tuscany that corresponded to the criteria that I had settled on. Five other furniture enterprises were recommended by CNA\textsuperscript{56} in the province of Pistoia and another two by an employee of CNA in the Province of Siena. Since I had carried out interviews with consortia within the metal manufacturing industry, I was curious to find out about how such a consortium could work in the furniture industry. At this point, I wished to expand my study also to the Province of Pisa, close to the town of Ponsacco. Earlier I had only carried out a few of the interviews in the province of Pisa. I did a research on the Internet, and choose to contact and interview an export consortium in Ponsacco that represents ten local enterprises.

In the County of Jönköping I contacted Träcentrum, which is a centre for development, training and education in the wood/furniture sector. Träcentrum has often worked as the coordinating part in region wide projects, networks, activities co-financed by the EU Structural Funds and the like. They provided me with important information on the furniture sector in the region, and also indicated about 10-15 firms that could possibly be representative for the sector. When I visited Träcentrum, I also brought with me a list of the characteristics of the 15 SMEs in the furniture sector that I had already interviewed in Italy,

\textsuperscript{55} CSM (Centro Sperimentale del Mobile e d’Arredamento in Poggibonsi), a consortium for SMEs, public institutions, private research-agencies etc. working in the furniture sector.

\textsuperscript{56} CNA is a National Federation for artisan/craft firms and SMEs in Italy. CNA assists its member companies in: training, promotion, innovation, marketing, environmental, legal, financial and credit counselling, contract support, issues concerning relations with employees, tax counselling and other support services. Retrieved 3 December 2007 from: http://www.cna.it/eng/index.htm
and I was given some advice on interesting furniture companies that could match those already interviewed in terms of size, scope and sector, etc.

I tried to avoid making a biased choice of companies by asking a few key persons (businesspersons in the furniture sector) for advice on which SMEs to choose for my study.

I found another few of them on the Internet by looking up the directory of member companies in the labor union association TMF (trä och möbelfacket, a labor union within the wood and furniture sectors).

One of the firms selected has been a subcontractor of IKEA, but has now switched to a different kind of production. Several of the businesspersons and other actors interviewed talked about IKEA, and the important role it once played for the regional furniture producers. I was curious to know more about if an interview of this kind could add something interesting to my research. Therefore I asked my contact at Träcentrum to indicate one subcontractor, and so he did. One of the SMEs interviewed represents a subcontracting firm of IKEA’s.

**Selecting SMEs in the metal manufacturing sector**

The interviewed Italian enterprises in the metal manufacturing sector are not all cutting enterprises. This criterion alone could not be used when selecting companies in the Tuscan provinces, since the cluster of such enterprises cannot be found in Tuscany, while in the County of Jönköping there is an aggregation of cutting industries. However, about ten out of the fifteen companies interviewed in Tuscany would fall under the category of cutting industries.

The selection of companies that were going to be interviewed was partly carried out by me personally. I selected from an on-line database (www.subfor.net) containing the names, home regions, production, number of employees, etc of Italian subcontractors. This database is administrated by the Camera di Commercio (Chamber of Commerce) in Italy. After having discussed my selection criteria with Professor Hjern, I chose 10 subcontracting firms within

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IKEA, Älmhult, County of Kronoberg: Multinational furniture and interior design company founded in 1943 with 260 stores and 104,000 employees all over the world. IKEA is still controlled by its founder, Mr. Ingvar Kamprad and his family through a foundation based in the Netherlands. Retrieved 17 December 2007 from: www.ikea.com. IKEA was previously a buyer of great significance in the Jönköping region, but nowadays there are only about ten subcontractors left in the area (and only a couple of them can be found in the County of Jönköping). Much of the production has been de-localized from the area to low cost countries. The production carried out in the region on behalf of IKEA now is large-scale and highly productive, and producers who have not been able to meet these requirements have either changed their production or shut down.
the cutting sector. One of them was a plastic company working in the cutting sector.

These SMEs were located to more than the three core provinces (Pistoia, Pisa and Siena) in which most of the Tuscan interviews were carried out. Representatives for associations, organizations etc. who helped me select these companies suggested that I should stay with SMEs, and within the metal manufacturing sector, but that I could focus my selection on what could be regarded as typical for the territory, in order to somewhat broaden my study. The rest of the companies found in the metal manufacturing sector were selected in collaboration with the so-called associazioni di categoria CNA and Confartigianato.

In the province of Pisa I carried out one interview extra, after having asked a local consortium for advice on another SME that is regarded as a survivor among the subcontractors of Piaggio. This company does not operate within the cutting sector, but carries out engineering and projecting mainly for Piaggio. In the Province of Pistoia I selected the consortium Sintek. In this case I have interviewed the president of the consortium that represents 8 SMEs that are subcontractors mainly to Ansaldo Breda.

Firms in the metal manufacturing industry in the County of Jönköping have been selected mainly through the assistance of one business organization (Skärteknikcentrum - owned by the companies themselves) also involved in metal-cutting, and mainly using turning and milling as their main techniques. These are geographically located mainly in the south-western part of the County and especially in the municipalities of Gnosjö, Gislaved, Värnamo and Vägghyrd.

I have also interviewed five subcontractors within the aluminium industry. The reason for this is that in the County of Jönköping there is an important producer of aluminium profiles, SAPA, (these profiles are mainly used in the automotive, transportation, construction, telecom and furniture sectors). Since I had found two big companies in Tuscany, that seemed to play or have played

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58 Piaggio with headquarters in Pontedera (Province of Pisa) is one of the world’s leading producers of two-wheel motor vehicles. The Piaggio Group was established in 1884. The company has a total of approximately 6 700 employees (about 3000-3 500) of them work in the production-plant in Pontedera. The Piaggio-group has production-facilities at 7 sites. In Italy: Pisa, Venice and Como, in Spain, India and China. Retrieved 17 December 2007 from: http://www.piaggio.com/

59 Ansaldo Breda is a producer of railway and mass transit vehicles, mechanical parts (body and bogies), converters, motors, controls etc. The company has production-plants in Pistoia, Reggio Calabria and Palermo. The construction of the mechanical parts as well as service and assembling is carried out in Pistoia. The plant in Pistoia has 1024 employees. Retrieved 17 December 2007 from: http://www.fiom.cgil.it/finmeccanica/ansaldo_b/a_Breda.htm, and: http://www.ansaldoBreda.net/eng/files/com Stmp.asp
an important role for the SMEs – Piaggio in the Province of Pisa and Ansaldo Breda in the Province of Pistoia – I wanted to use a Swedish company within the metal sector as a parallel. The aim is not to carry out benchmarking. This is a thesis in political science. Therefore, the parallel that I wanted to draw relates to the possible impact, importance and responsibility that a big company might have on the SMEs in a specific geographic area.

Initially, I concentrated on subcontractors’ challenges and possibilities related to collaboration and dependence on a big company, but since the interviewed businesspersons focused mainly on other challenges or possibilities that had already been mentioned by other SMEs I decided to avoid using that particular challenge as a case study and integrate the narratives under other headings that corresponded with those already generated through the previous interviews.

After having carried out about ten of the interviews in the area in and around Gnosjö, which is close to what my research fellows in Italy would call an industrial district, I found that the interviews were starting to reach the saturation point in the sense that the answers from the companies all indicated the same contacts and the same tendencies concerning policies, and therefore I decided to take on a different path for the last five interviews. Another benefit from a somewhat changing the direction of the research was that I was able to cover most of the County of Jönköping, i.e. the interviews were carried out also in municipalities outside of the industrial cluster in and around Gnosjö.

I selected the companies partly through help from a few contacts that work with SME-related businesses (a fair for subcontractors), and partly by browsing the telephone book in the areas where I knew that I could find subcontractors in the aluminium-industry. One of the plant coordinators at SAPA also provided me with a list of some of the SMEs that are considered medleverantörer, a concept implying co-contracting, that is, suppliers that work close to the big company rather than as sub-contractors.

As mentioned before, the fact that the study adopts a comparative approach appeared cumbersome at first, but as my study proceeded, I felt reassured, and began developing my arguments on these aspects. I have discussed these briefly above, but they will be elaborated further in the analysis of the case studies and in the concluding chapter.

**Contacting the interviewees**

I contacted all businesspersons and other actors by telephone, and also sent a presentation letter explaining what the study was all about.
5 Research design

I had expected that it would be difficult to find enterprises and CEOs that would participate in this study, but I didn’t really experience any serious difficulties when I called to book interviews. Among approximately 60 enterprises, only six decided not to participate. The reason referred to for not participating in the study was generally lack of time.

5.5 Introduction to the case studies

Chapters 6-9 make up the empirical section of this thesis. Lifeworld challenges narrated by businesspersons and actors are presented as case studies. No theory has been brought into the case studies. This research-design is intentional and, hence, a conscious choice. Theoretical threads which will help examine and explain empirical findings closer will be provided in Chapter ten, while findings and aspects related to the comparison will be discussed in Chapter eleven. This brief introduction to the case studies explains why and how I have formed case studies out of the lifeworld challenges narrated by the businesspersons.

Similarities between the two regional contexts as a starting-point

As has been described earlier in this chapter, the differences between the two geographical sites chosen for the study were so many and so evident that a common denominator which could work as a starting point for the comparison needed to be identified. Tutors and other persons consulted at an early stage in the research process indicated two industrial sectors as a possible point of departure. As the empirical material from interviews started to yield results, additional similarities were discerned. Businesspersons indicated similar lifeworld challenges. This made me decide to present them under common headings, yet keeping the two regional contexts separated, to render a closer examination and analysis of potential differences between regional contexts as well as industrial sectors possible.

A total of 60 interviews were carried out with SMEs, 30 in Tuscany and 30 in the County of Jönköping. 15 firms represent mainly the metal manufacturing sector (two are plastic producing companies) and 15 are furniture producing companies.
Table 5.1. Lifeworld challenges mentioned by businesspersons

<table>
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<th>Financial resources</th>
<th>Collaboration with universities and R&amp;D</th>
<th>Internationalization and exports</th>
<th>Employment and vocational training</th>
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Table 5.1 shows how many times the lifeworld challenges have been mentioned by businesspersons in the two regional contexts. The number of answers related to the lifeworld challenge sometimes sums up to more than 15. This is because businesspersons often mentioned more than one lifeworld challenge in the same interview.

Three of the case studies, financial resources, internationalization and exports and employment and vocational training have been generated with reference to the number of instances with which a certain challenge has been mentioned, while a somewhat different rationale made me chose collaboration with universities and R&D as a fourth case study.

The lifeworld challenge in the case study presented in Chapter seven was not mentioned by a particularly high number of interviewed businesspersons. CEOs did not express an urge to bring research and innovation into the firms. This was, thus, not the reason for making this challenge become a case study. The case study depicts the general distance between academia and firms on one the hand and adequacy or inadequacy of programs, strategies and means in relation to perceptions among the most important target group, the SMEs on the other. The reason for why I integrated the challenge as one of the case studies was that I found two instances of collaboration between researchers and small firms early in the research process in Tuscany. As I studied narratives provided by several businesspersons in both regional contexts, I found that they do speak about the importance of innovation related to, for instance, product development, production processes or knowledge about materials (metals for instance). Furniture producers also report to be in need of innovation, but their definition is somewhat different than the metal manufacturing businesspersons. Furniture producers speak of design and collaboration with architects, and these have been interpreted as innovative measures in this thesis.
Outline of the case studies

The presentation of the four case studies has a similar outline. They all start out with a presentation of the lifeworld challenge as narrated by the businesspersons as well as a delimitation of one or two central concepts and/or topics. Actors and processes indicated by the businesspersons are presented under the heading of snowballing. Concrete examples mentioned by businesspersons (when such examples exist) from Tuscany, respectively the County of Jönköping are described first. Additional examples from the two geographical settings though not snowballed to directly by businesspersons as well as actors’ perceptions of challenges and solutions are also presented. By not only presenting narratives from actors who have been directly snowballed to, I hope to provide a more complete narrative, but there are also other reasons. The aim of the thesis is to explore the link (if there is one) between structure and action interpreted as the interaction between systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. It does not suffice to take merely the businesspersons’ narratives into account to examine the structure and, as we will see in the general conclusions in Chapter eleven of this thesis, it is crucial to enter into the lifeworlds of businesspersons and actors in order to examine and understand interaction, collective action and structuration or their absence.

At the end of each case study, the reader will find a section in which general results and conclusions are presented. Similarities and differences between the two regional contexts as well as between the two sectors are outlined and partly analyzed. Some of the findings will need to be analyzed at the meta-level and with the help of theory. The results from the comparison will be examined and discussed in greater detail in Chapter eleven.

A few additional lifeworld challenges

It should be mentioned that a few additional lifeworld challenges which I have chosen to leave out of the thesis have been described in the narratives. In the following I will provide some examples of issues which have been touched upon by businesspersons, but which have not formed separate headings for case studies.

Environmental issues

A handful of companies in the County of Jönköping complain about challenges faced as they try to meet environmental measures. The complaints mainly regard the demands on SMEs posed by environmental laws and regulations and the supervision exercised by the County Administrative Board and its civil servants, which businesspersons refer to as exaggerated. This criticism has been
expressed exclusively by businesspersons in the County of Jönköping. The difference between the two national contexts can, most likely, be explained by analyzing EU policy and national environmental legislation and the enactment of these directives and regulations.

Jordan (1999) provides some interesting perspectives on EU environmental policy which can be of help to arrive at a better understanding of the observed differences. EU environmental policy suffers, according to Jordan (1999:70-71), from an implementation deficit, i.e. policies are not implemented and the effects of EU environmental policy have often remained a “paper exercise” with little effect on environmental quality. The author mentions several reasons for the deficit. One reason is that the most common tool used in the EU is the directive. Directives “are binding in terms of the overall objective to be achieved but leave states to determine the detailed arrangements for putting them into practice” (Jordan 1999:78).

Member states often prefer directives to other kinds of regulation, since they offer enough flexibility for governments or regional and local bodies to take specific contexts and situations into account. This implies that directive are interpreted and that administration and evaluation of measures take on various forms. Jordan provides a few tables which show differences among EU member states. Statistics are from 1996 and, as is also mentioned by Jordan, we must be cautious in interpreting statistics for cross-national comparisons.

Jordan presents statistics on the total number of environmental directives applicable and the number of directives for which measures were notified in EU 15\(^6\). Denmark and the Netherlands notified measures for 98 percent of applicable directives, while the percentage for Luxemburg, Germany, Ireland and Sweden was 96. Italy is the last country in the list, with 85 percent of the measures notified. This example may provide parts of the explanation to why SMEs in Sweden mention environmental measures and the challenges faced as they try to meet them. I have spoken to two civil servants to hear their explanation of this finding. According to one of them, the supervision of firms’ environmental measures carried out by Swedish authorities is not largely related to the ambitions and objectives expressed in laws, regulations and directives. The interviewee reports that “resources for carrying out a good and supportive supervision are always lacking”. He continues: “The gap between resources and ambition has serious consequences on the environment and the firms that are being monitored”.

\(^6\) EU 15 refers to the number of member states in the EU in 1996. The member states were: Denmark, Netherlands, Luxemburg, Germany, Ireland, Sweden, UK, Austria, Portugal, Spain, France, Greece, Belgium, Finland and Italy.
5 Research design

Despite the general criticism, I have found one interesting example that speaks in favor of the counseling provided by civil servants from the County Administrative Board. One of the businesspersons in the metal manufacturing sector narrates that civil servants from the County Administrative Board detected an emission which superseded the allowed amount of a chemical substance. The civil servants didn’t only make the company reduce its emissions, but also worked together with a consultant to find a process that cost considerably less than before the intervention was adopted. This organizing process has not been presented in any of the case studies.

Infrastructure

Two or three of the businesspersons in the south western part of the County of Jönköping and two of the CEOs in the mountainous area close to Pistoia in Tuscany claim that many improvements are still to be made considering infrastructure, especially considering roads. A few of the Tuscan businesspersons have also mentioned the importance of having access to high-speed connections to the Internet. No good examples of solutions to these problems were provided by businesspersons, and organizing processes are therefore not described in the case studies.

Ownership succession

One other challenge, which SMEs in Tuscany as well as in the County of Jönköping have pointed out in the last few years is related to the ownership succession in small companies. A few of the businesspersons have indirectly indicated that the shift has marked an important moment in the history of the company. The challenge is especially evident in Tuscany, among the furniture producing companies. A few of the businesspersons who have recently taken over the company after their parents have reported to have changed the image and the product offer by collaborating with new designers. These narratives are presented in the case study on collaboration with universities and R&D. Another issue seen as a challenge for these firms, relates to financial resources, and how to technically arrange the shift from one owner to another. This challenge has been presented in the narrative of one of the bank officers. One Tuscan businessperson and one from the County of Jönköping report to be facing challenges with a father who doesn’t want to retire, despite the fact that he has already left the company in the hands of his son or daughter.

Marketing

A general view expressed by businesspersons from the County of Jönköping as well as their Tuscan colleagues is that SMEs are skilled producers, but that they are not very good at marketing themselves. Some examples of organizing aiming at marketing have been provided in the case study on internationalization and exports. A few additional examples of collective action could possibly have been
One such case is the Tuscan metal manufacturing and engineering consortium sintek. Difficulties in the relationship with one of the bigger companies in the area led to collaboration and, eventually, a consortium among a group of subcontractors. Eight firms (with a total of about 250 employees) originally established the consortium. Today the consortium includes 12 collaborating firms. The consortium sintek has not been described more thoroughly in any of the four case studies. Another example of an organizing process similar to that of sintek is the network project involving six firms in the furniture/wood-sector in the County of Jönköping and in the neighboring County of Kronoberg. The network has established a close collaboration with a consultant who has taken care of the general coordination of training-and marketing activities. This organizing process has been touched upon in the case study about collaboration with Universities and R&D, since it was part of the KrAft-program.

One of the reasons for leaving some of the examples out of the case studies is that the rich material needed to be delimited, and that the easiest way to do this was to look for headings which could possibly represent the most common and important challenges to SMEs. I also looked for policy areas in which I could find at least one or two examples of self organizing processes and implementation structures which would function as units of analysis. Whenever there were several instances of narratives describing certain lifeworld challenges I did, however, not only describe the implementation structures but also other actors who described themselves as assisting structures related to the lifeworld challenge. Although headings such as marketing and ownership succession are not included in the case studies, organizing processes related to them have been included under other headings.

5.6 A brief evaluation of the research design

The research design may imply biases. A few of them will be mentioned and briefly discussed below.

Two completely different contexts, yet common lifeworlds

Doesn’t it seem incredible that SMEs in two completely different contexts perceive the same challenges? The reader may think that the researcher was tempted to group lifeworld challenges, to find a criterion for comparison. In this chapter I have attempted to demonstrate to the reader how the case studies
were constructed, and which lifeworld challenges did not form separate headings for case studies. In Chapter ten and in the concluding chapter, I will return to this finding, and attempt to explain it.

**Top-down policysectors and bottom-up lifeworld challenges coincide**

As we will see, the key words appearing in my research as narrated by businesspersons often coincide with those mentioned and structured by decision makers. Some of the policy sectors around which assistance programs and strategies for SMEs have been designed are innovation, knowledge, internationalization, etc. I assume these policysectors have been constructed by decision makers who want to come to grips with lifeworld challenges.

This indicates that I didn’t invent the policy challenges all by myself, that the challenges identified in my research are among the most salient and that although it was not my aim to demonstrate the reliability of the definition of challenges as such, it could most likely be checked. It should be mentioned though, that the action undertaken by businesspersons and actors to arrive at a solution sometimes differs considerably from programs and strategies. In the case studies I have attempted to provide a few explanations to this gap.

**Snowballing**

The snowballing method may imply some challenges concerning reliability. As I interviewed businesspersons they sometimes knew very well exactly which organization, company and even person to turn to, to reconstruct the network, though sometimes this was not the case. In each case study I have described how the different actors have indicated who I needed to talk to next. There is an obvious risk that some of the interviewees refer to persons or organizations that would not be mentioned by others.

On the other hand, the reader has the possibility to evaluate the accuracy of the information provided by me, since I have carefully documented how many businesspersons snowballed to the next person of reference in the chain. I have also carefully explained cases in which the businesspersons did not know, and how I went about to find the next person who needed to be found in order to understand the pattern (i.e. whether policy existed or not).

Furthermore, there is a risk that businesspersons prefer not to reveal certain organizations or actors in the implementation structure. I would argue that once the first two phases in the interviews, problem definition and operationalization/priorities, were narrated by the interviewee, it would have
been difficult not to indicate other businesspersons and/or actors who were part of the network.

It should be mentioned here that I sometimes (especially in Italy) had to adopt a somewhat peculiar method for muddling through the organizations. If interviewees didn’t provide me with a name or a point of reference, but knew what organization to contact, I contacted the person formally in charge. This, occasionally, leads to new contacts at a lower organizational level within the same organization/sector. The person formally in charge was the gatekeeper who provided me with his/her description of who was informally responsible or who would know more. Obviously, it would be difficult to repeat exactly the same study again, and although this is a weakness in my design, I do not have such an option available.

5.7 Conclusions

In this chapter, I explain how the research has been designed. The case studies which make up the empirical material of the research are also outlined. In the last section, the research design is evaluated in brief.

Yin (2003) serves as the point of reference for elaborating the case study approach in my research.

The research process involves generating findings and reconstructing processes of organizing through semi-structured interviews with businesspersons (in a first phase) and other actors (in a second phase) pursuing the concept of snowballing.

The criteria for selecting firms, and the process for identifying businesspersons and actors eventually interviewed have been presented in this chapter.

The idea to hold the metal manufacturing and furniture sectors and the approximate number of employees constant was an attempt to find a point-of-departure for the comparison.

Most of the industries within the metal manufacturing sector use turning and milling\textsuperscript{62} to work metals such as steel, brass and aluminium.

Most of the enterprises are subcontractors and have up to 50 employees (most of them have 20-25 employees). The customers are mainly other subcontractors

\textsuperscript{62} Turning and milling, Sw. svarvning och fräsning and It. tornitura e fresatura.
in the metal manufacturing sector within engineering, packaging and automotive.

The furniture enterprises selected for the study mainly make their own products. Some of them operate as subcontractors, mainly with small and specific series of furniture for offices, schools, libraries, public institutions, hotels, etc. Furniture enterprises in the County of Jönköping may employ 50 people but the majority have approximately 15-25 employees. The clients are mainly businesses that work with interior design and/or furnishing of public environments and about 90-95% of the products are sold on the domestic market.

The SMEs eventually selected for the study generally have a number of employees not more than 50, and not fewer than 15.

Additional interviews have been carried out in order to complete the narrative. An individual protocol has been generated from each of the interviews. These steps have been taken into account in the study in both national and regional contexts.

The adoption of the comparative approach, which has been presented in Chapter four, appeared cumbersome at first, but as my study proceeded, I felt reassured, and thrilled to find that despite the many differences observed, challenges identified prove to be identical or very similar even if they are found in two different national and regional contexts and/or in several different local contexts.

Challenge definitions have been grouped into cases. A cross-case analysis as defined by Yin (2003) has been carried out. Each challenge group in the two different national contexts was compared with the analogous challenge group in the other national context, and four lifeworld challenges were formed as case studies. Chapters five through eight make up the case studies, which explain lifeworld challenges faced by businesspersons and other actors interviewed and how these take the shape of implementation structures of collective action and policy organizing.

A brief introduction to the case studies explains why and how I have formed case studies out of the lifeworld challenges narrated by the businesspersons.

The last section of this chapter is devoted to a critical evaluation and a discussion on a few possible biases of the research design.

The titles of the case studies presented in Chapters 6-9 are: (1) financial resources, (2) collaboration with universities, and Research & Development, (3)
internationalization and exports, and (4) employment and vocational training. The results are, hence, integrated into one single case, while different solutions to similar or identical challenges have been highlighted and explored. No theory has been brought in the case studies. This research-design is intentional and, hence, a conscious choice.

Theoretical threads which will help examine and explain empirical findings closer will be provided in Chapter ten. By relating research findings from the case studies to existing theory I will try to arrive at explanations about the link between structure and action interpreted as the interaction between systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges.
Case studies
6 Financial resources

On 11 October, 2008, I read an article about an artisan businessperson in Treviso in Northern Italy. Paolo Bianconi was disappointed and angry with his bank. Paolo’s first contact with the bank took place 25 years ago and has kept the ties ever since. Now Paolo claims to have been serious in his dealings with the bank, and very punctual in paying back his loans. A few months ago he asked for a loan of €35 000 but the bank turned down the request. It was the first time for the bank to have done so in Paolo’s entrepreneurial career. The bank he has been dealing with for nearly 25 years had merged with another bank. The old officers who used to be friends were no longer the same. Some even pretended not to know him anymore. Paolo attributes the ill treatment to the general financial crisis, and says big companies such as Fiat, Alitalia and Parmalat are privileged and prioritized when decision makers propose measures to save the economy, while SMEs are penalized. Paolo decides to fight back and launches the idea of the artisans opening their own bank, using the money from Confartigianato to guarantee 50% of the amount of loans they have asked for. He says that the merged banks will be eventually sorry, since the artisans are also to blacklist the banks which no longer grant loans to SMEs, “since they don’t trust us anymore.”

The reader will find more such examples in the case study on financial aspects, especially in Tuscany. Businesspersons in Tuscany and in the County of Jonkoping indicate that the most common financial expenditures for firms are related to investments in machinery, factories, warehouses or the like and that the contacts established in order to try to procure the needed resources were with bank officers and officers at credit-guarantee-institutions.

This joint case explores the solutions and resources available to SMEs for investments. It describes the relations between actors and SMEs at the local and regional level as they have been narrated by the interviewees. Several of the narratives depict the feeling of formalization and bureaucratization of systems and organizations especially as told by Tuscan actors, and which form me are among the most interesting findings of the case.

Il Giornale, Gabriele Villa, 11 October, 2008
Financial aspects have been described as a challenge by businesspersons in Tuscany as well as in the County of Jönköping, though businesspersons in the County of Jönköping have put more emphasis on the challenges involved in finding adequate solutions for financing investments. One important reason for this is, most likely, that the state of the market during the last couple of years has been more favorable (to SMEs) in Sweden than in Italy. Sweden is enjoying an economic boom, while Italy at the time when I carried out the interviews, was experiencing an economic downturn. This implies that interviewed businesspersons in the County of Jönköping may have been more apt to invest than their Tuscan colleagues at time I was doing the interviews.

It might be worth mentioning, though, that none of the interviewees mentioned lack of money as a core problem. None of the businesspersons actually said: “If I only would have had money I could have…” The main common challenge indicated was how to find sufficient financial capital for investments such as new machinery and/or enlarging production plants, etc.

6.1 The lifeworld challenge

So, if lack of money is not the lifeworld challenge, what is it then? The businesspersons’ challenge lies in establishing and maintaining contact with bank officers and/or officers at credit guarantee institutions, etc. One interesting finding which is especially evident in the Tuscan setting is the feeling of the businesspersons and actors that a process of formalization and bureaucratization is taking place in systems and organizations related to financing.

6.2 Delimitation of the topic financial resources

I have sought to concentrate the analysis on financing and its actors per se, rather than exploring the specific ways of how activities or policies are financed. The reason for doing this is partly that the rest of the cases will deal with such aspects, namely export and internationalisation, education and training, innovation and research, etc. These activities can clearly be expected to imply considerable financial investments, but money as such is not considered the important factor in programming and carrying out the policy.

Another aspect which is related to financing, but which will not be subject to analysis in this thesis, is governmental programs such as interventions on taxation and general subsidies. The reason for not analyzing this thoroughly due
Financial resources

to constraints of time and resources as such an investigation would most probably have led me into a path of comparative law on subsidies and tax-legislation. Another important reason is that the interviewees didn’t indicate these aspects as important. Only one of the businesspersons interviewed mentioned a national intervention programme (law), but this is related more to the everyday-activity than to specific investments. The interviewee narrates: “The Tremonti-law allowed a direct tax-deduction. The deduction was made automatically, and calculated on the ordinary tax-declaration given by the enterprises. I think that was a fantastic support, and a good example of what actually works! Other kinds of support are too bureaucratic. I really don’t think that there has been much in them for enterprises in Europe.”

6.3 Challenges as described by SMEs

Businesspersons interviewed in both national/regional contexts (especially CEOs of metal manufacturing firms) see common challenges in buying new machinery. Machinery is usually expensive, but has become an important competitive weapon. As expressed by one of the Swedish businesspersons: “In a global economy with many low cost producers we can no longer expect to compete with labor-costs, but with highly specialized components and good, efficient machinery. Machinery is therefore one very important investment to us. We can compete with this, because a highly efficient machine is just as expensive in China as it is here.”

In Sweden, banks seem to be the preferred and most common solution as businesspersons search for financial resources. Machinery appears to be the principal expense for most interviewees in Italy as well as in Sweden, particularly in the case of metal manufacturing firms. In Italy, the credit guarantee institutions, which have also made the Italian credit system renown and used as an example in other European countries, seem to play an important role in small businesses in Tuscany.

One of the Tuscan businesspersons describes the challenge as follows: “In the last few years it has become more difficult to have loans granted by the banks. One of the reasons for this is probably Basel II, which seems to have created more strict...”

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64 This was a law introduced in 1994, during the 8-month long rule of Prime Minister Silvio Berlusconi. It “gave major tax breaks to companies which re-invested profit…” Retrieved 12 December 2007 from: http://www.Europeanvoice.com/archive/article.asp?id=13178&print=1

65 One of the interviewed actors, coordinating the new credit guarantee institute in the County of Jönköping confirms that the credit guarantee institutes of Northern Italy have served as models for those now being constructed in Sweden.

66 It should be mentioned, however, that the credit guarantee institutions don’t replace the bank, since they only guarantee the credit, and since the loan is eventually granted by the bank. The credit-guarantee institutes only relieve some of the risk taken by the bank by offering a counter-guarantee.
requirements for businesspersons who apply for loans. When there have been problems with the bank, I have consulted other solutions such as Artigiancredito and FidiToscana, and I consider them being important complements to the traditional banking-system.”

Different views about banks in Tuscany and in the County of Jönköping

Swedish and Italian interviewees generally express different opinions about banks, other financial institutions and their capability of assisting SMEs in confronting challenges. Swedish interviewees often express opinions such as: “The officer at my bank has been a personal contact for many years now. He knows my company and his job very well. I have never had any problems with financing new machines or any other investments. He knows that my company is financially sound, and so there has never been any doubt concerning these matters.” Furthermore, several of the businesspersons interviewed in the County of Jönköping speak of receiving visits from their personal bank officers on a regular basis, and say that they are happy with these visits.

One of the businesspersons from the County of Jönköping describes banks as “powerful”. He says: “We are all dependent on the banks. On the other hand we sometimes tend to forget that banks can’t stop thinking about profiting from their activities. Banks often say they finance all projects, but the truth is that banks don’t take any risks. They only invest in projects after being one hundred percent sure that the project will be profitable.”

The Italia businesspersons participating in my interviews have been somewhat less content with the banks, and banks have been subject to many a criticism. According to a report on the Tuscan credit-system, Italian and Tuscan businesspersons appear to be loyal to one (local) bank, and that the most commonly used mode for financing investments in Italian firms is auto-financing (IRPET 2006: 95).

This following comment, made by one of the businesspersons interviewed is one of the most negative, yet it summarizes the overall critique that has been brought to the fore by the majority of the interviewees in Italy: “Personally I have not run into any considerable problems concerning financial matters. I have known my bank for several years, and some of the more important investments I have been able to take myself, since my company is financially solid, but let’s face it...

67 This fact is considered a problem, according to the authors of the report published by "IRPET" in 2006. In the concluding remarks the authors claim that:“This orientation keeps the firms distant from more innovative forms of financing, which in some cases could respond more adequately to the needs of the firm. These instruments need to consolidate financial competences that many businesspersons don’t possess and which, nonetheless, appear more important as competitive measures” (IRPET 2006: 95).
the banks are not functioning well. There has been a generational shift among the bank officers. Young people who don’t have enough experience have taken the place of the veteran officers. It is quite logical that young people who are unsure about who should be granted a loan and who should not choose the safe path, namely to cling to rules and regulations like Basel 2, which restrains the possibilities of acting pragmatically rather than taking risks and carrying out an evaluation based on experience and sense.”

Other critical remarks by the businesspersons charge that the banks are “bureaucratic” and that “…they are not equipped for evaluating loan applications or the financial state of their customers.”

Two of the Italia businesspersons seemed quite happy with the way their local bank worked though. One CEO of a metal manufacturing company tells me: “We have good experiences from collaborating with our local bank, and whenever we have asked for loans they have handled our application correctly. We don’t have anything to complain about. Sometimes our bank organizes meetings on current issues and they send us invitations, which is nice but, unfortunately, we haven’t had time to attend.”

Another Tuscan interviewee operating in the furniture sector told me that his local bank had one officer responsible for serving the furniture sector “…at least previously” he said. Then he added: “Check with the bank if this is still the case. However, I believe that our local bank does a good work in keeping in touch with its clients. And they know the business structure in this area very well.”

One Tuscan businessperson even suggests that the local banks have protected SMEs in the territory close to the big company Piaggio* in the Province of Pisa as the company moved a considerable part of the production to low cost countries. He says: “…the economic crisis has been carried and financed by the chain of subcontractors. Many of them have had to put up with waiting for 11-12 months for the payment after having delivered the product. If it wouldn’t have been for local banks believing in the businesspersons, we would surely have been bound to close down a long time ago, and it would have resulted in very serious damages on our local economy.”

* Piaggio with headquarters in Pontedera (Province of Pisa) is one of the world’s leading producers of two-wheel motor vehicles. The Piaggio Group was established in 1884. The company has a total of approximately 6,700 employees (about 3,000-3,500) of them work in the production plant in Pontedera. The Piaggio group has production facilities at 7 sites. In Italy: Pisa, Venice and Como, in Spain, India and China. Retrieved 17 December 2007 from: http://www.piaggio.com/
Basel II, a challenge to Tuscan firms

Basel II was a continuous subject of discussion when I met Italian companies, while none of the Swedish companies mentioned it. Basel II is an international accord on how to measure capital and risks related to capital. It was first established in 1988, but has changed gradually since then. The overall objective of the upgraded “Basel II Framework is to promote the adequate capitalisation of banks and to encourage improvements in risk management, thereby strengthening the stability of the financial system. This goal will be accomplished through the introduction of three pillars that reinforce each other and that create incentives for banks to enhance the quality of their control processes. The first pillar represents a significant strengthening of the minimum requirements set out in the 1988 Accord, while the second and third pillars represent innovative additions to capital supervision.”

Basel II is integrated in the EU regulatory system, and thus legally binding for Italy as well as Sweden from January 1, 2007. The existence of it is only conceived by the Italia businesspersons in the narratives of my interviews. Not one single Swedish businessperson talks about it as a challenge during the interviews, and Basel II hasn’t even been mentioned. Among the Italia businesspersons it has been given a negative connotation.

One of the Swedish banks (SEB) informs the public (and under a specific heading also SMEs) about the application of the new Basel II-related on their Website as follows:

“The requirements posed in Basel II regarding a more thorough risk assessment are in line with how we are working at present. Many of the requirements imposed on individual customers are also imposed on firms. Simultaneously, the credit and risk assessment regarding firms is more complex considering firms, since additional information (for instance business plan, balancing of the books, budget/prognosis, market position and competitors) needs to be presented as background. When firms are evaluated, expert methods based on knowledge in various sectors and about the individual clients gained by the bank are used at greater extent. These aspects make up the basis for the assessment carried out by the bank considering the prospects that there are for survival of the firm and the likely loss of the bank in case of insolvency. As our customer you can facilitate our assessment by describing your credit requests, presenting a complete economic history and the long-term plans of your firm and by giving suggestions on securities on your behalf. It is, as always, important to keep up a continuous and close contact with us.”

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The communication given above is slightly optimistic. I have included it mainly to demonstrate that there exists information on Basel II also in the Swedish debate. This particular piece of information has been retrieved from a bank’s website.\textsuperscript{72}

\section*{6.4 Snowballing}

The interviews carried out with actors in order to find out more about challenges and solutions:

\section*{In Tuscany}

Two banks, both of them are located in the Province of Pisa. Two officers have been interviewed. One of the bank officers was recommended by one of the actors, while the other one was recommended by a businessperson in the furniture sector.

Artigiancredito in Pistoia, a national credit guarantee institution. It originated in two separate unions for employees, CNA and Confortigianato, and has developed into a joint credit guarantee institution. Two officers have been interviewed. Artigiancredito was recommended by several businesspersons and actors interviewed.

FidiToscana, a joint stock company owned by Regione Toscana, Provinces and other local bodies called Comunità Montana in Tuscany, with the principal aim to consolidate the Tuscan industry by giving access to credits and issuing guarantees to favour bank loans. One officer has been interviewed. FidiToscana was mentioned by one of the businesspersons and a few of the actors.

\section*{In the County of Jönköping}

Two banks, one of them located in the Municipality of Vetlanda and the other in the Municipality of Jönköping. Two officers have been interviewed. Both were recommended by name by two actors interviewed.

ALMI Företagspartner, a company partly financed by the Swedish state undertaking a broad range of business support activities. One of the tasks of

\textsuperscript{72} There have also been studies and reports suggesting that the effects of Basel II could possibly be less favourable to (Swedish) SMEs. Small and recently started firms, that can be considered fragile in comparison to larger or older ones, as well as more established firms might (at least initially) run the risk of being charged higher interest rates on loans, and will possibly have more difficulties to find capital (Blomqvist & Lind, 2005).
ALMI Företagspartner is to grant and administer loans for SMEs. Two officers working principally with credits to SMEs have been interviewed. One of the officers was referred to by a businessperson. ALMI Företagspartner has been mentioned by a few of the actors.

Investment grants from Swedish state-owned County Administrative Board which grants loans amounting up to 20% of the total investment cost to SMES in rural areas and which are gradually written off. One civil servant at the County Administrative Board has been interviewed. The grant and the civil servant was referred to by one businessperson who had applied for co-financing the purchase of a new machine.

The Credit Guarantee Institution in the County of Jönköping, financed by several institutions and offering interest-free loans for up to 60% of the total cost of an investment. The CGI was established in 2006. One responsible officer, the coordinator was interviewed. The Credit Guarantee Institution was mentioned by a few of the actors interviewed.

6.5 Examples of financial solutions - Tuscany

Artigiancredito

Artigiancredito is a nationwide Italian credit guarantee institution. It has branched into two separate unions for employees – CNA and Confartigianato – and developed into a joint credit guarantee institution. Artigiancredito also includes local artisan consortia and cooperatives of CNA and Confartigianato. The institution was recommended by several businesspersons and actors interviewed.

Credit guarantee institutions are not a novelty in Northern Italy. Artigiancredito has been around for about 40 years. The aim was the same initially as it is today; to allow for small companies to have access to credits by establishing a fund of capital that would serve as a guarantee for loans, thereby reducing the risk for the banks as they grant loans.

The interviewees (two officers from Artigiancredito) consider the fact that the credit guarantee institution is a joint body as an important strength. One of the interviewees states: “It has become more difficult during the last couple of years to have loans granted by the banks. One of the explanations is the tightened credit-

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73 The CNA and the Confartigianato are two employers’ associations, originally mainly encompassing small artisan companies. These two associations have for instance separate administrative and consulting bodies, as well as two different bodies for training and education, but they have joined in one common Artigiancredito.
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regulations represented by Basel II.” Artigiancredito has reacted to this by attempting to strengthen the association by establishing 19 regional cooperatives throughout Italy. In Tuscany, the previous 20 provincial units have fused into one single body. This means that the whole national body now encompasses an asset of about 100 000 000 euros (IRPET 2006:78).

“This makes Artigiancredito more than a supplementary player”, one of the two Artigiancredito officers said. Formally, this implies that Artigiancredito will be supervised by The National Bank of Italy, Banca d’Italia (ibid.).

Thus, Artigiancredito aspires to grow bigger and stronger, in order to face contemporary problems that have recently become salient. Basel II is mentioned as one of the most important changes during the last couple of years putting stress on credit guarantee institutions, but the officers of Artigiancredito also say that the competition among actors which operate in the sector is tough. One of the officers narrates: “There exist many other credit guarantee institutions, which we consider competitors such as Toscanaconfidi, Confidi, Eurofidi and so on, so it is important for us to make our profile more concrete. At the same time as we are growing stronger and bigger, it is equally important to safeguard the strong anchorage that we have always had in the local communities. We recognize this closeness to the local territory as one of our most important strengths. The board responsible for taking decisions on application regarding credit guarantee is composed by businesspersons from the local territory. These persons know the businesspersons and the firms, and can base their decision on true experience and knowledge. Another important aspect that is also related to closeness to the firms is that our cornerstones are the CNA and Artigiancredito. These are two strong business organizations with a long history of assisting companies and actually consisting of firms. Using their communication channels we have the possibility to reach approximately 9 000 firms in the whole Region.”

Anyone can apply for a credit guarantee. The institute doesn’t impose limits regarding the size of the company. The activities cover almost any business sector except for agricultural activities and commerce. Guarantee activities are financed through fees that are established as a percentage of the credit requested by the customer. Regione Toscana also contributes to the fund with financial resources. Since Artigiancredito has existed for quite some time, it has become more than just a credit-guarantee institute. The two officers from Artigiancredito explain that their daily work and the tasks of the institution also include informing clients about possible complementary financial support such as Objective 2 or other kinds of national/European interventions.

A typical case handled by Artigiancredito would be a businessperson who contacts the Artigiancredito to finance an investment. The consultants of Artigiancredito would then check if there are other funding alternatives
available for an investment of the kind that has been applied for. The next step would be to collect the technical/financial information on the firm needed for Artigiancredito to enable an evaluation of the possibility to assist the company with a guarantee amounting to 50% of the total cost of the investment. Such documentation is, for instance, the firm’s balance sheet from the last few years. Artigiancredito also checks the securities that the firm possesses such as property in the form of production plants or land. The rest of the risk for the loan would have to be covered by the bank. Artigiancredito has elaborated a check list and rules for how to estimate the economic situation of the firm. The documentation for application is prepared by Artigiancredito and the final decision is taken by a board consisting mainly of businesspersons. Artigiancredito often also has the task of contacting the bank preferred by the applicant.

I ask the officers if they often reject applications. One of them answers that it rarely happens that an application arrives at the board and then gets refused. Usually, if there are any problems the responsible officer at Artigiancredito discusses potential difficulties with the businessperson, and gives him/her suggestions on how to modify the project, if possible. One other question posed to the two officers of Artigiancredito was if they considered FidiToscana a competitor.

The interviewees answer that it is true that Artigiancredito and FidiToscana partly operate in the same activity sectors and in the same geographical territory, but that FidiToscana can be considered an actor that mostly handles bigger regional projects, and that there projects exist, which presuppose the participation and collaboration of both organizations.

FidiToscana

FidiToscana was snowballed to by one of the businesspersons and a few of the actors. FidiToscana is a joint stock company owned by Regione Toscana, Provinces and other local bodies called Comunità Montana in Tuscany. Regional banks, together with the Regione Toscana took the initiative to establish FidiToscana in 1974, and these are the most important financiers. Chambers of commerce and other institutions operating at the regional and local level are other important actors involved in the activities of FidiToscana. Its principal aim is to consolidate the Tuscan industry by giving access to credits and issuing guarantees to favour bank loans (IRPET 2006:87).

The number of counter guarantees given by FidiToscana has increased during the last few years. Counter guarantees are given to balance the risk in relation not only in relation to the banks, but also to other actors operating as credit guarantee institutions such as Artigiancredito (IRPET 2006: 88).
FidiToscana’s tasks include, besides granting credit guarantees for SMEs, administration and distribution of Regione Toscana’s financial instruments such as (low) interest loans to SMEs. The officers of FidiToscana also function as financial consultants (mainly to small companies) in order to assist them in finding the right kind of support, potential incentives and programs when investing. Another activity area for FidiToscana is “innovative financing”, which involves specific measures allowing the organization to grant loans or to participate with financial incentives in innovative projects.

Yet an additional activity is consultancy to other local/regional institutions, authorities etc. in Tuscany. One of the interviewees, an officer at FidiToscana describes the role of his organization as follows: “I see us as a regional company that is one of the central and coordinating players on the regional arena in Tuscany. Since FidiToscana covers the entire territory we don’t have the possibility to keep in touch with every single firm, and as a matter of fact I personally don’t have a lot of direct contacts with the firms. Our most important partners are the banks, but we also stay in touch with authorities, organizations, banks etc. at the local level, and they know about our initiatives. We are also carrying out marketing-activities aiming at reaching out and selling our products. It is a good thing that we are a company, because our job is not only to inform, but also to sell. Many of our activities and instruments directly or indirectly involve other regional and local actors, therefore we don’t see them as competitors, but as part of the Regional web of contacts and actors that make up the necessary conditions for carrying out the activities in Tuscany.”

FidiToscana is thus responsible for assisting the Region and other bodies working for regional development in carrying out several programs and strategies. The strategies have been packaged as products or instruments. Two instruments designed to facilitate the access to credits are, according to the interviewee: “The regional fund for counter-guarantees” and “The Bond for the districts”. I will not go into any details in this section, since this is not the aim. The regional fund for counter-guarantees is financed by Regione Toscana, and can offer a counter-guarantee of 60% of the total investment-cost.

I ask the FidiToscana officer if he thinks that there are any problems in matching the local need with regional strategies. He answers that one of FidiToscana’s tasks is to assist its owners in carrying out their strategies, and that there are areas that have to be taken into account for enabling the firms to survive in the future: “Innovation is a good example of an issue that has to be taken seriously. It is one of the most important keys for survival and development. Small companies that are not prepared to upgrade and introduce a certain degree of innovation into their activities will unfortunately have to close down. I think that FidiToscana is doing a good job in selling the concept of innovation. It is a
pedagogical challenge for me and my colleagues to convince Tuscan businesspersons to think in terms of innovation when they invest. We have to sell them a dream.”

FidiToscana and Artigiancredito appear to be of great importance not only to SMEs, and not only as alternative or supplementary financiers. These two actors are also pin-pointed as the two most powerful actors in financial services in Tuscany, and they have received financial contribution from the Regione Toscana from 1974 (FidiToscana) and 1995 (Artigiancredito). Special attention has been devoted by Regione Toscana to consolidate these two institutions.

FidiToscana is described as “the most experienced and professional actor in the region in organizing and administering support and incentives of innovation and industrial growth, in issuing guarantees and analyzing the opportunities that there are for innovation in financing and support for Tuscan SMES” (IRPET 2006: 56). Artigiancredito “plays an important role in permitting for artisan SMES to develop and grow, in implementing regional politics and in assisting in programming collaborating with regional as well as local authorities” (ibid.).

**Realignment for better organization**

Basel II seems to have considerably affected Artigiancredito and FidiToscana, as well as the Regione Toscana’s strategies. One of the strategic sections of the regional/local Nuovo Patto per lo Sviluppo/The new development pact in Tuscany, organized through Tavoli di concertazione has been devoted to access to credits for SMES in the perspective of Basel II/Accesso al credito per le PMI nell’ottica di Basilea II. One of the issues discussed previously in these Tavoli di concertazione in relation to the credit institutions, has been that there were too many (small) actors operating on the credit-market. These actors were not considered strong enough to face the new challenges and requirements set under Basel II. The strategy was, thus, set out to try to delimit and reduce the number of actors by increasing the capital in some of the existing structures. Regione Toscana has intervened and attempted to make the institutions reorganize so that they would be better fit for the new conditions for credits. Regione Toscana, which traditionally is an important contributor to the capital of the credit guarantee institutions, acknowledged, starting 2006, the Region stopped contributing to venture capital unless the actors aggregated and/or re-aligned for a “better organization” (IRPET 2006:78). The strategy seems to have been quite successful. In December 2005 there were about 50 active credit institutions in Tuscany, while at the end of July of 2006 the number of units were only 27 (IRPET 2006:78).

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74 This term refers to tables or groups where strategic planning at the local and regional level is carried out.
6.6 Examples of financial solutions - County of Jönköping

ALMI Företagspartner

One of the interviewed businesspersons referred to ALMI and their loans to SMEs. One of the bank officers in the County of Jönköping refers to the collaboration with ALMI Företagspartner as important in granting loans. He says: "It is quite common that we pool our risks when granting loans. A firm investing in, for example, a new machine worth 1 million SEK will be granted a loan amounting to about 650 000 SEK from our bank; that is ALMI Företagspartner will provide 200 000 SEK with the firm will provide the rest of the financing. We like the way ALMI works, and as I see it they don’t have any counterpart or competitors on the market."

Two consultants employed by ALMI Företagspartner have been interviewed about financial issues, and the loans granted by ALMI.

ALMI Företagspartner is owned by the Swedish state, and is the parent company of a group of 21 subsidiaries, which are 51 per cent, owned by the parent company. Other owners are county councils, regional authorities and municipal cooperative bodies. The boards of the subsidiary companies are made up of politicians, local business representatives and organizations with links to the business world. Operational activities are run in the regional companies.

The task of the parent company is to be responsible for management, coordination, development of products and activities plus the servicing of group-wide functions. ALMI’s lending activity is self-financed. Management and day-to-day operations are financed by annual grants from the owners. Two senior consultants have been interviewed regarding the loans, but ALMI has also been involved in other problem solving situations, for instance the ownership succession in small firms or different types of business consultancy, related to what kind of challenge is faced by the company or the company to be. Activities are organised into three business areas based on the different client needs – Innovation, New Enterprises and Established Businesses. SMEs are the target group for ALMI.

In most of the cases, contacts with SMEs are mediated via banks. ALMI can grant a loan amounting to 30-50% of the total investment. The rest is usually covered by the bank and the firm itself or the two in combination.

Retrieved 11 December 2007 from: www.almi.se
The consultants tell me that ALMI’s loans to SMEs have increased lately. One of them says: “The two industrial sectors that you are analyzing in your research are important for the economy in general. The furniture industry has gradually become less important than before for the County of Jönköping, but it seems that the furniture industries which have actually survived have already gone through the most difficult years, and have become strong. The survivors are the companies with specific high-quality products and design. Those who were based on low cost-production have met too strong competition. The metal-industry is doing really good for the moment.”

Some of the companies that ALMI works with come from the metal or furniture sectors, but a large part of them come from businesses in other sectors, such as commerce or services. During the last couple of years ALMI has been involved in more generational- and transfers of ownership. Often new firms are established when an ownership shift is undertaken, and therefore there may be no certain securities for the loan in the new firm.

I ask the consultants how they evaluated risks and prerequisites for firms that apply for loans at ALMI. One of them answers: “One part is about documents and checking the books of the firms, another is more about understanding and knowing the persons involved. Sometimes it is even about trying to get the feeling of the quality of the company. But we will never have the local knowledge that banks possess. We work in close cooperation with the banks, and listen carefully to their opinions and impressions about the condition of firms who apply for loans.”

The two interviewees state that there exist many actors in the County of Jönköping who are involved in loans and financing for firms, but that they consider ALMI the only actor working with business-development and consulting and financing at the same time. One of the officers says: “We like to think of ALMI’s loans as a kind of complementary financial solution. We often get involved in cases where the firm’s bank doesn’t have the possibility to solve the entire financing for an investment. There are many different situations of this kind. One is when a new company is started, another is when an existing company needs to invest in, for instance, machinery, and the securities are not sufficient for them to apply for a loan from the bank.”

One way to make SMEs aware of the fact that ALMI can offer one part of the financing is to participate in breakfast meetings for SMES organised by banks, another is advertisements in various papers. The consultants say that firms are not always apt to ask for financing from actors other than their usual bank. “The banks ask the customer if it is alright to contact ALMI. Without this close collaboration with the banks it might have been difficult to get the firm to consider ALMI as a provider of money. Perhaps we are sometimes seen as a support
institution by firms that have not heard about us yet, and it is not always considered a good thing among firms to accept support”, says one of the officers.

**Investment grants for small firms in rural areas**

One of the businesspersons interviewed mentioned that he had applied for, and been granted the “Investment grants for small firms in rural areas” administered by the County Administrative Board.

This is a grant that can finance up to 20% of the total investment-cost or, actually, a loan which is gradually written off. Grant is not only given for investments in machinery (the machinery must be bought and new, i.e. leased and used machinery are considered non-eligible costs).

One important criterion for eligibility is that the investment should bring lasting value to the company. The main aim is to create new jobs in rural areas, and this is, thus, also a significant criterion.

The officer interviewed has been working for more than 20 years with development matters in rural areas. His daily work involves visits of firms or potential businesspersons, and consultancy to SMEs in rural areas. “I encounter the companies by visiting them or the persons who plan to start companies in rural areas. I talk to businesspersons, and try to get a picture of them and their ideas.

Some of the ideas are brilliant, but not all of the businesspersons have enough training or competence to run a company, and to sell. The system that we have constructed in Jönköping is not merely a form of financing, there is much more to it. The most important role is not played by the money as such. It is about providing training for the businesspersons to make them better fit for receiving the support for running the company, and for making it grow and last. So my participation is actually a chain of activity-coaching.”

The biggest changes that have taken place during the last couple of years, according to this civil servant, related to the fact that currently “everything is more structured now” and that “there are more people involved in my job. Before I had to do everything myself, now there are many other actors that I can consult as helpers in assisting the companies.”

Not all of the businesspersons are in need of courses and training though, and some firms receive the support without participating in the course. However, the civil servant claims that money alone is not the solution and that one person alone can do little for the companies. When coaching a company that has

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76 Facts on this grant have been retrieved 14 February 2007 from: [http://www.flist.se/varverksamhet/regionalutveckling/landsbygdstod.4.16f25a7f5311cfbb27ff1976.html](http://www.flist.se/varverksamhet/regionalutveckling/landsbygdstod.4.16f25a7f5311cfbb27ff1976.html)
received an investment, the officer describes how other actors must also be involved, and that solutions must be created for each situation, depending on the specific needs of the businesspersons and the business idea.

He often cooperates with ALMI företagspartner, for instance. It has happened several times that ALMI has granted a loan in order to cover the investment which could not be covered by the investment grants offered by the Swedish government through the County Administrative board. Other actors involved are private consultants (for the training), local banks, municipalities (for building permissions, permissions to serve and/or handle foodstuffs, or for finding adequate locations for new businesses).

The civil servant continues: “My job is much about networking, creating a team of different actors who assist the businesspersons in developing their firms. It is also about bringing the firms together in different groupings to give them adequate training in, for instance, selling-technique and to let them get to know each other, so that they can continue networking and help each other as colleagues.”

The civil servant emphasizes that money as such is less important than the coaching and the assistance, which he sees as crucial for the firm.

After 20 years of working with assisting firms in rural areas, the civil servant believes to have found some important clues for how to meet with and talk to businesspersons: “Many firms are angry with authorities and civil servants. They say that we are ignorant and slow. I understand what they are talking about. A civil servant can choose to handle challenges in a pragmatic manner and try to find solutions, or he/she can choose to stay rigid and overemphasize laws and regulations. In the latter situation the gap between the businessperson and the authority is created and widened. Some seem to reason according to the device: ‘If one always says no, one never goes wrong.’ In my opinion the public administration must try to speed up, and civil servants must meet the firms with respect and modesty. Civil servants have something to learn from meeting the firms, and the firms have something to learn from us. So, one must sit down with the businessperson and listen to what that person has to say.”

The interviewee goes on: “All of my colleagues, including every representative from other authorities do not like the way I work, because we have different ways of handling laws and regulations, but frankly I don’t see any other way to do my job with a satisfactory outcome. We mustn’t forget the target group – businesspersons in the rural areas!”

He claims that there is “too much academia” in authorities, and that he can understand the firms when they accuse him and his colleagues of being bureaucrats: “The paper forms designed by one of the governmental authorities that
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we are supposed to distribute to potential applicants, for instance, are absolutely terrible, written by academics without taking the target group into account and thus extremely difficult to understand. If we wouldn’t take some time to assist our poor businesspersons in filling them out, we probably wouldn’t receive any applications at all.”

The Credit guarantee institution in the County of Jönköping

The director of the Credit guarantee institution in the County of Jönköping, which had recently started at the time when I carried out the interview claims that the lack of capital for investments is perhaps not one of challenges posing as one of the most difficult issues when firms are asked to list the challenges. The interviewee thinks that this is probably because businesspersons are proud of their firms and what they have achieved, and because they are quite used to run their company with the resources that they have got at hand: “It is perhaps a little embarrassing for businesspersons to ask actors external to the own company for capital that they don’t have. Businesspersons want to appear stronger than they are. I think that this is a pity though. The truth is probably that the lack of investment capital is a greater threat to economic growth than people in general and what the businesspersons tend to think. A well-developed forward-looking society can never get enough of capital that can be invested in economic growth.”

The impact of the credit guarantee institution now being exercised in the County of Jönköping is that Swedish regions have started studying these institutions in other European countries.

“There are corresponding structures that have been working well in Italy, Spain and France for many years now, and they have been studied by regional representatives in Sweden since 2000”, says the director of the institution in the County of Jönköping. The first institutions of this kind were started in the regions of Värmland and Jämtland in the north of Sweden, and they are now being established in all of Sweden’s 20 regions. The institution is actually an association, a so-called ekonomisk förening or pr economic association, one of the acknowledged forms of businesses in Sweden.

“In our county it all started with an initiative from one of the directors of the Swedish Association of Farmers, since farmers have often been excluded from this kind of financing. With the introduction of Basel II the needs for a credit guarantee association has increased. Farmers (and many other businesspersons) often have a

77 The aim of the activity is to safeguard the members’ economic interests through economic operations and to conduct activities like; jointly buy or sell goods/services. Staff co-operatives and day-care centers are common business areas. “The members of an economic association are not personally responsible for more than their own invested capital and the required capital investment can be adapted to the needs of the activity. The members own an equal share of the association and each member’s vote gives the same influence.” Retrieved 11 December 2007 from: http://www.nutek.se/sb/d/416/a/1128

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large amount of their capital tied in real estate, and these are not valued as security-assets according to the Basel II accord. Another tendency that makes the need for a salient credit guarantee association is that banks have become less apt to take risks during the last couple of years. At the same time the firms have to invest constantly to keep up the pace with the market. This has made it difficult for firms to accumulate and save up investment capital which would be ready to use immediately when there would be need. This is when a credit guarantee association can assist”, says the director of the association.

He continues: “Our guarantee association will give firms the possibility to borrow, interest free, up to 60% of the total cost of the investment of the loan. This will give firms a security when applying for loans from banks, and this will definitely make banks more apt to grant them, since it permits them to co-finance investments without taking too big risks.” The borrower will not be charged any interest, but there will be a charge, amounting to 3% of the total loan.

Several organizations/institutions in the County of Jönköping have contributed financial resources in order to create the basic capital of the association; NUTEK (a Governmental Agency for Regional Development), the County Administrative Board, Sparbanksstiftelsen Alfa (a bank foundation), the Regional Board of Jönköping, the Farmer’s Association. The municipalities of the County of Jönköping are now being encouraged to provide one share of the financing. The basic capital needs to sum up to 10 million SEK. The European Investment Fund provides a security of 10 SEK on each 1 SEK that is made available by the association. This gives the credit guarantee association a pool of 200 million SEK that will be available for firms and/or projects to apply for loans. The total basic capital of 10 million hasn’t been composed yet, when the interview is carried out in January, 2007, but interested firms and projects have already contacted the director to inform themselves about the possibility to apply for a loan.

The decision on which projects/firms will be granted loans from the credit guarantee association will be taken by the board consisting of businesspersons, one of the bigger associations of enterprises and the Director of the Regional Board.

**Banks**

In my interviews with actors participating in local policies, and collaborating with SMEs, I have usually included the following question: Please indicate tendencies or events that you have experienced during the last couple of years that you consider important when relating to and collaborating with SMEs. Many interviewees answered by giving examples of structural changes, major

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11 The credit guarantee is not going to grant loans only to farmers.
Financial resources

activities, regulations and the like, which have affected their relation to SMEs. The four bank officers interviewed have provided many comments, which appear to indicate that they have a clear general picture of the challenges faced by SMEs. The quotations and the issues discussed correlate to the headings in the first section, where businesspersons describe the main challenges. In the following I will recount the narratives given by bank officers.

One of the Swedish bank officers confirms the businesspersons’ narratives about machinery as one of the most important and costly investments made by SMEs at the time when the interviews were carried out. The companies in the County of Jönköping are currently investing heavily, and banks are busy granting loans mainly for upgrading the machinery. The bank officer says: “Successful firms are those who invest and exchange manual working-hours for machine-hours.” The second most common issue that the Swedish banks are called in to help out with is the transfer of ownership of the firms. The officer continues: “Transfers of ownership usually need to be planned some time ahead, and they may involve considerable costs.”

In Tuscany, like in Sweden, investment in machinery is mentioned as one of the most common occasions for collaboration between the bank and the firms.

The four interviewed bank officers say that their jobs have become more complex during the last couple of years, and that tasks have been added so that banks no longer work merely with loans and financing, but through networking and training SMEs and make them better fit for survival and competition.

One of the Swedish bank officers says: “The complexity in our work increases every day. We are involved in more networks and teams internally and externally. Our jobs have become more related to the person as such than before, and it is crucial to be able to establish contacts and know the actors outside of the bank. We need to bring in external competences, and we need to know which persons to bring in and consult at the right moment for dealing with certain situations. ALMI företagspartner \(^\text{79}\) is one of the external contacts with which we have collaborated, but we also have a handful of external private consultants to bring in. I and my colleagues are aware that many firms need to bring external competences to their companies. One example of a situation of this kind is when the owner and the CEO retires, and wants either to sell or leave the firm to his children. It is often difficult to convince the owner and his family to bring in an external person who can help with legal and financial issues.”

\(^{79}\) The role of ALMI Företagspartner in granting loans will be outlined further ahead in this text. Loans are however, one and not the only task ALMI Företagspartner undertakes. (Writer’s comment).
The same officer claims that the presence of the bank in financial matters can prevent failures: “As we look through cases where things have gone wrong we often find that if the bank would have been involved, we could have prevented the failure.”

One of the Italian officers appears to be of the same opinion: “It is clear that structural changes are making it difficult for SMEs to operate and to survive. Banks are companies just like SMEs. Therefore our objective is to make money out of what we are doing. But in order to be able to do just this, we need to assist the companies in this area. Most of them are very small or small companies with 10-20 employees, and they don’t have an enormous turnover. We need to assist them not by giving them the fish, but by providing them with better equipped to go fishing. This means that the financing as such has become less powerful as a measure to meet structural changes. If the ship is sinking, money as such will not save it, instead the bank can help SMEs survive some crucial moments.”

Another Italian bank officer holds a similar opinion, saying that one of the main tendencies during the last few years has been that the bank doesn’t only operate as a “financier”, but is one of the players in an entire set of actors and initiatives designed to assist companies, especially SMEs. As the collaboration between different actors increases, the scope of the action is also broadened: “Some years ago for instance, the banks assisted as financial consultants as we had a few examples of consortia evolving here. SMEs in the furniture sector wanted to be better prepared for the international market and to some of them the adequate solution was to join together. A few of them have been quite successful. Today we are not dealing so much with these issues, and our job no longer merely concerns financing per se, partly because the Government or the EU have objectives which often go beyond the mere financing of the project. We are intermediaries in searching and finding solutions for SMES that are in need of financial resources. It is our job to keep track of incentives and programs offered by the government and/or the EU, and when possible we pool these resources our own. We often collaborate with other local institutions such as the Artigiancredito, the chamber of commerce or the CNA and keep informed about the initiatives and ‘calls for proposals’ emanating from them.”

It seems Italian bank officers, just like their Swedish colleagues, are struggling to bring new competencies into firms. One of the bank officers claims that Tuscan SMEs are good artisans, and since they have often worked for decades providing goods for other (seldom big, leading) companies and responding to their orders, they developed skills mainly in being good producers. This is a view described by many of the interviewees, also businesspersons themselves. The officer continues: “Tuscan artisans are not good at accounting - they have developed other skills. They are not used to keeping track of expenditures in relation to finished components, and therefore we the bank officers don’t have as our most important
mission to grant loans, but to attempt to look into the company’s economic situation as a whole, and to assist the businessperson in steering it more firmly than before to help, first and foremost, with better liquidity, as well as increased efficiency and elevated profits.”

The same officer says the relationship between the banks and the firms has grown more complicated during the last decade, and that some steps have been taken to try to find a remedy to this: “Italy has experienced some difficult situations which involved also the relationship between banks and companies. The PARMALAT-story\textsuperscript{80} is one such bitter experience that we call to mind. Many times the banks have been accused of siding by the companies in such processes. Lately the banks have strived to improve the relation with their customers, and to enhance transparency and trust.”

According to one Swedish officer, the firms sometimes claim that the banks are “narrow-minded”\textsuperscript{80} and that banks should be more apt to take risks. He continues: “It is important to distinguish between venture capital and investment capital. The banks supply investment capital. It is important to understand this.”

Both Swedish bank officers emphasize the importance of establishing and maintaining a close contact and collaboration with SMEs. One of them states that the competence of the staff is important: “Trust, competence and personal relations between the bank officer and the customer is much more important than the price when banks compete. Building internal and external teams is much more important now than before. It is also extremely important that banks are present, and that we visit the firms. We should not be stuck here in the office to examine their balancesheets. I personally visit 6-8 firms a week, but I wish that I could do better than that”.

The Swedish businessmen’s narratives about how they stay loyal to one bank are confirmed by both Swedish bank officers. One of them explains the relationship as follows: “Most of the customers are very tied to one specific officer in the bank. Customers say: ‘As long as Kalle is still working at the bank, there is no reason for me to change banks.’ Even if this makes it more difficult for me to convince new customers to transfer to our bank, I like this attitude and, as a matter of fact, we strive to build this kind of relationship.”

It has been claimed by most of the (Italian) businessmen that Basel II complicates the relationship between the banks and the firms, and that it would

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\textsuperscript{80} Parmalat, which is/was one of the leading Italian companies in dairy products and foodstuffs, went bankrupt in December, 2003 in a dramatic collapse for falsifying, according to a claim by the Bank of America, a cheque worth $4 billion. The uncovered cheque resulted in deficit of the same amount in Parmalat’s finances. The “Parmalat crack” (sic.) has caused considerable repercussions in Italy’s politics and economy, and many of Parmalat’s subcontracting companies were shocked and grieved by the incident. Retrieved 12 December 2007 from: http://www.zmag.org/italy/singh-parmalat-fall.htm
now be even more difficult to have a loan granted for a small company because of the increasingly high requirements. The challenges related to Basel II, which will have to be faced by banks as well as firms are confirmed in a report issued in 2006 by IRPET\textsuperscript{81}:

“\textit{In the Italian (and Tuscan) economic system, rich in small and very small enterprises which finance their activities mainly through bank loans, the relationship between banks and firms has been characterized by being based more on informal acquaintance between interacting individuals than as an evaluation based on codified information. In this context, the application of a rigorous system, founded on objective variables such as those imposed by Basel II create considerable difficulties for the banks, which will have to prepare themselves to face the change of rules and procedures, as well as for the firms who will need to adapt a new informative approach in relation to the credit institutes}” (IRPET report 2006:6).

I brought up the issue of Basel II in the discussion with the Italian as well as the Swedish bank officers. One of the Italian officers says: “I think that most firms here see it as a threat, and, as a matter of fact, it might present a threat to traditional type firms that cannot adjust to new situations. We have to take into account, though, that we are a part of Europe and we will have to confront several of these common initiatives. Basel II represents a kind of mentality that is different from the Italian way of thinking, and can thus be conceived as something external and threatening. Our bank has already adjusted to the requirements of Basel II though, and one way for the bank to tackle new situations such as that of the presence of Basel II is to prepare our staff as much as possible. We invest a lot of money in training the staff in our bank, in an attempt to permit them to keep up-to-date with what is happening in the financial sector.”

One of the Tuscan officers says: “\textit{Basel II represents to me one of those changes which have come about during the last couple of years and which made things more complex to the SMEs as well as to us.\textsuperscript{82} It appears there is a regulating process going on.}” He continues: “There is an ambition among decision makers to create order in an increasingly complex system. The banks are of course part of the society, and change along with it. Sometimes I feel that we assist in gradual changes without being aware of them. Personally, I don’t feel that the increased emphasis put on documentation and evaluation, according to the official rating-system of Basel II is the correct solution. Our firms are serious, and we must allow for the relation of trust between the banks and the firm to continue to exist, instead of formalizing it.

\textsuperscript{81} IRPET (Istituto Regionale per la Programmazione Economica della Toscana) is a public institution which is part of Regione Toscana. Its major task is to carry out studies on behalf of the institutions of Regione Toscana. IRPET publishes annual reports on social issues, commerce with foreign countries, local economic systems etc. Retrieved 11 December 2007 from: http://www.irpet.it/index.php?page=presentazione&topmenu=1&menuselect=off. Original text in Italian has been translated into English by the author.

\textsuperscript{82} The interviewee is a bank officer. He is, thus, using the inclusive first person plural pronoun, referring himself to the banks when saying “us”.

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Previously, a bank officer was more involved mentally in his job; now they are trying to instrumentalize us, but they won’t succeed”. He finished his statement with a smile.

Swedish bank officers are not that negative when referring to Basel II. One of them says: “I don’t even think that most of our firms know about Basel II, but there’s really nothing revolutionarily new about it. Basel II is not going to affect them to any large extent. Of course, since Basel II also implies rating the firms and placing them in different risk groups, if a firm asking for the loan is economically instable, or if financing a certain investment implies high risk, the price is going to be higher for the firm. But if the firm is economically sound, Basel II is not going to bring any considerable changes to these situations.”

One of the Italian officers makes an interesting comment on changes during the last couple of years as he compares them with those preceding them. He refers to national and/or European programs and incentives, which offer financial assistance to firms: “During the last couple of years, the most common goal of these programs has been to increase the number of employees in the firms. I think this is a general strategic change. Earlier assistance given to the firms was of a more general type, such as interest relief. Nowadays the firms are requested to present more documentation, and answer to other kinds of conditions than earlier, in order to be considered as subject to financial assistance.”

Another interesting point brought to the fore by one of the Swedish bank officers is that banks don’t know so much about national or EU interventions. He says: “Perhaps one should be more informed about these interventions. I know that there is some kind of assistance for SMEs in rural areas, administrated by the County Administrative Board, and a few years ago I remember to have contacted one of the officers at the County Administrative Board about the rules on investment in machineries. I was quite upset about the fact that although most of the investments nowadays are made through leasing rather than buying machines, and although the cost for the firms will be high even if he/she doesn’t formally own the machines the assistance for SMES in rural areas cannot co-finance leasing. I found these rules really out-of-date. The officer referred to the national guidelines and regretted that there was nothing he could do to change it.”

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98 The interviewee is referring to himself to “the decisionmakers” (Writer’s comment)
6.7 Analysis and conclusions

Main challenges according to SMEs

One challenge in particular cited by businesspersons has been related to finances. Businesspersons mainly refer to finding sufficient financial capital for investments such as, for instance, new machinery and/or enlarging production plants, etc. as a challenge. This challenge is more emphasized by businesspersons in the County of Jönköping than in Tuscany. The reason for this difference has already been touched upon earlier in this joint case. Businesspersons in the metal manufacturing sector have emphasized this challenge more often than businesspersons in the furniture sector in both national/regional contexts.

Other challenges lie in establishing and maintaining relations with banks. This is a general challenge, mentioned by businesspersons in both national and regional contexts. Businesspersons in the County of Jönköping have been positive in general to how their banks work and many have talked about the long-lasting relationship that they have with their personal bank officer, while Tuscan businesspersons appear to have a more difficult relation to banks in general. Tuscan businesspersons maintain that it has become more difficult during the last few years to be granted a bank loan, and that the relations between the banks and the firms have grown more complicated, but also more formalized, since bank officers, according to businesspersons tend to cling to strict rules and laws rather than to experience and sense.

Basel II is mentioned by several Italia businesspersons as one of the principal legal restrictions, constraining SMEs’ relations to banks and other financial institutions. This international accord was a continuous issue of discussion in my interviews with Italia businesspersons, while none of the Swedish interviewees mentioned it at all.

Actors and solutions consulted

Financial credit guarantees such as those offered through Artigiancredito and (to some extent) FidiToscana have been mentioned as important complements to bank loans in Tuscany.

According to inquiries made by IRPET, most Italian (as well as Tuscan) companies invest mainly by using own financial assets. Banks are claimed to come in second place as financiers. The relation between Tuscan local banks and the firms are, in the IRPET report, described to be characterized by trust and loyalty. When I asked Italian interviews about their impression of and
relation to banks, most of them have been quite critical about how banks work, and the ties don’t appear to be as strong as argued in the report.

It is an interesting fact that none of the businesspersons interviewed have mentioned the lack of financial resources as one of the main challenges. One of the financial actors interviewed claims, however, that lack of venture capital is a more difficult challenge than most statistics and/or investigations usually show, but that businesspersons possibly find it somewhat embarrassing to ask external actors for advice and financial assistance. Thus, according to this financial actor, the lack of capital is a factual challenge that firms are not always willing to conceive or admit.

General tendencies and substantial differences, which require a closer examination.

The empirical findings of this case study need to be examined in the light of theory at the meta-level. I will suggest some such empirical findings here. The two national and regional contexts also expose some interesting differences which require a more thorough analysis. Relevant aspects for comparison will be outlined here, but explored more in detail in Chapter eleven. Some of the general tendencies, which are present in both national and regional settings will be presented first, and will then be followed by an outline of the substantial differences between the national and regional contexts.

**General tendencies**

When I carried out the snowballing and met with financial actors recommended by SMEs, other interviewees confirmed the picture as it had been described by the SMEs. As a matter of fact all of the main challenges indicated by the SMEs, namely heavy investment in machinery, a more formal and strict relation between firms and actors and comments on EU structural funds and governmental programs or strategies, can be found in the narratives provided by actors, particularly by bank officers.

**Differences**

Certain differences can, however, be discerned in the narratives given by actors in the two different national and regional contexts. One example of such a difference is that the fact that the relationship between firms and banks has grown more difficult during the last few years and has been stressed more often by Tuscan actors than by actors in the County of Jönköping, and that Tuscan narratives focus more on Basel II as a probable cause for the complications. One or two actors in the County of Jönköping have commented on the possible
consequences of Basel II for SMEs, but report that they don’t think that the accord will imply any serious effects for Swedish firms.

This is an interesting difference, considering that Sweden as well as Italy operate under the same international accord, Basel II. Nevertheless, only Italian interviewees see it as a challenge that will imply considerable complications for SMEs as they apply for loans. One possible explanation to why Basel II has become such a salient issue for Tuscan businesspersons and actors might be that actors often refer to Tuscan SMEs as “small or very small”. One of the bank officers also indicates that Tuscan SMEs have a modest turnover. This may, in turn, suggest that Tuscan SMEs are seen as economically unstable, which make banks and other financial institutions reluctant to grant loans to SMEs. Other interviewees have indicated that new regulations imply new structures in relations between institutions and firms. Relationships previously based on trust and personal acquaintances are now being replaced by formal rules and frameworks for evaluation of the applicant. Regulations may be a security for bank officers to fall back on, but to businesspersons these new rules may make firms more distant to banks and other financial institutions as they appear as a threat of formalization and bureaucratization. While analyzing the findings in this case, I have raised a few questions which helped me understand and read the narratives. The possible answers to these questions are summarized in the following. The first question is: In what ways is formalization and bureaucratization manifest?

Interviews carried out with Swedish bank officers do however highlight the fact that banks are becoming less reluctant to take risks, and that the risk is often shared with other financial actors such as ALMI företagspartner and, as a matter of fact, and as we have seen, the Basel II accord has been established in order to reduce financial risk-taking for banks. Even if Swedish SMEs don’t know about Basel II and even if Swedish bank officers and other actors handling finances don’t appear to consider Basel II per se a threat, a close analysis of what has been narrated by the interviewees confirms that banks are trying to reduce the risk-taking by collaborating with other financial actors, by combining their assets with different kinds of national and/or EU interventions and by preventing failure through offering consultancy. One of the bank officers emphasizes the fact that banks are not supposed to provide risk capital; their role should, instead, be to supply investment capital. One can, thus, suspect that the tendencies of controlling an increasingly complex and unpredictable world are conceived also by Swedish financial actors and businesspersons, although it is not considered as phenomena related to Basel II.

The financial actors’ conception of their job today, in comparison to the situation as it was a few years back, is that teamwork is more important now, than during previous years. Bank officers report that, besides the banks, many
other actors are involved in financial issues, and officers consider it important to know these actors, but also to keep oneself informed about other interventions and financial solutions offered to the customers.

Some of the financial actors claim that businesspersons are not always aware of their own needs, but the (Swedish) bank officers describe how they try to build their own network of external consultants and contact persons in order to assist the businesspersons as much as possible. Examples of such challenges may include ownership succession of firms or better knowledge of financial flows in the company. Some bank officers in both national/regional contexts indicate that they consider the roles of guides or coaches important. Financial consultancy given by a bank officer or another actor in the network can be crucial for the survival and the development of the firm, according to one or two of the bank officers.

The competence of the staff in evaluating applications about financial assistance as well as collaborating with SMEs and other players assisting SMEs is, thus, one of the most important assets for making the financial system work. This aspect has perhaps been more emphasized by the Swedish financial actors (even if it has been mentioned also by Tuscan actors), who stress the importance of establishing a network not only of collaborators in the financial field but of a broad network of consultants. Both of the bank officers working in the County of Jönköping and a few of the other interviewees claim that SMEs often need other kinds of help than the strictly financial.

The investment grants to firms in rural areas stand out in comparison with the rest of the financial actors. The challenge of assisting the companies appears to be approached with a broad spectrum of activities and actors, and the officer in charge of the grant emphasizes that the grant is not merely about money, but that the intervention can be considered “a chain of activity-coaching”, even involving educational packages for small companies receiving the grant. The officer in charge of this grant is also the one actor who particularly stresses the difficult role played by the civil servant wanting to assist firms in a pragmatic manner, yet being expected to strictly follow laws which, according to this officer, are not designed with the target group in mind.

Bank officers as well as other financial actors in Tuscany claim to try to stay up-to-date with interventions which can possibly be pooled with their own financing. Artigiancredi and FidiToscana even have this as a part of their task, and anyone visiting these two actors’ websites on the Internet will find that there are numerous references to interventions and supports such as the EU structural funds programs. One of the Swedish bank officers claims not to
know so much about public interventions, and his experience from a previous contact with one of the national interventions is not positive.\footnote{National laws impeded financing of a machine-investment of one of the bank's customers since the investment was handled by 'leasing'. Leasing cannot be financed by the national investment support, despite the fact that 'leasing' is one of the most common ways of financing a machine-investment. The situation was not solved, and the investment had to be financed in a different manner.}

Several of the interviewees among the financial actors reflect on the relation with customers. They describe the situation as "increasingly complex", and they also discern a process of "instrumentalization" and regulation. Some of them indicate that they would wish to be able to act in a more pragmatic manner. Some of them believe though that "we" need to play according to the rules, since "we" are part of the rest of the world. The general impression remains, though, that during the last couple of years, steps have been taken by decision makers and politicians aiming at controlling and steering in an increasingly complex and unpredictable world. This may lead to that the contact between bank officers and businesspersons is disturbed and/or interrupted. The specialization of services and organizations poses new demands on banks, not merely in the sense that bank officers have to know exactly where to find the right kind of service and adequate consultancy for the SMEs. The bank officer must know how to find the adequate solution in relation to the challenge faced by SMEs, or there will be a risk that relations to SMEs grows even weaker, since the number of contacts which will have to be taken by businesspersons in order to deal with problems increase with the growing specialization among actors.

Actors and businesspersons have explained formalization as decision makers’ attempts to control and steer a complex and unpredictable world. I expect that the process of formalization and regularization can be explained at a more general level with the help of organizational theory.

Processes of formalization and regularization appear to take place in Tuscany as well as in the County of Jönköping. Yet, businesspersons’ perception of the increased complexity is more explicit in the Tuscan context. This made me want to analyze what is different in Tuscany in comparison to the County of Jönköping.

One factor which possibly complicates relations between SMEs and actors may be the politicization of organizations and institutions which may well be taken into consideration by businesspersons as they organize a local policy. If we take a closer look at the Tuscan examples we can discern political involvement (and steering) in the institutions.
Fiditoscana appears to be the most evident example of political involvement among the solutions studied in this joint case. The principal financier of Fiditoscana is Regione Toscana, which is the Regional Authority. The interviewee, an officer working for Fiditoscana claims to be serving the interests of Regione Toscana, and describes that his job is to help Regione Toscana carry out its job, and reach its objectives. The task even involves “selling dreams” to SMEs, thus rendering this officer into a kind of vendor at the service of politicians.

There is an interesting difference between Tuscany and the County of Jönköping as we explore the connection between political institutions/authorities. In Sweden, bank officers don’t appear to keep track of political initiatives such as the structural fund programs while, in Tuscany, information about such programs are well known among bank officers and even promoted by banks, for instance, via banks’ websites, etc.

Another evident example of political involvement in financial services to businesspersons in Tuscany is Regione Toscana’s successful strategy to decrease the number of actors within the financial field. This decision was a result of concertazione – one of the instruments used by politicians and decision makers in Italy to try to decentralize and anchor decision processes in the local territory. The officer (an assessore, holding political position) responsible for productive activities in Tuscany, confirms the political involvement in financial services in the region. I ask if he can give me some concrete examples of how Regione Toscana collaborates with SMEs. He says: “One of the policies supported and reinforced by Regione Toscana during the last few years has been Basel II.” Basel II can, according to this interviewee, be expected to clarify objectives and rules related to financial matters, and contribute to making SMEs more economically sound.

It should be mentioned that political institutions are involved in decision making also in the County of Jönköping (for instance the influence of the Regional Council in the Credit Guarantee association), but the connection to politics and politicians doesn’t seem to be as strong in the County of Jönköping as in Tuscany.

Some of the empirical findings of this case study need to be examined in the light of theory at the meta-level. The two national and regional contexts also expose some interesting differences which require a more thorough analysis. I will not dwell on these finding in this specific joint case, but will return to the discussion in the general analysis at the end of the thesis, as well as in Chapter ten, as empirical findings will be confronted with theoretical threads.
7 Collaboration with universities and Research & Development

A professor in Engineering is invited to a Rotary lunch-meeting to speak about his specific competence and central research interest: efficiency in production. He starts speaking enthusiastically to the audience, a group of individuals representing various professions and backgrounds. The professor goes on talking, but after only a couple of minutes he is interrupted by a gentleman in the audience saying: “I apologize for interrupting, but I’m a retired priest, and unfortunately I don’t understand a word of what you are saying.”

This short story is told by one of the professors interviewed for the thesis. I have cited it to illustrate what happens when separate lifeworlds don’t meet.

Innovation and research have been perceived as the two perhaps most important buzzwords for socio-economic development in the EU and considerable resources are spent through European and national programs to give companies in general and SMEs in particular access to these important means. SMEs seldom have a research department or specific funds for carrying out research, which is the case for many bigger companies. Programs and strategies therefore often indicate Universities and other institutions carrying out research as possible assisting structures. Many projects and activities carried out are labeled knowledge transfer from researchers to businesspersons, and the principal aim is to promote innovation. This case study aims at exploring how these activities are perceived of and responded to by businesspersons and other actors. The narratives will provide several examples of individuals and groups living in different lifeworlds and perceived gaps, but also of how certain individuals are capable of bridging between the world of research and the world of SMEs and allow for processes of organizing within the field of innovation and research.

The introduction to this case study depicts a context where politicians and decision makers have defined research and innovation as buzz-words for firms in general, and by using some means available to them. Politicians and decision makers design programs, strategies and projects (co-financed by, for instance, the EU Structural Funds) and attempt to establish links between SMEs and universities or other research institutions, and transfer knowledge this way.

Since this thesis applies a bottom-up approach, the main focus of interest is not whether or not politicians or decision makers are aware of SMEs’ possible need for innovation and research, but how these concepts are perceived and adopted by SMEs.

I personally don’t believe that it is unknown to anyone (politicians and decision makers included) that a certain distance exists between SMEs and academia. Being an academic myself, and interviewing businesspersons, I felt this distance too, as I approached my interviewees. I felt privileged as businesspersons opened their world to me. But, as we will see, many of the businesspersons with whom I carried out interviews during these years don’t socialize or collaborate with academics. Likewise, I personally know many researchers who don’t have a clue about SMEs and businesspersons, and who have never wanted to or never had the occasion to carry out empirical research engaging firms.

As this case study started to take form, I approached the study with the assumption that there might not exist so many connections between SMEs and researchers, despite the fact that politicians and decision makers use innovation and research as buzz-words and although considerable investments are being made in introducing these keys to development in SMEs.

As a matter of fact, some businesspersons appear reluctant to get involved in R&D-projects at all. Here is a comment from a Tuscan CEO: “The University presents good statistics to explain what they do, while businesspersons need to talk in very concrete terms. We like to deal with the year 2005 here and now, in the year of 2005. Here and now I personally feel that there are other problems, more pressing than R&D.”

Another businessperson points in the same direction: “There is a difference in culture. Businesspersons can be regarded analphabetic and we would really need to increase the literacy-level in order to bring our knowledge to higher levels regarding technology.”

As I carried out interviews with CEOs or other managers representing metal manufacturing and furniture firms, I did find a few examples of collaboration between firms and the Universities, though a general analysis of the narratives indicates that the gap between academia and firms is difficult to bridge. The
same goes for the distance between firms and strategies and programs designed by politicians and decision makers. The lack of collaboration doesn’t appear to pose any serious challenge to the firms, at least not according to businesspersons themselves. Besides, firms and representatives from universities and R&D in general don’t seem to have a common interpretation and/or understanding of the term innovation.

The lion share of the comments regarding the distance between academia and SMES have been expressed by actors other than SMEs. Does this mean that the gap should be ignored and forgotten, and that collaboration between SMEs and Universities and R&D should not be handled as a case study in this thesis?

Some respondents are in favor of bridging the gap between academia and SMEs, and businesspersons in Tuscany and in the County of Jönköping have provided some examples of collaboration. Furthermore, the scientific approach of this thesis, the bottom up self organizing analysis, permits for the researcher not to take established power for granted, and to measure the adequacy of programs and strategies.

The importance attributed to research and innovation by politicians and decision makers and the considerable amount of resources invested in these two measures, encouraged and spurred me to focus on the issue of collaboration between universities and R&D and SMEs.

7.1 The lifeworld challenge

The lifeworld challenge depicted in this case study does thus not mainly spring from the businesspersons’ urge to bring research and innovation into the firms, but rather the general distance between academia and firms on one hand, and, adequacy or inadequacy of programs, strategies and means in relation to perceptions among the most important target group, the SMEs on the other.

7.2 Challenges as described by the SMEs

Collaboration with academia is rare

Interviews carried out with businesspersons in the two sectors studied in this research: the furniture sector and the metal manufacturing sector, show that there is no substantial collaboration going on between universities and businesspersons in any of them.
Bridging between the two worlds doesn’t seem easy, and institutions and actors working actively with connecting the two do not appear particularly numerous, or perhaps they are just not that visible and active in processes. A Tuscan furniture producer says: “Firms need a helping hand from institutions and authorities to carry out innovation activities. These actors also need to collaborate with possible financiers, universities and other actors who can engage in research. I have tried to make CNA\(^6\) organize meetings with universities and other actors on this issue, but so far I haven’t heard anything from them and I must say that I’m disappointed. The universities seem interested in organizing such a meeting, but CNA always responds that the association lacks money for taking care of these initiatives.”

**Objective 2 – one of the available solutions in Tuscany**

The EU co-financed program objective 2 has been criticized by a few of the Tuscan entrepreneurs, and used in successful organizing processes by others. Objective 2 was one source of governmental and EU funding for research and innovation during 2000-2006. In Tuscany funding from Objective 2 has been available to individual firms in some geographical areas. The same program also applied to some geographical areas in the County of Jönköping at the time when the interviews were carried out, but in Sweden funds from Objective 2 were not granted directly to individual firms. I have encountered a handful of Tuscan businesspersons who received co-financing from this program during the programming-period 2000-2006. In the section of this case study where examples of collaboration between SMEs and actors are presented, examples of activities co-funded through two of the program measures will be closely described and explored. Businesspersons were not content with the program, and in the following I will return to the criticism expressed. But first of all I will provide the reader with a brief introduction to the program, its aims and contents.

Objective 2 was a program carried out in all European member-states. During the programming period 2000-2006, the program applied to geographical areas with structural problems, for instance industrial or rural areas facing the following problems:

- lacking evolution of industrial or service sectors;
- a decline in traditional activities in rural areas;
- a crisis situation in urban areas;

\(^6\) CNA is a national federation for artisan/craft firms and SMEs in Italy. CNA assists its member companies in training, promotion, innovation, marketing, environmental, legal, financial and credit counselling, contract support, issues concerning relations with employees, tax counselling and other support services. Retrieved 3 December 2007 from: http://www.cna.it/eng/index.htm
Collaboration with universities and Research & Development

- difficulties affecting fisheries activity

The Tuscan program has more measures than facilitating innovation transfer and research, but since the interviewees mentioning the program only refer to two measures: measure 1.8 “Research and activities that will strengthen the competitiveness for the industry” (pre-competitive measures and industrial R&D) and measure 1.7 "Innovation transfer to SMEs” (1.7.1 Assistance to a program aiming at disseminating innovation-opportunities in SMEs). I have chosen to provide a detailed description of Objective 2, especially on measures 1.7 and 1.8 here, rather than in any other case study. I will, however, return to a more general analysis of program structures such as Objective 2 in the analysis and conclusion of the thesis.

In Tuscany, direct assistance was available to SMEs through measure 1.8 in projects aiming at “achieving concrete results from industrial research through feasibility studies, plans and projects or product draughts, productive processes or new, modified or improved services, prototypes of a first prototype not intended for commercial use.” But, “Routine-tasks or modifications of products, production lines, production processes or existing equipment” were not taken into consideration for co-financing.

The measure industrial Research & Development applied to “programmed research or critical investigation aimed at achieving new knowledge which can be utilized in new products or production processes, or implying a considerable improvement of the products or production processes. The assistance must encourage firms to undertake research activity and must bring supplementary development which is additional to the ordinary everyday activity.” Authorities evaluating the applications will base their final judgement of acceptance or rejection on the three previous years, and the applicants’ “expenditure in the field of R&D; number of employees carrying out R&D-activities and; relation between the turnover and the expenditure related to R&D.”

Examples of possible projects and partner coalitions suggested in the programming-documents are: “SMEs and universities or research-centers.” The authorities established certain selection criteria (based on a system of credits), intended to assist the officers who finally accept or reject projects. Projects posing specific emphasis on certain criteria were prioritized. In this specific measure of the program, the following criteria had been established. Projects aiming at: “spreading Information Technology, expanding of activities and sectors related to the information-society and knowledge, strengthening of competitive capacity of the regional system, increasing the level of standards for security and health of the employees in working-spaces, increasing professional qualifications and

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employment, respecting the standards of equal opportunities for both men and women” received additional credits in the evaluation of applicants. In addition the applicant had to specify any direct and indirect effects that the project could possibly have on the environment.88

The aim of the Objective 2 program measure 1.7.1 is, according to the information in the Regional Programming Document (DOCU) for Tuscany 2000-2006, to “increment the innovative capacity of SMEs in traditional sectors and re-orientate activities carried out by the business service- and support centers towards supporting innovative processes, paying particular attention to avoiding competitive activities in relation to companies in the service sectors, which indeed have to be involved actively in carrying out activities. In order to accomplish this aim, the creation and consolidation of a network of firms, research bodies, service-centers and public institutions will be assisted, so that activities of technology transfer and transmission of innovation can be carried out in typical sectors in the Tuscan economy.”

Furthermore, the measure offered assistance to; the identification of best practices and necessary modifications which will have to be made to render innovative processes and technology transfer and assistance in such processes more efficient. Research about market or technology tendencies and flows of information in different productive sectors aimed at identifying the phases in which innovative incentives and specific objectives of interventions would yield the best possible “added value.” These analyses are then explained in R&D plans and projects based on European and national innovation programs.

Individual SMEs were not eligible applicants for this measure, but they could be one of the actors in the networks, which were to include: public authorities, centers of technical assistance (so-called C.A.T.), research and innovation bodies, labor and employer unions, consortia and SMEs in certain industrial sectors.

The acceptance or rejection of applicant projects was handled by a technical secretary, monitored by the Managing Authority (in this case, Regione Toscana). The technical secretary evaluated technical and economic validity of the applicant, and based his selection on criteria set by the Regional Assembly (the Giunta).89

88All details on the technical content of the measure have been retrieved 1 February 2008 from: http://db.formez.it/misure2000_06.nsf/1e8710fceed3c6d1256e930042286a7/75f6c6e46a42b3ae80256cb600551e09fOpenDocument and: http://db.formez.it/misure2000_06.nsf/deac1bae5cd4/3bd03043dfad4facfa66080256cb5006201a1?OpenDocument
The criticism expressed by many businesspersons is that it ought to be easier to apply for the funds. In Tuscany the institution Sviluppo Italia administers measures regarding R&D, technology and innovation and assist businesspersons who want to apply for co-financing from Objective 2. One of the businesspersons states: “The people there are indeed helpful and cunning, and the money is, of course very important. The Objective 2 system in general is very slow though. But my impression is that this is a continuous dilemma, whenever public institutions are involved. They work slowly, while businesspersons call for rapid answers and processes.”

Another businessperson who has received funding from Objective 2 says: “I was present at one of the initial information meetings about Objective 2, organized by Regione Toscana. Quite a lot of businesspersons were there, but many of them gave up, and didn’t go ahead with the application.” He continues: “To understand what can be done with the funds and how it should be done, one needs assistance from various experts.” He explains: “Regione Toscana has appointed an office in Massa Carrara to handle the applications. The staff provides assistance and explains how the application should be filled out. I have no complaints about the staff at Massa Carrara, but I’m not content with Objective 2 as such. Considering the effort put by us in administering the work I don’t regard this project worthwhile. The administration and the participation in the program turned into an activity serving its own end, and became more important than the actual result in the participating firms.”

7.3 The interpretation and delimitation of the term innovation

This case includes an attempt to understand the meaning of innovation, seen from the interviewees’ point of view. Innovation is a difficult concept, since the definition of innovation varies, depending on who defines it. SMEs (especially Swedish) seldom speak about innovation or Research & Development at all in the interviews. A few of the interviewed businesspersons have commented on the concept of innovation in general. The following is a critical and interesting statement by one of the Tuscan businesspersons: “I consider the discussion on innovation somewhat exaggerated. Everyone can’t become an engineer or a researcher, right? About 50% of my staff will never learn anything about hi-tech, and I really don’t think that it’s of great interest or importance to them either. Manual work still does have a value, alongside technological innovation.”

Another businessperson claims that many activities are called research, and innovation, although they don’t represent R&D features. In his opinion, in order to bear these labels, activities should be of a higher quality. He says:
"Should any piece of discarded steel thrown away as rubbish, and then recycled really pass as technological innovation?"

A couple of Swedish businesspersons in the metal manufacturing sector talk about innovation as using new, more technologically advanced machinery. An engineering professor interviewed doesn’t agree with this definition of innovation. He claims innovation is more of a process that includes research and development of the products and/or the company, and that buying new machinery is just one aspect of innovation.

A Swedish actor representing the metal manufacturing sector says: “As I see it, the development in the sector is driven much by innovation, but related almost exclusively to the machinery and what it can do. If innovation is interpreted as making new products only about 5% of our member companies actually work with that. The rest are driven by what their machinery can do for them. There ought to be a common interest among our metal cutting companies to analyze and make flows and the different stages in production more effective. We could use Chalmers, as well as the Jönköping School of Engineering for this.”

The furniture producers make no reference to the concept of innovation or collaboration with the universities. Neither have any of the interviewees representing the furniture sector actually pin-pointed new machinery as a specific challenge related to innovation. One would perhaps expect that there would be a certain dependence on advanced machinery not only in the metal manufacturing firms, but I suspect that what can be interpreted as a disinterest in technology can be explained by the fact that in the furniture sector, close precision doesn’t appear to be as important as it is in the metal manufacturing sector.

To furniture producers innovation would probably mean working with designers and/or architects, who would be able to up-grade, profile and niche their collection. The Tuscan development center for the furniture sector, CSM has detailed on some activities related to innovation, which ought to be of interest for furniture producers such as ecology and sustainability, design and support and creation of networks for the transfer of formal and technological innovation.

Most of the examples of R&D mentioned in this case study are related to the metal manufacturing (and plastic processing) sector. I will, however, focus on one of the concrete examples of an innovation project in the furniture sector carried out by CSM in collaboration with Tuscan SMEs and a handful of other actors.

90 Chalmers University of Technology in Göteborg.
The official and formal interpretation of the concept is not only explored by businesspersons, but also by decision makers and politicians. In effect, in the Tuscan DOCUP (the programming document) for the EU co-financed program Objective 2, the authors of the strategy make an analysis of the state of innovation in Tuscan SMEs and assert that official statistics, which may indicate that the innovation is poor or lacking and small firms may underestimate the true situation.

As a matter of fact, the markets in which the Tuscan firms operate are characterized by continuous variations in demand, spurring the firms to modify, diversify and adapt.

The true situation, not correctly represented by official statistics on innovation among SMEs, claim the author/s, is that Tuscan firms do possess innovative features, and they do carry out research in order to change, adapt and improve their products. In fact, gradual and continuous innovation, change and improvement is one of the principal competitive advantages of Tuscan firms.

This thesis does not aspire to elaborate thoroughly on the concept *per se*, but it deserves attention, and we will see that the interpretation differs notably between various actors on the local and regional arena.

### 7.4 Snowballing

Interviews carried out with actors, in order to find out more about challenges and solutions:

#### In Tuscany

Pont-Tech, a company, and a local and territorial development office jointly owned by private and public actors in Pontedera in the Province of Pisa. The interview was carried out with three respondents at the same time. Pont-Tech was immediately recommended by a handful of the businesspersons interviewed, relating to various issues such as innovation, financing and development.

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91 Pont-Tech is a company, and at the same time a local/territorial development office. It was established in 1997 as an initiative taken by public and private actors. The main mission of the company is to support and inspire technology transfer from the world of academy/research for implementation in the industry. Pont-Tech offers consultancy regarding technical support and research and they also work with training. The following organizations are members of Pont-Tech: The higher technical school in Pisa (S. Anna), Piaggio, the municipality of Pontedera, the Province of Pisa, the University of Pisa, The industrial association of Pisa, CNA in Pisa, the Municipalities of Calcinia and Bientina. Information retrieved 1 February 2008 from: http://www.pont-tech.it/eng, and from interviews carried out with three representatives for the company/office.
education. One of the businesspersons interviewed had details on an innovation activity carried out in collaboration with Pont-Tech.

S. Anna in Pisa (Higher technical education), one of the founders and core members of Pont-Tech: One professor has been interviewed. The professor was mentioned by name by one of the officers interviewed at Pont-Tech. S.Anna has been mentioned as one of the important actors by a handful of businesspersons in the metal manufacturing sector.

The University of Florence (Department of Engineering): One professor has been interviewed. One of the businesspersons interviewed mentioned the professor by name and explained a specific activity in which the professor and the Department of Engineering have been involved.

CSM (Centro Sperimentale del Mobile e d’Arredamento in Poggibonsi), a consortium of SMES, public institutions, private research agencies etc. working in the furniture sector. One responsible officer has been interviewed. CSM was mentioned by several of the interviewed businesspersons and other actors working in the furniture sector as one of the important actors in the Tuscan territory. CSM carries out the design project mentioned by a few of the firms.

Sviluppo Italia, the intermediary organization handling one of the so-called measures (activity field) of DOCUP, the regional program for Objective 2 in Tuscany 2000-2006. Objective 2 and the program-measure 1.8 was mentioned by three or four of the businesspersons.

Innovation has been mentioned as one of several tasks carried out by the business association (joint stock company) LUCENSE in Lucca, in the Northern part of Tuscany. A businessperson mentioned it as an association working much with development, technological innovation, environmental issues, etc. One of the officers was recommended to me, and I carried out an interview with him. To assist in advancing technological innovation is not the only task for LUCENSE, but in this case I will deal briefly with this part of their activities.

Another business association involved in one of the self organizing processes is CNA.¹² One of the businesspersons said that CNA was involved initially in making firms and researchers meet.

I will describe the research project that later grew out of the meeting, but will not say much on CNA’s involvement.

¹² CNA is a National Federation for artisan/craft firms and SMEs in Italy. Retrieved 3 December 2007 from: http://www.cna.it/eng/index.htm
As I carried out the snowballing in Tuscany, I found one more example of an intermediary actor that, however hadn’t been mentioned by any specific SMEs; the Polo Tecnologico di Navacchio (the Technological Pool of Navacchio). I will not focus on this specific institution, since I have found no concrete examples of collaboration with it when interviewing the companies, even if the interview certainly provided me with important background information on one of the infrastructures for technological development in Tuscany.

**In the County of Jönköping**

Skärteknikcentrum AB, a joint stock company owned by the Swedish Metal-cutting Association (55%) and the IUC, the Industrial Development Center in the Gnosjö region (45%). 45 companies are members, and another 25 companies are associates. The metal-cutting companies are found on the national territory in general, but approximately 50% of the members are located in the Gnosjö-region. One officer has been interviewed. The officer has been mentioned by name by a handful of the businesspersons and a few other actors in the County of Jönköping as one of the important actors involved in development activities regarding the metal manufacturing (cutting) sector.

Chalmers (University of Technology in Göteborg) – Metal-cutting Center. One professor has been interviewed. The professor was mentioned by name by one of the businesspersons interviewed, and indicated by the interviewed officer working at Skärteknikcentrum AB as the person to contact at Chalmers and the Metal-cutting Center.

The KrAft-program at Jönköpings International Business School: The director of the program at JIBS interviewed. The KrAft-program was a project carried out 2000-2006. It was administered and organized by a consortium of Swedish universities. Jönköping University was one of these Universities. The program was financed by a Swedish Governmental Foundation (the KK-foundation), the participating SMEs and universities. The aim of the project was knowledge transfer from the Universities to the firms. The KrAft director was mentioned by one businessperson and several other actors interviewed as one of the actors working with linking academia and the business sector.

As I carried out the snowballing in the County of Jönköping, I found more than just one trace leading to Jönköping University. Actors (such as officers working at business associations or public institutions) referred mainly to four persons/functions within two of the four schools/businesses within Jönköpings University. The first, and most often indicated was the officer responsible for the KrAft program. The second function within the JIBS (Jönköping International Business School) was CeFEO, a center for research on family enterprises. Interviewees knew about this center’s involvement in conferences.
on ownership shifts in companies. They were especially indicated as skilled and important regarding problems related to ownership succession in companies in the County of Jönköping. The other school indicated was Jönköping School of Engineering, where two professors were mentioned: one who works with industrial design, and one from the Department of Industrial Organization and Production.

All of the specific narratives except for one are mainly related to technology.

Two examples of solutions described by SMEs as adequate solutions are found in the metal manufacturing sector. One of the projects regards collaboration between SMEs and Pont-Tech (and S. Anna higher technical education in Pisa). The second example is a narrative provided by a businessperson who collaborates with the University of Florence (Dept. of Engineering).

In the County of Jönköping, direct collaboration projects between SMEs and universities seem to be few, and not as concrete as those carried out in Tuscany.

The only two concrete examples found when talking directly to the firms in the County of Jönköping were participation in the KrAft program (mentioned by one businessperson) and in the collaboration between Skärteknikcentrum AB, a joint stock company owned by the Swedish Metal-cutting Association and IUC, (the Industrial Development Center in the Gnosjö region)\(^\text{10}\) and Chalmers (University of Technology in Gothenburg) which most of the member companies of Skärteknikcentrum AB referred to.

I have not found one single Tuscan furniture producer who collaborates directly with the university or any other kind of higher education in relation to development/innovation-processes. In Sweden, a few furniture firms have been involved in the Swedish KrAft-project.

CSM in Poggibonsi (a development center for the furniture sector in Tuscany) has also managed at least one project that could possibly be considered innovation. The project aims at making furniture producers and designers meet, to upgrade and renew traditional type furniture production by the help of new design. The university has no role to play in this project, though. Neither can it be regarded as an example of higher education. I will say more on this project in order to provide an example of innovation (progress and changes in design and contacts with architects) in the furniture sector. During the field work phase of this thesis, I also found a few additional examples which could possibly border on innovation processes carried out without the involvement of universities or higher education. One example is the collaboration among

cutting industries in the area around Gnosjö, where the multinational company SANDVIK invites firms to take part in a sort of training and testing of new machinery, materials and new techniques in cutting.”

7.5 Concrete examples of collaboration between Universities, R&D and SMEs - Tuscany

Pont-Tech is a company, and at the same time, a local/territorial development office. It was established in 1997 as an initiative taken by public and private actors. The main mission of the company is to support and inspire technology transfer from the world of academy/research for implementation in the industry. Pont-Tech offers consultancy regarding technical support and research and they also work with training.

The higher technical school in Pisa (S. Anna), Piaggio, the municipality of Pontedera, the Province of Pisa, the University of Pisa, the industrial association of Pisa, CNA in Pisa, the Municipalities of Calcinaia and Bientina are all members of Pont-Tech.

Many interviewees refer to Pont-Tech and its importance for the territory, especially as a support in times of structural changes, such as the change that has taken place in the territory around Piaggio.75 One interviewee explains how Pont-Tech has changed its activity and thus adjusted its activities to the challenges of the territory. The interviewee describes Pont-Tech as “an infrastructure working with technology transfer.” He continues: “Pont-Tech was established during a period when Piaggio and the subcontractors in the territory were having a difficult time. Piaggio was moving a big part of the production abroad, and the subcontracting industries were experiencing a draw-back. Lately Pont-Tech has focused on two different activities: plastic and hydrogen. Some of the survivors among the subcontracting companies of Piaggio have attempted to diversify their production and to invest in new technology and Pont-Tech has been one of the actors involved in the research.”

75 I do not intend to detail on this collaboration in this thesis.

7 Piaggio with headquarters in Pontedera (Province of Pisa) is one of the world’s leading producers of two-wheel motor vehicles. The Piaggio-Group was established in 1884. The company has a total of approximately 6 700 employees (about 3000-3 500) of them work in the production-plant in Pontedera. The Piaggio-group has production-facilities at 7 sites. In Italy: Pisa, Venice and Como, in Spain, India and China. Retrieved 17 December 2007 from: http://www.piaggio.com/
I have carried out interviews with two companies that appear to have survived the overall structural changes. Both of them have participated in one of the two innovation processes (plastic and hydrogen) mentioned by the interviewee referred to above. The first example (on recycling plastic materials in industrial production) has been explained in detail by the businessperson himself. The second example, the hydrogen-driven car is a result of research carried out by two local firms. As far as I know, Pont-Tech hasn’t been involved in developing the hydrogen car per se, but has used it as an example for promoting innovations developed in Tuscany in general, also on at least one mission abroad.

**Using new plastic materials: Pont-Tech and SMEs in collaboration**

A Tuscan businessperson told me about an experience that he found extremely positive, involving the intermediary organization Pont-Tech. The narrative has been so detailed on this specific case that I have chosen to include it in its entirety in the following.

The project hasn’t been closed at the time for the interview, and can therefore not be evaluated, but gives a concrete example of how a local policy for problem solving has been established. The firm called “X” in the narrative below, serving as our starting-point, is a subcontracting company of which delivering to Piaggio at the time for the interview amounted to 60% of the total turnover. The concrete challenge for the firm was that they needed to produce a prototype of a product for testing. A few years ago they were asked to make a concrete mixer made of plastic. The customer was another subcontracting firm working for Piaggio. When this company asked the firm X to produce the plastic mixer, they had always constructed it in sheet metal. Firm X considered this a difficult mission, and asked for a respite, to think it over.

Firm X contacted Pont-Tech, for advice, technical and financial help. The Pont-Tech officer knew both of the companies, the client and the firm X, and offered to take on the mission to try to find technical assistance as well as co-financing for the companies. The project later developed into a compounding project, i.e. fusing different materials for recycling of polymer plastic (such as PET-bottles) and for industrial production of products made of such materials. The project eventually turned into a collaboration project among three plastic producing companies in the same geographical area. The co-financing was offered by Regione Toscana, the EU Structural funds (Objective 2) as a part of the regional environmental program AZ.D21: measure 1.7/1.7.1 "Trasferimento dell’innovazione alle PMI", i.e. Transfer of innovation to SMEs/"Reti per il trasferimento tecnologico", i.e. Networks for technology transfer.
The project has three general aims: 1) To increase the knowledge among plastic producers about utilization of recyclable plastic materials (especially PET bottles) in production. 2) To produce one or more prototypes and make the participating firms aware of the whole chain of production (planning, production and analysis). 3) To contribute to an increased utilization of recycled plastics in the production among the firms, and that the firms attain knowledge on the market demand, in order to make them better prepared to respond to the demand in their production.

The project involved organizing a conference at Firm X, where software for computerized projecting and simulation of prototype-production (molding) and the evaluation of a finished product was demonstrated to the participating firms. Additional activities were planned when I carried out the interview. Collaboration was carried out with Pont-Tech, S. Anna and production technicians of the collaborating firms.

The businessperson who told me about this project states: “For the business community’s survival, collaboration between institutions, firms and universities and other research-centers must be given high priority in the future. In the past, we awaited Piaggio’s next move and followed, but since Piaggio has de-localized a considerable part of their production, and since they no longer employ the businesses in Italy and in Tuscany to the extent that they once did, we have to be creative and constructive in trying to find new collaborators and in renewing the production. Pont-Tech has been an important actor in this process.”

One of the Tuscan interviewees appears to be of the opinion that Pont-Tech has carried out its most important mission in the past. He tells me: “In my opinion, the lion part of what could be done for the SMEs has been done. Pont-Tech was one of the actors trying to bridge between S. Anna and the firms to inform SMEs about what was happening, trying to spur them to diversify and look for customers other than Piaggio.” The interviewee states that technology is not the only important aspect that needs to be taken into account: “Technology is surely important, but to the SMEs left on the territory after Piaggio going global, it is just as important to diversify the production and to look for new markets, or to join together to get stronger and bigger, and it might not be the Departments of Engineering that may be the best fit to deal with this. The interviewee exemplifies by giving a brief account on what kind of research projects are carried out by S. Anna. He tells me that the projects carried out at present in most cases are too advanced and too specific to fit the SMEs in the province of Pisa in general.

Pont-Tech and S. Anna seem closely knit together. One of the interviewed businesspersons, a CEO of a metal manufacturing company has collaborated directly with the higher technological education S. Anna in Pisa, though. The collaboration concerns medical chirurgical equipment. The CEO of the
company, counting 22 employees says: “We are very proud of having established contacts with such valid institutions, and we are especially proud of the fact that it was them to contact us. We definitely want to continue the collaboration with them. Our impression is that they are really skilled. We will try to develop the collaboration in the future.”

The CEO of one of the companies interviewed, though not representing the typical characteristics of the rest of the selection of the research population made for the thesis, but working only with technical engineering tells me that all of the engineers working with the company have been recruited from S. Anna in Pisa, and that they are content with the collaboration with the school. This businessperson hasn’t collaborated much with Pont-Tech, but claims that it is considered an important structure by many, and also by the company itself: “Pont-Tech and S. Anna are part of the network in the territory, and we consider it important keeping up to date with what they are doing and knowing that they are well-informed about our activities.”

Collaboration between SMEs and researchers at the University of Florence

In addition to the Pont-Tech-example, there is a second concrete instance of collaboration between researchers and SMEs involving a Tuscan metal manufacturing company (firm Y) which mainly makes machinery. It also produces specialized machinery, transfer machines and works with engineering. Previously the company specialized in making machinery for shoe producers but lately it has gone through a diversification process.

The businessperson narrates: We felt the crises as the shoe producing sector experienced a recession. Since we have diversified our production and our activities by getting better at producing specialized machinery for the food industry to mention one example, by working more with technical engineering and by increasing the technological content of the products, so that we can take on specific missions, we hope to have survived the worst part of the crisis, and believe that we haven’t felt so much of it as what would have been the case if measures wouldn’t have been taken at all.

The businessperson states that he and his collaborators in the firm recognized the need for the firm to invest in technical know-how and research in order to develop the product. The firm contacted the University of Florence at their own initiative, but the very first contact with the professor who, since then

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I have not been able to develop and carry out any deeper analysis on this particular case, since it has been impossible to arrange an interview with the person indicated as possible contact in the snowballing procedure.
The businessperson narrates:

"It was a good thing that CNA connected us with each other. We have always considered research as something quite distant to what we are doing. During the last couple of years, our impression as well as the general opinion about the University has changed. One could say that the University has become one among other companies offering their services and searching for customers on the market."

The businessperson went up to the professor after the speech, and the businessperson and the firm established a collaboration that appears to be fruitful more than two years after the first meeting. Together they have applied for co-financing from Objective 2, measure 1.8 “Aiuti alla ricerca industriale e precompetitiva” - Research and activities which strengthen firms’ competitiveness.

At the time for the interview, it is not clear whether the application for co-financing from Objective 2 will be accepted or not. There has been collaboration between the firm and the University of Florence also considering medical equipment and the possible introduction on the market of the product.

“I really hope that this collaboration will proceed, even if it we shouldn’t be granted any external funding” says the businessperson, who reports to have obtained positive experiences from collaborating with the University of Florence: “The collaboration with the university permits for the company to realize things that we wouldn’t have been able to realize on our own, and with our own resources. We have, for instance, been given the possibility to perform simulations and we have used equipment that is not available to us in the company. The contact with the University has improved our cultural level. For instance, our technical knowledge about some machinery that we didn’t know enough about earlier has improved.”

The businessperson claims that the university has been of assistance also in the application for Objective 2 co-funding. “I always received instant answers from the university, for instance when we had to modify one of the Objective 2-projects. The university took the responsibility for adjusting it and to remove some of the facts. Several other actors involved have been very slow, and they have kept us waiting for quite some time.”

The professor at the University of Florence involved in the projects referred to by ‘firm Y’ above narrates how his collaboration with SMEs started: “In 1999 I was just about to finish my doctoral degree in engineering. I had an old friend whose father worked with the CNA. We started talking about a possible collaboration, and I met with some officers of the CNA to draw up a project on how to encourage collaboration between the university and the SMEs. We were all of the idea that the
only way to reach the SMEs would be to go visit them. In the beginning as we went around, paying visits we received about one positive response out of five. The meetings with SMEs happened more sporadically. I personally experienced that SMEs were a bit afraid, and thought that innovation and collaboration with universities and researchers was something exclusively destined for big companies.” 

The interviewee tells me that the collaboration with an association such as the CNA was indispensible, since CNA knew their member companies.

This permitted the University and CNA to target their visits. The professor says: “The collaboration which started as a pilot-activity with a few SMEs and about 20 researchers from the university involved, has grown into something more systematic. We now feel that we can fulfill the necessary prerequisites for hiring one graduated engineer that would have as his or her task to visit SMEs two days a week. We would like this person to make an inventory of the needs of the business community, not only related to research, but also for inviting graduate students to write their theses about the companies, to perform projects and carry out periods of stage. We have applied for co-financing from the Regione Toscana, and contacted some of the municipalities to check if they are interested in collaborating and to ask for their support. This would be a good thing for us and for the SMEs. Many of the SMEs don’t have graduated people among their employees, so this would certainly be a step for opening up between SMEs and academia.”

The interviewee talks about firm Y: “It is a typical example of how we have been working with SMEs, and how our collaboration has contributed to the diversification of the production. We think that we as University are capable of helping more companies working on a partly mature market”, he says. The professor claims that the fact that SMEs in Tuscany are often subcontracting firms has made them reason in a certain manner: “They have been used to waiting for orders from the clients. When big firms such as Piaggio relocate their production, or when Ansaldo Breda experience difficult times or when entire sectors such as leather and shoes mature, we can assist businesspersons in rethinking, and help them diversify their production by working on innovations.” He mentions how the University and its researchers have been involved in developing new products such as medical equipment, equipment for disabled, glass-fronts, etc. One of the problems when developing these services for SMEs is the lack of money: “The search for financing takes a lot of time and energy. We look for scholarships and other kinds of co-financing from the Region and other public

97 Ansaldo Breda is a producer of railway and mass transit vehicles, mechanical parts (body and bogies), converters, motors, controls etc. The company has production plants in Pistoia, Reggio Calabria and Palermo. The construction of the mechanical parts as well as service and assembling is carried out in Pistoia. The plant in Pistoia has 1024 employees. Retrieved 17 December from: http://www.fiom.cgl.it/finmeccanica/ansaldo_b/a_Breda.htm, and: http://www.ansaldoBreda.net/eng/files/comStamp.asp
Innovation in the furniture sector – Designetwork

CSM, Centro Sperimentale del Mobile e d’Arredamento in Poggibonsi is a consortium for SMEs, public institutions, private research agencies etc. working in the furniture sector. As I interview one of the officers working at CSM, I’m given a pamphlet with overall information about CSM and the activities carried out by the center in Tuscany. CSM presents itself as “the direct reference of the Tuscany Region for the furniture/home sector”, furthermore the pamphlet informs the reader that “CSM follows the regional guidelines and trends regarding innovation/formal and technological transfer/internationalization and training” and that: “CSM can make direct or indirect project-proposals to local, national and European public bodies”. Project ideas come, according to the pamphlet, “from CSM staff and consultants.” Activities are mainly co-funded by public bodies (Regione Toscana, Province of Siena, local Chambers of Commerce, ICE and the EU). Regione Toscana appoints CSM to carry out certain project each year. CSM also answers call for proposals. Moreover, CSM signs contracts with various public bodies on joint-projects. Several of the firms have participated in activities managed or participated by CSM. Usually the comments made by businesspersons related to CSM are not connected to innovation or design.

Businesspersons know that CSM is involved in processes of marketing, export and collaboration with SMEs, but only a couple of businesspersons have detailed on design, and services provided by the CSM in upgrading the furniture-collections.
Projects such as Green Home/Casa Toscana have been mentioned by businesspersons as examples of common projects carried out by CSM and the firms.

CSM carries out several projects by appointment of Regione Toscana or other public bodies. In a presentation about the activities carried out by CSM, activities involving innovation are: ecology/sustainability, design support and creation of networks for the transfer of formal and technological innovation.

One of the businesspersons comments on CSM’s research activities: “CSM is involved in some research activities, but I don’t know, perhaps it is carried out on a level that is too advanced for Tuscany.”

There are a couple of companies among those interviewed that have been involved in the design-project Designetwork, and the businesspersons tell me that they have upgraded their collection in collaboration with a couple of new designers.

Designetwork started in 2003 and is an activity carried out with 9 partners in Copenhagen, London, Frankfurt, Valencia, Lyon, Helsinki, Budapest, Prague and Warsaw. One important aim of this project is to link Tuscan companies to foreign designers and to produce prototypes and/or products.

The overall objectives of the project is to create “a network of contacts and exchanges among European design centers and service centers active in the promotion of design and innovation”, and “distinguishing “possible common strategies” and establishing common policies to promote innovation in SMEs”.

The businesspersons interviewed, who mention Designetwork are young, and have quite recently taken over the production after their parents. The marketing director of one of these companies says: “I remember what it was like before in this area, during the years when I grew up. This district was full of small furniture producers making carcasses and artisan furniture with a design that we today would relate to as ‘heavy’ and old-fashioned. From the sixties up through the eighties, this kind of furniture was extremely easy to sell. At the end of the eighties, when low cost countries started to compete with us, either we had to upgrade or the firm would eventually face bankruptcy. In this area there are some small firms that haven’t had the strength or the intelligence to upgrade, and they are still suffering the

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98 Green Home/Casa Toscana is a project which started in 2000 and aims at “certifying the eco-sustainable quality of Tuscan Furniture Products.” 35 companies, Regione Toscana, University of Florence (Faculties of Agriculture and Architecture), the Italian Superior Institute for Artistic Industries (ISIA), the Tuscan Provinces and Municipalities have been involved in the project. Through Green Home/Casa Toscana the companies involved in the project have had the opportunity to certify their products according to certain environmental/quality indicators. Retrieved from pamphlet “Synergies between companies and service centers” received from the interviewed officer at CSM.

99 Information retrieved from the pamphlet “Synergies between companies and service centers” which was given to me at the interview carried out with one of the responsible officers at CSM.
collaboration with universities and research & development

competition. Most of them have already closed down. This company has been inherited by the son of the family, and he has been keen on changing the traditional-style furniture of the old family-company. I consider this one of the few companies in the area that will be a survivor of the crisis of the sector.

The marketing director holds that the competition is still heavy on the company, but that the fact that the new CEO, the son of the founder of the company has worked hard to upgrade the products in cooperation with new designers and other actors has probably saved the company. The firm has collaborated with CSM to have the upgrading project, partly co-financed and assisted by them. The project goes on for six years, and the products developed (two new lines of production) as a result of this collaboration are now being sold on the English market. The interviewee goes on to claim that the design is important, but that it must be assisted by marketing activities: “People talk a lot about design nowadays, but it needs to be accompanied by a good marketing and internationalization strategy, also involving how to establish production units abroad to be successful.”

I ask what CSM has done except providing about 50% of the money for the project, the CEO answers: “We have collaborated with CSM since 1995, and Giuseppe Bianchi (the director of CSM) has been our friend since then. CSM gives us advice on marketing activities such as Casa Toscana or other occasions, fairs for instance. The project that we were talking about just now has involved a tremendous amount of documentation, and CSM has assisted us a lot with the overall administration of the project. The financial support provided through CSM is approximately 50% of the total cost. One important result from this specific collaboration is that I wouldn’t have taken the step to upgrade the production, and to get in touch with so many external persons if it wouldn’t have been for this project, so in a sense it has been a kind of training for me personally. I have understood that architects, representatives for institutions or universities are ordinary people too, and that we can go out for a pizza to have a chat.” This businessperson holds, though, that the project hasn’t involved collaborating with other furniture producers in his area. “No, I guess I’m part of a general problem in the Tuscan culture. I’m individualist and proud of what I have accomplished so far. I don’t see possibilities for collaboration in the geographical area close to me. Actually I can’t see any firms in the neighborhood that I find of interest for developing collaboration with.”

The other businessperson who has been involved in the design project and who has worked in close collaboration with the CSM also manages a company that has been inherited by the young generation, and the businessperson tells me a

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Green Home/Casa Toscana is a project which started in 2000 and aims at certifying the eco-sustainable quality of Tuscan Furniture Products.
story similar to that told by other businesspersons in the same geographical area and in the same situation: “In the early 1990’s we felt the need for developing our products, and diversifying the collection. Our own know-how was no longer sufficient though. We needed external help from designers, architects and specialists in graphic production (such as presentation material, catalogues and the like) to express an identity on the market. During the last 10 years we have undergone a gradual change.”

The businessperson tells me that the firm has mainly collaborated with an architect from Venice. Previously the main market was found at the medium expenditure level.

Today they are more targeted towards the more exclusive, high-level market where design and differentiation have become important tools for development and competition. The firm has also targeted some of their important customers, and lately they have been contracted to work with interior-design and furnishing of hotels, bars or the like, and they are communicating with bigger chains and distributors. The interviewee tells me that the architect with whom the firm has collaborated has been important as a guide not only as the firm went through the change of profile, but also for reaching out and making new acquaintances: “We have started to collaborate also with other architects, and we have taken certain steps for widening our market in Europe. We feel less uncertain about establishing contacts and presenting the company to new customers.”

This businessperson does not explain clearly how CSM has been involved in this specific project of upgrading, but confirms to stay in contact with the association: “They send us information about possibilities that exist to participate in fairs or other types of activities. We haven’t been able to participate in all activities offered to us though. CSM has a lot of things going on. My impression is that CSM used to be less concrete previously, but that they are getting more practical, and more targeted towards concrete training and specific activities, and I find this positive.”

**Additional examples of collaboration between SMEs and Universities/other actors**

When carrying out the Tuscan part of the fieldwork for this case study, I have found a number of additional examples of collaboration between SMEs and universities or other actors promoting innovation and research.

One example of such collaboration is Lucense, which is a business organization and a joint stock company. The owners are companies, Confindustria, the main labor unions, the chamber of commerce and the municipality of Lucca. Around the city of Lucca, there is a concentration of paper-producing companies, but also companies producing papermaking machines.
One of the interviewed businesspersons has indicated LUCENSE as one of the actors who work with innovation, among many other things). LUCENSE and its members have carried out a research project in collaboration with S. Anna in Pisa. It aimed at making the working environment safer by using robots in high-risk situations and stages of the production. This project was preceded by a door-to-door visit among the member companies in order to map out the interest in such a study. This project was also referred to by the interviewed officers at Pont-Tech and Lucense as a fruitful collaboration, which both parts will consider continuing and expanding in the future.

There are other examples of collaboration projects carried out, from which the result is utilized by the territory, for instance, students of graduate courses from the Universities carry out project work or write theses about transport (in transport engineering) and tourism. Students from the Master degree program in territorial planning at the University of Florence carry out studies regarding socio-economic issues in the whole region.

An actor in the Province of Pistoia says: “We have established an observatory in Pistoia, where the University of Florence is represented on the local territory. The students and scholars of this observatory study socio-economic factors, and potentially there is the possibility to let them carry out research on concrete phenomena, and assist in solving concrete problems. Personally I haven’t seen so much of results yet, and I know that the observatory has been subject to criticism. I think that one of the difficult challenges for universities and other kinds of higher education is to bring the results out into the territory and to make them visible.”

## 7.6 Concrete examples of collaboration between universities, R&D and SMEs – County of Jönköping

### The “KrAft-program”, a collaboration between SMEs and Jönköping International Business School

In the County of Jönköping, I have found two businesspersons who have participated in the so-called KrAft-program. Jönköping International Business School was one of them. One of the businesspersons who has participated tells me that he was content about the project content and the constellation of companies, but that some of the firms decided to pull out of the project shortly before it was going to take off, and one of the central persons of the team passed away. The businessperson narrates: “I think that the KrAft-program was a very good idea, and that it offered a good possibility for collaboration between firms and
The second businessperson knows that his firm took part in a KrAft-project, but has difficulties to detail on the specific contribution and activities related to the program. The reason for this might be that the firms is one out of a total of six firms in the furniture/wood-sector involved in a network-project that has established a close collaboration with a consultant who has taken care of the general coordination of training-and marketing activities. The KrAft-project contributed to establishing a common marketing-strategy for the participating-firms. I interviewed this consultant. He says: “The KrAft-program was a success, and I honestly think that this is one of the few good examples that there are of functioning collaborations between Universities and SMEs. We still keep in touch with some of the researchers that we got acquainted with through the KrAft-program.”

The KrAft-program was a project carried out 2000-2006. It was administered and organized by a consortium of Swedish Universities. Jönköping University was the coordinator of the program. The program was financed by a Swedish Governmental Foundation (the KK-foundation), the participating SMEs and Universities. The aim of the project was knowledge transfer from the Universities to the firms.

Knowledge transfer was carried out in four major phases:

**Phase 1:**

The universities cooperated with associations and institutions closely related to SMEs to find groups of 5-7 SMEs that already collaborated or that may have potential to form a group.

Usually these groups had already developed a sense of trust, and the businesspersons knew each other. Some groups had not established a plan for how to collaborate when the program started, while others were already turning into consortia.

**Phase 2:**

The coordinators at the universities were looking for individuals likely to involve in the project as KrAft-consultants and SMEs partners in the processes. The aim was to involve individuals with experience. Sometimes these consultants were ex-businesspersons or managers. Many of these consultants were already in contact with groups of firms and business associations.
Phase 3:
Groups were formed. Each group had a KrAft consultant. The program started, the groups defined a development theme together with the consultant, and a representative from the university (who was also the group leader). The strategy of the project was defined. Thus, each KrAft group followed a unique and specific plan and theme.

Phase 4:
The representatives from the universities involved, acted as service-providers. These persons had a fairly clear idea regarding needs and demands of the KrAft-groups, but a service package was provided only on demand. The objective was to guarantee that all the training activities followed a pedagogic style based on dialogue and problem based learning. The project did not aim at providing theoretical knowledge to the participants, but to encourage them to develop their own firms.

A standard-group contained 5-7 firms and 2-3 participants from each firm. The program was carried out during 12 months and encompassed 12 days of training, the assistance of a KrAft consultant, a project leader and a group of representatives from the universities. This group of representatives was composed by the project leader, and took on the task to carry out services demanded by the groups. The participation cost amounted to approximately 4000 euros plus VAT per firm. Approximately 80 university faculty members were involved in the program, and about 90 KrAft groups were involved. The number of firms taking part in the program amounted to approximately 540. Examples of activities carried out include: marketing strategies, marketing research, training programs for businesspersons and managers and product development. A general aim was to enhance knowledge among participating SMEs.

Collaboration between Skärteknikcentrum, Chalmers University of Technology (Metal-cutting Research and Development Center) and SMEs in the metal manufacturing (cutting) sector

Skärteknikcentrum is a joint stock company owned by the Swedish Metal-cutting Association (55%) and the IUC, the Industrial Development Center in the Gnosjö region (45%). 45 companies are members, and another 25 companies are associated. The metal-cutting companies are found on the national territory in general, but approximately 50% of the members are located to the Gnosjö-region. The collaboration with Chalmers University of
Technology, the Metal-cutting Research and Development Center is described as “important” and “well established” by a handful of the metal-cutting companies interviewed. The collaboration carried out has been related to technology, training and competence and productivity. Mini-fairs have been organized, where producers of machinery have exposed and demonstrated new machinery. Seminars offering training in CAD/CAM have been organized. Companies have been invited to breakfast meetings where current issues have been brought to the fore. Chalmers has been involved in development projects for technicians working in the production. Possible future collaborations have been discussed with the companies regarding effectiveness and processes in the production. A training-project in CNC turning has been developed and carried out in collaboration with the firms.

One businessperson says: “Through Skärteknikcentrum the collaboration with Chalmers and the researchers there has been facilitated. Sometimes the researchers have indicated that we don’t seem to understand, and we usually say that they don’t understand. However, we are on speaking terms, and feel that the collaboration is worthwhile. The training in CNC-turning has been appreciated, and there have also been discussions on how to make production processes more efficient. This is an important issue to us, since time is a precious resource in a highly competitive environment.”

Another businessperson says: “Skärteknikcentrum is a good thing. The collaboration with Chalmers is one positive result that has come out of it. Another is that producers meet and discuss issues that are of interest to all of us. We are always extremely short of time, and we seldom meet. So, get-togethers at Skärteknikcentrum give us the incentive to meet every once in a while.”

One businessperson speaks about a meeting held in the past about the future of Skärteknikcentrum: “I remember that we were talking about what we wanted Skärteknikcentrum to become, what its tasks were going to be. There were only three companies present, and I felt a little resigned. We talked about what challenges we had in common, and discussed the possibility to organize a training together. I recall that we said that Chalmers should be the coordinator of education and training, so that we can refer to them in order to lift the status of the training. Now we are on the right track. We started out with approximately 25 members, and now there are many more of us. This is excellent, but things can always get better. We do have premises, machines and our network, but the discussion on how to improve things must continue.”

The interviewed representative for Skärteknikcentrum says: “We are here for the companies, and we would like more of our member companies to come to us to suggest courses and other kinds of activities. We would also like that more companies engaged more in new technology and research. They might not have the possibility or
company-structure permitting for them to receive a doctoral student, but personally I think that they would benefit much from engaging a little more in the possibilities offered by this collaboration with Chalmers and the researchers and professors there.” He adds: “We would like to develop more and better services that would attract more members, and to engage our member-firms to a greater extent. It is a tough job to find the right projects though.”

There has been collaboration between the Metal-cutting Center at Chalmers and SMEs through Skärteknikcentrum. For instance, five member companies have participated in a training on calculating in production, characteristics of different materials, processing-methods, etc. A part of the course was carried out at Skärteknikcentrum, and three days were spent at Chalmers.

**Efficient production processes and environment potential future fields of collaboration**

The interviewed director, representing the MRC and Chalmers says that he has received some ideas on future projects from member companies of Skärcentrum recently. I ask if there is onething that he believes should be of interest for the SMEs to work with in the future, and whether the MRC at Chalmers could be of help, he says: “I think that there is big potential in looking over processes in production and making them more efficient and environmentally friendly. I also think that there is more to do regarding research on different materials and methods. One investment that I think would be absolutely great would be if a few of these SMEs could collaborate and receive a doctoral candidate that could carry out a common project and produce concrete and useful results.”

**7.7 Actors’ views on challenges**

How do actors referred to by the SMES describe the principal challenges faced by the SMEs? Several Tuscan and Swedish actors describe collaboration between (small and medium sized) enterprises and academia as an important prerequisite for development in general terms. I will quote one of them in the following account, in an attempt to explain the overall context.

**The gap exists**

The majority of the university interviewees seem to agree on the fact that collaboration with SMEs is cumbersome but important, and that the expectations of universities from other actors or from the surrounding society in general are quite high. Interviewees representing universities are also aware of the differences that exist between the academic world and the SMEs, and the
doubts that SMEs might have in relation to academia. Thus, the existence of the gap between academia and firms described previously by a few businesspersons is confirmed by the actors working as intermediaries.

The first section of this case study started out with a short story on businesspersons’ possible prejudice against engineers. But who said engineers are enthusiastic about working in SMEs, and that the same prejudice don’t exist among engineers and other professionals with a university-degree? One of the Swedish actors, a young engineer himself, attempts to explain why few engineers work in SMEs: “Engineers or researchers often don’t find it very appealing to engage in research related to SMEs. Everyone dreams of working in bigger companies. One of the reasons for this is that there will almost certainly be more possibilities for an engineer to learn and to grow within a big company. There is more money for training and research. SMEs must pay not only for investments in machinery but also in research, which will be an investment as well in the long run. There are thresholds to be overcome, though. The majority of the SMEs in this region haven’t hired engineers.”

Another interviewee representing Jönköping University believes that: The Universities’ mission is quite narrowly defined in Sweden. In the last couple of years actors have started to talk about the importance of fulfilling what we in Sweden call the third task – collaborating with the surrounding society. But I’m not sure about whether the firms have grasped this change. I think that they see us in our traditional role, as educators, and they don’t know about us or what we do. Sometimes they and other actors look upon us with disrespect. On the other hand, I can’t say that we have clear routines for how to handle projects carried out with external partners. There is still a great deal of work left to do from our part in reaching out, and telling them what we know, who we are and what we are doing.”

**Companies are too small**

One of the difficulties possibly widening the gap might be the fact that many SMEs are small or very small, and that universities tend to work with bigger industries.

One of the professors at the University of Jönköping says: “The University of Jönköping has been established in a territory where enterprises are small or very small, and it is natural that there has been an ambition to work with SMEs in everything we do. It is not as simple as it seems though. Most of the companies that we collaborate with are not among the smallest. Of course we are willing to try to approach the SMEs and to collaborate with them, but in many of the smaller companies we would need to have someone to contact, someone to talk to and to collaborate with. In some small companies this person or this prerequisite doesn’t exist.”
One of the Tuscan actors describes the difficulties as follows: “We have made some efforts to increase collaboration between the University and firms, but it is difficult. One of the reasons for this is that SMEs are not well prepared for getting involved in research activities. Few of them have a strategy for change or diversification, instead they are pushed by circumstances on the market to change, develop and adjust. Perhaps they visit a fair, and get inspired as they see technological innovations there. Such stimuli might push them to act. But generally it is difficult for them to engage in R&D-activities even if they would like to. It costs too much, and unfortunately there are few funds that can possibly offer co-funding for this kind of activities. Incentives and systems for how to administrate incentives use big companies as point-of-reference. SMEs live under completely different conditions, and therefore they also have completely different possibilities to get involved in R&D activities.”

A public servant in Tuscany says: “The universities don’t know how to talk to the SMEs. Up until now, the Universities have carried out common projects with bigger industries. Many of these are prepared to pay for research and development, and have a specific budget for such activities. Also Pont-Tech seems to have worked more with Piaggio and some of the most advanced subcontractors to encourage innovation and research, but they appear to have changed strategy lately. That’s good, because in Tuscany, like in Italy in general, there is a link missing between the SMEs and R&D. Pont-Tech can possibly operate as such a link on our territory.”

Lack of money an obstacle

Some of the Swedish professors suggest that one of the difficulties related to collaborating with SMES is money: “It is sometimes tough to convince SMEs to collaborate. The businesspersons understand that we keep in touch with some of their most important customers such as Volvo, SKF, Sandvik Coromant etc.”, says one of them. They also understand that our researchers are cunning, and that our network allows us to collaborate with colleagues, experts all over the world, and that they can benefit from these networks if they collaborate with us. These networks would be difficult for them to establish only operating as an industrial cluster. Yet it is difficult to make them pay for research, and that’s one of the problems. If one looks at how much they pay for new machinery it is difficult to understand that they are not ready to invest in research. A couple of months ago I did have a project ready for the metal-cutting industry. It was a research on how to make cutting liquids environmentally friendly. Germany is way ahead in using new, environmentally friendly techniques, and we wanted to explore this area. We talked to all the big industries, and they were very interested. Volvo, Volvo cars, Sandvik Coromant, all agreed to pay their part. I wanted to involve five SMEs. The cost would amount to about 60 000 SEK\(^{110}\) for a project running for two years. As they heard about the

\(^{110}\) In November 2008, this amounts to roughly 6 000 euro (1 euro=10 SEK).
cost, they decided not to participate. This is one of our problems, when we work as researchers. We contact the companies and say; ‘Hey, we know what the world looks like, this is coming up soon. Do you want to join us in facing this future challenge?’ And the businesspersons in SMEs answer; ‘Hmmm… let us think for a while. This costs...’”

The interviewee explains SMEs’ reluctance to participate financially in research projects by giving examples of how governmental agencies and foundations have invested heavily in development projects during the last couple of years. The interviewee holds that SMEs might have gotten used to getting research and other investments co-funded, and that this has made them less apt to invest their own money in research processes.

Other examples can be given on how businesspersons and other actors in Sweden see research as costly in relation to the contribution they expect from the researchers. A civil servant in Sweden claims: “In my opinion it is difficult to get Jönköping University engaged in certain projects. It is cumbersome for us civil servants who work close to the politicians to know which researcher should be connected to which project. Researchers and professors contact the Region to apply for funds, but some of the projects are anchored neither in the Region nor in the local communities, and thus we find it difficult to co-finance it with regional funds without knowing anything about it. We need to know enough to get engaged in the project to be able to bring it up at meetings with politicians or to connect the project to other activities going on in the region.” A few actors working with regional projects claim that the Jönköping University is expensive, and that researchers and scholars charge too much for their participation.

One actor states: “Researchers and professors start costing money as they pick up the phone. We would like to involve the university in more projects, but we consider them too costly in relation to the services they offer.”

One of the interviewees representing the University of Jönköping says: “I have been collaborating with colleagues from the USA, and there things work differently. Firms turn to the universities, and co-finance research activities. Here in Sweden, researchers are perhaps expected to do some things without asking money for what we do.” Asked to comment on the claim that Jönköping University is costly, as indicated by a handful of actors he says: “[R]esearch costs money, and personally I find it fair that researchers, just like any other consultant or assistant asks a charge for his or her performance.”

An officer at one of the local business agencies in the County of Jönköping says contacts with the University are not frequent: “I’m afraid we haven’t been so good at collaborating with Jönköping University, since we really don’t know who to contact, and I don’t think it’s fair that one should have to call 25 people before
finding the right contact there. I think there should be ‘one-door-in’ at Jönköping University. Our impression is also that the price is a bit too high whenever the University is involved.”

**Objective 2: co-funding from the EU Structural Funds**

One of the Tuscan actors mentions Objective 2 as one of the financial sources made available during the last couple of years that have been of considerable importance for actors working with R&D and technology transfer and collaboration between firms and academic institutions: “The funds have been important, not all of them have been spent wisely, but it is essential that policies and strategies take on the directions indicated by politicians. What I mean is that if politicians promise and promote something, these promises should be followed by strategies and financial measures. Unfortunately, R&D are costly activities, and the money is not enough. Another disadvantage for Tuscany is that we have entered a period of ‘phasing-out’, this means that we will not receive funds from Objective 2 in the future.” The interviewee adds: “Assistance offered completely free-of-charge is always wrong.”

On Objective 2, one of the Tuscan university representatives says: “Objective 2 is surely an important instrument for the region, regarding the problems that we need to tackle. I personally think that Objective 2 has a somewhat odd strategy in that it aims at co-financing many projects, instead of making strategic choices and co-financing truly sharp projects. It is impossible to make content everyone anyway. If 70 out of 100 applications are co-financed, too little money remains, and we end up encouraging quantity instead of quality. Another difficulty with Objective 2 is that the calls for proposals need to be answered in less than a year. We would prefer different time-limits that would permit us to better explain the numerous project ideas that we develop together with our collaborators in the region.”

**7.8 Attempts to bridge the gap – actors reaching out for SMEs**

There may, thus, be several possible reasons behind the existence of the gap. As we have seen, most of the businesspersons interviewed don’t seem particularly keen to contact Universities and/or researchers. Researchers and other actors who are expected to work as intermediaries and transmitters of knowledge seem to know about the gap – but what do they do about it? Do they try to approach SMEs, and (if yes) how?

One important role played by researchers and professors is to persuade the SMEs to work more with long-term projects and objectives. “Firms know the
world is changing, but as I see it, they are too stuck with solving ad hoc-problems”, says one Swedish interviewee representing one of the Universities. This raises the requirements on academia, however. “We need to engage more in direct contact with the company so that scientific knowledge and research can be valued differently than what has been the case in the past. One solution is to place researchers and doctoral candidates in SMEs.”

Another interviewee, a University-representative in Tuscany expresses an opinion about collaboration in general with SMEs: “People who believe that technology transfer is easy, underestimates the importance of trust-building. Businesspersons, in particular SMEs, are no gamblers, they are risk-adverse. Whoever encounters a firm, advising them to engage in innovation, must therefore enjoy high credibility, and it’s not as simple as ‘the myth’ suggests.” The interviewee claims that “(…) trust must be built in different ways, with different persons and following different strategies each time, depending on the specific situation, not following a ‘packaging-scheme’ of solutions.”

One of the directors of Pont-Tech tells me: “The best way to approach the companies is to get to know them by visiting them where they are. We have done this in some of our activities, for instance in the territory around Lucca. The closeness and the personal relation to the firms is extremely important, because there is widespread skepticism among the firms regarding research and innovation and whether it does any good. Therefore we try to remain clear in our objectives, and we work very hard to keep the close contact with firms in our territory.”

One of the professors at the University of Jönköping working with Design, seems to be of the same opinion: “I know that I’m working within a field that is extremely important to any producing company, and I really do believe that it does matter to most of the companies, even if many SMEs may be unaware of it. I don’t believe in conferences or lectures are the right fora to meet them. To make them start thinking in these terms, you must practically sit on their lap. There are many arguments that can help us explain why design matters. Let’s face it: tomorrow’s customers, the young generation do value design, and nobody buys a Volvo using security as the only reason. One argument that I usually put forth as I enter in contact with the firms is that nobody can guarantee that you will have more clients if you invest in design, but I can guarantee that you will not have less customers.” He continues: “It can be difficult to sell research about design to firms. SMEs are not used to buying services in general, and they hesitate because they don’t know exactly what they get. When it comes to design, I do believe that firms need expertise from the outside, somebody who can come into the company and see the firm and its products with new eyes.”

Thus, communicating and transmitting knowledge related to research which can be considered useful to firms, is important. Here is another comment from
one of the Swedish interviewees: “We have been studying the phenomena, and know that there are some challenges that must be faced in the following years. For instance there are the ownership succession in companies that do pose a true challenge to firms. We have a core of researchers and scholars here at the University, and at the Center for Family Enterprises who are specifically interested in family businesses, and who get into contact with firms every day. We try to spread knowledge of our findings, and of possible scenarios as we see them to firms when we meet them. If we want to collaborate with, and construct common projects with the firms, the interest must be expressed from the firms, otherwise the prerequisites for collaboration don’t exist.” The interviewee believes that it will be possible to find new ways to organize funding of research projects carried out by the university, but that it will take some time for researchers and professors to find space and receive funding for working with ‘the third task’. One of the possible solutions would be to look more actively for external funding.

Another representative from Jönköping University says: “We need more people who are professional in representing us and who can reach out to the surrounding society. There are a couple of people working here, doing an excellent job, but we need more of those people who are not teachers. Most of the teachers are really busy with their own teaching, and perhaps that is just what they do best.”

One of the professors emphasizes the importance of creating realistic expectations in relation to SMEs: “It is important that we are sincere as we market the university and what we can do. Sometimes the businesspersons contact us because they have an idea on what could be done, and they want it to be done, but on the cheap. I usually try to speak to those businesspersons and say: ‘I can’t promise that this solution will be cheaper. It depends on what you want to do, and what you mean. Tell me about your expectations.’ It is important that the expectations are realistic. It is just like working with a company. A satisfied customer comes back, and positive experiences open up for continued collaboration.”

**Jönköping School of Engineering, industrial doctorate program**

The interviewee representing Jönköping School of Engineering (JTH) says that the school has established a project called industrial doctorate program together with Chalmers in Göteborg and the University in Skövde. A doctoral student carries out his or her research in a company and solves a concrete technological problem.

In January, 2007, when the interview is carried out, 15 doctoral candidates were enrolled in the program. The interviewee says: “This is perhaps a kind of research that traditionally has been considered appropriate for larger companies. A
company that is too small is not mature enough to produce a situation or a problem complex enough for the doctoral student to carry out research. Nevertheless, in this region there are mainly small companies, and I really believe that possibilities do exist to use our research in SMEs. One of the difficulties that we as universities face as we try to reach out to SMEs is that we are just one of all those actors that are expected to provide assistance to the firms. We enter in competition with other actors when we start visiting firms on our territory. I believe that we do possess some strengths which other organizations lack. We have already established contact and collaboration with many of their customers, such as the big automotive industries and we have processes, knowledge and methods that could be transferred to projects carried out in subcontracting companies and truly skilled researchers. I believe that the ‘host-companies’ in our industrial doctorate program could be extremely interesting to use as a base. I think that many of these firms already understand what’s good with collaborating with our university, and we wouldn’t have to convince them about the advantages involved in hosting a student, and developing the concept somewhat so that it would also involve applied research in SMEs.”

**Design offices**

The professor in Design at Jönköping School of Engineering describes one concrete example of a design project where Jönköping has collaborated with businesses, the Design Offices.

It is a project that has been carried out in collaboration with the co-financiers SVID (the Swedish Foundation of Industrial Design), Sparbanksstiftelsen Alfa (a bank foundation) and the County Administrative Board. The project has contacted different centers, such as the Industrial Development Centers on different geographical sites. Design students have identified 6-8 companies interested in assistance from design students, and students have worked during the summer, about 6-8 weeks with design-projects. Approximately 15 design-offices have been activated in the whole of Sweden. The companies have co-financed the project with around 40 000 SEK each. The interviewee says he is pleased with the project: “I feel that this project has functioned well. The students have worked with concrete problems, and have learned to understand the companies’ situation better. The companies have been happy with the work carried out by the students, and I also feel that the companies are beginning to understand that design is important and that this collaboration is working! I often feel that businesspersons react like people who stop smoking; Why didn’t I do this before?.”
Universities as links in a bundle of networks

Sometimes representatives from the universities see themselves as important links in a bundle of networks, and use other actors as intermediaries to reach out.

One of the actors representing the University of Jönköping says: "We can’t approach or speak to all firms in exactly the same way, neither can we reach all of them. We have many partners that help us communicate and approach firms from different angles and in different networks: ALMI Företagspartner, business organizations, banks etc. Actors often contact us when they define challenges and problems related to SMEs. They know that we have established contact with many businesses. Our contact persons often see problems, and engage consultants. Sometimes they ask us to arrange a training session for one firm or a group of companies. We usually receive a very good response when we organize different activities, such as for example conferences or meetings, and already established contacts lead to new contacts, leading to even more contacts and so on."

Actors working within the County of Jönköping bring in universities to give lectures on specific issues: "We use the Universities to bring in new views and thoughts and to be inspired. I believe that our experience of such meetings with the universities and its staff is overall positive", says a representative for one of the Business organizations in the County of Jönköping. One of the solutions often mentioned as a strategy that would help intermediaries to reach out to small companies is to encourage collaboration among firms. Business organizations and actors such as Skärteknikcentrum and Pont-Tech claim that collaboration and common projects for several SMEs with similar needs is one of the most important clues.

According to the interviewees representing Pont-Tech, joint public and private ownership of assisting organizations is an advantage. Some of the financiers (such as the Regione Toscana) are owners and/or are related to the association. This makes them stay up to date with research and other activities carried out by Pont-Tech. Another advantage with joint-ownership is that it is possible to group and thus collaborate with many individual SMEs at the same time.

The interviewee representing Skärteknikcentrum claims: "Our cutting center needs to grow. The number of member-companies must increase, so that activities carried out can attract more participants. We must amplify our offer of services in close collaboration with the firms, but also with Universities and with Chalmers."
7.9 Analysis and conclusions

Challenges according to SMEs

Interviewed SMEs operating in the metal manufacturing and the furniture sector, generally don’t consider the lack of collaboration with Universities or other actors involved in R&D a main challenge, but as I carried out interviews I did find a few examples of local policy and self organizing related to collaboration between SMEs and actors engaged in R&D activities. This is why I decided to take a closer look at this aspect, and make a case study out of it. Furthermore, the importance attributed to research and innovation by politicians and decision makers and the considerable resources invested in these two measures, encouraged and spurred me to elaborate this case about collaboration between academia and SMEs and innovation and research.

The gap

Some businesspersons have indicated a gap between academia and firms as well as the public co-funding-programs as a challenge. This challenge appears to be general. Businesspersons say that representatives from academia and businesspersons speak different languages. One of the businesspersons says SMEs live “here and now”, and continues by describing businesspersons as concrete, while universities and other R&D actors are conceived as slow and abstract. One of the businesspersons says that researchers and SMEs sometimes accuse each other of failure to understand the different standpoints. He says: “Researchers have indicated that we don’t seem to understand, and we usually say that they don’t understand.” One of the businesspersons even mentions that businesspersons and employees of SMEs cannot be expected to collaborate with representatives from the universities, since businesspersons might not have enough (technological) knowledge.

Only businesspersons in Tuscany have a lot to say on a specific EU co-financed program (Objective 2) which they describe as slow and not worthwhile participating in, in relation to the effort put in the administration of the financial assistance. A possible reason for why only Tuscan firms have indicated this specific program, while none of the businesspersons in the County of Jönköping mentioned it, is that financial assistance from the program has been granted to individual firms in Italy, while Swedish authorities have chosen a different model. In Sweden groups of SMEs, but not individual firms are considered eligible. Actors in Tuscany indicate that Objective 2 has brought important development-capital to the region, but that money does not, by far, suffice to meet the needs. Another opinion expressed by actors is that too many small projects are carried out, since politicians and decision makers want to
satisfy too many firms or other actors. Actors also argue that dead-lines for answering to calls for proposals are too short.

Actors representing universities or other assisting structures working with R&D describe collaboration with SMEs as difficult but important. They also confirm that they are aware of the fact that SMEs might conceive of academia as “educators” in a more traditional sense, but there are also actors who believe that firms and other actors have unrealistic expectations of the universities and what they can do.

Interviewees indicate several possible reasons for why the gap exists. Firms are small and numerous in Tuscany as well as in the County of Jönköping. Professors and researchers working at the University of Jönköping indicate that R&D in Sweden has often focused on bigger companies. Managers of small firms might not have money or time to spend on innovation and research, or that they may choose to prioritize spending on, for example, machinery. Conceptions about SMEs might exist among R&D actors, which threaten to widen or maintain the gap. One of the actors who has a degree in engineering and one of the professors at the University of Jönköping claim that SMEs might not be as attractive as big businesses to newly graduated or doctoral students, since the tasks appear less interesting, and the development potential seems more limited in SMEs than in bigger companies.

Professors and other actors representing academia are generally aware of the shortcomings which might exist in their own organizations. Most of them assert that a more direct contact with firms would be needed to improve relations and collaboration with SMEs. Actors speak about gradually building trust, meeting businesspersons where they are, to pay door-to-door visits and to enter into the businesspersons’ world, and convince them of just how important it is to plan ahead for R&D-activities. Many report that universities lack the staff and the money to do this. According to one of the interviewees, universities have not fully understood the importance of building trust, and their capacity to transmit (technological) knowledge seems to have been overestimated.

Another tendency which appears to be general for Tuscan firms as well as for firms in the County of Jönköping is that the concept innovation is interpreted and described in various ways, which may make dialogue between institutions expected to encourage R&D in SMEs and representatives of firms difficult. One of the (Swedish) CEOs of a metal manufacturing firm describes innovation as “buying new technologically advanced machinery”. This is a notion which is later repudiated by one of the interviewed professors.

Most of the examples of R&D mentioned in this case study are related to the metal manufacturing (and plastic processing) sector. I have, however, detailed
on one of the concrete examples of an innovation-project in the furniture sector carried out by CSM in collaboration with Tuscan SMEs and a handful of other actors. The CSM officer says that ecology and sustainability, design and support and creation of networks for the transfer of formal and technological innovation are activities which could probably be referred to as innovation in the furniture sector. It is peculiar that only one example of organizing related to the furniture sector is found in this case study. This may indicate that the concept of innovation might need further interpretation to enter into the lifeworld of furniture producers.

Objective 2

One section of the DOCUP (the programming-document) of Objective 2 in Tuscany shows how official statistics about innovation activities and practices in SMEs, place the average small or very small Tuscan firms in an inferior position in relation to bigger companies as well as in relation to SMEs in other regions. The authors of the DOCUP argue that Tuscan SMEs are continuously engaged in innovation and research activities on a small scale, to adopt, improve and modify the products so that they better fit the demand of the market. The authors claim, hence, that measures and indicators of official statistics may be incorrect.

In the EU co-financed program Objective 2 Tuscany (2000-2006), which is part of the DOCUP mentioned above, the selection-criteria for activities detailed on in measure (program section) 1.8.1, the concepts of innovation and research appear, however, to follow the logic of the official statistics. As a matter of fact, the call for proposals for the measure 1.8.1 clearly reads out that eligible applicants were to carry out projects aiming at “achieving concrete results from industrial research through feasibility-studies, plans and projects or product-draughts, productive processes or new, modified or improved services, prototypes of a first prototype not intended for commercial use.” And that: “Routine-tasks or modifications of products, production lines, production processes or existing equipment” were not taken in consideration for co-financing. Small scale innovation activities aiming at adopting, improving and modifying the products so that they better fit the demand of the market were, as it seems, not taken into consideration as eligible for assistance from Objective 2.103

Hence, the gap doesn’t only seem to relate to academia and SMEs or actors and SMEs, but also to the definition and framing of innovation and how it should be measured.

103 On the other hand, I have also found a few successful examples where co-funding has been achieved through Objective 2. Therefore I should, perhaps not be too pessimistic about the possibilities for programs of this kind.
A few examples of organizing

There seems to be more successful examples of local policy in Tuscany than in the County of Jönköping. Interviewed businesspersons in Tuscany have indicated and thoroughly described the actors involved and the importance they played in the activities.

In the example in which Pont-Tech provided assistance to SMEs, the big company Piaggio moved some of its production abroad, and SMEs felt the need to up-grade and diversify production. This triggered businesspersons to look for assistance. Assistance was found at Pont-Tech, which is an institution jointly owned by public and private actors, possessing adequate know-how to coordinate and carry out the project. Pont-Tech also found co-financing and partners to invite and bring into the project.

One of the interviewees claims though that some of the SMEs operating in the geographical territory where Piaggio has been the most important bigger industry and customer for several decades would need to diversify their production, but that the difference between ongoing hi-tech research at the Universities and the level and the capacity of development among the SMES might be too big.

The University of Florence (Department of Engineering) used CNA as an intermediary to find and establish contact with SMEs. The businessperson who indicated this project as a possible example in my research has mentioned that the first contact was created via CNA, and that the researchers from the University of Florence were of great assistance since they contributed with their knowledge in the field of engineering, but that they also knew where to find co-financing for the activities carried out, and actually helped with writing the application for Objective 2.

In another example from Tuscany, the Designetwork, businesspersons narrate how the officer/s from CSM have contacted them, and that they have known the officer for some years now. The officer knows the company, both businesspersons interviewed are young, and have recently taken over the family-business from their fathers. At the point of time when CSM contacted the businesspersons they were in strong need to diversify and upgrade the furniture-collection. The importance of specific personal contacts established between the businessperson and the researcher/s and/or the officer/the designer (as in the case of CSM) has been emphasized by all businesspersons. Businesspersons claim to be less uncertain when they deal with external contacts, and have learned that businesspersons and architects and representatives from Universities “can go out for a pizza”, and that they “…are ordinary people too…”
The KrAft program which is an example of a project carried out in the County of Jönköping has been indicated by two of the businesspersons interviewed. Also these narratives emphasize the personal contact between researchers/consultants and the customized solutions which were to be designed by the participating firms themselves. One of the KrAft-groups actually dissolved since one of the central persons in the KrAft-group passed away. The Universities used consultants, ex-managers or other persons known to have established a close contact with businesses in the Region as intermediaries and leaders in the KrAft-groups.

The collaboration between the member-firms of Skärteknikcentrum and the Metal-cutting Research and Development Center at Chalmers has been mentioned by businesspersons doesn’t appear to have resulted in so much research yet, but actors and businesspersons involved seem to be optimistic about the future prospects of the constellation. Businesspersons refer to the collaboration as an arena where businesspersons can meet and discuss and mention professors at Chalmers by name. Skärteknikcentrum, the Metal-cutting Research and Development Center and the member-companies are, thus still in the process of defining common interests for collaboration and research. The challenges which are still to be elaborated have already been mentioned previously in this concluding section; SMES don’t prioritize spending money on research and actors find it difficult to define possible common research-activities which would be of interest to groups of companies.

These self organizing processes have a few common features. For instance, actors, such as CSM, Pont-Tech and CNA and, in the KrAft project, KrAft-consultants have been used as links between the researcher and the firms. In some instances (as is the case in the collaboration between a Tuscan firm and the professor at the University of Florence) it seems the actor contacted and brought in as a resource in a project helps de-coding and interpreting programs and political initiatives so that they fit firms. Private and public actors’ common ownership in assisting structures also appear to help bridging the gap (see for instance CSM, Pont-Tech and Skärteknikcentrum).

General tendencies and substantial differences requiring closer examination
This case started with a description of how politicians and decision makers were using research and innovation as buzzwords as they frame structural policies in Europe.

In this case study I have, however, questioned the connections and relations between SMEs and actors. The gap between universities and R&D appears to be general and is visible in Tuscany as well as in the County of Jönköping, although there are more concrete examples of organizing processes in Tuscany than in the County of Jönköping.
Politicians and decision makers conclude that research and innovation are one of the crucial means for future social-economic development and industrial growth in Europe, but appear to be incapable of establishing a common understanding and discourse with SMEs. This may imply that it will be most difficult for decision makers to succeed in convincing businesspersons to join their vision.

Actors representing organizations at the local and regional level, such as business organizations or universities are aware of the gap, and describe their attempts to reach out for the SMEs and between R&D and SMEs in order to have it bridged. This is a common tendency for actors in Tuscany as well as in the County of Jönköping.

Yet another tendency which is general for the two national and regional contexts is the important role played by the actors who serve as interpreters and intermediaries between the worlds of R&D and that of the SMEs. Such persons seem to be rare in Tuscany as well as in the County of Jönköping.

This case study exposes, as we can see, more general tendencies than substantial differences between Tuscany and the County of Jönköping. The empirical findings regarding the gap and the role played by the intermediaries in bridging it are particularly visible in this case study, but similar tendencies can be identified also in other case studies. Empirical findings need, therefore, to be examined in the light of theory at the meta-level. I will return to the theoretical framework in Chapter nine.

One difference which emerges is that a few more examples or organizing processes are found in Tuscany than in the County of Jönköping. In both of the organizing processes one researcher has played the role of intermediary and interpreter between lifeworlds.
8 Internationalization and exports

In September 2004 I visited a businessperson in the furniture-district of Matera in the Italian Region of Basilicata. We are talking about globalization and the increasing competition with low cost producers abroad. He shrugs his shoulders and wrinkles up his forehead as he looks at me and says:

"Globalization is our biggest problem. Within the district, all the factors that would guarantee a steady and efficient production of furniture are present; there is labor, administration, collaboration and communication among producers and good infrastructural conditions. During the last couple of year, the collaboration between decision makers and the businesspersons and our district-committee has grown stronger. One of the reasons for this is the ever increasing competition from low cost countries. This threat has caused businesspersons and policy makers to collaborate more intensively and more strategically than before. Unfortunately, despite all of our efforts, none of us can do anything about the situation, and we feel desperate. It is like a brusque encounter with a brick wall, and there seems to be no solution whatsoever except answering the challenges with hard work, highly efficient production at a cost that must always be kept as low as possible."

This anxiety and fright later continues to flourish in my mind, constantly nourished by an endless flow of articles and TV programs of how China and other developing countries are gradually catching up with the Western part of the world. The worried expressions of politicians, financial analysts and decision makers appearing in interviews continue to feed the vicious circle. The feeling of helplessness, the inability to understand, steer and control manoeuvres in foreign countries present new challenges to established organizations. It appears the challenge has become too much for some actors; they conclude they won’t make it and surrender. They no longer have the strength to fight for development, but find themselves trying to survive. At the local level, among the SMEs, the export challenge calls for new forms of knowledge and skills as well as capacity of self organizing. This case study attempts to examine how the challenge is perceived by businesspersons and actors, and if and how SMEs are coping.

This specific interview is not with the respondents specifically selected for my dissertation work, but the voice of this particular furniture producer provides an adequate picture of many other interviewees’ (SMEs) current situation, and therefore I have decided to include this quotation, even if it is not part of the research carried out for my doctoral thesis.
As internationalization and exports emerged as the challenge which would be investigated and described in this case study, I imagined that the narratives from the interviewees would depict the unease they feel concerning the growing competition from low cost countries. I was clearly affected by the last few years’ animated debate on “the threat from China” and many stories about how low cost countries were surpassing Western Europe, and ruling the market. When I carried out the interviews, I would come across businesspersons who talked about the challenges implied by low cost production countries. Some of them also did claim that they felt that this would be a threat to their own company and to other SMEs in the neighborhood. The narratives from the interviewees depict, however, as we will see, a somewhat different generally constructive picture of the situation as perceived by the SMEs.

This case study is, however, not concerned with disputing the widely diffused narrative about the globalization of markets and delocalization of medium or big industries. The concept “internationalization” is studied from a bottom-up perspective, allowing for exploring the phenomenon from a somewhat different angle than the common, which often focuses on the competition from low cost countries as such. The narratives of the interviewees prompt us to reach beyond the conception of the phenomenon as a mere threat. In the minds of businesspersons and actors who define the challenges and explore some of the self organizing processes which deal with internationalization and exports in a constructive manner, internationalization doesn’t necessarily mean facing an impossible problem, but rather to deal with challenges and seizing opportunities. In such local policies, internationalization and exports imply the possibility to get to know and to trade with new markets in unfamiliar (sometimes distant) geographical areas.

8.1 The lifeworld challenge

So, if low cost competition is not a serious challenge for businesspersons in Tuscany and in the County of Jönköping, what is then the actual lifeworld challenge? The challenge related to internationalization and exports, conceived by many of the interviewees, particularly in the furniture sector is the lack of knowledge about new markets, what to export and how.

This knowledge and these skills, despite the fact that they are indispensable for anyone approaching a new market, don’t seem easily accessible to businesspersons, and don’t appear to be offered by assisting structures to any greater extent. As a matter of fact, most of the businesspersons have organized internationalization and exports activities either by themselves or together with other companies. Few actors were mentioned immediately by businesspersons as examples of “assisting structures”. This was a bit surprising, since the
Numerous actors interviewed claimed to be working as intermediaries with export and promotion as one of their tasks. Therefore, I would perhaps have expected to find more examples of organizing processes in which existing structures would have played a more important role than what is the case in this study. Concrete examples of how assisting structures have collaborated with SMEs in the local policy are few. This goes for the County of Jönköping as well as for Tuscany.

### 8.2 Snapshot of the export-profiles in the two sectors and in the two regional contexts

Interviews carried out with businesspersons in the two industrial sectors studied in this research appear to indicate that export and internationalization is more important to SMEs in the furniture sector than in the metal manufacturing sector.

One explanation is probably that most of the metal manufacturing companies are subcontractors, and they are not actively promoting and selling their products directly on foreign markets, since their products are usually components in products assembled and sold by bigger companies. Components produced by subcontractors in the automotive industry are example of products indirectly exported.

A large part of the products of these subcontractors eventually end up on markets abroad. This is true for Italian as well as Swedish metal subcontractors in the metal manufacturing sector with whom I have carried out interviews. The most concrete examples of internationalization and exports in this case study are therefore related to the furniture producing enterprises.

One specific example from the metal manufacturing sector, which does involve some aspects of internationalization and exports, and which will be described here, is related to the company GT-group. GT-group will be described closer in the second section of this case study. As we will see, this example of local policy does not only deal with challenges related to international markets, but also with the dilemmas of subcontracting in the metal manufacturing sector which have already been indicated above.

The majority of the Swedish furniture SMEs involved in my research take on limited export, and the most common export country among the companies which actually do sell their products abroad is neighboring Norway. There are, however, a handful of Swedish furniture firms which also export to other
countries such as the USA, England, Japan and Germany. These are all companies considered design firms, i.e. companies which collaborate with designers to develop characteristic products.

The Italian furniture producers interviewed report to undertake export to many different countries. Russia, Japan, Germany, Benelux and France have been mentioned frequently. But there are also export activities going on in more distant countries such as Saudi Arabia and Australia.

8.3 Delimitation of the concepts export and internationalization

When analyzing and drafting this case study, I have sought to concentrate the analysis on internationalization of trade and export. Sometimes it has been difficult to separate export activities from general marketing. One such example is GT-group, referred to as a common trade office, thus not specifically mentioned as an export actor by the interviewees.

As we will see, when firms take the step into new markets (in this case, into foreign markets) challenges related to marketing appear to become more salient. Therefore issues related to marketing, which are also clearly related to Internationalization and exports have been integrated into the analysis and description of this case study, instead of being separated and explored in a specific case study.

It should be mentioned, however, the often recurring challenges related to marketing have been examined and described in another case study, collaboration with universities and R&D, where some of the narratives deal with businesspersons’ search for markets, development of specific niches and switching from being a mere subcontractor to developing own products by diversifying the production and/or applying innovative methods.

The concept internationalization as conceived and described in this case study has already been depicted above. One additional remark that I would like to make is that there would certainly be more to say about internationalization described as delocalization of production. Such processes have been going on for several years in both regional contexts, but is perhaps most salient in Tuscany.

The transfer of production from Italy to China by the important company Piaggio in the Province of Pisa is one example of a delocalization-process which appears to worry Tuscan companies. One of the businesspersons says: “In our
area there are hundreds of companies that, up until recently have guaranteed wealth and development. To be frank, when Piaggio turned to India and China to find low cost producers we would have expected the institutions to do more for us. We would have liked them to be more sensitive towards our needs and interests.”

There is some delocalization going on as far as furniture production is concerned. This is a tendency observed in both regional contexts. A couple of the Swedish businesspersons have told me that they send some of their leather and textiles abroad. One of them narrates that some of the details on sofas and armchairs are sewed abroad, since “Skilled labor is difficult to find in Sweden, and the labor found abroad is skilled and costs much less than the Swedish ever would.” Many of the Italian furniture producers have foreign subcontractors who take care of some of the phases of production (especially sewing) as well.

I will not dwell on this particular aspect here though. One of the reasons for leaving the aspects explicitly related to delocalization out of this case is that politicians and decision makers appear to have the capability to do little or nothing about these processes as such. Measures have been taken, but aim at encouraging and assisting in processes of R&D.

In the Province of Pisa one of the solutions was to establish Pont-Tech. Pont-Tech is a company, and at the same time, a local development office. It was established in 1997 as an initiative taken by public and private actors. The main mission of the company is to support and inspire technology transfer from the world of academia and research to the industry. Pont-Tech offers consultancy regarding technical support and research and it also works with training. S. Anna - the higher technical education in Pisa, Piaggio, the municipality of Pontedera, the Province of Pisa, the University of Pisa, the industrial association of Pisa, CNA in Pisa and the Municipalities of Calcinaia and Bientina are all members and owners of Pont-Tech.

One of the interviewees says: “Pont-Tech was established during a period when Piaggio and the subcontractors in the territory were having a difficult time. Piaggio was moving a big part of the production abroad, and the subcontracting industries were experiencing a drawback. Lately Pont-Tech has focused on two different activities: plastic and hydrogen. Some of the survivors among the subcontracting companies of Piaggio have attempted to diversify their production and to invest in new technology and Pont-Tech has been one of the actors involved in the research.”

The interviewee explains how Pont-Tech has changed its activity and, thus,

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105 Piaggio with headquarters in Pontedera (Province of Pisa) is one of the world's leading producers of two-wheel motor vehicles. The Piaggio Group was established in 1884. The company has a total of approximately 6,700 employees (about 3,000-5,500) of them work in the production plant in Pontedera. The Piaggio group has production facilities at 7 sites. In Italy: Pisa, Venice and Como, in Spain, India and China. Retrieved 17 December 2007 from: http://www.piaggio.com/
adjusted its activities to the challenges of the territory. The interviewee describes Pont-Tech as “an infrastructure working with technology transfer.”

A more detailed description of Pont-Tech and its activities will be provided in the case study collaboration with universities and R&D.

8.4 Challenges as described by the SMEs

The core challenge lies, hence, in finding the right resources. Challenges mentioned by businesspersons already undertaking exports appear to be similar to those mentioned by businesspersons who do not.

“One of the main challenges is to find the right channels and adequate assistance when entering into new markets. Another challenge lies in the fact that development is extremely fast, and that one always has to be ahead with new collections, yet the culture of the company needs to remain intact. The intrinsic value of furniture is more than mere design or image”, says one of the Tuscan furniture producers.

One of the Swedish businesspersons appears to be of the same opinion: “One of the difficulties is to find the right agent in foreign markets. Selling furniture produced in a family-owned company with a specific profile and a history of more than a century requires certain sensitivity, and more than mere marketing skills. It is important to us that we get along with the person that represents our company on foreign markets. Another difficulty with the agents is that they often ask the exclusive right to sell furniture in one foreign market, and that they ask a considerable provision.”

The coordinator of a Tuscan furniture consortium asserts that marketing is difficult, and that knowledge about specific markets is crucial for firms who want to go international. One difficulty is that the price for entering foreign markets tends to be high. “There are many trading-companies, agents and consultants trying to make money out of export, and whenever there is need to involve such a person in an export-situation it is important for us to select the right resource. This is difficult if the market is unknown to the firm”, says the interviewee.

Even if SMEs know that certain organizations work with issues related to internationalization and exports, they might choose to try to organize their own solutions, instead of contacting assisting structures.

A general critique expressed mainly by the Tuscan businesspersons towards intermediaries such as business organizations and institutions is that some of the organizations, such as the Chamber of Commerce, CNA, Confindustria, and The Swedish Trade Council, etc. are expected to be able to handle the
challenges and problems of all sectors, while the market requires specialization and sharp niches.

**Furniture producing SMEs**

One of the Tuscan furniture producers depicts the tendencies during the last couple of years as follows: "When actors like IKEA enter the market, firms try to diversify their production in order to position themselves. Every firm has their own way of coping with this adjustment. It is true that it is difficult to face the competition from China for instance, but up until now I haven’t seen any Chinese company working with specific market niches. We, and many other companies in the furniture sector have chosen to niche our products in order to face the challenge of competition. It is not easy. Marketing is more time consuming and furniture producers’ investments in design has increased lately. I think that any additional investment made by national or EU funding made in marketing and design would be cordially welcomed by our business sector. There have been some activities aimed at supporting firms in this kind of processes, but the business community could use more of it."

A Tuscan furniture firm which has grown, from being a local artisan producer of sofas for the Italian market to exporting 100% of the production provides a clear picture of how the firm has managed to survive, adjust and develop throughout the years: "The firm was originally a typical, traditional artisan producer of carcasses for stuffed sofas and armchairs, established in 1969 by my father. When I and my brother took over the company we started to collaborate with artists and we participated in interior design projects and exhibitions. Today 100% of our production is exported. Everything is not made here; a considerable part of the production is undertaken by external collaborators. The right solution for us has been to niche the production, and to target on “luxury”. The competition has been felt for many years now, but we have faced it, and combated it by moving on the market and by going international. We do have a shop in China, but in our opinion one cannot focus exclusively on China neither as a competitor, nor as a client. Instead we have concentrated on collaborating with the best shops in Berlin, Holland, Belgium etc. The Chinese products are very competitive in market-segments that distribute via big chains. We don’t compete with this kind of producers. We have chosen to niche our production, and thereby we avoid competing with producers with long series of standardized products."

A *niche* doesn’t necessarily have to be based on modern design as it is perceived in occidental countries though. The internationalization process permits for producers to find market shares all over the world. For example, a Tuscan export consortium of 20 firms produces tables, sofas, armchairs, chairs,
cupboards, etc. in a quite different style, far away from the modern design furniture of the majority of producers interviewed for this thesis. Albeit ‘out of date’ in the eyes of occidental Europe, the consortium works within a niche, and exports to countries such as Russia, Ukraina, Uzbekistan and Siberia. The consortium is doing quite well: “Our furniture is a status symbol in those countries. Saudi Arabia is growing as a market, not only for exporting furniture, but also as a possible market for us to collaborate in big interior design projects. Previously we had a quite favourable market also in Taiwan, Korea and Japan, but unfortunately low cost producers have copied our furniture, and we have even come across pictures of our own products used in brochures to sell cheap copies in Asia!”, says the interviewee.

One of the Swedish furniture producers narrates a similar story: “The competition is tough, the pressure from low cost countries is always present, but we have chosen a completely different direction when producing and consuming. We believe that our firm safeguards values which cannot prevail in low cost-production. We don’t have the slightest chance to compete with the price anyway. This exaggerated obsession with the price, the attitude that everything has to be as cheap as possible worries me. I believe that somebody pays also for a too far-driven low cost production.”

Reading the previous comments, it seems that the survivors on the market are (furniture) firms which have faced the challenges of low cost production some years ago, when the first signs of international low cost competition could be felt. Firms claim that they do conceive the competition, but that their solution, namely to work actively to attribute specific characteristics to furniture, in order to target a market niche, appears to have worked out quite well.

Niches are specialized products, and firms can therefore not expect to conquer an entire national market. Furniture producers with a characteristic design for a specific niche therefore need to go international. There are survivors among the businesspersons though, who have endured the competition of the last decades also without confronting the export market. This is true mainly for the Swedish furniture producers. A handful of the Swedish interviewees don’t undertake export activities. Swedish furniture businesspersons, who claim not to carry out any export at all, generally sell some small percentage of their production in Norway. The reasons for not exporting are various. Some say they don’t know where to start. One of the businesspersons claims that his company is undergoing considerable internal, strategic changes, and that one of the decisions taken lately has been not to participate in export projects. Others report to be curious about export, but that the company has prioritized other activities instead.
Metal manufacturing SMEs

When interviewing the metal manufacturing businesspersons, I have found mainly one example of an internationalization/export strategy, namely GT-group in Sweden. As previously described, the strategy builds on collaboration among Swedish metal manufacturing firms to maintain the production of some high quality and composed products, while buying standard components from low cost countries. Several metal manufacturing companies, especially in the County of Jönköping have told me that internationalization, and competition from low cost countries initially was seen as a threat, and that it is still felt, but that businesspersons start to re-gain some of the customers that they had previously lost. It appears, hence that the true challenge lies not in the competition from low cost countries per se. It should be mentioned here though, that the examples provided below are all narratives from the County of Jönköping.

One of the businesspersons tells me: “Some year ago a customer who bought components from us called, and told me that, unfortunately he would have to change sub contractors. He had found a considerably cheaper alternative in China. He told me that he would have liked to stay loyal to us, and also informed me about the new price offered by the Chinese subcontractor. I stated that the price offered by the Chinese was equal to the cost of the material for us, and that we thus didn’t have any possibility whatsoever to compete. In order to keep the business between us, to help the customer, and in order not to remove all of the production from our plant we made an agreement that half of the production should still be carried out by us, half of the production was going to be handled by the Chinese company and if the customer would be satisfied with the Chinese producer, we would gradually cease the contracting to our company. A couple of months later the customer called me and asked us to take up the entire production again. He was not satisfied with the components; they didn’t fit in completely in the whole system. You see, one of the most important aspects of producing components that make up a part of a total system, such as an engine for instance is high precision and to keep delivery times. Our experience is that competition from low cost countries hasn’t struck as hard as we first expected. I know that we are not the only firm in this area re-gaining old customers.”

Firms producing components often invest heavily in high quality machinery. This makes them competitive also in relation to producers in low cost countries. As told by one of the Swedish businesspersons: “A machine has the same price on the market in Sweden as in China.”

One of the founders of the GT-group (a Swedish trade-company in the metal manufacturing sector which will be described thoroughly in the last section of this case study) holds: “The threat from low cost countries is always present, but if
we can organize production by collaboration, perhaps we can keep the high-quality production here, and leave the big standard-component production to low cost countries.

**Businesspersons disappointed with services offered**

Some of the businesspersons report to have been in contact with institutions and organizations, and claim to be unsure of what the actors have to offer. Some also express disappointment about services delivered, or expected but never delivered. All of the criticism provided below has been collected from interviews with Tuscan businesspersons. Tuscan businesspersons have expressed a stronger criticism towards organizations than businesspersons in the County of Jönköping.

In Tuscany, as we will see, more than one of the interviewed businesspersons complains about the actors’ lack of knowledge about the specific profiles of the furniture producing firms. Businesspersons claim that participation at a fair should be planned carefully, and firms should be selected so that competitors with similar profiles don’t have to exhibit in the same stand, or very close to each other. One of the businesspersons tells me that he would have liked to participate in fairs in Russia, coordinated by SPRINT (the local internationalization office localized inside the CNA⁶⁶), but SPRINT selected a handful of furniture enterprises producing very similar products. Since he presumed it wouldn’t have been possible to do any business, he decided not to participate. Another actor is doubtful about the SPRINT and what they do: “The SPRINT office was intended to become a local institution for dealing with export and internationalization. It has been around for three or four years now, but I feel somewhat dubious about what they are doing and if they have yielded any results.”

Another frequent criticism addressed by businesspersons is that actors do not have specific knowledge about industrial sectors. Actors work with too many activities at once, and are not specialized on any activity or sector. One of the Tuscan furniture producers criticizes the conditions: “Export is a demanding activity, requiring specific knowledge of the firms and the products that they want to export. The chamber of commerce is one of the many associations working with all industrial sectors at the same time, and in my opinion they have no specific knowledge or expertise of the furniture sector. This makes it difficult for me to leave an export project in the hands of the chamber of commerce or any other organization of this sort.”

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⁶⁶ National Federation for the Craft sector and Small and medium Enterprise of Italy
Another recurring criticism, which can also be found among the Swedish businesspersons (though not specifically related to export) is that programs and strategies are not financing the right activities. For instance, funds destined for export projects don’t finance travels. One of the businesspersons says: "A couple of years ago, we received co-financing from the Region to elaborate a business plan for export, but the administration was quite demanding. For instance there were restrictions on how the money could be spent. Travels were not considered eligible costs and so on. The project was not a happy experience to us, and now we have modest expectations on national or regional or any other co-funding."

8.5 Snowballing

Interviews carried out with actors in order to find out more about challenges and solutions:

In the County of Jönköping

GT-group: A joint stock trading company in the metal manufacturing sector. The CEO of the company has been interviewed. GT-group was mentioned by a handful of interviewed businesspersons in the County of Jönköping. This company doesn’t appear to have anything to do with strategies and programs drafted by politicians and/or other decision makers. It has been established to face challenges of internationalization as faced by SMEs in the metal manufacturing sector.

Exportrådet, The Swedish Trade Council: The responsible officer in the County of Jönköping has been interviewed. The association was mentioned mainly indirectly by a handful of the Swedish businesspersons, as well as other actors in the County of Jönköping.

Träcentrum: A business/development centre for firms in the wood/furniture sector: One officer and the Manager have been interviewed (at different points of time). The Association was mentioned by a handful of the Swedish businesspersons, as well as other actors in the County of Jönköping.

In Tuscany

ICE (Italian Institute for Foreign Trade): One responsible officer interviewed. ICE was vaguely indicated as one of the important actors working with export in Tuscany by a handful of interviewees.
CSM (Centro Sperimentale del Mobile e d’Arredamento in Poggibonsi): A consortium for SMEs, public institutions, private research-agencies etc. working in the furniture sector. One responsible officer interviewed. CSM was mentioned by several of the interviewed businesspersons and other actors working in the furniture sector as one of the important actors in the Tuscan territory, though the activities referred to were not always related to export activities.

Toscana Promozione: An agency supporting Tuscan businesses to compete on foreign markets, One responsible officer interviewed. Toscana Promozione was not directly indicated by any of the businesspersons, but mentioned by several of the rest of the actors, such as representatives of associations and institutions.

Promofirenze: A special agency of the chamber of commerce of Florence engaged in the starting up, development and internationalization of businesses on the Tuscan territory. One responsible officer interviewed. Promofirenze was not directly indicated by any of the businessperson, but mentioned by several of the rest of the actors, such as representatives of associations and institutions.

There are numerous Tuscan organizations identifying export as one among several responsibilities: CNA, the chamber of commerce, Confartigianato, Consorzio del Mobile in Quarrata (The Furniture Consortium in Quarrata, Province of Pistoia) and Confindustria.

I have carried out interviews with representatives of all of these associations, though discussions didn’t only relate to export and internationalization. CNA, Confindustria and the Furniture Consortium in Quarrata have detailed specifically on their activities related to export. Therefore I have included and shortly presented these actors’ narratives in this case study, without giving them a specific heading.

In Sweden, I was immediately referred to GT-group, Träcentrum and Exportrådet as concrete examples of actors involved in export activities, and was also provided names of responsible officers. The export project initiated by The Swedish Trade Council and Träcentrum had just started at the point of time when I carried out the interviews. The dialogue with the interviewees (the officer and the manager) did not focus particularly on exports. For this reason the export activities carried out by Träcentrum have not been presented under a specific heading, although the export-project is described indirectly in the interview with the regional officer representing The Swedish Trade Council.

It was more difficult to find specific persons and/or institutions to contact in Tuscany than in the County of Jönköping. At first sight, there appear to be more concrete examples of export activities going on in the County of
Internationalization and exports

Jönköping than in Tuscany, and several of the Tuscan businesspersons claim to have taken care of export issues themselves.

In Italy one of the most common initiatives taken by business organizations, Chambers of Commerce, and governmental institutions (such as ICE, Italian Institute for Foreign Trade) to assist (especially furniture) firms in internationalization and exports, appears to be participation in fairs abroad.

Participation in fairs appears to be a means less utilised by assisting structures in Sweden than in Italy, where mainly two actors; Exportrådet and Träcentrum assert to have collaborated with SMEs in fairs

When I carried out the first interviews with the SMEs in Tuscany, businesspersons would say things like: "I participated in a fair in Russia a couple of years ago, and think it might have been co-financed by ICE, but I’m not sure." As I started to ask if businesspersons could give me a name or an office to contact, businesspersons would say: "No, I’m sorry, but I really haven’t had any personal contacts with ICE, and I don’t know where you could start interviewing." Somebody told me: "Perhaps you could call their office in Rome." This is exactly what I later did, to find out more about export activities and how they were strategically programmed and carried out. An ICE officer in Rome advised me to contact the regional ICE office in Florence, Tuscany. As I met with the director of ICE, he gave me further directions to contact Promofirenze and Toscana Promozione. Staff at these two marketing and export-organizations provided concrete examples of how export projects are carried out and, as mentioned above, there are numerous Tuscan organizations identifying export as one among several responsibilities.

8.6 Concrete examples of organizing – County of Jönköping

GT-group

GT-group is a Swedish joint stock company owned by three competing, though friendly metal-cutting companies. It was established in 2005, and at the time for my interview it was about one year old. GT-group was mentioned by a handful of interviewed businesspersons in the County of Jönköping. It is also the only example of self organizing that can be found among the narratives in this case study.

The owner of one of the three firms that have established the GT-group says: "The Telecom-crisis struck hard against the business community in this area. We
had to dismiss some of our employees, but we have managed to find new customers, and worked ourselves up again. We have established a larger joint company together with two other metal-cutting firms in this area.”

The interviewee continues: “We consider ourselves good at producing, not inferior to Chinese or Polish. We are not good at marketing though, that is; we are not good at telling others that we are good. We’d like to see this whole region flourish, but this is not always understood by other firms who look at us with envy or suspicion. Before establishing GT-Group we didn’t have any selling-organization, but now we do have one such organization in common through GT Group. We set our hopes on this because, as I said, we are not good at marketing and at finding the jobs. Before the customers found us, nowadays it’s the other way around; we must find them. In the past we have been doing some marketing through advertising, and by participating at ELMIA Subcontractor. We have found new customers through ‘word of mouth’, that is; potential customers have talked to our existing customers and friends who know our company asking for help in finding a subcontractor that could help producing a certain component. This whole concept builds on good relations and good reputation, but of course it is not sufficient in an international context.”

I talk to the manager and the only employee who has several years of experience of working with selling and buying in the metal manufacturing sector, and who has brought business contacts from all over the world into GT-group. Since the businesspersons interviewed often mentioned trading as a fairly new phenomenon, which comes along with internationalization and global trade, I ask the interviewee if he considers GT-group a trading company: “Personally I would not call it a trading company. I consider trading a notion that has taken on quite a negative connotation. I believe that it is because trading makes people think of low cost imports from Asia. It is simply about buying something and then selling it again. I don’t consider us a trading company though. Sales-company would be more proper, because that’s what I do, I buy products from one of the companies and sell them to a customer. This customer can be Swedish or from any other country. Products can also be bought from local producers or producers abroad, since we have a wide network of producers and customers all over the world.”

The interviewee defines the network and knowledge about actors on the market essential for GT-group, as well as other firms. He describes how the Internet seems to have favoured firms’ possibilities for developing business networks: “It is true that it has become extremely easy to find the name of, say a subcontractor in Asia on the Internet, but it is difficult to know if the firm can be trusted. There are plenty of tricksters around, and making businesses with them can turn out dangerous for a firm that might not have space for risking financial resources.”
The discussion to establish GT-group was initiated by the IUC in the Gnosjö-region, a regional business development center. One of the interviewed founders of GT-group describes the process that led to the establishment of the joint stock company. The interviewee tells me that the initiative was taken by the IUC, and that there were a handful of companies present at the initial meetings coordinated by the IUC. The interviewee describes the background as follows: "IUC had gathered a number of companies possibly interested in collaborating regarding trading. The majority of the companies present saw the need of acquiring new knowledge on international markets and to find new customers abroad as well as for collaborating to satisfy our clients. We met several times with the IUC about this and initially we were excited and optimistic about it, but as time went by we felt that we were wasting precious time. Some of the companies simply got tired, lost interest and stopped showing up", says the president of GT-group.

As a matter of fact, this narrative is re-confirmed as I talk to the businesspersons who participated in the meetings, which later led to the creation of GT-group. One of them states: "The meetings were organized by IUC, and aimed at helping us businesspersons collaborate and coordinate our trading activities. IUC are good at coordinating projects, but sometimes when institutions get involved, ideas are discussed endlessly. The whole thing came to nothing. I was one of the businesspersons who decided to give up, and pull out of the group. Three firms stayed, though, and they later established GT-group."

Another businessperson narrates a similar story: "I gave up, and pulled out of the group. I guess that the initiative came from the wrong direction, and it was discussed endlessly. Of course we, the businesspersons considered it a good initiative, and we were interested, but we just felt things went much too slow."

One of the founding businesspersons says: "Left was, however, a core of three companies and we decided to go on by ourselves, without the rest of the companies and so we did. We discussed some persons that we thought could be suitable for the post as president, and we found one with many years of experience and practice in selling organizations in Sweden and abroad."

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107 IUC in the Gnosjö-region is owned by 90 enterprises, 3 local sectors of the labor union for employees in the Metal sector and one labor union for employees in the industrial sector. The mission of the IUC is to add resources in processes of change and development by offering services such as capital, education and training, networking, project management and coordination. Two industrial clusters, one for the metal manufacturing cutting industries; Skärtenskentrum, and one for plastic manufacturing industries: Polymersenentrum are part of IUC. Retrieved 18 November 2007 from: http://www.iuc.gnosjoregionen.nu/?articleId=8&lang=SE

108 Vinnova’s notion of innovating systems is based on a definition by the OECD “The innovation system is a network of public and private institutions in which production, spreading and use of new knowledge and technology takes place” Retrieved 18 November 2007 from: http://www.iuc.gnosjoregionen.nu

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The manager of GT-group tells me that freight costs have become increasingly important as competitive weapons. The dream-order would be a customer buying products from ten different contractors, where delivery and freight could be coordinated by the GT-group. The European automobile industry is one example of such a customer that GT-group already deals with. Another challenge faced by the founding companies of GT-group as they decided to join together was the fact that each individual firm didn’t have enough capacity to make certain products required by the customers. The manager says: “One of the difficulties faced by our sub-contracting firms is that demands and the state of the market changes extremely fast today. This makes it more difficult than ever to plan ahead, and to answer to sudden demands. This goes not only for the availability of machinery and the space in the plants as such, but also the lack of professional labor. The solution to the problem may be to satisfy and keep the customer, by buying the production of the specific product from elsewhere.”

He continues: “There is nothing magic or new about GT-group in the sense that the success-formula is the same as always. What GT-group can do, and that any other SMEs might not be capable of doing is to use its knowledge and network to collect and use market information also external to the local context. It is all about entrepreneurship, collaboration to allow for the companies to grow stronger on an international market and using information, contacts and networks that one can trust. We are doing really well at the moment, and there is good potential to develop the business.”

The Swedish Trade Council

The Swedish Trade Council is the Public (governmental) institution with the task to facilitate the entry and growth of Swedish businesses into foreign markets, and to assist businesses by providing: “all services required to establish a company and its products, services or ideas in new markets.” Another task is to: “help to reinforce the image of Sweden as an attractive country to do business with.”

Another objective of the council is to: “contribute in different ways to increase business contacts between Swedish and foreign companies” and to “arrange bilateral events such as seminars, fairs, press-trips and match-making projects.” The Council is represented on the national territory with one office in every Swedish county. A handful of businesspersons in the County of Jönköping mentioned Exportrådet as an important actor in export matters.

I have come across a few furniture companies with positive experiences from collaborating with The Swedish Trade Council. One of them has asked for help when operating on the German market. Another firm has participated at a fair in 2006 in Japan. The Swedish participation was coordinated and facilitated by
an architect financed by The Swedish Trade Council and the Swedish Association for Wood and Furniture producers.108

Yet another businessperson working with interior design in the County of Jönköping has positive experiences from contacts with Exportrådet: “We have done some business in the USA, and it all started with a contact with Exportrådet in Jönköping. The regional exportconsultant does her job really well, and she can forward specific questions or ideas to her colleagues abroad.”

One of the companies with exports relatively low when the interviews were carried out is involved in an export training project, a series of seminars initiated by Träcentrum. Exportrådet is also involved in this project. It started at the time when the interview was carried out, therefore it was too early to evaluate. The businessperson states: “We have a couple of agents in Norway, and we have asked around a little for agents in Northern Europe, but we don’t work much with agents. Everyone tells me that there ought to be a market in Germany and perhaps even in Russia for my products, but I need to learn more about export markets. I feel that a sofa in Germany and a sofa in Sweden are two different things. I hope to learn more from the seminars at Träcentrum, because I don’t know enough to face foreign markets without training.”

Some of the Swedish businesspersons (mainly in the furniture sector) are slightly dubious about the capacities of the Swedish Trade Council (Exportrådet). When such criticism has been expressed, I asked the interviewees to explain why they don’t consider Exportrådet an adequate partner in finding markets and promoting Swedish firms abroad. One respondent says: “The Swedish Trade Council doesn’t seem to have specific, but general knowledge about marketing. We believe that the furniture industry requires specific knowledge, just like any other sector. Many of us furniture producers don’t feel that the Swedish Trade Council is present in what we do. To us, entrepreneurship and marketing is about trust and contacts, and this kind of activities can’t emerge from administrative practices.”

Another criticism expressed about the Swedish Trade Council is that it is expensive to consult them. “I know of a businessperson who contacted the Swedish Trade Council to investigate the possibilities on the British or German market, and he eventually decided to leave the project for the future: one of the reasons for postponing was that he found the investment too high. The price certainly doesn’t speak in favor of collaborating with that organization”, one of the respondents says.

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108 A Swedish union for employers in the wood and furniture sector.
I have carried out one of the senior officers at The Swedish Trade Council in the County of Jönköping, in order to get a more general picture of how the association works. The Swedish Trade Council has been given a governmental mission, including specific activities for SMEs within specific industrial sectors considered as growth sectors. During 2006 the prioritized industries specifically indicated in the governmental mission as growth sectors were, among others: wood and furniture and subcontractors in the automotive industry.

The regional exportconsultant in the County of Jönköping describes this mission as a part of a strategy to reach out in the Swedish regions and to improve the relations with SMEs. “People think that we work mainly with bigger companies, and I have heard that we are considered expensive”, she says. The mission permits her and her colleagues to make an effort and change this image, since one of the initiatives integrated in the governmental strategy involves working with one or a group of companies for three days (or six half-days) of free consultation by the regional exportconsultant. Firms studied in my research, SMEs in the furniture and metal manufacturing sectors are important target groups for this specific mission.

The interviewee says: “It is crucial to prepare the export project thoroughly for example by working out a business plan for the complete project. Businesspersons in SMEs are not always used to doing this, and do not always have so many resources for marketing. Sometimes they are even accustomed to waiting for the contact and the order from the customer. Businesspersons may, therefore, be a little frightened when we talk to them about business plans. They do not always have the required resources, time and money, to prepare a proper export business plan. It is our job to ease the burden, ask the right questions to define the challenges faced and the marketing possibilities that exist for the firm and, thus, to assist the company in developing the plan.”

The interviewee continues: “Furthermore it is important that firms do their homework, since the Swedish Trade Council can only do their part, that is, to guide and advice the firms.” The interviewee explains that working out a business plan is one step in a model that is used by all regional exportconsultants in assisting companies. This model involves four working meetings with the company. The interviewee adds: “In the time between the third and the fourth meeting the firms are expected to approach a new market. This means for example planning a business trip to the country in question. After this last meeting the regional consultants’ task of preparing and strengthening for entering in foreign markets is usually completed, and the firms are forwarded to one of the offices around the world, where my colleagues can take care of assisting the companies in enacting the business plan, booking visits and so on.”
The regional export-consultant collaborates mainly with municipal officers in charge of industry and trade, ALMI företagspartner and occasionally with EIC and Location Scandinavia.

The interviewee says that an export project initiated by Träcentrum in Nässjö involving The Regional export office just started. A handful of companies have expressed interest in export. When this interview is carried out, Träcentrum, the firms and the regional export office had agreed on meeting on a few occasions to discuss possibilities and challenges related to exports. Contacts have also been taken with Jönköping International Business School since one of the business development projects; KrAft hosted by the Jönköping International Business School also involved export.

8.7 Concrete examples of organizing – Tuscany

I have not found any examples of pure self organizing in the Tuscan context. The difficulties encountered have been touched upon in the section “Snowballing” above. I have, however, interviewed organizations and actors mentioned vaguely by the businesspersons and/or indicated by interviews other than businesspersons.

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109 ALMI företagspartner is owned by the Swedish state, and is the parent company of a group of 21 subsidiaries, which are 51 per cent owned by the parent company. Other owners are county councils, regional authorities and municipal cooperative bodies. The boards of the subsidiary companies are made up of politicians, local business representatives and organizations with links to the business world. Operational activities are run in the regional companies. The task of the parent company is to be responsible of management, coordination, development of products and activities plus the servicing of group-wide functions. ALMI offers different types of business consultancy, depending on what kind of challenge is faced by the company or the company to be. Activities are organized into three business areas based on the different needs of clients: innovation, new enterprises and established businesses. SMEs is the target group for ALMI. Information retrieved 18 November 2007 from: http://www.almi.se/almi_in_english.html

110 Information retrieved 18 November 2007 from http://www.locationscandinavia.se: “The main task of Location Scandinavia is to make it as simple and attractive as possible to establish operations in the County of Jönköping. Our work takes place in close co-operation with the regional and local parties concerned with business promotion in the County of Jönköping, and in association with ISA, the national authority Invest in Sweden Agency.”

111 Träcentrum is a business/development centre for firms in the wood/furniture sector. The center is a foundation by 35 companies and two municipalities. Träcentrum develops and offers services in three main areas of development: business, products and production. Träcentrum also manages projects and training courses in these fields. Projects generally focus on marketing and networking. Information retrieved 18 November 2007 from: http://www.tracentrum.se/page.asp?lngID=167&lngLangID=2

112 A detailed description of the KrAft-programme can be found in the case study entitled Collaboration with universities and R&D.
The Italian Institute for Foreign Trade, ICE

The Italian Institute for Foreign Trade was indirectly mentioned as one of the important actors working with export in Tuscany by a handful of interviewees. It is a public agency under the Italian Ministry of International Commerce, responsible for developing, supporting and promoting Italian economic and commercial relations with foreign markets. SMEs and consortia established by SMEs are of specific importance as a target group for the activities of the institute. ICE is in charge of preparing a promotional programme in close collaboration with the Italian Ministry of International Commerce, and coordinating and monitoring the implementation of the planned activities. ICE has a network consisting of 16 Italian offices and 107 offices in 84 countries in the rest of the world. 

ICE organizes participation in fairs abroad, often in collaboration with regional actors and firms. ICE and other regional actors usually finance the fair stand. The stand normally makes up about 70% of the participation cost. The exhibitor generally pays for his/her trip and lodging, which would be equal to about 30% of the financing.

"ICE works partially", says one of the interviewed businesspersons. The interviewee continues: "We have collaborated with ICE in Rome or with ICE’s offices abroad on some rare occasions, when we participated in fairs. I know for sure that we have collaborated with them at a fair in Russia. The participation was coordinated by ICE. When one is about to enter into a new market, it is good to get information from ICE. But I believe that they should be much more concrete when it comes to assisting companies. The assistant should, literally, take the company by the hand."

One of the CEOs of the metal manufacturing companies has been assisted by ICE during a business trip to Switzerland and the Arab countries. The businessperson does not consider these visits as "very useful." He says: "We have been invited to make other business trips together with ICE, but we refrained from participating. Even if the trips are subsidised, they do cost us quite a lot of money, therefore, it is important that we really get something out of them." Although this company didn’t yield the desired result, the interviewee says he knows other businesspersons who have been more successful. "Subcontractors who develop and refine a specific product have found new markets, and I believe such companies have been helped by ICE."

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114 ICE deals with other tasks and initiatives as well, for instance: information and consultation on promotional initiatives, laws and regulations for trade and export, assistance and training.
One of the businesspersons believes that "ICE is an institution merely assisting FIAT and other giant companies", and he has therefore never been in contact with them. The director of ICE refers to the difficulties related to the fact that the majority of Tuscan SMEs are very small, thus, it is difficult to reach them and to provide adequate assistance in export-related issues. He says: "In Tuscany there is a rich network of intermediaries in associations, consortia and the like, and Regione Toscana distributes information about the possibilities that exist for participating in different initiatives such as fairs or other promotional projects." He continues: "But, as for the ICE-office here in Florence, I would like to be able to employ one or two extra advisors, so that we could establish a more stable contact with firms, and visit them, thus be more present and available for them. I also think that all of the actors working in exports could possibly improve their evaluation practices and understand what actually comes out of the sum of all our activities. This would possibly also make us better at collaborating among actors in the long run. With so many actors involved, we need to get better at using the resources more efficiently, and to achieve synergies."

Centro Sperimentale del Mobile e dell’Arredamento, CSM

CSM is a consortium consisting of SMEs in the furniture sector as well as public institutions, private research agencies etc. Activities carried out by CSM are principally: promotion and internationalization, innovation and research and education.\textsuperscript{115}

CSM is mentioned by several of the interviewed businesspersons and other actors working in the furniture sector as one of the important actors in the Tuscan territory, though the activities referred to are not always related to export activities. This is, thus, yet another example of an association in Tuscany working with more than one of the challenges faced by firms, thus not working exclusively with exports. Promotion on new markets and exports is, however, considered important for many of the furniture firms. CSM collaborates, therefore, with Toscana Promozione (see presentation further ahead in this section), ICE and other actors in Tuscany as well as consultants, to assist companies in export issues. For instance, CSM has managed a project targeted at India, involving a market analysis and contacts with approximately 70 of the most important actors of the Indian market, linked to distributors all over India. About 150 Tuscan companies have been involved in this initiative. A so-called incoming activity has also been organized, through which Indian operators have visited Tuscany and potential furniture suppliers. According to the interviewed director, this activity has been successful.

\textsuperscript{115} Retrieved 17 November 2007 from: http://www.ice.gov.it/ice/default.htm
One of the specific projects carried out by CSM in collaboration with a number of businesspersons in the furniture sector has been described thoroughly in the case study on collaboration with universities and R&D, although it also involves internationalization aspects.

Several of the businesspersons recognize CSM as one of the important actors in Tuscany, dealing with exports and internationalization, among other things. Few concrete examples have, however, been given by interviewees. The following provides an idea of collaboration with CSM, regarding exports: "We haven’t been collaborating with CSM for a long time, but I believe that they are carrying out some activities which will become useful for the companies. They can act as intermediaries in international contacts and projects, expositions and fairs. These are all activities of general interest to firms. Another example of collaboration between institutions, associations and SMEs that I believe is appreciated by the firms is the assistance that firms can provide young persons with for periods of internship. Such activities are already carried out but could, of course, be intensified and widened."

Another businessperson describes CSM as an intermediate body between firms and more formal institutions or authorities (such as Regione Toscana): “CSM has taken some initiatives and carried out some activities lately making them a point-of-reference to us businesspersons. We have collaborated with them as we participated at a fair in New York, for instance.” The interviewee goes on: “I believe that CSM is more a body of one or two persons than an institution. Giuseppe Bianchi 116 is such a person. There are also other consultants working with the CSM who collaborate with the University and other institutions, and who make things happen.”

A third businessperson says he has never collaborated with CSM, but that his impression of the center is positive: “I paid a visit to CSM on the occasion of the closing of a project called Made in Italy, about the possibilities in new markets for Italian furniture. CSM had carried out an in-depth-study, a sort of benchmarking particularly in the USA and Australia. I found the meeting very stimulating and interesting, and I also made some new contacts at that meeting.”

The coordinator of a Tuscan furniture consortium mentions CSM as one of the few organizations and institutions with which the consortium has entered into contact: "We do have some contacts with CSM and in this case they provided some addresses to representatives that could possibly be of help as we visited Bombay in India on one occasion”, he says.

116 The responsible manager of CSM (author’s own comment).
But, among the interviewees, there are also businesspersons raising critical voices concerning CSM and its activities. "CSM doesn't do a lot for us", says one of the interviewees. "Some activities aimed at opening up new markets have been carried out. The firms achieving benefits are, however, few. CSM coordinates and organizes visits in fairs. We have participated in one of them in Shanghai, but it yielded no result at all. " This interviewee claims to have no idea about why CSM doesn’t work, or how the centre could possibly improve: "I really don’t know. CSM does carry out some research, but perhaps it is carried out on a level that is too high for Tuscany?"

Another businessperson critical of CSM provides some ideas on how CSM could improve: "CSM is involved in too many activities, and runs too many projects. This is a waste of time and money. Projects must have a clearer focus on actual needs. One example of how CSM fails in carrying out useful activities for firms is when CSM goes to a fair with ten companies who make sofas. These companies consider themselves competitors, and perhaps their products are even too similar. Another example of when CSM is not acting correctly is when they invite foreign representatives to visit Tuscan producers. In these cases CSM must make sure that the invitations go to the buyers, to representatives of medium or big firms or chains, not to official representatives as vice-presidents or other politicians as happened in the past."

**Toscana Promozione**

Toscana Promozione is an agency supporting Tuscan businesses to compete on foreign markets by organizing seminars and workshops and by assisting Tuscan businesses which participate in national and international trade fairs. Toscana Promozione implements initiatives of international co-operation; it financially and technically supports projects of economic promotion proposed by private persons. Furthermore, assists foreign businesses that want to establish themselves in Tuscany. Toscana Promozione also offers insurance, financial, promotional services and consultancy to Tuscan businesses through the Counter for Internationalization (Sprint Toscana). Activities are carried out within three sections: Agriculture and Food Industry; small and medium industrial businesses/quality craftsmanship and tourism. Toscana Promozione has offices in Florence, New York, Shanghai, Moscow and Frankfurt.

"The basic financing is provided from several different public sources: Regione Toscana and the government (through ICE), Unioncamere and ENIT.”

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118 The national organization for the Chambers of Commerce (author’s own comment).
119 The national tourism-board (author’s own comment).
addition, specific occasional projects are carried out, financed by European funds. Strategic plans (synchronized with national promotional plans) are designed annually, but it is important to arrive at long-term-planning, since many of the activities such as the participation in fairs need to be repeated. The first year of participation in fairs abroad usually doesn’t yield concrete results. So far we have put quite an effort into trying to arrive at long-time planning, but we hope to improve”, says the interviewed officer.

When strategic planning is carried out, activities are listed and the potential number of participants in a certain activity is estimated. The cost of the activity and the participation cost for the firms is calculated, and potential participating firms are contacted. Toscana Promozione often cooperates with the Chambers of Commerce (CAMCOM) in the provinces.

CAMCOM has databases with e-mail addresses of the firms and publishes newsletters etc which can be used for contacting the firms. But, says the officer: “it happens quite often that firms call me or my colleagues directly.” One example of an activity carried out is the Meuble fair in Moscow. The participating firms have to pay a participation fee to cover the lodging and the trip, while the stand and the services and promotion related to the fair, e.g. translation-services, advertisements in the catalogue, etc. were taken care of by Toscana Promozione.

The interviewed officer says that Toscana Promozione has a wide network of collaboration: “The partners differ in relation to the various activities. Sometimes we have collaborated with Monte dei Paschi di Siena and their partners on specific markets, sometimes we collaborate with the Tuscan provinces, consortia such as CSM in the case of the furniture industry. We have even cooperated with private PR-firms every once in a while”, says the interviewed officer. I ask if Toscana Promozione is specialized also in different industrial sectors. The officer answers: “No, we are not specialized on different sectors, even if some of us have specific backgrounds in certain professional fields that might make us more fit to work with a specific sector. Instead we try to link competences to different activities. We collaborate with CSM if it is about furniture, S. Anna and Pont-Tech when we are dealing with two- and four-wheel vehicles or new technologies. Sometimes we contract consultants in specific fields.”

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120 Chambers of Commerce are defined as “autonomous public institutions” according to the Italian law: 580/93. In Italy, membership in the Chambers of Commerce is obligatory. Some of the tasks of the CAMCOMs include assistance in: set up, development, registration and certification of firms, investments abroad, foreign trade etc. Information retrieved 18 November 2007 from: http://www.cameradicommercio.it/tool/chiamiomi.asp

121 A Bank present on the entire Italian territory, established in Siena in Tuscany in 1472. Information retrieved 18 november 2007 from: http://www.mps.it/La+Banca/

122 School for higher technical education in Pisa
The officer tells me about a project carried out in collaboration with two other regions, Molise and Piemonte. Molise has an important subcontracting industry in the automotive industry (FIAT), FIAT has its biggest and original plant in Piemonte and one of the most important industries in Tuscany is Piaggio, the first enterprise to produce the famous Vespa. The intervention was made as a course in marketing in two areas, Maghreb in Tunisia and Sofia in Bulgaria and included one mission in each one of these areas. The mission was followed by a so-called incoming event, i.e. potential buyers were invited to pay a visit to Italy. The evaluation has not been finished yet. The officer holds that there are probably improvements and adjustments to make if the activity is going to continue.

Also this officer appears to be of the opinion that there are too many actors involved in export and promotional activities abroad. "I hope that we can achieve a situation in Tuscany within a few years time where the resources are more confined to a limited amount of actors, and that we can get better at synchronizing our efforts and the promotional plans among actors", he says. One of the aims of concentrating the efforts would be to improve the services to the clients, Tuscan firms.

Another actor working with exports as one among many issues is Confindustria. This organization informs its members about possibilities to participate in fairs, partner search, co-financing, etc. Confindustria has created five consortia for exports. The member companies are neither mainly to be found in the furniture, nor in the metal manufacturing sector. The interviewee, an officer working with Confindustria, tells me that there are a few success-stories mainly with marketing underwear at fashion fairs in France.

The officer claims that Toscana Promozione strongly supports the regional industry, and mentions a few examples of collaboration between the two associations.

Toscana Promozione has co-financed several of the export activities. The officer says: "We call Toscana Promozione to get assistance with contacts abroad. In Northern Africa they have helped us contact hotels, potential customers of interior design and furnishing firms" Other successful export-consortia mentioned by the interviewee are: clothes for children, foodstuffs and textile etc. I ask the interviewee to mention some good examples of export projects carried out in collaboration with one or both of the industrial sectors metal manufacturing

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124 Confindustria is an association representing industries in the manufacturing, construction, transportation, energy, ICT, tourism and service sectors in Italy. Confindustria works mainly with topics related to politics and economy, social issues and the labor market, policy issues, international competitiveness and the general representation of interests of its members Retrieved 18 November 2007 from: http://www.confindustria.it/Conf2004/DbDoc2004.nsf/58ae82493eea7079c1256fab00476bb6/3e8d5c8b52c1564c1256fda0055d85a?OpenDocument&MenuID=6639C65033A88656C1256FAB0050D952
and furniture. The interviewee answers that there are no particularly good examples of successful projects in these sectors. There have been some initiatives taken by the fairly new interior furniture design consortium, but the results can’t be evaluated yet.

Promofirenze

Promofirenze is yet another organization reported as one of the assisting structures related to export and internationalization. Promofirenze is a special agency of the chamber of commerce of Florence. Its main tasks involve assisting in establishing new firms as well as in the stages of development and internationalization.

The agency organizes, co-ordinates and assists businesses in fairs and other trade and business activities with foreign countries. The interviewed director of Promofirenze claims that participation in fairs is a less utilized marketing instrument than in previous years. He says that it has become increasingly important in the last couple of years not to work merely with marketing, but also to assist firms in delocalization processes, as well as supporting them as they enter into more complex markets. Promofirenze has even opened offices on several sites around the world such as: Beijing, Tokyo, Bombay, Casablanca, Moscow, S. Paolo, Lima, Abu Dhabi, Buenos Aires and Mexico City.

The director explains that different marketing activities are important depending on what kind of products the company offers, and that Promofirenze tries to support the companies with different needs.

The interviewee underlines that Tuscan companies can be expected to perform well on foreign markets if they operate in specific niches such as foodstuffs, wine, artisan leather products, design furniture etc. “Tuscan producers are not so good at mass production, and should instead invest more in exclusive and luxury items”, says the director.

One of Promofirenze’s tasks is to support firms individually as they start exporting. The preparation for launching the company and its products on a foreign market is designed as a kind of training, where one consultant from Promofirenze coaches the company with assistance related to its needs. The actual marketing event may be organized in collaboration with other firms coached by Promofirenze. The director tells me about a specific activity carried out for Tuscan artisan firms in a shoppingcenter in Tokyo.

The firms had gone through individual export training organized by Promofirenze, and went to Tokyo to display and market their product together. The interviewee says: "Our staff then helps the company to evaluate success and failure. For instance there was a producer of exclusive, hand-made chocolates who didn’t manage to sell his products. The consultants from Promofirenze suggested that he should make packages of four exclusive pralines instead of the package of 24 that he was first trying to market abroad. It may seem simple, but it worked, and turned out a success!"

This officer mentions some of the problems faced by the SMEs related to internationalization and exports: "Many of them are small or very small. A lot of them don’t even know English or any other foreign language. The cost for many of them to trial and error on foreign market is often too high. Participation at a fair may cost from 10 000-12 000 euros, and if they decide to go, they usually don’t have staff who are responsible for the export activities. We try to help those companies by sponsoring an external export officer during at least a year. However, we have invested considerable resources in finding staff oriented towards specific foreign markets, who speak at least more than two languages. These are the export consultants that we insert in the individual firms. This becomes more than a mere financial support, it is a kind of training."

Promofirenze collaborates much with associations such as Confartigianato, CNA, Assindustria, Toscana Promozione, ICE and other associations similar to Promofirenze such as Promos Milano, and Chambers of Commerce in Tuscany and in other countries.

The National Federation for the Craft sector and Small and Medium Enterprise of Italy, CNA

One of the two interviewed CAN officers speaks about CNA’s involvement in export processes. CNA\(^\text{126}\) is a National Federation for the craft sector and Italian SMEs. It has 19 regional, 109 provincial offices and a total of approximately 600 000 members. CNA assists its member companies in training, promotion, innovation, marketing, environmental, legal, financial and credit counselling, contract support, issues concerning relations with employees, tax counselling and other support services.

The interviewed officer states that CNA’s involvement is mainly indirect, and that the Region and the Chamber of Commerce are the two most important actors dealing with export. CNA has often acted as intermediaries for spreading the word about the possibilities of participating in fairs abroad, such as Meuble in Moscow. The Region has one of its information offices about

\(^{126}\) Retrieved 18 November 2007 from: http://www.cna.it/eng/index.htm
internationalization (SPRINT) at CNA, but according to the officer, CNA works mostly as a point-of-reference, responsible for forwarding information and making available their database of addresses to firms.

The interviewee says: "My estimation is that about 25% of our member firms are already operating on foreign markets, and they are doing alright, but there are approximately 300 more firms, that would benefit from export. I think that there is a certain interest, but that there are barriers such as the scarce knowledge of foreign languages and distant markets."

CNA has tried to market its skills to member companies. Firms have been invited to visit CNA and discuss the challenges that they might face, and companies have also been informed about the fact that there is translation assistance available if they need help. This is a kind of pilot project that has run for a couple of months, and five or six companies have responded to the offer. One consultant has been hired for the event. "The activity has been designed especially for the small companies that might not take the step without this assistance. We have looked actively for buyers abroad, and some small results have been achieved so far", says the officer.

The interviewee presents a few ideas on how to improve the assistance to companies: "It is crucial to assist and coach the firms in very close collaboration with the businesspersons themselves. We think that this would be possible if we could establish an export consortium with 30-40 firms as main stakeholders. We would need to hire and train specialized and skilled employees, and we would need to make this a permanent structure. This way the firms could provide common proposals to medium and big industries abroad, but right now these are mainly plans and we don’t know whether they will be possible to realize."

The Furniture Consortium in Quarrata
The furniture consortium in Quarrata considers internationalization one of their tasks. One concrete example is an activity of e-marketing, co-financed by CNA and Confartigianato. In this project a portal has been established with about 20 firms participating. I was invited to a final meeting in March 2006, where representatives from a few firms, CNA, Confartigianato and the chamber of commerce were present. Less than a handful of firms were present.

I ask the project manager what she thought of the project and how come so few firms showed up for the evaluation meeting. She answers: "One has to approach

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127 Confartigianato is a twin association to CNA. Confartigianato and CNA operate mainly within the same sectors. Confartigianato offers its member companies various forms of assistance in stages of starting-up, development and growth – for instance support in promotional projects, financial issues and loans (through Artigiancredito, thoroughly described in the joint-case entitled "Financial aspects.

Confartigianato has approximately 520 00 members, and organises small, mainly, so-called artisan or craft-firms. The association has offices in all Tuscan provinces, and the number of offices in Italy amounts to 125. Information retrieved 18 November 2007 from: http://www.confartigianato.it/index.asp
this reality slowly and gradually. The e-marketing project can be considered a pilot activity. The small firms in Quarrata have been established by people who know how to make furniture, and they are really good at it. They have all the reasons to be proud of their companies. The firms are, however, often tied to one person. This person is a businessperson, an individualist and seldom a leader. I don’t see the problem as much related to export as such, but to the need for evolution and development of some of the capabilities missing, such as leadership. The interviewee claims that the fact that firms are not trained or prepared to take the step out into new markets, involves a risk for assisting bodies such as a consortium: “For instance, in the e-marketing project, my job should be to carry out a market research and to make potential customers available to the firms. The contact as such must then be the responsibility of the individual firm, but often these contacts are not taken”, she says.

8.8 Actors’ view on challenges

Several of the Tuscan actors referred to by the businesspersons confirm the impression of a somewhat scattered picture of actors on the Tuscan territory, experienced also by me, as I tried to carry out the snowballing. Several interviewees also indicate that too many actors are doing basically the same things.

One of the interviewees suggests that one explanation to the fact that there are many actors involved may be that there is a decentralization process going on in Italy. Regions can carry out promotion autonomously, and institutions at provincial level are also involved: “Before 2002, few actors were involved. The devolution has opened up for several fairly new actors, all involved in different initiatives and collaborating with the Region and various civil servants, elaborating projects with national and regional co-funding. At the same time, all these actors are also contacted directly by individual businesspersons asking for advice as they are about to enter in specific markets. I feel that the fact that there are so many actors dealing with promotion and export in Tuscany creates confusion. It is more difficult for institutions, associations and businesspersons to keep track of what is happening in the Region.”

Although fewer actors are identified in the County of Jönköping, the situation doesn’t seem to be much different there. One of the actors states: “It’s a bit strange that there are so many actors working with the same issues. We are running the risk of not completing each other, but competing with each other, and in the end we are all co-financed by the same funds”, says one of the interviewees.

The concept “devolution” has been used in the political debate on decentralization and federalism in Italy.
Actors all seem to be of the opinion that firms do need assistance in export issues. One interviewee working in one of the most important bodies assisting firms mainly in export-issues in Tuscany explains the specific challenges: “I find certain features characteristic for our businesspersons. They are skilled producers who are very proud of the merchandise they offer. They often think that their specific product is the best there is. These are nice features. What is not so good is that their knowledge about marketing is scarce and that they know practically nothing about foreign markets. This is our job, and to be able to perform really well, the whole Tuscan marketing system must be synchronized.”

“Tuscan businesspersons haven’t received any higher education, they are good at producing, but there are shortcomings when it comes to languages or economy above a basic level”, says another actor, who also mentions the fact that much of the marketing of today can take place via the Internet. He continues: “Our small companies have not taken care of their image on the Internet. Some of them don’t even have their own website, and they might not use e-mail. When I and my colleagues get into contact with firms we try to encourage them to invest in a website, and we try to explain that the image of the company nowadays isn’t only built and maintained through direct communication, but also on the Internet. We can initiate marketing-activities on potential export-markets, but the firms must understand that our activities cannot be expected to result in success if they are not backed up by the firms and the means they have at hand.”

One of the actors dealing with export and internationalization issues in the County of Jönköping claims that SMEs don’t seem to have a thorough knowledge about foreign markets. This interviewee has organized a series of visits to fairs in Germany and Italy, as well as to producing firms in Italy. He holds that exports open up many important occasions for Swedish firms that have developed strong niches and trademarks, but it is essential to recognize that approaching new markets requires thorough planning and knowledge about the particular conditions on the market. A business plan is essential, and in most cases the firms need professional help, not only with language interpretation, but also with understanding cultural differences and keeping up to date with distribution channels, tolls, laws and regulations in foreign markets. And, says the interviewee, even business partners who are geographically close to Sweden, may require some analysis prior to being approached: “I remember that we contacted the Swedish Trade Council in Denmark before paying a study-visit there, and that the contribution by the consultant from the Swedish Trade Council was highly appreciated by all the participating firms. Now, Denmark is geographically close to Sweden, and yet it is important to understand its specific characteristics.”

Hence, actors suggest that firms generally lack specific knowledge about and training in fields such as book-keeping, marketing, communication, languages
and new technology. In addition, firms need to know more about specific markets, business cultures, countries, laws about regulations, taxes and tolls.

One actor in the County of Jönköping states thin fairs have long been considered as the solution for establishing new business contacts, and indicates that they no longer suffice as tools for marketing: "Many SMEs in the metal manufacturing sector in Sweden dream about entering into the German market, and deliver components to the big automotive industries. Sometimes these firms market their products through participation in fairs in Sweden and abroad, and use fairs as their main market activity. Fairs are good, but we try to make them understand that the market in most cases requires them to be more specific than that. Exports represent, thus, a slumbering need for many firms, but there is great potential also for SMEs if they only dare and have the strength to run the whole race, and to plan and enact their efforts strategically."

A few of the Swedish furniture producers with whom I have carried out interviews exhibit at Swedish and international fairs, sometimes together with other firms. These businesspersons appear fairly content with the participation. A couple of them claim that one of the positive outcomes is that firms exhibit together. One of the businesspersons says: "Of course it is always somewhat dual to collaborate with competitors, but on an international market, I believe that there is space for us all. When we exhibit on international fairs it is sometimes more about representing Sweden and Swedish design, than about marketing your own company." This comment is later followed by at least three similar narratives about the market as "big enough for us all", and the fellow Swedish furniture producers as part of "the Swedish team" when firms expose internationally. It should be added though, that all of the entrepreneurs expressing this view have a quite specific profile, and that at least three out of the four would be characterized as design companies, which might explain why they are more content with exhibiting at international fairs than their Tuscan colleagues.

A Tuscan actor calls for assisting strategies that would offer an alternative to the free-fair concept which, according to him, has been used often in the past by intermediaries: "A couple of years ago, the government was much more generous with firms wanting to participate in fairs abroad. Nowadays there are less subsidies of this kind. This is good, since it can help the many actors working with export and internationalization-issues focus more on the specific activities that can be expected to yield better results. Toscana Promozione is a body that I find professional in working strategically with export-issues."

So, why don’t SMEs contact actors? As we have seen, few examples of local policy where SMEs bring in other actors to face a challenge are provided in this case study. Firms don’t seem to consult actors in working in the field of
nternationalization and exports, despite the fact that many actors consider themselves involved in activities related to internationalization and exports.

Some of the actors have attempted to arrive at explanations. For instance, one of the Tuscan actors holds that businesspersons in the furniture industry who have targeted a certain market niche and experienced success may not look for, or need help in establishing contacts abroad, and that they therefore don’t contact assisting structures.

Yet another of the interviewees in the County of Jönköping suggests that it is difficult to get SMEs involved actively in export-projects, since the overall state of the market in Sweden was good at the end of 2006, when this interview is carried out. Earlier in 2006, the organization that this interviewee works for had organized a study-trip to China. One of the objectives of the trip was to discover China as a market, not as a competitor: “The firms are interested in export issues in general, but it is difficult to get them to travel with me to China. They are all so busy with their production.”

Shortcomings among the actors

Businesspersons have indicated that assisting structures are involved in too many activities, and that they therefore don’t possess the specific knowledge about business sectors and markets that businesspersons would need. A few of the actors have suggested that flaws exist in the knowledge and renewal of assisting structures.

For instance, one of the Tuscan interviewees, who works for one of the associations and who often functions as an intermediary explains that he doesn’t speak or understand English himself: “I have colleagues who take care of the export part of our activities. Of course it would come in handy for me to be able to communicate in English, but when I entered in the organization many years ago, there was no need for foreign languages. The Italian market was big enough, and the contacts with clients abroad were handled even without advanced English knowledge. ‘Made in Italy’ was a trademark attracting customers almost automatically.”

Another of the interviewees working for an institution operating on the Tuscan territory indicates that institutions and associations that ought to work for their companies haven’t behaved professionally with the SMEs: “I feel that some of our associations have made the relations between assisting bodies and firms worse by acting as ‘helpers’. Their attitude in relation to SMEs has been: ‘thanks to me you get to go to a fair abroad’, and then there have been funds offered for firms to go, and the firms have gone without previous strategic planning and evaluation afterwards. Personally I think that this is an Italian way of treating relations with
firms. It is an old system finding its origins in local relations of trust locked into institutions and patterns of conduct that can be very negative to sound relations, innovation and local development, especially in a globalized society”, he says.

8.9 Analysis and conclusions

Main challenges according to SMEs

According to interviewed businesspersons, the main challenges to exporting firms or firms planning to take on exports in the future are mainly related to finding adequate knowledge and professional guidance about how to enter into and position products on new markets. Internationalization in terms of transfer of production and competition from low cost countries appears to be conceived as a challenge by many of the interviewees, but especially firms in the furniture sector report to have overcome these threats by specializing their production and focusing on specific market niches. Many of the Swedish and most of the Italian firms have started or increased their export activities during the last decade, and appear to be doing quite well. A few similar indications are given also by businesspersons in the metal manufacturing sector, especially in the County of Jönköping, where businesspersons report to re-gain some of the production that they previously thought they would lose to low cost producers. GT-group is (the) one example of how also metal manufacturing firms tend to specialize their production by attempting to keep the high quality production, while consulting low cost producers for production of standard components.

Export in the furniture and the metal manufacturing sectors

The export challenge is common to businesspersons in Tuscany and businesspersons in the County of Jönköping, but seems to be more salient for producers in the furniture business than in the metal manufacturing sector. One explanation to this is most probably that the majority of metal manufacturing firms interviewed are subcontractors making components sold to bigger companies. Therefore, even if most components end up in foreign markets, but as parts of, for instance, vehicles, telephones or electrical equipment, SMEs don’t take on export activities themselves. This is true for Tuscan as well as Swedish businesspersons interviewed.

The challenge of internationalization in forms of delocalization of production and competition from low cost countries is perceived by the interviewees in Tuscany as well as in the County of Jönköping, but, perhaps, perceived less as a threat by the businesspersons in the County of Jönköping than in Tuscany.

Most of the furniture producers interviewed report to be doing quite well, and narrate how the last few years have brought about in strategies and production, towards market niches, and, consequently, exports for certain market-segments
in many countries. This description can be said to be valid for businesspersons in the County of Jönköping as well as in Tuscany, though Tuscan furniture firms are undertaking export to an extent that appears to be very intensive compared to the Swedish companies surveyed.

Tuscan furniture producers interviewed hardly carry out any production for the domestic market at all. Most of their products are destined for markets such as Russia, Japan, Germany, Benelux and France. There are, however, also export activities going on in more distant countries such as Saudia Arabia and Australia. The majority of the Swedish furniture producers interviewed take on limited export, and the most common export country among the companies which actually do sell their products abroad is neighboring Norway. There are, however, a handful of Swedish furniture firms which export also to other countries such as the USA, England, Japan and Germany. These are all companies considered design companies; i.e. companies which collaborate with designers to develop characteristic products.

Why do Swedish producers not export to the same extent as their Tuscan colleagues? After having talked to businesspersons and actors, and thoroughly investigated the institutions available as well as the products of the firms visited, I would suggest a few plausible explanations. One is probably design itself. Italian design is well known all over the world for being brave and characteristic. As a matter of fact, firms in Tuscany would often be characterized as design companies by anyone working in the Swedish furniture sector. Several of these firms were inherited by sons and daughters (or grandsons and granddaughters) of the founder. Sons and daughters often apply their own strategies to design, collaborate with external designers, establish their own networks and produce niches, approaching the market with a courageous attitude. Also in Sweden I have found such firms, but they are fewer, and the design is often less aggressive and more Scandinavian and cool, and most of them definitely don’t give the same feeling of niche as the Italian products. With these observations I do not intend to assert that Scandinavian or Swedish design cannot be exported, I’m just trying to compare the products offered by the firms which I have visited.

Italian producers of design furniture appear to have more characteristic niches than their Swedish counterparts. This makes the domestic market too limited. This is, however, not a thesis on design, and will not dwell on it here. Neither do I consider this specific finding about differences between the two contexts relevant for further comparative examination at the meta-level (Chapter eleven).
A few examples of self organizing

In this joint case, a few examples of actors collaborating with SMEs in export training projects can be found. For instance, Träcentrum and the Swedish Trade Council arrange a training session about export. In Tuscany, Promofirenze has adopted an approach which emphasises training. The interviewed actor claims that one of the most important investments made by his organization is hiring professional staff, specialized in certain markets and languages, and individual companies actually go through a kind of training as they are guided by a consultant with specific knowledge about the market and the language. Promofirenze, however, focuses neither on furniture, nor metal manufacturing firms and, therefore, this case study doesn’t give any good specific examples.

GT-group is a good example of a successful export activity, and quite specific as it is related to the metal manufacturing sector. Furthermore it is an example of a policy organized only by firms themselves. But it wouldn’t be useful to refer to GT-group as an example of organizing permitting firms to engage in training and new knowledge about export markets. As a matter of fact, the founders of GT-group have not gone through any kind of training, even if this specific example seems to be successful for the associated firms.

The knowledge about international markets and exports has been obtained and brought into the company, and is present mainly through the CEO, who has experience from working with export to Asia and elsewhere. It is difficult to appreciate whether the establishment of GT-group really teach the founders something, or if it is simply a key to going international, survive and earn more money.

As we can see, some examples of collaboration between SMEs and actors have been identified in this case study, but the examples are still scarce in proportion to the number of actors present on the local and regional territory. Organizations don’t appear to fill an adequate function.

General tendencies and substantial differences requiring closer examination.

The empirical findings of this case study need to be examined in the light of theory at the meta-level. I will suggest some such empirical findings here. The two national and regional contexts also display some interesting differences which require a more thorough analysis. Relevant aspects for comparison will be outlined here, but explored more in detail in Chapter eleven. Some of the general tendencies, which are present in both national and regional settings will be presented first, and will then be followed by an outline of the substantial differences between the national and regional contexts.
Numerous organizations, which aim at assisting SMEs exist, especially in Tuscany, but there are few examples of successful organizing processes related to internationalization and exports in both contexts. Entrepreneurs (especially in Tuscany) do not know who or what organization is assisting them and who to snowball to. Two key concepts, often touched upon by businesspersons and other interviewees in both regional contexts are: (1) trust – SMEs say that they encounter difficulties as they try to find someone they can trust for introducing them to new markets and in representing them abroad, and (2) lack of knowledge - business persons and actors mention that there is a general lack of knowledge about foreign markets and exports among SMEs as well as actors.

Regarding the comparative perspective, some interesting differences do appear as we examine the narratives closer: (a) Tuscan businesspersons are more critical to assisting structures than businesspersons in the County of Jönköping, (b) Swedish metal manufacturing firms appear to have taken on a more pro-active approach to competition from low cost countries than have their Tuscan colleagues. Tuscan furniture producers export more, and have developed more niches than furniture producers in the County of Jönköping.

Tuscan export initiatives examined in this case study have, according to the interviewed businesspersons, been managed by the businesspersons themselves without external assistance. The few instances of interaction with organizations which have actually been found in the narratives of Tuscan businesspersons were related to businesspersons’ participation in fairs organized by, for instance, ICE or CSM. Fairs appear to be more common as a measure utilized by assisting structures in Tuscany than in the County of Jönköping, and businesspersons in Tuscany report to be discontent with how fairs have been managed.

Some tentative explanations to why these differences occur have been provided in this case study, but if we want to arrive at a better understanding of organizing processes and possible missing links, some of them need to be understood in relation to some of the theoretical threads presented in Chapter ten. The comparative aspects will be discussed in greater detail in Chapter ten.
9 Employees and vocational training

A story from the Gnosjö region in the County of Jönköping:

“Ten businesspersons from the Gnosjö area in the County of Jönköping meet to enjoy a sauna after work on Saturday evening. After many years, this sauna has become a weekly tradition. The businesspersons meet in the sauna to gossip and to discuss problems related to their businesses. This evening one of them is more silent than he usually is. He knows that he will soon have to face a difficult discussion, and he is sure to receive some bitter comments from his colleagues. All of them already know…

He is the first one to enter in the sauna, and he takes a seat in the corner, at a certain distance from the rest of the colleagues dropping in one at a time. A couple of days ago, he assumed an engineer with a University degree! This is a “no-no” in a region where “know-how” is concentrated in the hands of the worker, and where a university-degree is considered a disadvantage, and nothing to be proud of. Science and academia are distant phenomena. He prepares himself well, and once all of the colleagues are seated in the sauna he takes a deep breath and says: "I know that you think I'm a fool, but the engineer whom I hired is really not that big of a deal. I selected one who had the lowest grades possible."

This story, told by one of the interviewees, will probably make most readers smile, and the conceived gap between academia and theoretical education and SMEs and their need for practical and manual staff, which is also described closer in the joint study on collaboration with universities and R&D, can be expected to be a well-known phenomenon. Especially in and around the municipality of Gnosjö in the County of Jönköping in Sweden, where hard work, carried out manually by the businesspersons and the factory workers has permeated society and culture for hundreds of years. This case study focuses on businesspersons’ search for employees with adequate training.
Interviews carried out with businesspersons in the two industrial sectors investigated in this study reveal that the challenge related to the lack of available staff with adequate education and training is general, but the situation seems to be more acute in the metal manufacturing industry than in the furniture sector. Most of the interviewed businesspersons in the County of Jönköping have indicated that the lack of employees is a challenge, while a few of their Tuscan colleagues have emphasized this aspect as a challenge. In the material from interviews carried out with businesspersons in Tuscany, I identified a need for staff with adequate training, and requests for courses in, for instance, CNC-turning and CAD-engineering, but few examples of courses offered by local or regional actors such as business organizations, authorities, technical schools or the like.

As I started out with the interviews in Tuscany, I was a bit surprised not to find more concrete examples of educational projects, and training. A tendency in the material is that Swedish businesspersons, as well as other individuals involved in the local policy-making process indicate additional persons who they believe contribute to training and/or providing adequate labor to SMEs, while indications given by Tuscan businesspersons and actors are vague and few. Therefore, more interviews have been carried out in Sweden than in Italy at the intermediate level. Consequently, in the section where concrete examples on activities carried out to meet the challenges are presented, the section about the County of Jönköping provides many more examples of available solutions than does the part about Tuscany.

9.1  The lifeworld challenge

The lifeworld challenge is, thus, to find employable persons and to provide adequate (vocational) training and education to employees and potential future employees.

9.2  Delimitation of the concepts training and education

Competence, knowledge and education are broad, generic terms. If the concept of education can also be interpreted as learning in a broader sense, then the

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129 One important reason for this is most likely that the state of the market during the last couple of years has been more favourable (to SME) in Sweden than in Italy. Sweden is enjoying an economic peak, while Italy at the time when I carried out the interviews, was experiencing an economic recession. It is obvious that a context which is experiencing industrial growth is more in need of recruiting than a context in economic recession.
delimitation becomes even more difficult. This case study will focus on employees and (vocational) education and training. The concept vocational is used for suggesting that challenges of training and education call for specific solutions, related to concrete professional and/or occupational tasks.

### 9.3 Challenges as described by the SMEs

The interviews carried out with businesspersons in the two sectors studied in this research seem to indicate that there is a lack of available staff with adequate education, and that the training available has shortcomings related to the content, according to the businesspersons, training is often too theoretical, and not applicable in the production and the time-frames, according to the businesspersons, training should be faster, and flexibly adjusted to specific needs and requirements of the industry in certain moments of time.

**Lack of staff with adequate skills**

In Sweden the lack of adequate labor is mentioned more often, and with more emphasis than in Italy. Most likely, the explanation to this is that Italy (Tuscany) was experiencing a period of industrial crisis in 2005 and 2006 when the interviews were carried out, while the businesspersons in Sweden indicated that finding adequate labor fast enough was a true challenge, and crucial for the capability of the SME to produce what the market demanded at the right moment.

Tuscan businesspersons do mention the challenge as serious, though, and quite a few of them are criticize the educational system and the assisting structure, described as substandard by many of the interviewees. Here is one example from Tuscany: “It’s just impossible to find people. I suppose that we have about 30% of the adequate labor that we would actually need. All firms have the same problem.”

**Disinterest in the younger generations**

The discussion about the perceived lack of employable individuals often touches upon the conceived disinterest among young persons to engage in technical and practical education. Swedish and (in particular) Italia businesspersons mention the fact that it is difficult to recruit young persons to industrial training programs and that the interest of young people is generally directed towards other professional areas than the manufacturing industry: “Technical education is probably conceived as complicated, and young people don’t
believe that they will succeed in finishing them” says one of the Italia businesspersons.

One of the Tuscan businesspersons who has received a couple of trainees claims to have found them by calling the students himself, after having contacted technical schools in the neighborhood, and after having received telephonelists from teachers at these schools. But even with this effort, it hasn’t been easy to find candidates. The businessperson continues: “Only a few are actually interested to work with us. It’s a dirty job. They’d rather engage in more prestigious sectors, such as the fashion industry. I do understand if the working conditions are not all that appealing to young people. I myself work from 7 a.m. until 22 p.m. all weekdays and sometimes even Saturday mornings” he says.

A Swedish businessperson in the metal manufacturing sector states: “The students who enter into technical secondary schools are low-skilled, and don’t feel like studying. It is true that many of us businesspersons may not have gone through any higher education either, but a person who doesn’t know how to read or write or make simple calculations is not welcome here. Production in an advanced plant requiring a certain level of education. In order to attract the right pupils, schools would need to create a stimulating environment, with modern equipment and interesting teachers.”

Artisan know-how forgotten

Tuscan businesspersons seem particularly worried about the fact that artisan traditions are being forgotten or ignored: "Artisan know-how isn’t appreciated to the extent that it was appreciated in the past, while theoretical studies and degrees are highly valued. A person who works in our factory for five years has great skills, while a young person who recently graduated doesn’t know a thing. This must be demoralising for the young.”

Here is another example provided by a Tuscan businessperson who calls for safeguarding that the traditional knowledge be appreciated and passed on to future generations: “In the past, when big companies were present in this area, the firm became a vocational school for people in the neighborhood. It’s not like that anymore. We should therefore value and safeguard the industries and the skills present in our territory. It would be bad for us if the few industries present would disappear.”

Yet another Tuscan businessperson states: "Young people don’t have the attitude to learn practical things anymore. Everyone goes to the University. The firm is no longer conceived as a site for learning, and only a few choose to specialize in the art of making furniture. This is difficult for us businesspersons to understand, since we
grew up with a completely different view on craftsmanship. How can young people prefer administration in an office to making beautiful and high-quality furniture?"

The educational system criticized

Many of the interviewed businesspersons in both countries have expressed critique against secondary as well as university-level education. Most of the criticism regards inadequate equipment and teaching. This is one example from Sweden: "High schools don’t keep their machines up-to-date and they are too distant from the world of the SME”.

A couple of Italy businesspersons have complained that the pupils receive too much theoretical teaching, and that it takes time away from their practical training in the production. The businessperson pays for the trainee, including the 120 hours of theoretical training that the apprentice spends in school, away from the company. The businessperson says: “One of the boys who is presently doing his internship has told me that he would have preferred to spend more time here in the production plant. He says that the things they learn in school seem useless to him in his future work.”

Here is another comment from yet another Tuscan businessperson: “The Schools teach theory, nothing else. The Government has come up with the idea to oblige trainees in the industry to attend theoretical classes also while they are doing their practical training. This means that I have to pay for the time my trainee spends taking theoretical classes, even if I as well as the trainee himself find the theoretical training worthless.”

In most cases in Italy, and in some cases in Sweden businesspersons claim to have organized their own training for the employed. New employees are instructed by colleagues who have been working in the firm for years. Most Italy businesspersons interviewed, and several of their Swedish counterparts complain about the present educational and training system, and call for more or better education.

“Education should be more prioritized by politicians and in policies than what it is at present” says another one of the Tuscan businesspersons interviewed. He continues: “Schools should be reformed so that young people learn more than just theory. Theoretical studies must be altered with practical exercise. Older generations have precious practical knowledge in their hands that needs to be passed on to the young, or we will lose that knowledge.

It is true that production is high-tech, but we can’t afford to lose the practical knowledge anyway.” The interviewee provides me with an example of how practical experience is lacking: “I recently hired a person to work with technical
The employee had gone through technical training, but we have had to train her here at our company. When she arrived she wasn’t skilled at all in using the computer in her work. I think this is a good example of a situation where we could use subsidies for training on-the-job so that the cost for the individual firm could be contained.”

Another Tuscan businessperson calls for more long-term activities, thus extended subsidies for internship and training. He says: “I believe that CNA has tried to do something about the fact that it is impossible to find adequate staff. We have had a Spanish trainee here for a couple of months, for instance, and I think this was part of some kind of a European initiative, but he went back to Spain. I just think that initiatives and programs have to be more long-term to work. The firm and the trainee must be given a possibility to get acquainted with the trainee, and this takes more time than a couple of months. It would be good if firms and trainees could be assisted financially for a period of, let’s say, three years, with reasonable demands on the employer considering permanent employment at the end of the period. It often happens that people don’t stay around long enough to get acquainted with the firm. They disappear, and sometimes they might even start their own companies.”

I have tried to ask businesspersons to be more specific about the actual needs, and encouraged them to indicate if there are specific skills or groups of workers that always seem to lack.

Many of the businesspersons have reported that they need practically oriented employees who can be operative in production “on the factory-floor”, as one of the Swedish businessperson said. A few of the businesspersons have indicated that there might be a danger in making training too specific. One of the Swedish furniture producers says: “One person who recently left us had been trained in product design. We hired him hoping that we would get an all-round resource that would be willing to work in the factory as well as in the office with constructing. We soon understood that he was not the person that we were looking for, and that we could not offer him the kind of specialized tasks that he was after. Unfortunately, being a small firm, we can’t afford to have people exclusively working in the office. They have to be flexible, and ready to give us a hand wherever there is a need. I believe the majority of small firms are grappling with this problem.” The specific profiles most frequently asked for are CNC turners and CAD-CAM constructors.

CNA is a National Federation for artisan/craft firms and SME in Italy. CNA assists its member companies in: training, promotion, innovation, marketing, environmental, legal, financial and credit counselling, contract support, issues concerning relations with employees, tax counselling and other support services. Retrieved 3 December 2007 from: http://www.cna.it/eng/index.htm
Businesspersons claim assisting structures are inadequate

Concrete examples of solutions elaborated by actors and SME in collaboration seem to be lacking in Tuscany. Some businesspersons criticize assisting structures and claim that they don’t provide adequate services. This is an example of such criticism from one of the CEOs interviewed: “About a year ago, we asked for co-financing from the province for an engineer who had recently graduated when he contacted us. He wanted to take up his university studies again to carry out a research that would be implemented on one of our products. It would have been carried out as a kind of internship, so we asked the province if they thought that it would be possible to find co-financing for a part of his wage. We are still waiting for an answer. We hired the engineer anyway, but it’s a shame that authorities can’t provide more immediate answers. It is clear that the authorities and the enterprises live in different paces.”

In most cases in Tuscany, businesspersons claim to have organized their own training, using their own, experienced employees or external consultants as teachers. In other cases CEOs narrate how they ask around in the neighborhood, among family and friends to find adequate “boys” who would possibly be suitable to train for a future employment in the company.

Another Tuscan businessperson tells me about training-initiatives taken by the company itself: “The courses that we have arranged ourselves have been great. We have organized language training, courses regarding quality certification and milling. We haven’t been using any external financing, it was all at our own expense. Some of the teachers were part of our own staff, while others have been external consultants.”

One single Tuscan businessperson reports to have applied and been granted financial assistance to carry out a training program. He is content with the result of the course. The businessperson narrates: “A couple of years ago we offered our engineers training in CAD. Pont Tech administrated it and it was co-financed by the province. I think it was Pont Tech that told us that we could apply for this. It was part of a call-for proposal from the province. We are really pleased with the course and the result, and so are our employees.”

As I carried out interviews in Sweden, I often came across businesspersons who talked about Arbetsförmedlingen, the Public Local Employment Agency. As we will see, many businesspersons reported not to consult these agencies on a regular basis, for various reasons. Some even claimed never to contact the agencies. One of the businesspersons asserts: “I don’t contact them anymore when I need to recruit, because they have never been capable of finding one single employable person.”
The following is another example of a businessperson who doesn’t find the services offered by the public agencies satisfactory: “We have been looking for competent staff through the Public Employment Agency” he says. “Once I contacted the Agency for assistance in finding a CNC-technician with a background as a carpenter and machinist.

I’m aware of the fact that this might be a bit specific as a profile, but was hoping to at least get close to somebody matching what I was looking for. The public job agency posted advertisements on their paper and the website, and we got all kinds of responses… except for what we were looking for. The officers at the local job agency said they had to post vacancies, referring to the regulations. No, I’m not content at all with the assistance I have had from the job agency, and I don’t think I ever hired anyone through contacting the agency."

"There is regulation saying that we should always contact the Local Employment Agency whenever there’s a vacancy…” says one of the Swedish businesspersons in the metal manufacturing business. He continues: “… but every time we did this in the past, we received very strange replies. People came here and claimed to know everything, when they really weren’t qualified for the job. I understand they need to get a foot in here, but it just doesn’t work", he says.

**Swedish businesspersons indicate HR as a challenge**

None of the Tuscan businesspersons have indicated their own relations to employees difficult, but a few of the businesspersons in the County of Jönköping have. This is a comment, given by a Swedish businessperson in the metal manufacturing sector, indicating that the manager himself conceives communicating and collaborating with the employees difficult: “Hiring and relating to the employees is a difficult part of my job. Many of the newly employed want to work mainly with administrative tasks, design or construction in the office, but the problem is that we can’t offer a clean administrative job to anyone. We need people who know the production as well, and who are able to do a little of everything, running the machines included.”

Another Swedish businessperson says he considers “…relations with the staff very important, but also extremely difficult and time-consuming.” He continues: “I often encourage my employees to think about what they say and do when new people join the team. It is important to let them in, otherwise they won’t be able to work efficiently. It is difficult to find individuals who fit into the team, and who know how to collaborate. I consider an average worker who collaborates with the rest of the crew much more fit to work in my firm than a super-skilled individual who always takes his/her own line.”
9.4 Snowballing

Interviews carried out with actors, in order to find out more about challenges and solutions:

In the County of Jönköping

Arbetsförmedling,\(^{131}\) Public Local Employment Agency in the municipality of Nässjö: One officer interviewed. The officer was mentioned by name by one of the businesspersons interviewed.

Arbetsförmedling Local Employment Agency in the municipality of Värnamo: One executive officer interviewed. This officer was mentioned by the director of one of the municipal business associations interviewed.\(^{132}\)

Montico, Private Job Agency, operating in five municipalities out of which three are located in the County of Jönköping. One officer interviewed.

Several Private Job Agencies, providing employees in periods when companies experience peaks in production have been mentioned by Swedish SMEs. I have chosen one of them as an example in my research.

HUKAB, local training center publicly financed (through the AMV and The regional Board of Labor) offering mainly technical education, recruiting unemployed: The local manager was interviewed. This training center was not specifically mentioned by any of the businesspersons, but by a few of the other actors interviewed.

LICHRON, New industrial high school education in the municipality of Gnosjö partly run by a private company: The local manager has been interviewed. LICHRON was mentioned by a number of businesspersons as well as other actors in the geographical area where the education has been established.

\(^{131}\) In Sweden there are approximately 325 public local employment agencies. The agencies are governmentally owned and managed. The National Labor Market Administration (Arbetsmarknadsväket - AMV) is the Governmental Labor Market Board making up its central administration and management. The central Authority, the National Labor Market Board (AMS) is in charge of the management, supervision, monitoring and evaluation of the Public Local Employment Agencies. The AMS is also responsible for issuing the guidelines to the County Labor Boards, and for allocating resources among the Counties. Retrieved 5 December 2007 from: http://www.ams.se/go.aspx?A=63705

\(^{132}\) Two officers at the Public Local Employment Agency were explicitly mentioned by name, as persons who had assisted directly in development processes. One of the officers at one of the Public Local Employment Agencies was not available for an interview, due to part-time retirement. Therefore, I choose to contact a representative of another Local Employment Agency. This person was snowballed to by another actor.
Industrigymnasiet i Vetlanda, Technical education at the high school-level in Vetlanda municipality: One teacher has been interviewed. A couple of metal manufacturing companies referred to the Industrial programme at the local high school as one of the providers of skilled staff.

Träteknisk utbildning, post-high school/practically oriented education in wood processing and design located at Träcentrum in Nässjö: one teacher The wood/technical programme was mentioned as the provider of skilled staff by a few of the furniture firms interviewed.

Objective 3: Programme dealing with education, training and employability, co-financed by the European Union. One officer from the regional office in Jönköping was interviewed. The officer’s name was mentioned by a few of the interviewed businesspersons. No concrete examples of projects or activities carried out were however mentioned as “solutions which helped to face challenges”. Objective 3 was generally identified as one of the resources offered through the local business organizations such as NUVAB. This is why no specific heading has been devoted to the program as such in the presentation of examples from the two different contexts.

Regional Board of Labor (Länsarbetsnämnden): One officer interviewed.

Regionförbundet (Regional Council of Jönköping): One officer responsible for competence and education working at the Regional Council’s office in Jönköping was interviewed.

NUVAB, Local business organization in Vetlanda municipality, partly owned by the municipality, partly by the local firms:

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The establishment of a Regional County Council as the Regional authority taking over some of the tasks from the “County Administrative Board” is part of a Swedish Regional “experiment” which was initiated by the Swedish Parliament in 1999 (Author’s own comment).

All of the municipalities in the County of Jönköping have a department, a business and/or a joint stock company with the Municipality as one of the owners (a so-called Näringslivsbolag). These local business organizations or companies work with a broad range of issues such as training, marketing of the municipality to attract businesses and/or employees to the existing companies, collaboration between schools and the business community, networking among local businesspersons, internationalisation etc. NUVAB is one of
One manager was interviewed. This organization and the officer were mentioned by a few of the businesspersons as well as by a few actors, mainly in relation to training projects and Objective 3.\textsuperscript{137}

### In Tuscany

Sophia Imprese\textsuperscript{138}, educational center associated with CNA\textsuperscript{139}, in Pistoia, Prato and Florence: One responsible officer interviewed. Some examples of courses carried out by the center are: First Aid, forestry, cutting and processing wood and strategic analysis (for businesspersons). The center also posts information about courses offered in the region by public and private actors. Calls for proposals financed by the Province, Regione Toscana, the Mountain communities (a local authority) and ESF (The European Social Fund). Sophia Imprese was mentioned by another officer at CNA when I asked about institutions and persons who worked or ought to be working with education and training. Sophia Imprese is one of the educational bodies certified by the Regione Toscana to carry out education and training.

CSCS, educational center, Pistoia: One officer interviewed. This is one of the schools offering the 120 hour theoretical courses for trainees (40 hours are reserved specifically for ‘vocational training’, for instance, CAD, quality systems, industrial production, manufacturing technology), but there are also courses dealing with, for example, upholstery, vocational training in marketing, tourism, and e-commerce.\textsuperscript{140} CSCS was indicated by another actor involved in education and training activities. CSCS is one of the educational bodies certified the Regione Toscana to carry out education and training.

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\textsuperscript{137} Other local business organizations such as Nässjo Näringsliv and Värnamo Näringsliv have also been indicated, though more vaguely and in relation to other activities. I have therefore carried out additional interviews with other managers of the local business organizations, but chosen not to detail on them in this specific case study.

\textsuperscript{138} Additional information about Sophia Imprese can be retrieved from: http://lnx.formazionesophia.com/modules/news/

\textsuperscript{139} CNA is a National Federation for "Artisan/craft" firms and SME in Italy. CNA assists its member companies with; training, promotion, innovation, marketing, environmental, legal, financial and credit counselling, contract support, issues concerning relations with employees, tax counselling and other support services. Retrieved 3 December from: http://www.cna.it/eng/index.htm

\textsuperscript{140} According to information retrieved from the official website: http://cscs.it, visited 5 December 2007, officers from CSCS also engage in several European projects, and work as consultants and partners in European and international projects.
CEDIT, an educational center associated with Confartigianato, Firenze: One responsible officer interviewed. CEDIT is one of the educational bodies certified by Regione Toscana to carry out education and training. CEDIT offers courses in a wide range of areas, for instance, restoration, entrepreneurship, management, new enterprises, security at work, English, coordination of building sites, environmental evaluation, quality in SME, marketing and communication, Renewable Energy etc. The officers name was mentioned by another interviewee who works with business assistance.

Regione Toscana: One of the public officers responsible for education and ESF – the European Social Fund was interviewed. The officer was indicated by a colleague working in Regione Toscana.

Pont-Tech, a company, and a local/territorial development office jointly owned by private and public actors in Pontedera in the Province of Pisa: 3 officers responsible for the local development agency were interviewed (simultaneously). Pont Tech was directly referred to by a handful of the businesspersons interviewed, though mainly relating to issues such as innovation and financing, and not principally purely education related. One of the businesspersons interviewed has briefly mentioned Pont-Tech’s role in an educational project. In this specific case I haven’t dwelled much on detailing on Pont-Techs activities.

Province of Pisa: One officer responsible for education and training and ESF - the European Social Fund interviewed.

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142 Confartigianato is a “twin-association” to CNA. Confartigianato and CNA operate mainly within the same sectors. Confartigianato offer its member companies various forms of assistance in stages of starting-up, development and growth – for instance support in promotional projects, financial issues and loans (through Artigiancredit, thoroughly described in the case study entitled “Financial aspects”). Confartigianato has approximately 521 00 members, and organizes small, mainly, so-called “artisan” or “craft-firms”. The association has offices in all Tuscan provinces, and the number of offices in Italy amounts to 125. Information retrieved 18 November 2007 from: http://www.confartigianato.it/index.asp
143 There are 20 regions, and 20 Regional Councils, “Regioni” in Italy. This regional division was established in the early 1970’s, and is prescribed in the Italian constitution. Regions are governed by a “Giunta”, which is often a coalition of two or more political parties. The “Giunta” is chaired by a President. There is also a Regional “parliament” – the Consiglio. Regions have their own “statuto”/a regional constitution, and regional legislative powers in areas where the legislative powers are not exclusive for the Italian State (examples of such issues are: defence, the administrative system of the State, civil and penal law, monetary system etc.). Examples of areas where Regions have constitutional powers include: environment, culture, regional development, security at work, research, schools and vocational training, innovation, technology, Regions’ relations with the institutions of the European Union, public harbours and roads, transport and infrastructure, sports, commerce with foreign countries (as of the Italian Constitution of 1947; art 114:117). Retrieved from: “La Costituzione Italiana”, the Italian Constitution of 1947, which came into force 1948.
144 Pont-Tech is a company, and at the same time a local/territorial development office. It was established in 1997 as an initiative taken by public and private actors. The main mission of the company is to support and inspire technology transfer from the world of academy/research for implementation in the industry. Information retrieved 1 February 2008 from: http://www.pont-tech.it/eng, and from interviews carried out with three representatives for the company/office.
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Province of Siena: One officer responsible for education and training and ESF - the European Social Fund interviewed.

Province of Pistoia: One officer responsible for education and training and ESF - the European Social Fund interviewed.

Italian provinces\(^{145}\) take on many different tasks. The Province plays an important role as an intermediary authority in administrating and promoting Regional, provincial and European (ESF) funding available for education and training. Each province has one specific assessore, responsible for a certain policy sector in the Council of the Province, and administrative staff working with internships, schools, higher education, post-graduate and master level courses, publication of calls for proposals from the Region and the Province, publishing lists of available jobs, etc.

Only one of the Tuscan interviewees (Pont-Tech) was referred to by interviewed businesspersons as an important actor for education and training, though the interview with Pont-Tech covered many other aspects than education and courses, and only lightly touched upon this aspect. The rest of the interviewees were identified by other interviewees with whom I carried out snowballing interviews or (in the case of the officers at the three Provinces) by searching on the Internet and in the telephonedirectory.

Since there appeared to exist so few examples in Tuscany of firms organizing together with other firms or actors, I started to ask around when carrying out interviews. I invited interviewees to give some examples of institutions, schools or persons who ought to be responsible for this kind of interventions. This way I came across a few persons at the local and regional level. For instance, I decided to interview three public officers responsible for education and training at the local level in three Tuscan provinces: Siena, Pisa and Pistoia.

When listing the interviewees related to this case, I have concentrated on persons who were sought mainly to carry out an interview on education, training and provision of employees with adequate skills. These aspects have, however, been touched upon also by interviewees who were not initially contacted with the aim of carrying out an interview on the mentioned matters. As a matter of fact, almost any actor interviewed as a result of the snowballing had something to say about learning, and education, Objective 3 projects (especially in Sweden) and the lack of employable labor.

\(^{145}\) There are 109 provinces in Italy, and they are considered autonomous local authorities on the intermediate level between the Regions and the municipalities. The principal tasks of the Provinces are to represent, promote and coordinate development and safeguard the interests of the local community (Author’s own comment). Provinces have a role of promoting and coordinating areas such as agriculture, environment, culture, tourism, infrastructure, the provincial police force, social welfare, statistics, territorial planning. Retrieved 5 December 2007 from: http://www.provincia.pistoia.it
Thus, several representatives who work with aspects relevant to this case study as one among many other tasks, for instance labor unions, local business organizations and the Chamber of Commerce have been interviewed, and their narratives have also been inserted under respective headings.

9.5 Concrete examples, employees and vocational training – County of Jönköping

As I asked businesspersons how they had gone about when recruiting, the most common answer in Sweden would be that firms hired temporarily through Private Job Agencies or that they asked around in the neighborhood, contacted schools and spread the word among the employees.

This is one example of a narrative provided by a Swedish furniture producer: “We have 14 employees. Most of them have grown up in the geographical area close to the firm. A few of them have received some kind of higher education. One recently recruited comes from the Brinellgymnasiet in Nässjö, the wood and technical program. We are very pleased with him. He works as a CNC turner. There are periods when we need to make short term recruitments. Since we are subcontractors in the furniture-industry we sometimes experience sudden peaks in the production. We usually contact one of the Private Job Agencies in the area. We have also had some contacts with the Public Local Employment Agency in our municipality, and they ought to know us quite well. They were even here last week, but we haven’t turned to them in a long time to find employees. I have worked out my own solutions.”

This is another comment from a businessperson running a metal manufacturing SME in the County of Jönköping: “We often solve the problem by hiring people temporarily through Private Job Agencies. It is not economically favorable to us in the long run, but it is a good ad hoc solution at momentary peaks. In some rare cases we have also found new employees through people already working for us”, he states.

Private Job Agencies

Interviewed businesspersons in the County of Jönköping have reported that a common way of dealing with the challenge regarding the lack of employable staff is to consult a Private Job Agency. The interviewed officers at the Public Local Employment Agencies confirm this. One of them asserts: “When the
business community experiences a peak, it often happens that private Job Agencies contact us, and hire several of the unemployed registered with us.”

Private Job Agencies (such as for instance Manpower) were established alongside PLEAs in the early 1990s in the County of Jönköping. The interviewee, one of the responsible officers of one of the private agencies in the County of Jönköping, believes that people in general perceive private Job Agencies differently now than when it all started. “I think that most people perceived private Job Agencies as somewhat incorrect, making profit of employees, making people work at low wages and on short-term-contracts. The public Employment Agencies considered us as competitors. Some of them still do, I guess. But we have established a good communication with our local public-agency, and sometimes we recruit people who have turned to the public Job Agencies to find a job. People have started to understand that we are quite like any other firm. We have to guarantee standard wages for our employees. We also have regular discussions with labor unions about wages and working conditions.”

The interviewee continues: “The competition is more about finding the right employees than about racing the competitors in the field. There’s a significant lack of profiles such as welding operators and CNC turners. Sometimes it feels like we will never be able to find any new people, and we have been thinking about advertising and promoting our firm as employer in other Swedish regions. To find people for our clients is very difficult, and our biggest challenge.

Our employees are our ‘products’ and our representatives, therefore we work hard to make them feel at home and to educate them.”

In some cases in Sweden businesspersons claim to have organized their own training, using their own, experienced employees or external consultants as teachers.

This is a narrative provided by a CEO of a metal manufacturing firm, characterizing a common answer given by the interviewed businesspersons in the County of Jönköping: “New employees are usually found through friends or friends of persons already employed by us. We haven’t used the local job agency in a few years for actively looking for new employees. We publish announcements about available jobs in their paper every once in a while. One profile that we are always looking for is CNC turners. When we advertise, we usually get about 10 answers, and only 2 of them we consider worth interviewing. We consult Private Job Agencies quite often for short-term-jobs. We have good experiences from working with mainly

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Private job agencies are subject to national, regional and European training-initiatives like the businessperson-group that makes up the core-population of this research. Some of the training carried out for the staff of the Agency has been co-financed by Objective 3, some of it by the Regional Board of Labor.
two such firms. In the long run this is not preferable to us out of an economic point of view. As a matter of fact it’s a quite costly solution.”

This same businessperson, as a matter of fact, provides more than one example of alternative ways to face the challenges related to mainly the lack of employees. He continues by telling how a few assisting actors have engaged, and tried to collaborate with the SMEs in facing the challenges encountered: “The local business launched the idea of creating a pool of staff that could circulate between the local industries a while ago. I personally think that it is a good initiative; the problem is, though that many industries experience production peaks at the same moment, and can’t afford lending employees to other firms. Moreover, the same businessperson gives an example of pure self organizing among the firms as a temporary solution to the lack of trained employees: “There have been spontaneous initiatives taken among us businesspersons at production peaks. We have sometimes borrowed production-staff from other companies, and provided some persons in return at other occasions.”

**NUVAB – the local industrial organization**

The businessperson reports to be happy with the local industrial organization NUVAB, which is partly owned by the municipality. He says: “I think that the local industrial organization has been working hard with trying to attract people to the municipality of Vetlanda from other parts of the county as well as from other regions in Sweden. It is a difficult job, perhaps with low revenue related to all the efforts engaged, but the job is acknowledged and appreciated by the local firms.”

Yet another businessperson, commenting on NUVAB, reports to be satisfied with the activities undertaken by the organization and its staff. This businessperson has used the business organizations’ offer of courses and training. The businessperson also mentions the medium-size aluminum industry, SAPA as an actor that provides some training for SMEs in the same sector. He says: “We have employed two persons this year. During the last couple of years we have had some people leaving the company for other jobs in other firms. We tried to invest in the staff that was left, and aimed at giving them practical experience from working in the factory, and then to continue to offer them some education. Some of the courses can be offered through the local industrial organization (NUVAB). In these cases NUVAB offers training packages they think we might be interested in, and we pay for the participation of a couple of persons. One course that has been organized in this manner is lean production. Some courses more specifically dealing with aluminum and surface treatment, etc. have also been offered through SAPA.”

A third businessperson reports to be satisfied with the collaboration and the assistance received from NUVAB: “The staff at NUVAB has helped us organize
and carry out training for managers. We have received co-financing from Objective 3. I believe that everyone who participated in this course has positive experiences. I, for myself, learned to shut off everything else, sit down and talk to my employees and to the project manager. I was not used to this.” Asked if the training would have been carried out even without the co-financing from Objective 3, the businessperson replies: “We would most likely not have carried out this training if the possibilities wouldn’t have existed through Objective 3 and NUVAB, and if we would, we certainly wouldn’t have done it within this short time-period. This is a good thing with working in project; there are deadlines. A clear disadvantage with Objective 3 is that it is too bureaucratic and too much paperwork. We can’t hire people just to work with the administration of these projects! Luckily we received assistance from NUVAB. We are grateful for this.”

**LICHRON – a private company selling machines - and offering publicly financed technical education**

In the most industrialized part of the County of Jönköping (in and around the municipality of Gnosjö), discussions about technical education at high school level has been going on for several years. A few of the businesspersons interviewed criticize the local industrial high school education. Only one or two of those interviewed says that they have recruited employees from there. Training, machinery utilized, teachers and even pupils are said not to be adequate and corresponding to the demand that the surrounding firms would need.

“The problem of finding labor for the local industries seems to be eternal”, says the public servant responsible for commerce and trade in one of the municipalities in the County of Jönköping. This public servant narrates how he, some of the local politicians and businesspersons have actively participated in activities at several occasions, aiming at finding solutions to the challenges faced by SMEs. As a matter of fact, all of the interviewees in Gnosjö and in the surrounding areas have referred to this argument as a challenge, and all of them have also claimed to be in favor of altering the current system. One of the solutions arrived at by businesspersons, actors in assisting structures, politicians, etc. is the support given to the private company LICHRON, for the establishment of a higher technical education (Swedish Industrigymnasium).

The public servant continues: “Companies really wanted this school, but it has been vividly discussed since it is a so-called private school. Advocates of the traditional school system and individuals representing the schools close to Gnosjö were opposed to the idea of the new private school, and reacted quite strongly against it. They probably saw the activity as a criticism from the local enterprises, directed towards the traditional school system. But local enterprises have been extremely
involved in activities that will lead to the location of LICHRON to Gnosjö next year. One of the businesspersons collected signatures, and handed them in to the politicians at the municipality.”

In the municipality of Gnosjö there is a private company LICHRON, selling technologically advanced metal-cutting machines. In connection to the shop, an industrial program carried out as a high school education has been established. This kind of education already exists in another region in Sweden. It is a fairly unusual form of high school education, and the initiative has been vividly discussed in the last few years, since it is a private initiative. The Swedish government pays for the education. At the same time, LICHRON expects to be able to market their machinery in the area, where there is a considerable concentration of metal-cutting industries, through their pupils.

The number of students applying to the program exceeds, by far, the number of available positions. The school usually has about 130-150 applicants, and 34 pupils get accepted each year. 100% of the students find jobs after having graduated. Pupils practice on the machines exposed in a showroom in the shop. The education has been mentioned by many of the businesspersons interviewed in the area, and has been established from autumn 2007.

Asked how she has perceived the attitudes towards establishing the school in Gnosjö, the school’s local manager answers: “This is a new and unusual initiative, and I don’t think that all politicians for instance were only in favor of establishing this education in Gnosjö. On the other hand, all politicians have had the possibility to have their say in the matter, and they have given their consent and the general message from politicians now seems to be that a high school of this kind is needed. The fact that LICHRON is a private company may make some of the decision makers doubtful, I guess. They may hesitate because they are afraid that LICHRON will fail, and that the municipality may end up without a technical high school. But it’s important to remember that it is a big investment also for the company. Of course we have our own interests, but we believe that this will favor the whole region, and fill a need that has been expressed by firms in the region for some time now.”

Public Local Employment Agencies

As has been mentioned in the introductory section of this chapter, I have often come across businesspersons who talked about Arbetsförmedlingen, the Public Local Employment Agency (in the following abbreviated as PLEA), and many of them criticized the services it provides. A couple of the interviewed businesspersons appeared, however, content with what the employment officers in their area were doing for them. Yet others reported to have contacted the Local Agency, but that officers were mainly involved in rehabilitation, in
situations where the working hours or the tasks of the employees had to change. These businesspersons claimed to be content with the PLEAs.

When carrying out interviews with businesspersons in the County of Jönköping, I was given the names of two employment officers in two different municipalities. These two officers, I was told, had assisted businesspersons in indicating and recruiting new employees, and businesspersons were fully satisfied with what the officers were doing. I was also told that these officers knew the companies in the neighborhood well, and that they paid regular visits to the firms. I visited two PLEAs, and also talked about their role in general with representatives of business organizations, officers at the Regional level, local politicians etc. to try to assess a more balanced picture of the situation.

An interviewee who has been working in close contact with the local labor agencies for several years talks about the policy of the Swedish government/the Swedish governmental labor agency (AMV), and confirms that the policy has been changing over the years. According to this interviewee, about ten years ago, the Local Employment Agencies and its officers were expected to collaborate with local businesspersons to actively search for unemployed individuals to match the profile demanded by local firms.

A couple of years ago, the focus changed, and now many of the officers at the local labor agencies are mainly engaged in rehabilitation of individuals who suffer from different kinds of handicaps or illnesses affected by work, injuries, psychological illnesses, etc. This confirms the view narrated by some of the businesspersons as previously referred.

The executive officer of one of the Employment Agencies also confirms that the job has changed during the last few years, from principally assisting unemployed to assisting in rehabilitation for persons who, for one reason or another, haven’t been working for a period of time. Some of them need specific assistance, and most of them need to start working part-time to gradually get back into the labor market. The interviewee also confirms the indication given by the businesspersons and other actors that Private Job Agencies providing staff are gradually taking over the role previously played by the PLEAs.

One of the representatives of a PLEA mentions the difficulty to match supply with demand in the field of education and training. The interviewee states: "One of the most difficult things in our job is matching the supply with demand. At present there is not a significant lack of unemployed people, though the unemployment rate is quite low, but there is a lack of competent unemployed people who could possibly fill the vacancies in the local labor market. Firms need employees with adequate skills, while unemployed need jobs and, possibly, education. Businesspersons ask us to educate the unemployed in areas where they are in need of"
employees, and to offer courses such as CNC-turning. It is complicated to make firms understand that education takes some time, and that it might not be possible to answer immediately to an urgent situation on the labor market.”

Knowing and collaborating with the firms is important

One of the interviewed officers working at the PLEA reports to have a background in the industry himself. He says this professional background has provided him with useful tools for performing his present job. The interviewee describes a situation in which he often finds himself: “… in touch with local employers, firms as well as actors in the public sector, and when I visit them the first thing that I do is to try to get a picture of their problems and challenges. I also try to understand what their expectations are. Sometimes businesspersons seem a bit intimidated when I ask them if they believe that their expectations are realistic, but I consider it a legitimate question, since I’m one of the assistants that, at least partly, is supposed to satisfy these expectations. Most of the times I also ask what their company has to offer their employees, that is: why should an employee choose to work with them, and not with another company? This is when I feel that I can use my professional background in the industrial sector. The most common challenges are that firms have invested heavily in machinery and that businesspersons are unused or unwilling to spend money on training and education.”

The officer goes on to describe his job: “I use about one day per week to visit employers. I have about 45 firms as my core contacts. I also get in touch sporadically with many other firms. The core consists of businesspersons with whom I often collaborate with and assist when I can. I can’t always help them though, and when I can’t, I feel it’s important that I’m sincere. Trust is crucial in my job, and if I abuse the confidence that employers give me, there is an evident risk that the prerequisites for doing a good job won’t be there next time. So, if I’m not sure, it’s better to say no than to promise something that I later find out that I won’t be able to deliver.”

The executive officer interviewed also emphasizes the importance of establishing a close collaboration with the business community: “To me and my colleagues, the most important thing has always been to establish and keep a good contact with the firms, and to be as up-to-date as possible with what is happening on the labor market. This means giving officers the possibility to work, away from the office desks, and to meet the companies where they are. We have less public resources today than in the past to design specific courses or offer internships to unemployed, and as the unemployment rate is gradually reduced we also have fewer people to suggest for the courses, but we have been able to design some courses for the specific needs of an industrial sector also during the last couple of years. One example of such a course is the CNC turner course, where 20 unemployed were offered education. This kind of course lasted for 25-30 weeks. Businesspersons who needed CNC turners, and who
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reported to be willing to hire an unemployed after the course didn’t have to pay for the course, but the firm had to send a tutor to participate in meetings, and guide the candidate.”

The interviewee continues: “Employment Agencies have been criticized for not doing enough lately. I think that some of the criticism is exaggerated. For instance, we are working towards the target that 70% of the unemployed who are registered at our Employment Agency should have found a job within 90 days from the day they were registered. We have well reached the target. 80% of the unemployed have actually found a job within this time-limit, which is not bad at all. I see this as a sign that we are investing our resources in the right measures. We are working with missions, and we must use programs and resources in the best possible way.” He continues: “We need to be creative in finding solutions and possibilities. I think that trust is crucial in this work. I, in my role as the leader of the team have to be sensitive, and keep on encouraging the officers. I know that their job is difficult. They have to be supported from here, to be strong enough to build networks when they go out and meet businesspersons and other employers. Networks must build on trust, but we must be aware of the fact that networks are extremely fragile, and they collapse easily.”

Centralized policies impediments for local actors

The officer at one of the PLEAs indicates that strictly centralized labor policies may become an obstacle for local actors: “My job is framed by political decisions, and this sometimes makes it difficult to do good things for the business community. The labor market is local, while the policies for the labor market are national and centralized. I find this a disadvantage in Swedish labor market policies. We have to take into account that even if people are probably willing to move if they don’t find a job where they live - and they should - they will most likely try very hard to find something as close to home as possible. Now, we are working with people, and most of the time it is impossible to apply a structural rationality when working with human beings. Therefore, I and my colleagues try to collaborate as much as possible with the employees of the local labor market, and do as much as we can to fit the local labor market with the human resources available here. He continues: “Now, central employment-policies have been changing throughout the years. At times there is governmental funding available, enabling for the local public job agencies to work closer to firms and to other employees. During other periods, governments don’t prioritize job Agencies’ establishing close contacts with the local industry. Of course central policies do affect my job, as a local public officer.”

Another interviewee is of the same opinion, and wishes that governmental policies wouldn’t be so strict, and that they would open up for mixed and more flexible solutions. He says: “For instance, during those periods when the policy
focuses on rehabilitation, firms learn that local Job Agencies work primarily with this, and they won’t contact us anymore to talk about their recruitment needs. That is, we turn into institutions that fulfil the task of finding solutions merely to problems related to rehabilitation. This means that we lose touch with a lot of the local firms and, of course some of our important know-how. When the policy switches the next time, and as a matter of fact it is about to turn away from the rehabilitation towards a focus on collaboration with firms on broader terms, officers need to change their way of approaching firms and they need to work hard to establish the contacts that they lost when they worked with the problem groups. Changing a policy is more difficult than just to snap your fingers and make a change.” He continues: “Local Job Agencies ought to have the possibility to offer a wider range, a mix of services and thus approach more than just the "problem-target group."

Asked whether there exist any possibilities for the individual officers to work in a more flexible manner with interpreting and enacting strategies and programs, the officer answers: "Possibilities exist, even if they are limited. I know a few officers who have continued to maintain their contact with local industry, working more with recruitment in general, even if the policy pointed towards rehabilitation." He continues: "I feel that employers are willing to collaborate, and that they try their best in being flexible and good to their employees, but that they do ask more of us as institution than just rehabilitation. We need to be flexible too. Let’s face it: there are no CNC turners available in the County of Jönköping, but maybe there are some unemployed individuals that could receive training?"

One difficult thing when matching the demand side with the unemployed is that not all individuals want or are capable of receiving the education: "Matching is an extremely difficult job. This is also the reason why there must be flexibility in the policy. Officers and institutions must be allowed to become more all-round. For instance we have individuals coming to Sweden as immigrants, and they can’t be approached as one collective, one target group. Their experiences and capabilities must be elaborated individually” says one of the interviewees representing the PLEAs.

The actors in the County of Jönköping hold, however, that establishing and maintaining contact with the business community is important for the Agencies, also during periods when governmental policies have emphasized other interventions.

One of the interviewees says: "Right now, there is one officer at this Local Employment Agency only working with establishing and keeping up the contact with the firms. This resource has been prioritised as a part of a close collaboration between the local business offices in two neighboring municipalities and the public
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job agency. I think this solution is quite unusual, although there are differences on how local officers work among the municipalities. At some Agencies, certain officers have had a strong tendency to collaborate much with firms, even if central policies, didn’t encourage these specific activities during certain periods of time. In some other municipalities the Private Job Agencies have taken over the role as providers of temporary staff.

The officers at the PLEAs collaborate with representatives from firms or other employers, who contact the Agencies when they search for employees. The officers then try to match the demand on the labor market with the employers’ profiles, and in certain instances they also invite schools contracted through the regional Board of Labor to arrange vocational training for certain groups. Groups of 15-20 unemployed are then invited to listen to presentations given by the employers’ representatives. Usually, in a group of 15-20 persons, about 4-6 persons then engage in vocational training. Usually the length of the training-sessions ranges from 3 weeks to 6 months, but longer courses of 18 months exist. One of the interviewees report that about 95% of the students get employed after having gone through the training.

The officer describes the collaboration between the Regional Labor Board and the public job agency as well functioning. The interviewee and his colleagues are informed about the courses, and have the possibility to participate in designing them. There are a number of specific educational firms certified for this and the Regional Board of Labor takes care of the public procurement.

Examples of courses offered by various education centers working by appointment of the Regional Board of Labor are: CAD/CAM, driver’s licenses for trucks, CNC-turning, surface-treatment, internships with 6-8 months of theoretical studies.

One of the interviewed officers says he is satisfied with the job he is performing together with his colleagues, but that he finds certain juridical frameworks and regulations difficult to apply in every detail. He adds: “My job is often about trying to build trust with institutions, unemployed individuals as well as the business community. Laws and rules to me are more of guidelines than strict frameworks. They are there to be utilized. Of course we should not abuse them, but laws can be interpreted and utilized so that they serve good ends and help individuals who come here to receive assistance in finding a job they can be satisfied with. This is my personal objective with what I’m doing.”

Another officer is of the same opinion. He says: “We can’t reason ‘this or that person can’t be involved, because he or she doesn’t correspond to each and every tiny paragraph in the regulations.’ It is true that the officer must be ready to defend his or her decisions and actions in relation to our regulatory framework, but we must be
positive and try to be as creative as possible. Perhaps one regulation can be linked to another, and help the individual? I and my colleagues quite often sit down to discuss with firms to understand the needs and what we possibly can do. Whenever we feel that we are unsure of a certain solution, we ask to get back to the businessperson rather than delivering an answer on the spot.” The officer emphasizes that keeping up a positive attitude is essential: “It’s important not to see problems, but solutions.” As the interviewee puts it: “A few years ago, an extremely important industry in this area had to close down. We established a support-project aiming at getting the over 1200 dismissed employees back to work in other companies, and that project was a success. But we never talked about, or conceived this as a crisis. It may seem banal, but to me a positive interpretation of challenges is crucial.”

Technical education at one of the local high schools

A few of the interviewees, especially in or around the municipalities of Vetlanda, have referred to the industrial program at one of the local high schools (Swedish Gymnasium) as an example of a school from where they recruit employees. About 30 pupils are accepted every year, most of them are boys.

About 15 pupils specialize in wood processing, while the other half of the group specializes in processing metal. There is an apprentice period of a total of 14 weeks. Not all of the pupils finish their education, but those who do are almost guaranteed a job in the local industry: “We have local companies calling us all the time, to receive apprentices, and to try to attract young people who do their last year of training at our school. This is of course, very pleasant; it must also mean that the school and our pupils have a good reputation among firms.”

Asked how the school collects knowledge about what kind of employees the firms need, the teacher says: “We have established a partnership with a handful of local firms, and a few of our teachers where we discuss common issues. It is, of course important to us that our education continues to be attractive and adequate for the business society, so that pupils continue to apply to our school.”

Asked if he experiences any challenges related to the school and his work, he says: “One thing that could possibly turn into a difficult problem in the close future is that we have extremely limited resources, and we will not have the possibility to buy the machinery that we would need to offer our pupils the best training. Firms have asked us to train our pupils in robotics, but for now we don’t have the possibility to do this. We will have to make an effort to solve this. Sometimes in the past, some of the firms have offered study visits at their companies, and the machinery has been demonstrated. Of course this is not the same thing as giving them continuous training, but at least it is one step. We have also had machinery
sponsored or financed by firms that collaborate with us, so I’m sure that we can solve these problems in some way”, says the interviewee.

One of the businesspersons interviewed mentions these visits, and his comments confirms that it is a positive initiative. The businessperson says: “We sometimes receive visits from the local gymnasium. They have technical education, and the pupils get to specialise in working wood or metal. We see the dialogue with teachers and pupils as a very positive thing. Many of the pupils’ parents still have an old-fashioned picture of what it is like working in an industry. We believe that opening up our plants for visits and continuing the dialogue with the community can help changing these negative images of industries in the long run. We have also sponsored the training with new machines. It’s unacceptable that young people learn using old machines. When they are employed we expect from them that they are familiar with modern machinery.”

Another challenge that the interviewee states to have experienced is related to the fact that young people interested in practical, technical education may have applied to this type of school because they don’t like studying the core subjects: “We try to promote the core-subjects when talking to our pupils, but also when talking to businesspersons who receive them. It is important to encourage young people to read books for instance. They might not be interested in studying now, but they might have to continue their education further ahead. Besides, these young people will see that today, jobs require more than just hard physical work. Swedish, mathematics and perhaps also at least one foreign language will be useful to everybody.”

Post high school practical education: wood processing and management of production

The other school referred to as a source for recruitment is the two-year, post high school program for students interested in working in furniture construction, production development or as responsible for the production in the wood and furniture sector (This is a so-called KY – Kvalificerad Yrkesutbildning, a vocational education for post-graduates from the Swedish Gymnasium/high school). The school is located in the same building as Träcentrum in the municipality of Nässjö in the County of Jönköping. The school and the education appears to be widely known, and several businesspersons in the furniture sector say they have used the school as a source to recruit from, and businesspersons reported to have been happy with the employees trained at Träcentrum.

One teacher interviewee says: “About 20 students are accepted to each two-year course. Most of them are around 25 old, but in every group there are always a
couple of persons about 40-45 years old. Approximately 85% of the students have a job six months after school ends. "Firms looking for staff often call me or my colleagues, and I try to find students who fit the specific firm. Our students spend 24 weeks of their training in companies. Sometimes it happens that the firms are so happy with their apprentices that they want to hire immediately, even if the student hasn’t finished school yet. In these cases we usually try to find flexible solutions, and prolong the training period in the firm, so that the student has the chance to graduate from the education, with a job waiting for him or her when the education is finished."

On whether education offered at Träcentrum is adequate for the firms, he says that one of his roles as a teacher is to visit the students when they are doing their training period. These visits aim at evaluating how the student is doing, but he adds: "It also helps in keeping up the dialogue with the firms. This is an important part of my work; to know the firms and their needs." Every year the teachers and some of the colleagues at Träcentrum meet firms and other stakeholders to discuss possible future projects and prospects for development.

Asked whether the school is carrying out any specific activities aimed at trying to increase the number of applicants, and the general image of practical, industrial education, the interviewee says efforts are being made, but that it is always difficult to find the right equilibrium, that is, offering an attractive education and at the same time training future employees that correspond to the professional profiles sought by firms. As an illustration, he provides the following example: "A few years ago this education became more focused on design than before. I sometimes think of this as a slight shortcoming, even if it probably attracts more young people to the education. Firms are often looking for employees who can be inserted directly in the production or manage it, and I would like the education to be more concentrated on these aspects, while, in my opinion, design shouldn’t be promoted so much in this specific education."

The school also undertakes some activities to promote education. For instance, it organizes activities on certain themes in collaboration with some of the local/regional business organizations, and every second year the students are given the possibility to participate in a design contest. Furthermore, exhibitions about wood and furniture are organized.

About 50% of the students come from the area within a 50 kilometer’s distance from the school, while 92% are residents of a wider area within a radius of approximately 200 kilometer’s distance. About 60% of the students are women. "That’s one good thing about having design as one of the components in our education. Women are usually more attracted by design than men. Without the design-component I think the education would have attracted mainly men, since the
content would lean more clearly towards hard core production” says the interviewee.

Another thing that the interviewee believes will improve the education and its overall image is the collaboration with the University of Jönköping. “From this year we will offer some of our courses in collaboration with colleagues at the Department of Engineering and Design. The idea is to upgrade our education, and link it to higher studies in engineering and design”, he says.

HUKAB, publicly financed training for (mainly) unemployed

In Sweden the lion part of all education and training is publicly financed. This is also true for courses specifically designed to correspond to the demands of the labor market. As I visited the Public Local Employment Agencies, the officers referred to local training centers as close partners and links in a ‘system’ of services offered to SME and to other employers on the labor market.

I have visited HUKAB, one of these training centers, and interviewed the local manager. It should be mentioned, though that none of the interviewed businesspersons have actually reported to have recruited employees from the training centers. This center doesn’t only offer training to unemployed, but has a private job agency section as well. The interviewee describes this as: “…a good mix, since it enables us to satisfy the specific needs of the firms.”

The center has been working with industrial training since the start, about 15 years ago. The interviewee narrates that some contents of the training have changed gradually. During the last few years, the interviewee says that he has noticed a considerable increase in demands on the competence of the employees to be: “Firms are more aware of who they actually hire, and the specific competences that he/she must have in order to be capable of doing a good work. This has to do with the fact that industry becomes less manual and more mechanized. Another interesting tendency is to concentrate on the personality and the specific character of the candidate. We have tried to answer this demand by including modules like how to become and stay a good member of the group in our training-sessions. These modules involve lessons and discussions on group dynamics, colleagues and understanding other individuals’ roles.”

Course-participants are recruited by the local employment offices, and training is financed by the Swedish government, and procured through the Regional

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In an e-mail message dated 12 November, 2008, the interviewee reports that the education in design is organized by the Jonköping School of Engineering (JTH) from 2007, but that the training still takes place at Träcentrum i Nääsjö.
Labor Boards. Courses procured by the Regional Labor Boards make up about 80% of the total activities carried out at this particular industrial training center. The training center offers courses mainly in welding, but also in CNC-turning and toolmaking. The interviewee says: "Candidates who come to us are selected by the local employment offices. They have expressed an interest in trying a job in the industrial sector. Some of them, but not all might have some previous experience from working in the industry. We give them an introduction of up to three weeks, to let them try, and to give us a chance to understand if this center is likely to give them a good education. Most people who finish a course in our training center, as many as 97% of all participants, get a job." The interviewee keeps in touch with some of the local industries. He says: "This is very good for us, since it give us detailed information on how we can improve our courses, and businesspersons collaborate, since they see our candidates as potential future employees. We would actually like to work more with specific courses on demand for firms, and with training offered not only for unemployed, but also for people who already have a job, but who need to improve their skills. To improve our training, we will need to upgrade our equipment, so that it is technologically up-to-date."

Encouraging interest for industrial jobs among the young

In Sweden I have come across some long-term-initiatives taken in order to try to encourage interest also in children. The outcomes of these initiatives would, however be extremely difficult for me to evaluate. For this reason I have preferred to mention it here without further examination or details.

In Sweden primary school pupils visit local industries. One of the businesspersons interviewed says: "It is fun meeting the children here, and we enjoy their visits." The businessperson thinks that the initiative is positive, and that this is one activity that might change the attitudes towards industrial jobs and show pupils at local schools that: "…most industrial jobs are no longer dirty, noisy and monotonous."

One of the managers of a local business agency says it is important to work with the young generations to promote industrial jobs: "We have to start quite early though. Once the pupils are 12-13 years old, it’s too late, and they have already made their choice. We have been working with a project involving teachers and other employees at local schools. For instance one class from elementary school has visited an industrial firm located in the municipality. The young pupils learn that they need to know how to count and read, write, to communicate in other languages than Swedish. If we will have the opportunity to continue this project, we can hopefully help bridging between schools and the private sector, and make industrial jobs more interesting to young people and to teachers."
9.6 Concrete examples, employees and vocational training – Tuscany

I have encountered difficulties when searching for concrete examples of organizing adequate solutions in Tuscany – as a matter of fact, I found only one example of collective action or self organizing in Tuscany; the one businessperson who refers to Pont-Tech and the CAD-course for engineers. Another example of self organizing is the firm which organized language courses, training regarding quality certification and milling for its employees.

What’s the problem in Tuscany?

Although the snowballing was impossible to carry out, I wanted to explore the situation closer. I met with and interviewed Tuscan actors who had been indicated as persons who work or ought to work with issues related to education, training, recruitment, etc. These persons often indicated shortcomings related to the general structure. In the following I will try to depict some of the challenges which appear to be specific to Tuscany by using the narratives by the Tuscan actors.

Actors destined to work with education and training appear too numerous. Many of the interviewed actors in Tuscany have been certified in their role as training organizations by Regione Toscana. All actors belonging to this group of organizations have mentioned that the actors in the field are too numerous and that “there are so many actors involved in training.” Indeed, Regione Toscana has accredited as many as 1,400 professional training organizations. According to one of the interviewees, “there is a clear risk that the quantity will have serious consequences on the quality. Nowadays it seems that anyone can qualify to compete in public tenders etc.”

Several respondents reiterated the opinion that too many actors are involved in the system, and that too many agencies have been accredited by Regione Toscana to offer courses. One of them says: “A total of 1,400 educational agencies in Tuscany are accredited by Regione Toscana, and can thus answer to calls for proposals posted by the Provinces or the Regione Toscana. I personally think that this is far too many, even if training happens to be a vast field. I feel that the system suffers from inefficiency, and I don’t think that anyone would characterize it as particularly dynamic.” I would describe this as a malaise of the Italian educational structure. We are lagging at least 10 years behind, compared to Germany or France.”
SME reluctant to pay for training

According to one of the interviewees, the businesspersons know quite well what kind of employees they need, but that their image is not always realistic in relation to how much they are willing to pay, and what they have to offer a young person entering the labor market for the first time.

“The internship system is not working satisfactorily. To hire an apprentice is advantageous for a businessperson. The wages are as low as 800 euros a month for an unskilled worker who is on training. But I have often seen how apprentices have left the companies after only a couple of months of training, since the wage is so low and since the businessperson doesn’t seem to do much to keep them. The training system as such can’t do much about this. The individual businessperson would have to start to evaluate whether the disadvantage of losing a future employee can be balanced with the advantage that the businessperson would expect to gain by hiring a trainee with a low wage during a few month’s time” says one of the Tuscan interviewees.

One interviewee representing a business organization claims that the problems related to education and training in SME in Tuscany and many other parts of Italy result from the clash between the world of the artisan looking for apprentices who still want to learn working with their hands, and with low-tech equipment and machines and that of the modern teenagers, who have generally had a theoretical training and who “…practically don’t know how to do anything, yet expecting quite a good salary for whatever they are doing.”

Several of the actors holding the task to assist SMEs have suggested they might be reluctant to consult the services, even if they would be available at a greater extent. One of the Tuscan actors says that: “SMEs consider education a cost. Education makes them lose time and money. In addition to this there is also the awkward view on learning something new. I believe that the skepticism towards learning something coming from an external source can be explained by looking at the high percentage of artisans in Tuscany. The know-how is literally in the hands of the businesspersons, and businesspersons in this region usually have a low level of formal education. National or regional interventions at hand are therefore often left unused or under utilized, especially lately, since large parts of the Tuscan industry is experiencing a period of crisis. Businesspersons are less apt to send their employees off to courses during working hours.”

Do actors know what firms need?

Since the interviewees representing the three Provinces had not been explicitly indicated by other interviewees, I asked the interviewees to define their task, and the challenges they say SMEs are facing. I also asked them to mention
challenges faced by SMEs in the metal manufacturing and the furniture sector, if possible. One general difficulty for officers responsible for training and education appears to be to understand, or get a clear picture of exactly what firms need. All three Provincial officers interviewed emphasize that (small) firms have difficulties in planning ahead of time, and that this makes it hard to design the educational activities so that it suits and satisfies businesspersons. All three Tuscan officers also describe their work as embracing more than just a few industrial sectors. One of the officers says: "There are several groups to take into account when planning for training and education: immigrants, women, physically enabled, young unemployed, persons who already have a job, but who need training, etc. It is not a homogenous group, and many specific demands must be taken into account."

Examples of important initiatives taken by the Provinces are, according to all three of the interviewed officers, internship programs. Other examples of training offered through the procurement processes posted by the Provinces are specific measures when big businesses, such as Piaggio in the Province of Pisa move parts of their production. In this case courses were designed, for example, for welding operators, and technicians working with CAD/CAM.

Money spent, not used

Interviewees (businesspersons and other actors) indicate that education and training is organized top-down, and that there is little space for changing the system. Here is one example from one actor: "Educational institutions can’t influence training and courses offered all that much. The Province decides what kinds of profiles are needed, it is packaged in a public procurement procedure, and the actors answer the calls with what they expect to be able to deliver in relation to the request. It will probably not come as a surprise to you that in this context it is difficult to work constructively and creatively with the courses. We are mainly thinking of responding to the calls from the Province and the Region, and our main objective is survival, rather than development. I believe this is the situation for many educational agencies in Tuscany if you ask around."

Another Tuscan interviewee claims: "We are just not good at organizing a response to what would be needed by the labor market. The reason for this is mainly that the organization and administration of the resources that are destined for education and training have been bureaucratized. Another factor, also contributing

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9 Employees and vocational training

Piaggio with headquarters in Pontedera (Province of Pisa) is one of the world’s leading producers of two-wheel motor vehicles. The Piaggio Group was established in 1884. The company has a total of approximately 6,700 employees (about 3,000-3,500) of them work in the production plant in Pontedera. The Piaggio group has production facilities at 7 sites. In Italy: Pisa, Venice and Como in Spain, India and China. Retrieved 17 December 2007 from: http://www.piaggio.com/
Jönköping International Business School

is that officers and administrators are not keeping up pace with the labor market, and this leads to a management of this issue that is out of date and not professional. We could probably blame these flaws in our educational system on the EU, and on communitarian preferences related to education and training. A crucial part of the resources available for training do come from the European Social Fund, and it would be easy to think that regulations from the EU make the system inflexible. But I would suggest that we take a closer look at what we are doing with the money. I and my colleagues believe that the current situation can be characterized as follows: money is not being used at all, all money is spent, but unfortunately mainly for the wrong ends and because our organization doesn’t allow us to handle challenges adequately.”

A representative of an educational institution in Tuscany offering vocational training criticizes the system, which he considers ineffective. According to this interviewee, the main reason behind the flaws in the overall educational system in Italy is the industrial structure, the tendency to wait for signals from leading companies and leading politicians. This system, he claims, has formed the industrial as well as political life in Italy, and leaves little space for creativity and new knowledge to enter into the process, according to the interviewee.

He states: “In Italy, the typical firm is small. Firms have become used to following the bigger companies, and they are definitely not accustomed to preparing for swift changes and needs in the surrounding context. Therefore, unfortunately, the firms can be said to ignore certain needs. In the past, the small companies didn’t have to promote themselves. They knew their market well, and the only thing that they had to do was to satisfy that market. They would need new knowledge to attain the sensitivity needed to survive and develop in the future. Politicians have been formed in the same mould as that of the firms. Political decisions are streamlined, foreseeable and monotonous, although the surrounding society is changing dramatically. Unfortunately this also means that they don’t know how to wisely invest the money used for education. There is not enough knowledge among politicians and public institutions to make things move in the right direction.”

One of the Tuscan interviewees working with training says: “The lion part of the funding available at regional or provincial level is destined to measures for women, unemployed and enterprises. We are usually involved in projects dealing with the latter. As a part of a labor union/business organization we are not involved in laying out the overall strategy. The overall strategy is defined by Regione Toscana, then it is passed down to the Province, where the calls for proposal are elaborated. We local organizations carry out projects that answer the call for proposals. Once we have one of our projects approved it is quite easy for us to find SMEs ready to get involved in them.”
I asked an officer at an organization engaged in vocational training activities if the Regional and Provincial initiatives also involve calls for proposals considering CAD or CNC-specialists, since these have been the specific profiles specifically mentioned as ‘insufficient’ by interviewees. The interviewee shakes his head, and says that there have been few initiatives of this kind during the last couple of years. I remember that we have actually carried out one or a few courses in CAD, but that was for the unemployed. We answered a call for proposal posted by the Province.” The interviewee states that the type of training that the institution for which he is working usually offers companies is education in security at work, first aid and fire prevention. These courses are compulsory for all enterprises. Other courses frequently offered by this educational center include: English, informatics, marketing and management.

“We don’t think that money is used for financing initiatives that are really desired by local actors”, says another Tuscan actor. This situation implies, according to the interviewee, complications for spending Structural Funds-resources, and makes it almost impossible to expect a good outcome. The interviewee goes on: “As I see it, what happens with public funding now is that money remains without being spent, or it is all spent, but in those cases politicians and other decision makers have as their primary goal to use all of the money, thus they tend to spend according to set goals without really regarding the result. One of the examples is the implementation of a law (2.6) on security at work. It is compulsory to respect this law and to take measures.

In Italy and in Tuscany the decision makers have chosen not only to co-finance the application of the law in private firms, but even to fully finance it with public funding. I feel that this is not a healthy incentive, and I truly believe that if a businessperson doesn’t pay for an activity such as this, he doesn’t appreciate it. Neither will he care about how the training of his employees is organized. Furthermore we think that the bureaucracy in this kind of projects is excessive, and that the administration adds tremendously to the total cost. We have discussed with representatives from the Region and the Province. We know that alternative solutions would exist, and hope that some of our ideas can be adopted in the future.”

Possible solutions and alternatives to the present system

Apparently, some of the explanations to why it is difficult to find examples of local policy in Tuscany are given by the actors, and will be explored in the concluding section of this case study. Are there alternatives to the existing system, and is it possible to find adequate solutions to this cumbersome situation? Actors, who often find themselves in the roles as intermediaries, have reflected on the situation.
In Tuscany, from 2006 the planning documents for education and training and business development are combined into one plan. “This is definitely a step in the right direction” says the officer responsible for education and training at the regional level in Tuscany. “Regione Toscana has decentralized its activities related to socio-economic matters, and the provinces are elaborating their own local development plans. The decision to fuse plans related to education with those related to business-development facilitates the so-called concertazione tripartita, which is the collaboration between public authorities, labor unions and employees”, he says.

Development strategies elaborated at the provincial level are approved by the Regional Council, and the province and its actors are then responsible of carrying out the program by emission of calls for proposals. “Representatives of the Region are present in most of the meetings and discussions at the provincial level, but we are there only as spectators. In Tuscany there is a tradition of decentralized government. This has become even more manifest in the new modes of planning and collaborating about territorial strategies during the last few years”, says the officer. “It is not a system where I decide and you implement. This would never work in Tuscany, the sense of autonomy is much too strong among actors on the territory. I wouldn’t like it to be like this either”, he adds.

The officers responsible for education and training in the three provinces in which most of the interviews with the SMEs had previously been carried out - Siena, Pistoia and Pisa - all speak about the recent change in how planning for regional development is carried out, and the fusion of the plans for industrial economic development and education and training. From 2006 these two will be integrated.

One of the officers talks about how these plans are negotiated in the Province, and refers to the collaboration (mentioned also by the representative from Regione Toscana) between the three main actor groups involved: the labor unions, the province and some of the main (business) associations (thus, a tripartita, three party negotiation). According to the interviewee, a number of meetings are held where representatives from these three groups participate and decide on major actions to be taken. Also decisions on courses and educational offers are taken applying this procedure. "Perhaps the connection between general development issues and education will be more stressed now than it was before, as the planning is changing. Previously the educational offer hasn’t been clearly focused on matching needs of the labor market of the territory. It was more of a general support for the overall development. I must say though, that of course we haven’t ignored the needs of the territory. There have been courses offered for carpenters, and upholsterers. The most difficult thing has been to attract young people to these courses”, says one interviewee.
Several other ideas regarding how the overall structure could be improved have been put forward by actors. The following is a comment from one of the officers working at the regional level in Tuscany: “There are two major groups that are not subject to training programs today, and that would really need them: first of all the CEOs of the companies. They don’t understand how important it is to value the employees of the firm. They need education to realize this. In my opinion, this is more fundamental to the development of the Italian economy than we would ever believe, and it is more important than keeping on discussing the “Made in Italy” as a trademark. Since we can’t compete by price, and since technology is not the key-factor in competition anymore, the politicians must understand that quality is perhaps the most important value to the “Made in Italy” in the future, but quality in production also means taking care of the employees, considering human resources important! The second group that is really in need of education are employees that already have a job, and there must be a strategic structure supporting these initiatives. Politicians at the Regional and Provincial level are not aware of the development in the surrounding society or in other countries. They are not capable of defining general strategies for an entire Region or an entire Province. Their mindset is still stuck in the industrial society, in the old fashioned images of teaching and learning in large auditoriums. And the money is canalized into projects for the unemployed. The unemployment rate in Tuscany is approximately 4-5%. I believe that it might be possible to identify demands by asking SMEs what kind of employees they need, but the problem is that there are no unemployed to match these demands. Who shall we train to match the demand if we continue to follow the strategies of the politicians in Tuscany, thus to look for the unemployed to fill the educational opportunities available? What I mean is that it is all about changing the system, but as long as our politicians continue to follow the traditional beaten track, there will be a fundamental error in the Tuscan and the Italian educational system.”

This interviewee suggests that Italy and other countries should look at the factors possibly contributing to success in other European countries, such as Ireland for instance. “An overall system of decision-making, a general direction must be given, especially in a system that has as many actors as Tuscany. At present the funding is too diffused, and there’s too much confusion. Instead financial resources should be used to co-finance fewer and bigger interventions”, he says.

One example of what is actually done in Tuscany, according to this interviewee, is a specialized industrial high school education in Florence where pupils spend six or seven months with companies. This has been an unusual kind of training, appreciated by employees, since they feel involved and since they know that they can get specialised employees from these two high schools. “But what’s sad is that these two schools are exceptions, and what I mean is that the general structure, all high schools should be like this”, he continues.
One of the actors states that the responsibilities of Regione Toscana should be more explicitly defined:

“If the region would have had a more important role in defining the overall structure, and if the region would have defined more clearly what should be done, then monitoring could be carried out with less rigor and randomly. If the Region had greater decisional power related to interventions, then they could also give clearer mandates to actors in the territory, and the system as a whole would become more transparent. The fact that more than 1000 actors have been certified by the Region adds to the complexity of the system.”

Another of the interviewees provides additional examples on how the system could, and ought to be improved: “I know that there are many actors in Toscana, as well as in other parts of Italy, who think that we must find ways to work more efficiently with the money. One solution that I and my colleagues consider feasible would be to put the money in the hands of private organizations. Another important prerequisite that would make things run smoother would be to make firms pay for the services they receive. If firms don’t pay, or if they pay ridiculous sums for the resources they receive, there is an obvious risk that they won’t take the service seriously, or that they take it for granted. Even the evaluation of what is actually happening on the territory has become too stale. It has become very difficult for the Regional administration to keep track of what is happening on the territory since there are so many actors and so many activities going on.”

The opinion that firms are taking assistance, such as education and training for granted, and that they receive it for free or at a cost that is too low is repeated by more than one actor interviewed. A public officer even goes as far as to claim that firms have been: “… spoiled…” for too long with apprentices or other public services granted to them, mainly funded by public money.

Yet another comment from one of the actors, points in the same direction: “If firms are sponsored too generously by public funding, they don’t take initiatives seriously, and don’t participate. If we would make them pay more, I’m sure that the expectations on us as assisting bodies would increase and that we could also ask for and expect their active participation.”

A public officer expresses a similar view: “I believe that we can improve not only our services per se, but also the way we work with promotion and information about what we actually do. Another measure that would probably make us do better things for the local society would be to make employers pay or pay more for the services they receive. This would raise the demands on us as institutions, and it would most likely make firms and other employers more interested in really investing in trainees and in human resources in general.”
Other interviewees suggest a closer communication between the firms and the institutions responsible for training. This is one example of an actor calling for a local partnership: “My personal opinion is that Tuscan enterprises are in strong need for basic as well as continuous training, but that we still have a lot of work to do, if we want to become professional when dealing with training and education. It is also clear that we need to integrate enterprises in strategically planning and carrying out training activities. The educational system in Tuscany is like an adolescent child. Some parts grow much faster than others. The body is not in balance and growth is extremely fast and somewhat forced. We believe much in the idea of a local partnership of actors who collaborate, though I must admit that it is difficult to collaborate and to get actors to collaborate. Tuscany is a territory of many small communities, with countless ideas on any issue concerning development. Courses are initiated and created by Regione Toscana and the Province and our task is to respond to the calls for proposal. We believe many of our competitors and collaborators often feel that our principal goal is to survive. If we, instead would have the chance to collaborate more with the local partnership, and if the calls for proposals would regard a period of time longer than one year, we would most likely work much more strategically than what we do now, and we would have the possibility to actively contribute with good ideas on how to improve the structure of the Tuscan educational system.

Another actor, a representative for one of the accredited educators, narrates that he and his colleagues try to live as close to the firms as possible. He doesn’t think that associations, such as business organizations or labor unions can represent the collective needs of a group of companies, and prefers a direct dialogue with the companies: “Keeping in touch directly with the firms also helps us evaluate our activities”, he says. “We get immediate feedback.”

One interviewee, working for a business consortium suggests that the firms should be offered training in entrepreneurship, and that this could probably be a basic step, previous to (for instance) launching products on an international market.

9.7 Actors’ view on challenges

It is quite clear that employment and vocational training are issues that provoke reactions. Not only businesspersons, but also civil servants and officers working for local and regional organizations have provided rich narratives on the current situation. Many have also contributed with suggestions about possible improvements. Some of the narratives provided by the actors emphasize challenges which seem to be specific for the national, regional and local context, but many of the actors, despite the fact that they are living in two different
Several interviewees, including businesspersons themselves, appear to be aware of the problems related to education, training and (the lack of) adequate candidates to fill vacancies and needs in SME.

When I ask how they would describe the situation for small furniture and metal manufacturing companies in their own geographical area, a number of interviewees indicate the lack of adequate employees to fill the needs of the firms as one of the recurring problems. This is especially true for the Swedish interviewees.

One of the officers at the Public Local Employment Agency states that he doesn’t always find the businesspersons’ demands posed upon him and his colleagues realistic. He tells me: *Businesspersons often come with a very clear picture of exactly what the person they search for is going to be like, and as you can understand it may be difficult to find this profile among the unemployed.*

Another civil servant working at the Regional level in the County of Jönköping claims to live with one challenge that seems to be permanent: *Firms conceive a lack of a certain job-profile and give signals to authorities, business organizations, civil servants, etc. If the decision makers take the signals from firms seriously, an education, of course, may be carried out, but in the eyes of the businesspersons it will always take pupils too long to go through the education, and by the time they graduate, it will always be too late.*

The policy-problem regarding the struggle to attract young people to technical education is widely discussed, especially by Swedish actors. Here is one example of a comment confirming what has been told by the businesspersons considering the low status image of industrial jobs: *It’s a problem very difficult to come to grips with. Young people fancy new and different professions, and it is almost impossible for the industry to take up the competition with more exciting careers in marketing, financing, media or the like.*

The following is another example out of many similar comments: *The Local Employment Agencies try hard to find adequate staff, that would possibly fit the demands of the firms, while many young people continue to leave their hometowns and move to study media.*

One officer claims that the traditional system, i.e. the ordinary high school system and the University can do little to solve the problems related to the lack of competence in SMEs. In the County of Jönköping, there are projects and initiatives going on among representatives from labor unions, authorities,
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business organizations, etc. Such projects try, for instance, to initiate alternative programs at college and/or high school level, that will be more closely tied to internship programs and practical training along with the theoretical education. Already existing schools of this kind, such as the post graduate education in wood/design at Träcentrum are already being used as examples to develop new programs.

The interviewee criticizes the emphasis given to university-studies whenever education is discussed. He says: “My impression is that the longer you stay at the University, the more distant you get from reality. The problem is that the University has so little contact with the world outside of academia, that students only learn theory, and theory is not what our local labor markets need. Another thing that scares me are the attitudes among the students, who enter into the labor market. They already seem to think that they know everything, and they think they can start from the top. In a region where many of the businesspersons inherited the firms from their families the conception of getting a job and performing a job clashes fundamentally with that of the young recently graduated students. Firms express a strong need for laborers who know a little of everything, and who have practical skills. The strict administrative and/or theoretical profile hardly exists in small firms. Universities must stop offering courses just to graduate their students and to make money out of it. They have to take their important task seriously. But, on the other hand, once students get accepted at the university, it is often too late. Decision makers must therefore continue to work with children and young people to try to influence their attitudes, and try to make artisan and industrial jobs interesting to them, already when they are young.”

A public manager at the Regional level in the County of Jönköping points out that decision makers often talk about education as the one important key to find solutions to the problems of the business community, and that education is often thought of as formal education in traditional schools. “If we take a closer look at the problem it may not be a problem of lack of education as much as a problem of lack of competence. What I mean is: a person may well be competent for a job, even if he or she doesn’t have the formal education.” The officer reports to have been involved in a project carried out at the Regional level about validation of individuals’ generated competences, and that such a system is being built in the County of Jönköping.

Several actors also suggest that challenges related to education and training must be framed and approached on a long term basis, even if the businesspersons call for flexibility and rapid remedies for situations described as emergencies by the SMEs. Actors, both from Tuscany and from the County of Jönköping, claim that one of their tasks is to promote education and training among businesspersons and to make them understand its importance.
“The majority of Tuscan companies are small. Often they have neither time, nor resources to reflect on the future, and what they would need in terms of education and training. Since they have little time to think strategically their needs are often indicated and expressed as an ‘emergency’ as they speak with politicians or business organizations. The politicians are then expected to solve the problem working with extremely tight time-limits. The field of training and education is tremendously difficult, since training for a skilled worker takes time. For instance, educating a skilled welding operator takes about 1200 hours. This is an aspect that many businesspersons tend to forget”, says a representative for one of the intermediary organizations in Tuscany. “The businesspersons often come to us when they are already facing an emergency, and say they need the training right now. Of course we would like to answer to their needs immediately, but unfortunately it is not that easy”, says another Tuscan interviewee. He continues: “I don’t blame owners of small industrial firms if they have difficulties in looking further ahead. It is completely natural. Many of them don’t have any higher education themselves, and they work 14 hours a day five or six days a week, so there’s not much time left for organizing the future.”

Another Swedish actor expresses a similar opinion, claiming that education and training are often conceived as superfluous activities by businesspersons: "Many small firms were once started for the survival of a family, and continue to live on like this. To the individual businessperson it’s thus not so much a question of development and investments to gain something in the long run, but rather about making money and seeing results immediately. Education and training has to be planned for a longer period of time, and cannot be expected to create immediate results for the company.”

“We know that many of the businesspersons view training and education as something that takes productive time away from the employees”, says a representative from one of the Tuscan provinces.

One actor operating at the provincial level claims that SMEs are not always aware of what kind of training or competence their employees would need. In addition, training and education aren’t prioritized expenses for CEOs. “It is extremely important that SMEs start thinking about these issues in a long-term perspective though”, says the interviewee.

Another Tuscan actor describes the need of long-term planning, and explains that he conceives that there are difficulties related to the educational system, as well as to financing: “One of the problems related to educating CNC turners is that it is not a profession that one can learn in just one day. It takes 3-4 years to become a good welder or turner. In Italy’s technical schools, it is not possible to attain one of these professions and we haven’t been able to develop a good
system for paying training initiatives among young people. Our province has a contact with the German town of Münster, and there the training seems to work. In Münster, the companies actively participate in paying for the training that the apprentice receives. In Italy this would not be possible."

Some of the suggestions for how the structures could be improved are specific for the interviewed actors in Tuscany. Some of the actors indicate that one step has already been taken towards a better coordination of industrial economic development and education and training, since the strategic documents, which have now been integrated into one, were previously handled in two separate and parallel processes at the provincial and regional level.

Other suggestions of how the assisting structures according to the actors could be improved are, for instance, to change the target groups from unemployed to employees to improve the skills of persons who already have a job. Another group which, according to a few of the Tuscan actors would need training are the entrepreneurs, who would need better management skills and knowledge about human resources.

The actors who work in centres which have been accredited by Regione Toscana to offer and carry out training call for a more flexible system, less based on calls for proposals, improved communication between the community and the decision makers on demands expressed at the local level. These interviewees have also indicated that they would like to have more and better possibilities to contribute with good ideas on how the Tuscan assisting structure could improve.

**EU co-financing**

Many interviewees who work within assisting structures have criticized programs and institutions involved in education, training and issues related to the labor market. One of the financial resources mentioned in discussions related to education and training is the European Social Fund, and the EU co-financed program Objective 3.

Objective 3 aims at reinforcing the individual’s position on the labor market, and at providing alternative forms of employment. The program applies to employees in the private and public sectors, one-man businesses, as well as unemployed individuals. The program is especially intended to support activities in SMEs. When the interviews were carried out, there was one Regional office in each Swedish region all over Sweden. During the so-called new programming period for the Structural Funds 2007-2013, the Swedish territory has been divided into eight regions with ESF (European Social Fund)
Individual businesspersons have thus been one of the target groups and eligible for financial assistance in Sweden.

In Italy there are no specific offices handling the ESF (European Social Fund) money or Objective 3. The European co-funding from ESF is integrated into the regional budget for training and education, and is used in projects. Italian Regions and Provinces often use calls for proposals to implement plans and programs on the territory. Sometimes these calls apply to single companies or individuals, and sometimes they apply to organizations, associations or institutions such as CSCS and CEDIT.

A Tuscan interviewee says: “The administration of training and the ESF has grown incredibly bureaucratic. An organization responding to a call for proposal or undertaking any other activity co-financed by the ESF is audited and evaluated, must write reports and hand out surveys, and report to the Province and to the Region. The Region also carries out its own audits through a specific audit-function. They contact us whenever we have to correct something in how we carry out our activities. I really wish that there would be much less bureaucracy, and less paperwork, so that we could concentrate harder on working with training.”

One of the Swedish actors, who has collaborated closely with firms participating in Objective 3 educational projects (the majority of them regarded environmental certifications), claims that most small firms would never think of participating in a programs like Objective 3 without assistance of the kind offered by local agencies, consultants, etc.

People involved in the projects, employees at firms, organizations and authorities, for instance, have had to fill in an account of the time spent on different activities, and the forms have been numerous. “While the staff at our local Objective 3 office have been helpful, the auditing unit which is located to another part of Sweden has been the complete opposite. Sometimes the rules about eligible costs have been blurry. This has created difficulties and even cost us time and money”, says the interviewee.

Another actor working close to the firms in the County of Jönköping reports to have used Objective 3 co-financing in several projects where SMEs have been involved. He says: “Objective 3 is one of the programs that somewhat corresponds to the demand of the SMEs. We have been assisting in many of the projects carried out within that program, sometimes acting as intermediaries, taking on some of the administrative and coordinating projects. The contacts with the local office in Jönköping have worked very well, while the administrative monitoring has been overly demanding, which is a pity, since it

149 Retrieved 5 December from: http://www2.lst.se/english/eu.htm, visited 2007-12-05.
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makes it difficult to establish and carry out good projects in collaboration with companies.”

One of the Tuscan interviewees points out a problem that he finds troublesome. The Objective 3 programme in Tuscany is financed by three main sources: The EU (through the European Social Fund, ESF), the Italian government and the Region of Tuscany. If the Government and the Region can’t guarantee their respective co-financing of the whole program, the EU part will not be provided. Sometimes it takes time before national and regional authorities grant their respective part, and this creates delays, peaks and slopes in the system, where EU money is not spent during one year because of lack of co-financing will be transferred to the following year. This, in turn, may create an accumulation of money that must be spent: “If we don’t spend the EU-part, it is taken back by the EU administration and spent elsewhere. Of course we want the money to be spent here. There is a risk that this makes us spend money on projects that don’t really give that much added value. This is not a Tuscan problem though, it is a bottleneck for the Structural Funds Programs in the whole of Europe” says the interviewee.

A Swedish interviewee claims that actors are not given enough time to respond to calls for proposals and project initiatives. Information often arrives too late. He says: “I believe that public money is often predestined for the right purposes, but the authorities and other actors in charge of funds and co-financing often leave us too little time to answer to calls for proposals. Besides, the rules for eligible costs for instance regarding the cost of employees who are involved in projects are confusing, and rules change underway. This is frustrating. We want to make good use of the resources available, but it is difficult as things are now.”

Actors also criticize the administration of programs and projects in general. This specific comment relates to the European Structural Fund projects: “There is too much administration, and the funny thing is that it really doesn’t matter that much if it is a big or a small project. Administration is extremely demanding anyway. And the monitoring of the projects is definitely exaggerated. Representatives from the Region come here and check all the receipts. As someone responsible for the project, you easily get the idea that the content of the projects really doesn’t count, and that evaluation and monitoring is carried out according to strict parameters and predefined patterns.”
9.8 Analysis and Conclusions

Common lifeworld challenge, different solutions

The general challenges of this case study crystallize quite clearly. It is to find employable persons and to provide adequate (vocational) training and education to employees and potential future employees.

The lifeworld challenge is, thus, common among businesspersons in Tuscany as well as in the County of Jönköping, but the demand is more emphasized in the narratives given by businesspersons in the County of Jönköping. The possible underlying reasons for this difference in demand has been investigated and discussed earlier in this case.

There are other additional differences between the narratives of businesspersons in the two national and regional contexts though. Tuscan businesspersons emphasize the difficulties related to maintaining and safeguarding artisan knowledge in production. The educational system is described as overly theoretic, lacking practical and manual training and is criticized mainly by the Tuscan businesspersons.

Interviewed businesspersons in the County of Jönköping particularly emphasize the lack of available and adequately trained employees as the principal challenge. A few of the interviewees have mentioned that recently recruited persons don’t have the skills they ought to have, since they did not receive an adequate training, and/or since they arrived with expectations that were not realistic.

In the County of Jönköping, specific criticism is expressed regarding Public Local Employment Agencies. A few of the Swedish businesspersons have also touched upon the difficulties that they are experiencing in the field of HR (Human Relations) - when hiring and collaborating with the employees.

Solutions sought differ between the national contexts, and also between the national local contexts. Pont-Tech, in Tuscany and NUVAB in the County of Jönköping have been mentioned explicitly. These two structures are working in two quite limited regional contexts. Pont-Tech operates mainly in the Province of Pisa and NUVAB mainly in the municipality of Vetlanda.

Swedish firms indicate a wide range of resources brought in, which provide solutions to challenges sought. The most common point-of-reference is the PLEA. The fact that many businesspersons indicate the PLEAs does, as we have seen, not imply that all businesspersons are content with results achieved whenever contacting these Agencies. I have tried to describe the situation in the
section that deals specifically with PLEAs. The reader will find examples of severe criticism as well as a few comments expressing satisfaction with the services provided.

The most common solution to the challenge of the lack of employable staff in the short term appears, however, to be the consultation of Private Job Agencies. Only Swedish businesspersons have mentioned that actors such as Montico have been contacted. Employees from Private Job Agencies are consulted especially for solving temporary peaks in production. It appears these Private Job Agencies are taking over the role primarily played by the PLEAs in the past. This assumption is also confirmed by some of the interviewed actors. The officers representing the PLEAs state that government strategies sometimes change, and that the PLEAs adjust to the recommendations and regulations imposed from the top management. This means that PLEAs tend to concentrate more on, for instance, training or rehabilitation, and that Private Job Agencies take over some of their previous tasks. The interviewee representing the Private Job agency also confirms that he collaborates with the PLEAs to recruit employees to his firm.

Businesspersons in the County of Jönköping appear to consult family, friends and employees to spread the word that the firm needs to recruit. A few of the businesspersons even report to borrow staff from other firms in the neighborhood, during short-term peaks.

Swedish employees indicate a framework of assisting structures and alternative solutions, such as the local business organizations, local schools (including the private company LICHRON) and educational centers as well as long-term activities that will possibly lead to encouraging children and young people to change their attitudes and take interest in working in the industry.

Most Italian firms organize their own training, mainly without bringing in external resources. New staff is not recruited from the neighboring schools as in the County of Jönköping, but generally by asking around among employees, families and friends. It seems, thus, there is a lack of policy at the local level especially in Tuscany, despite the fact that several assisting structures and persons are expected to work with matters related to education and to the labor market.

**General tendencies and substantial differences requiring closer examination.**

The empirical findings of this case study need to be examined in the light of theory at the meta-level. I will suggest some such empirical findings here. The two national and regional contexts also expose some interesting differences
which require a more thorough analysis. Relevant aspects for comparison will be outlined here, but explored more in detail in Chapter ten. Some of the general tendencies, which are present in both national and regional settings will be presented first, and will then be followed by an outline of substantial differences between the national and regional contexts.

General tendencies

Numerous organizations, which aim at assisting SMEs, exist but there are a few examples of successful organizing processes related to employment and vocational training in both contexts. Entrepreneurs, especially in Tuscany, don’t know who or what organization is assisting them and who to snowball to - this despite the fact that more than 1000 organizations (educational agencies) have been accredited for working with this challenge by Regione Toscana.

In Sweden, the organization created over half a century ago by the Swedish state, the Public Local Employment Agency, is criticized and shunned by businesspersons. The two national and regional contexts are both highly institutionalized. The Tuscan context is organized in order to enact programs and receive co-financing from the EU. Initiatives are often implemented by using calls for proposals launched by Regione Toscana and/or the provinces. The Swedish system rests upon the rules, regulations and organizations once established by the state. EU co-financing (the European Social Fund) is received through programs and strategies and regional offices. During the EU programming period 2000-2006, promotion and administration of one part of the ESF was handled through the EU co-financed program Objective 3. During the EU programming period 2007-2013, the ESF is being handled by the Swedish ESF Council, a Swedish governmental authority with 8 regional offices. The majority of actors as well as businesspersons in both national and regional contexts describe programs, strategies and structures as organized from above. According to actors in Tuscany, as well as in the County of Jönköping, the money spent (actors often refer to Structural Fund-resources) frequently creates inadequate solutions in relation to the challenges faced by local actors and businesspersons. Several reasons for why this situation occurs are suggested by the interviewees; too little time is given for applicants to respond to calls from the European Union, the Region or the Province, and the overly bureaucratic character of the administrative procedures surrounding the EU co-financed programs. Another difficulty mentioned is that more than one source of funding is co-financing the EU-programs. Sometimes the national public funding is delayed, and this slows the whole process down.

Actors in both regional contexts report that they problems as they try to meet the demands of SMEs. The most common challenges conceived by actors are matching supply with demand, and to make businesspersons understand that
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Education and training are long-term activities as well as to understand what businesspersons actually need. Demands on behalf of the businesspersons are said to be expressed vaguely and without or with short notice. This implies a gap between SMEs and assisting structures.

On the other hand, several of the actors in both contexts indicate flaws in the overall structure. The narratives of actors involved in programs and organizations steered from the top indicate that regulations are too narrow, and that the structure impedes them from providing adequate assistance to target groups such as SMEs.

Actors in both national and regional contexts claim policies must be flexible and adjustable to local and specific conditions, so that officers can approach certain groups and/or individuals, since competencies cannot be automatically attributed to, for instance, a group of immigrants. Interviewees in the County of Jönköping indicate that they need to work with situations and individuals rather than groups, and that instructions and regulations from the top impede them from delivering adequate solutions.

Actors mention a few general obstacles which they describe as impediments in their work and in trying to arrive at adequate solutions. Such impediments include the bureaucratic structures mentioned principally in narratives about the PLEAs in Sweden, where actors find the centralized and national strategies and their relation with the local labor market a difficulty. Officers call for governmental policies that would be less strict, and that would allow for more local and flexible solutions. Moreover, actors working at the local and regional level indicate that policies from the top are not only strict, but that they also change focus quite often. This, according to the interviewees, limit PLEA officers’ collaboration with businesspersons, since policies sometimes encourage and finance specific focus on businesspersons and SMEs, while, during other periods, it impedes and limits collaboration with firms.

Actors who work in centers accredited by Regione Toscana also call for a more flexible system and report not to have much possibility to influence the training and courses offered. They respond to the calls, posted by Regione Toscana or the Provinces, and according to actors, the activities suggested in the calls don’t correspond adequately to the demands of the territory. And despite the fact that businesspersons call for training in CAD/CAM, CNC-turning and other practical courses, few examples of such courses were found as inferred from the interviews. Actors also report they would like to have more possibilities to communicate with target groups as well as politicians and decision makers to influence strategies, programs and organizations to make them more adequate.
Differences

Regarding the comparative perspective, some interesting differences do appear as we examine the narratives closer:

More concrete examples can be found in the County of Jönköping than in Tuscany. Businesspersons in the County of Jönköping immediately snowballed several actors. In Tuscany, Pont-Tech was the only organization, programme or strategy involved in facing challenges related to education and training mentioned by one of the Tuscan businesspersons. This finding can presumably partly be explained by investigating the historical development of organization and strategies in Sweden, and the dominance of the state as the provider of free education and training for all, and the strong institutions which were established to deal with problem in an efficient manner. The Swedish PLEAs are examples of structures which were established by the Swedish government more than half a century ago, which now attempt to adjust to a new environment, although it was prevented from changing by traditional centralized organizational settings and strategies impede change. Meanwhile, businesspersons overlook the organized solutions offered. As a matter of fact, private or semi-private solutions, such as the Private Job Agencies or LICHRON, seem to be preferred by Swedish businesspersons and actors, while authorities and public solutions are mostly criticized.

LICHRON is one example of organizing in which businesspersons have taken an active part. The initiative stems partly from the challenge faced by local firms to find employable young persons. The existing technical high school was criticized and shunned by local firms. LICHRON is, thus, an example of how businesspersons can make a change as they engage in collective action, despite the fact that they are living in a highly institutionalized setting.

Although examples are few, there appears to be more space for flexibility in the Swedish structure. Officers working for the PLEAs describe how they approach their tasks by trying to build trust and networks with SMEs. They also report that they attempt to use rules and regulations to assist individuals. Tuscan actors mention that assisting structures are too many, and they generally criticize the structure. At the same time, several of the interviewees claim that it is important that SMEs pay for training. These interviewees report that subsidies to firms have been too generous and that one way of upgrading the structure would be to make SMEs pay for the services they received.

These are comments expressed exclusively by Tuscan interviewees. It should, however, be mentioned that although Tuscan actors generally have been

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109 It should be mentioned that no interview has been carried out since the training was started in 2007 – narratives have been included in this case as an example of organizing only.
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criticizing the structure, they do provide ideas about how the system could possibly be improved. One example of such a suggestion is the idea to change target groups for training activities from those unemployed to those already employed and to extend the scope of training so that it would involve not only the employees, but also the CEOs.
10 Findings in relation to theory

This chapter aims at analyzing the empirical findings with the help of theoretical threads. The four theoretical threads are: (1) organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) lifeworlds and arenas for interaction and communication. Threads 1-3 will be presented first in sections 10.2, 10.3 and 10.4. Section 10.5 aims at delivering some tentative explanations about the link between political aspirations and adequate policy for SMEs. Section 10.6 will be devoted to the last theoretical thread, which is central for the thesis. I will save the elaboration on the potential and the possible added value of using the comparative aspect and what comes out of it for Chapter eleven.

10.1 Analysis of the empirical material

The case specific empirical findings have been presented and discussed in each one of the chapters making up the case studies. Presentations have been included to provide an overall picture of the lifeworld challenges and opportunities faced by SMEs and to map out organizing processes, which is part of the aim(s) of this thesis. But the overall aim of this thesis does not only encompass analyzing and describing organizing processes.

I will also attempt to arrive at an explanation of what is missing in the link between efficient and effective realization of solutions for challenges faced by SMEs and the good representation of societal aspirations of the body politic.

At the end of each of the four case studies, I have carried out a personal analysis and interpretation of the empirical findings. I did not have the theory at hand. This was a conscious choice that I made with the ambition to avoid the danger of becoming too dependent on theory.151

I do need theory, though, to help me analyze and understand the findings, and to bring conclusions from the pragmatic case level to a meta level. My personal analysis and interpretation at the end of each chapter was, of course not, enough. Theoretical threads which will help examine and explain empirical findings closer will be provided in this chapter, while findings and aspects related to the comparison will be presented in Chapter eleven.

151 Clegg (1990) warns against becoming too dependent on theory, see Chapter four for a discussion on induction and deduction.
It should be mentioned that, in this section, the comparative aspect will be touched upon in the sense that some of the findings are especially salient in one of the two regional settings, such as for instance the complete absence of organizing in Tuscany regarding training, the strong feeling of bureaucratization/formalization of the financial system expressed by the Tuscan businesspersons or the few examples of collaboration with universities/R&D delivered by Swedish businesspersons. I will, however, save the elaboration on the potential added value of using the comparative aspect and what came out of it to the concluding chapter.

The theoretical threads, represented by sections in this chapter, appear, in varying degree, in all of the four case studies, and they will be closely explored.

The four theoretical threads are: (1) organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) lifeworlds and arenas for interaction and communication.

10.2 Organizations, bureaucratization and formalization

This section about organizations, bureaucratization and formalization together with collective action (see section 10.3 below), make up the two theoretical threads to which all of the four case studies are related most clearly. In the following I will explain briefly how and why I prefer to link and compare certain empirical findings to this specific heading and theoretical thread.

Some empirical examples from the case studies

Bureaucratization and formalization appear to be organizations’ natural response to complexity and uncertainty. Many organizations, also recently formed, have been established with the same or very similar objectives. Organizations tend, thus, to formalize according to a conformist pattern as they attempt to survive and function as tools, which can help steer and control a complex and unpredictable society.

Programs and strategies, such as the EU Structural Funds Programs, or organizations, such as the many export assisting institutions in Italy or the many assisting actors on the labor market and the educational sector in Sweden, do not seem to be trusted by interviewed businesspersons as they face the main challenges, and actors do not appear to assist SMEs adequately in their organizing processes.
Examples of findings from the empirical research (see case study on financial resources) are Tuscan businesspersons’ narratives about the international financial accord Basel II, and how it is expected to formalize and complicate the relation between banks and SMEs. Swedish businesspersons are not using Basel II as a point of reference, but do indicate that steps are taken by banks and other providers of capital in attempts to divide risks and responsibility among more than one actor.

One of the Tuscan businesspersons points to what I found particularly interesting related to bureaucratization (but also to the importance of maintaining trust in relations) as he assumes that young, recently hired, bank officers find it reassuring to resort to what he calls “formal rules and regulations” (such as Basel II) as they take decisions on loans to SMEs. One of the Tuscan bank officers speaks about how he and his colleagues used to be more “mentally involved” in their job, but that the work is becoming more instrumentalized. He refers (among other things) to the rating-system, the documentation and the evaluation on which Basel II rests. This interviewee also says this is an attempt “among the decision makers to create order in an increasingly complex system.”

There seems to exist tension between organization/formalization colonizing the jobs of bank officers and other actors, and the assistance that SMEs require and hope for. Bank officers and other interviewed actors assert that they would like to work in a different, more pragmatic manner, but one of the excuses given by a few of the actors is that they have to adapt to the rest of Europe and to new rules. Another category of actors who claim to be stuck in the system are the officers working in two of the approximately 1 400 Tuscan training centres, who say they must answer to the calls for proposals posted by Regione Toscana and/or the Province. Other examples of formalization of programs and strategies have been given in the case on collaboration with universities and R&D referring to the criteria formulated for being eligible for financial support for innovation, showing how programs and strategies focused on completely new products and innovations, while some SMEs were talking of innovation in terms of upgrading their machinery, or developing already existing products or the production as such.

The latter example is, however, part of a more general pattern that can be discerned when the narratives in the case studies are examined closer. There is a clear gap between several of the actors (working in what ought to be assisting structures) and the lifeworlds of SMEs. The definition of the significance of concepts such as innovation or the different and contrasting views on what training and education should be like are examples of this. Bank officers (mainly the Swedish ones) provide a detailed outline of how the specialization of services and organizations makes it important for them to establish networks.
containing the specific information that they need to assist SMEs, and to maintain good relations with the customers. This pattern reminds us of the amoeba-like model of organizing (see Chapter three) as constructed after Hjern (1999).

Theoretical threads on organizations, bureaucratization and formalization
How can the tendencies discerned in the case studies be explained? An aged and classic, yet highly relevant theorist, Weber (1864-1920), suggests explanations regarding the difficult situation that society and its organizations and actors are experiencing. This was the first thread that I selected, with the purpose to arrive at a better understanding of the tendencies discerned in the case studies.

Weber’s iron cage

Weber writes about the evolution of the modern state, and creates the famous metaphor, the iron cage. The iron cage is a situation that comes about as a result from the far-driven rationality of society. An extremely simplified interpretation of the concept of rationality in a Weberian context would describe it as a process in which the formal hierarchy and order in the modern industrialized society would become an iron cage of norms and loyalty, a strive towards efficiency, a system in which efficiency has supremacy over all other values. The system included two main tools: centres for political decisions and an administrational organization, that was expected to implement the decisions. Programs could be carried out according to the conventional order: agenda-setting, challenge-definition, planning, implementation, evaluation and conclusion (Carlsson 1993).

During the era of industrialization this order of organization proved to be successful. Tasks and responsibilities were divided among the big organizations (labor unions, authorities and the big companies, etc.) and the rationality could reign. Challenges could be solved through the big organizations (Hjern 2001 and Scaff 1989).

The iron cage of bureaucracy in public organizations has taken a different and perhaps less favourable turn than the market-driven competition among firms in the era of industrialization. Modern organizations do not compete to become more efficient (which was the case during the industrial era), but to become as similar as possible to other, already existing organizations (Di Maggio & Powell 1991). Post-war institutions were created and shaped in order to deliver

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solutions in an efficient manner, and the results seem to have been satisfactory to the public, at least initially. Thus, formal institutions and organizations enjoy legitimacy and decisional power.

As we can see, also by exploring the empirical findings, this trust in a certain established order based on an iron cage-style rationality was not exclusively used during the industrial era, but lived on also in the post-industrial society, despite the fact that the surrounding society has been undergoing continuous change (see for instance Hjern 2001).

Some neo-institutionalist suggestions to explanations

As I was browsing the literature on organization, formalization and bureaucracy I came across the field of neo-institutionalism. This approach to social science and the study of organizations (institutions) developed during the 1970s. Theorists such as Habermas (1975), Sabatier (1986) and Pressman and Wildawsky (1978) observed the difficulties of governing, implementing policies from top-down and of changing administrative procedures which did not work and developed theoretical explanations to the crisis. The focus moved from the formal organizational design of structures to patterns of action, rules and norms which constitute organizations. Bogason (2004) and Powell & Dimaggio (1991) are well known neo-institutionalists. Neo-institutionalism as a theoretical approach has, however, developed in more than one single direction. Gjelstrup & Sörensen mentions four different forms of neo-institutionalism: historical institutionalism, rational choice institutionalism, constructivist institutionalism and post-structuralism institutionalism (Gjelstrup & Sörensen 2007) All of them have, however, one thing in common. They agree that the implementation crisis of the 1970s was the outcome of the exaggerated focus on formal organizational forms, and the underestimation of self-regulating actors, informal norms and patterns of behavior (Gjelstrup & Sörensen 2007).

Meyer & Rowan (1991) have developed a (neo-institutionalist) framework for analysis of modern organizations which appears to suggest insights into the empirical findings made in the case studies, and which can help explain modern institutions and their gradually increasing degree of bureaucratization and institutionalization. In chapter 3 in this thesis I have adopted a definition of organizations provided by Carlsson (1995:11) referring to Downs (1967:24). An organization, according to this definition, is “a system of consciously coordinated activities of forces of two or more persons explicitly created to achieve specific ends” and should be conceptually separated from institutions, which can be defined as a system of rules (Kiser & Ostrom 1982). This implies that when Meyer & Rowan speak about institutions and institutionalization the reader must translate it into organizations and organizing.
One of the propositions defined by the authors is that: “The more modernized the society, the more extended the rationalized institutional structure in given domains and the greater the number of domains containing rationalized institutions” (Meyer & Rowan 1991:46). In modern multi-organizational society new organizational structures are created in contexts that are highly institutionalized. Formal structures represent, to Meyer & Rowan, widespread understandings of social reality, thus they build on certain widely recognized and accepted values, which help legitimate structures.

New organizations incorporate in already existing structures through adapting standards or laws that are already widely accepted as myths in the form of collective values, and believed to create rationality in society. Institutional requirements and codes are introduced by authorities and administrative agencies or regional governments, etc. Powerful organizations (leading companies for instance) try to integrate their procedures and goals into society as rules (for example quality certificates in the automobile-industry).

All of these means contribute to the legitimization of the institutions (Meyer & Rowan 1991) and as the institutional environment elaborates, this makes it more stable and buffers it from turbulence. Against this background, the process appears to derive from a forced assimilation.

New institutions strive to adapt and assimilate by incorporating rules and structural elements which have been established in already existing institutions. The process of assimilation eventually leads to institutional isomorphism (Di Maggio & Powell, 1991). Di Maggio & Powell (1991) recognize processes of coercive authority as one of the causes of assimilation, but claim that uncertainty as well can be a powerful force behind imitation. As environment creates uncertainty or goals appear ambiguous, an organization may consider imitating (modelling is the technical term used by the authors) another organization a viable solution, which doesn’t require too much of an effort. Two means used by organizations which try to assimilate are myths and ceremony. Examples of myths are policies, programs, techniques, products and services, while the concept of ceremony can be described as symbolic acts to distinguish a certain phenomenon or a person, such as rewards, events and other criteria of worth to demonstrate the fitness of an organization. Organizations tend to follow this path mainly to enhance the possibility for legitimization and survival (Di Maggio & Powell 1991).

These theoretical threads appear to provide relevant explanations to some of the findings. The observations made are aligned with the theoretical construct of Weber, Carlsson (1993), Di Maggio & Powell (1991) and Meyer & Rowan (1991) and Hjern (2001). Iron cage rationality, bureaucracy and formalization are still present in modern organizations, and organizations are means for
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controlling and steering the complex society. The more complex the society gets, the more organizations are added to those already existing. But, there are also additional theoretical threads which I wanted to include in the theoretical framework.

There is no guarantee for that formal organizations are in control, or that they work efficiently. The prospects for survival are namely not related to the degree of efficiency or inefficiency that the organizations may prove in performing its core work activities. Evaluation and inspection systems are often vaguely defined, decisions remain unimplemented or have unexpected or uncertain consequences etc.

This means that it can’t be taken for granted that formal organizations are capable of achieving, controlling and coordinating activities, despite the fact that they are carrying out, coordinating and evaluating exactly the activities for which the organization was created in the first place. “[E]fficiency is determined not by a true production function, but by ceremonial definition” (Meyer & Rowan 1991:54). Institutionalized organizations are neither unconscious, nor indifferent to the fact that they may be inefficient in performing ceremonies which can be translated into indicators.

Technical activities must correspond to criteria of worth or, as Meyer & Rowan (1991:56) explain: “The organization must struggle to link the requirements of ceremonial elements to technical activities and to link inconsistent ceremonial elements to each other.” Several options are available for the organization as it struggles to maintain equilibrium and legitimacy, for instance, acknowledging the shortcomings, rejecting ceremonial requirements or promising reform, but, as Meyer & Rowan state, all of the choices available may become threats to the organization, since they tend to reveal errors and defects without indicating solutions.

Organizations tend to solve the difficulties by adopting one or both solutions: decoupling and confidence. Decoupling is a process through which elements of structure are separated from activities, and evaluation of what, effectively, has been achieved is unavailable or unclear. This means, for instance, that activities are carried out without the supervision of managers and that they are delegated to professionals. Another example of decoupling is when goals are made vague or ambiguous, and when technical data are impossible to retrieve. One such example given by Meyer & Rowan is when schools are expected to produce students, rather than to teach and let the students learn. A third example is that the organization no longer aspires to coordinate the activity, and that the capacity to collaborate with other people becomes an important value. These solutions are strategies for survival in a context where an organization or a manager realize that they are not capable of coordinating a complex network of
relations, objectives and demands. Decoupling is not a phenomenon which can be observed merely within various organizations though, but also between different spheres in society.

The notion of uncoupling indicates that the separation between different spheres, for instance, in politics may favor individuals who want to act and interact beyond the formal and highly institutionalized organization (Bang & Bech Dyrberg 2003:227).

Although organizations decouple, the strive for survival is still present, and decoupling must, of course, not turn into anarchy.

Therefore some elements of the decoupling are used to maintain the formal structure and the credibility of and confidence in the organization both for the external observer and the employees, who engage and "commit themselves to support the organizations ceremonial façade", and "to making things work out backstage." Employees also engage in coordinating activities which are inadequate from a formal point of view, but which make the organization maintain its façade, since they contribute to make processes run smoothly (Meyer & Rowan 1991:58).

Yet another aspect related mainly to confidence is that institutionalized organizations attempt to avoid inspection and evaluation, since it may pose challenges to the credibility of the organization and the ceremonial practices.

The multi-organizational society

One aspect which is not discussed to any greater extent by Meyer & Rowan (1991), and that we may take into consideration here, is that single organizations are no more the sole point of reference for solving challenges.

In such situations organizations attempt to modify their environment, and reduce the uncertainty, though they are not likely to succeed in controlling the process, since challenges in the post industrial society are solved in a rich network of organizational interdependencies and interrelations. This implies that decision-making and strategies emanating from the manager are difficult to detect in action taken by various actors representing many different organizations and/or interests. Moreover, in the multi-organizational society it

Bang & Bech Dyrberg (2003) discuss the relation between political elites and non-elites and how elites uncouple from the disadvantaged non-elites in politics. This is, of course, a threat to political life and democracy as we know it, since it suggests the alienation of elites from the groups they ought to represent (Bang & Bech Dyrberg 2003:227). The authors claim, however, that uncoupling may have "liberating effects" on non-elites in politics, since control mechanisms are slackened and permits non-elites to organise themselves, and make a change at the local level and in their everyday life (Bang & Bech Dyrberg 2003:236).
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has become difficult, not to say impossible, for one organization to take decisions and follow strategies independently of others (Bogason 2005:58 referring to Franz, 1986:487). In my opinion, an analysis of the contemporary complex society must take interrelations between individuals in various organizations into account. This is also why I have chosen the policy-organizing analysis as my frame of analysis.

Although I accept all of Weber’s predictions, and acknowledge that they are valid also in the contemporary society, I believe that Weber’s metaphor holds only one part of the complex puzzle which must be done if we want to analyze and understand institutions in post-modern society. The ambition is therefore to study phenomena taking place also beyond the cage and, when possible, elaborate on solutions which could be suggested as potential keys for unlocking it. When constructing my theoretical framework, I have therefore searched for additional items that could be integrated in a theoretical toolbox in the constructivist field of social sciences.

10.3. Self organizing and collective action

The previous section describes highly formalized institutions mainly as impediments for individual evaluation and action, and the neo-institutional approach seems to keep institutions and individuals mainly inside the iron cage. The principal aim of this thesis is to explore the link (if there is one) between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions or policy to SMEs’ challenges. The research maps out, analyzes and interprets the processes of self organizing among the SMEs and other actors.

Empirical findings of my research imply that it is possible to unlock the iron-cage and that CEOs and other actors do it, or attempt to do it all the time as they engage in solutions of common challenges. The conception of the multi-organizational society and the many interrelations and interdependencies provides a suggestion that the iron cage exists as formal organizations, but that many parallel processes are performed by actors who go beyond the formal organizations. In order to describe and comprehend SMEs and other actors living in the multi-organizational and interacting in implementation structures, I need to bring in theories about collective action.

So far I haven’t found one single businessperson who faced an important challenge completely alone. The processes of self organizing investigated in the case studies in this thesis are, thus, processes of collective action, and examples of collective action are present in all of the case studies. I will not dwell on
examples here, since there are so many of them, and since they have all been narrated thoroughly in the cases.

In the case studies, the reader will find several examples of implementation structures in which SMEs collaborate with other actors. As we can see, various modes of self-organizing seem to exist.

**Theoretical threads on self-organizing and collective action**

As I looked for theoretical constructs about self-organizing and collective action, I found another neo-institutionalist strand, rational choice institutionalism which focuses on the self-institutional rules created by individuals. These rules make up the scope in which choices can be made to accept, renegotiate and change institutions. This space of action of individual behavior thus needs to be respected whenever institutions are changed or used. The most well-known representatives of this approach to neo-institutional theory are Elinor and Vincent Ostrom (Gjelstrup & Sørensen 2007:28).

The concept of organizing can briefly be described as “individuals who interact aiming at finding the solution to a common challenge” (Hjern 1999:18 and Carlsson 1993:44), while collective action can be understood as: “a process where actors organize for joint decision-making for one or more purposes and, in doing so, give up some of their autonomy and give up their freedom of action in favour of the joint-decisions regarding that purpose (Bogason 2000:66) or “an activity involving more than one individual to achieve a common goal, without those involved competing or dominating one another” (Bogason 2005:175).

The interpretation of the concepts of self-organizing and collective action adopted in this thesis builds on the assumption that people’s need to act collectively may increase as the world is becoming more fragmented, and despite the fact that there is an individualist tendency in society in general (Bogason 2005:175). Self-organizing and collective action are processes which can be interpreted as contexts of institution-building or structuration.

Collective action contributes to solving collective challenges and to structure situations and interrelations, which *per se* are positive qualities, but it can also bring other positive effects to the network/group that collaborates. Trigilia (1999:289) describes collective action as an indispensable resource in creating collective goods which do not belong to a single individual participating in the network, but turns into common, collective goods of all the individuals participating. Collective goods are, for instance, services, trust and information. This mix of relations and networks enables the participants of the network to
achieve objectives that otherwise would have been either impossible to achieve, or achievable, but at a cost that would have been considerably higher.

Various and numerous definitions have been framed to understand and explain institutions. I do not intend to outline in detail the various possible ways in which the concept of institution can be interpreted. Bogason attempts to render the concept of institution useful in relation to collective action, and I see his considerations as useful also for constructing a theoretical framework for analyzing collective action. Some of the basic characteristics of institutions are that they encompass: a) a structure based on interaction between actors, b) some degree of common understanding and values, and c) a certain pressure to conform (Bogason 2005:85). As we will see, Bogason mentions here some of the factors that Ostrom later defines as cornerstones for collective action.

The nature of individuals’ rationality and the prospects for collective action

The empirical findings in my thesis are generated from interviews with individuals. Most researchers exploring micro-contexts have been using rational choice approaches building on rational man, always seeking to optimize his/her own benefits. In such models the researcher interprets human action by utilizing a fixed set of preferences that the individual is assumed to chose from. Structure is interpreted as “institutional constraints” (Bogason 2005:86).

In a strict rational choice theory interpretation, the incentive to act in order to solve a collective challenge will be weak, and the individuals will always leave the initiative to others, hoping that the challenge will be solved without their personal contribution (Ostrom & Ahn 2001: 8). Moreover, such an interpretation impedes understanding of collective action (Bogason 2005: 175).

The interpretation of individuals as being merely egoist and rational in trying to achieve objectives (or social dilemmas as defined by Ostrom, 1998) in a short-term perspective may be too narrow, as suggested by Ostrom & Ahn (2001). There may be considerable differences between collective and individual behavior, and individuals may act differently in the collective context than in situations when individuals conceive of the challenge that he/she has to face all by herself/himself (Ostrom 1998:4).

Ostrom & Ahn (2001) suggest a compromise between the two ideal-type claims: the assumption that individuals act voluntarily to achieve (collective) common goals on the one hand and the rational choice view describing man and his actions completely rational (and individualist) on the other.
Many of the models of collective action based on the assumption that man is completely rational and egoistic are, in effect, embedded in networks, organizations or relations between the individuals that are already there. Therefore, it would not be correct to use them to describe and explain the phenomenon collective action using the approach of describing man as merely egoistic.

As a matter of fact, examples from empirical research demonstrate that in a context of collective action there are individuals that expect the contribution from other individuals rather than acting, but that persons acting altruistically will be found just as well (Ostrom & Ahn 2001:18). The authors refer here to the concept of embeddedness interpreted as “the social origins of economic action”. Seen from this point of view, embeddedness represents an approach that considers social relations so important that it would be impossible to analyze and explain institutions and behavior without taking them into account (Granovetter 1985 and Trigilia 1998). Embeddedness also emphasizes “concrete personal relations and networks related to these that infuse trust and impede malfeasance” (Granovetter 1985: 57).

Ostrom (1990:25) puts an end to the discussion on the view on egoist and rational man and its assumed converse, the altruistic individual acting voluntarily for the collective good: “As an institutionalist studying empirical phenomena, I presume that individuals try to solve challenges as effectively as they can. That assumption imposes a discipline on me. Instead of presuming that some individuals are incompetent, evil, or irrational, and others are omniscient, I presume that individuals have very similar limited capacities to reason and figure out the structure of complex environments.”

**Some cornerstones for collective action**

I understand Hjerns (2001) definition of organizing as collective action. Organizing takes place when two or more individuals carry out a common task. The individuals attempt to organize themselves and their activities in forms which, as a result of reasonable efforts by the individuals, produce adequate outcomes. Since individuals have various and different physical, mental and professional capacities, they are dependent on each other to handle various needs, challenges and challenges. Challenges which cannot be dealt with immediately make individuals search for help among persons who conceive of the challenge in a similar way. Organizing doesn’t have to be managed from the outside, it is the challenge making individuals coordinate their efforts.

Organizing may lead to the construction of an organization, especially if it works as the solution to a challenge, but it may just as well work without taking on the form of an organization (this is the case in the amoeba-like structure in
the model of the policy organizing analysis constructed after Hjern 1999 and presented in Chapter three).

Ostrom (1998:9) presents some of the cornerstones for collective action. She sets off from the individual and explains the prerequisites present at the individual level, which then become prerequisites for building collaboration and institutions. Ostrom claims that individuals are equipped with a framework of “rules of thumb” which help us make decisions in situations where it is not possible to retain exhaustive information about all the likely outcomes of a certain choice, that is, in almost any situation where numerous options are available. These simple rules, which Ostrom calls heuristics, have been learned gradually by applying certain solutions in certain situations repeatedly.

Furthermore, individuals learn to use norms and rules. A norm is the internal process of evaluation undertaken by an individual as he/she takes a decision to act or not. Norms are learned in social milieus, often in interaction with other individuals, and they differ from heuristics in that they involve moral considerations made by each individual. Norms vary considerably in different groups, cultures, among individuals etc. and norms of conduct learned by a few individuals in a group or in a culture always affect other individuals by affecting their expectations. Rules, according to Ostrom differ from norms in that they refer to specific actions in particular situations and in that they do not refer only to the individual, but to a group having “developed shared understandings that certain actions in particular situations must, must not, or may be undertaken and that sanctions will be taken against those who do not conform” (Ostrom 1998:10). Hoff (2003:53), who has carried out bottom-up studies of networks in Denmark, asserts that the lack of consent to common goals is one of the most important causes for exclusion of certain actors from the network.

Communication in the form of simple face-to-face meetings is one of the prerequisites for collective action allowing individuals to make agreements and build mutual trust. Communication facilitates collective action since it allows actors to: 1) transfer information about possible strategies of problem solving, 2) exchange commitments mutually, 3) affect expectations of other actors’ behavior through increasing trust, 4) add unexpected situations of payoff, 5) strengthen norms and generate a group identity (Ostrom 1998: 7).

Trust is often considered as being one of the most important prerequisites for collective action and local economic development. The absence of trust has, according to Castells (2003) fatal repercussions on the economy. Castells describes trust as a condition that is indispensable for maintaining the stability and for strengthening economic development, and indicates that distrust leads to crisis.
The “disappointment of expectations that are not fulfilled” and “the interruption of the relation that has been based on a sense of trust” between the market and civil society leads to a true crisis in the economy (Castells 2003: 41-42).

Mutti (2003) describes trust as an “expectation of experiences perceived positively by the actor and matured under conditions of insecurity, but in presence of a cognitive and/or emotional power strong enough to go beyond the limits of a mere hope”. Ostrom (1998) based on Dasgupta (1997:5) defines trust as “the expectation of one person about the actions of others that affects the first person’s choice, when an action must be taken before the action of others are known.”

Putnam (1993) and Dei Ottati (2002) give the concept of trust two different meanings. The first manifests itself as a sense of belonging to the same community and, thus to the common values and rules of behavior, a series of inherited social and economic routines. It is founded on a vision of the world of moral, reciprocity and altruism (Mutti 2003). This kind of trust is an important condition for solving challenges of collective nature and is apprehended as a part of the process of socialization of the individuals.

Another significance of trust is the repetitive interaction between actors. A business relation is maintained and reproduces itself in a sense of security among the actors that have experienced interrelation that have proven to be efficient and successful in the past. The sense of trust lives on and repeats itself in recurrent contacts between the same actors (Mutti 2003).

The debate on industrial districts and regional/local development often concerns the trust that policy-makers and politicians hope to stimulate through institutions and repetitive interactions etc. But it is difficult for the government (for instance on local or national level) to create and generate (Mutti 2003).

Ostrom (1998) uses the term reciprocity to explain how trust is established. Reciprocity refers to a family of strategies that can be used in social dilemmas involving, (1) an effort to identify who else is involved, (2) an assessment of the likelihood that others are conditional cooperators, (3) a decision to cooperate initially with others if others are trusted to be conditional cooperators, (4) a refusal to cooperate with those who do not reciprocate, and (5) punishment of those who betray trust (Ostrom 1989: 10). Reciprocity is a set of norms which is not inherited by individuals, but is learned in social interrelation with other individuals. Ostrom writes: “Individuals inherit an acute sensitivity for learning norms that increase their own long-term benefits when confronting social dilemmas with others who have learned and value similar norms” (Ostrom 1998:10).
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Yet another concept introduced by Ostrom (1998:12) and related to reciprocity as well as to trust is reputation. Individuals make investments to attain “a reputation for keeping promises and performing actions with short-term costs but long-term benefits” and, together with trust and reciprocity, they are the core of productive social exchanges and collective action.

10.4 Innovation and public entrepreneurship

Scholars in the academic field of policy analysis (and neighboring disciplines, such as public administration) seem to look for actors who could serve as links between political aspiration and the adequate realization of solutions for SMEs.

In the study referred to in Chapter one as one of the models for developing this research, “Helping Small Firms Grow” by Hjern & Hull (1987), the authors do find examples of civil servants who adjust the organizing of grants and programs so that they better fit the needs of local firms. The public entrepreneur plays an important role in adjusting, transferring and interpreting these strategies. Another interesting finding from Hjern & Hull’s study is that outcomes of programs and strategies, which appear to be inadequate in relation to the official aims and evaluation criteria, are considered as highly adequate by firms.

Ostrom (1998) describes processes of collective action observed in empirical research, showing that “individuals caught in a social dilemma structure are likely to invest resources to innovate and change the structure itself in order to improve joint outcomes” (Ostrom 1998:8).

Lundquist (2007) discusses the role of civil servants, and claims that they should not be considered tools in the hands of steering and coordinating politicians as he claims that they evaluate and reformulate law and order of politicians and managers as well as demands from the citizens and that they manage to carry out equitable and effective administration this way.

In policy analysis, these intermediaries are called public entrepreneurs or policy entrepreneurs. I was hoping to find at least a few instances of public entrepreneurship but, as we will see, examples found in the empirical material are few.

A very simple definition of entrepreneurship could possibly be the capacity to organize resources in a constructive manner with innovative results. In the case studies constructed in my thesis, findings indicate that entrepreneurship is not a characteristic belonging exclusively to managers of firms, but also to actors in organizing processes such as, for instance, civil servants, bank officers or professors who participate in processes of collective action.
Schumpeter (1883-1950) is one of the theorists defining and outlining the concept of entrepreneurship. Schumpeter's definition of entrepreneurship as creative destruction can be used in the empirical study in order to explore the rationality of actors who participate in innovative processes. Entrepreneurship to Schumpeter is, thus, the creative destruction. A true entrepreneur is an individual who performs new combinations. A businessperson, less than other individuals would “trust tradition and relations, since his typical task - theoretically as well as historically - is to destroy old traditions and to create new ones” (Schumpeter in Swedberg et al. 1994:20). “Our businessperson seeks difficulties, makes changes to make change, enjoys taking risks” (ibid.:22). Schumpeter’s view on capitalism can in brief be explained as an ever changing system that dies when it stagnates. The entrepreneur develops an innovation, other entrepreneurs are tempted by the possibilities of revenues and follow in his footsteps. Soon a wave of change moves in the entire economic system, and eventually the importance of the entrepreneurs decreases (ibid.: 46).

These arguments are interesting if we choose to extend the definition of entrepreneurship not only to encompass the economic sphere, but also to be a valid concept in public administration and policy analysis. If we then transfer the characteristics of the entrepreneur to public administrators, politicians and other actors involved in processes of local economic development and if we adopt Schumpeter’s definition of innovation and cycles in economic systems, and use it to interpret self organizing and policymaking, some interesting parallel observations can be made.

Schumpeter’s presentation of destructive creation in economic practices can also give us some interesting insights into the concept of (public) entrepreneurship: “It isn’t merely objectively more difficult to do something new, than to do what is already well-known and built on experienced practice. The individual also hesitates in front of this, and would have done so even if the objective difficulties wouldn’t have been there. This is the case in all areas. The history of scientific thought is one grand confirmation of the fact that it is extremely difficult to adopt a new scientific approach or a new method. Thought returns time after time to the habitual track even when it is no longer suitable, and when the adequate innovation in itself doesn’t entail any substantial difficulties. The very character of fixed habits of thought, their function as energy-savers, are subconsciously derived, they produce their results automatically and are impregnable for critique and even for rebuttal using specific facts.

But, exactly as a result of this, they become an impediment when they no longer serve its purpose. This is also the case in the economic world. In the mind of the individual who wants to do something new, the force of habit arises and objects to the embryonic project. One must thus make an effort of a new kind, in order to devote time and energy to give birth to the idea and to
elaborate the new combination and to bring oneself to consider it as a realistic possibility and not only as a daydream. This freedom of mind presupposes a great deal of extra forces beyond those that are required in daily life and is something remarkable and to its nature rare” (Schumpeter in Swedberg et al. 1994:15).

So, is there any space for entrepreneurship within (highly) institutionalized organizational settings? Yes and no. Meyer & Rowan (1991) seem to indicate that there is. Individuals organize themselves in order to make processes run smoothly, and to make things work, even if their actions are inadequate seen from a formal organizational point of view, that is, even if they are at stake with the formal myths of the organization. This may indicate that there is some space to develop entrepreneurial behavior also in highly institutionalized settings. As we have seen, as organizations face the challenge of uncertainty, they imitate other already existing institutionalized organizations. Di Maggio & Powell (1991) claim that situations of uncertainty make organizations attempt to imitate other organizations. As they do so, they may fail, and the result may be an imperfect imitation, an unexpected and innovative outcome.

But the views of Meyer & Rowan (1991) and Dimaggio & Powell (1991) apparently fail to work as valid explanations for why and how public entrepreneurship comes about, mainly due to their neo-institutional scope.

Tebaldi (2001) defines the entrepreneur more as an intermediary or a broker creating linkages between different organizations, programs and actors in a multi-organizational setting. Tebaldi describes entrepreneurial roles in policy making, and tests three hypotheses on the empirical findings from a policy research carried out on Italian Railway technological innovation. The hypotheses appear to hold. The author emphasizes that the hypotheses would need to be tested thoroughly by widening the scope of the comparative strategy. The hypotheses, which are also found to be highly adequate in the cited study, however, indicate that:

Policy entrepreneurs are crucial intermediaries and function as links and translators:

a) between technological cultures and different policy domains in situations where planning requires the participation of many different experts

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154 One example of such a situation in the case explored by Tebaldi, is when representatives of the Italian Railways needed information from representatives of other European countries which had already implemented a certain technology. Another example is when European standardization norms make transnational knowledge exchange between different actors indispensable.
b) in multi-organizational settings, which often become difficult to institutional core actors, because of lacking or insufficient knowledge of technological standards and the scope of different policy-areas, limited economic resources, the rules of the game etc.;

c) when decoupling processes in an organizational setting have separated different policy areas which need to be brought together to solve a certain task or challenge;

d) in situations when the policy-process requires legitimization (or de-legitimization) policy-businesspersons are consulted to seek legitimization or de-legitimization functions (Tebaldi 2001:94).

This conception of entrepreneurship might seem quite distant from the Schumpeterian definition of entrepreneurship as destructive creation. As a matter of fact, if caught in the iron cage and consulted by highly institutionalized organizations to legitimize a certain protocol of action or to work as an expert without any competitors challenging the intermediary in his/her role, this may hinder the entrepreneur and lead to hyper-routinizing instead of creative processes (Tebaldi 2001: 95).

The thesis put forward and the results generated by Tebaldi (2001) imply that even a formal policy situation may discern perspectives for a certain kind of entrepreneurial conduct. We have already concluded that the iron cage exists and is represented in highly institutionalized settings. We have also concluded that the process of uncoupling has weakened the vertical ties between managers and actors considerably. The process of specialization has separated different spheres (such as policysectors) from each other.

Tebaldi’s research suggests that different actors and functions can be brought back together with the aim of solving a problem, facing a challenge and making sense to the actors who participate in the process through the agency of a public entrepreneur.

Hoff (2003: 41) calls for caution in designing research based on what he calls a "managerial perspective" assuming the perspective of government politicians or civil servants as coordinators in a process of creating "coherence, consensus and integration around certain policies and/or across policy fields". I agree with this statement, and consider it important not to reduce the entrepreneurial perspective, to what Hoff calls the managerial perspective, which appears to be close to Tebaldi’s concept. As we will see, this perspective might, however be useful in the discussion about interpreters, intermediaries or brokers between various lifeworlds.
Does public entrepreneurship exist empirically? The concept of public entrepreneurship is indeed appealing, and I would have liked to be able to present some examples of such individuals or ideas from my research, but examples are few. In section 10.5 we will return to the empirical findings, and examine what they can yield when confronted with the theoretical threads provided in section 10.2, 10.3 and 10.4.

10.5 Some tentative explanations about structure and action

I would like to use this section to attempt to arrive at, at least some tentative explanations of why SMEs interact (or not) with organizations, actors, etc. which is part of the principal research question of this thesis.

Using Ostrom’s cornerstones for collective action

I will attempt to answer parts of my research question regarding organizing/not organizing together with other SMEs or actors by examining the cases of collective action which seem to work, as well as those that have been criticized by businesspersons. In the situations that seem to work, Ostrom’s cornerstones should be present, and absent in situations that seem to have finished in dead ends or in organizations which have been criticized by the businesspersons. Ostrom’s cornerstones are: personal heuristics (individual ethics and positions), norms and rules (learned and established in interrelation with other individuals), communication (face to face), trust and reciprocity and reputation (all of these are social criteria which can only be developed in interrelation with other individuals).

Various forms of collective action and organizing are presented in the cases. They are all examples of self organizing with “individuals who interact aiming at finding the solution to a common challenge” (Hjern 1999:18 and Carlsson 1993:44), while collective action can be understood as: “a process where actors organize for joint decision-making for one or more purposes and, in doing so, give up some of their autonomy and give up their freedom of action in favour of the joint decisions regarding that purpose (Bogason 2000:66)

It is not possible to verify whether actors give up some of their autonomy and freedom of action in all instances, but it is clear that if certain norms and rules frame the interaction, it will be difficult to find situations in which the individual businessperson finds him or herself completely free to do whatever he/she wants. One example of this may be agreements to sell products on foreign markets through a common actor using him/her as a common good,
rather than establishing business contacts for one’s own purposes. But these considerations are difficult to find in the businesspersons’ narratives. The examples of self organizing provided in the cases differ, for instance, in that the initiative to start the process comes from different actors. It always originates in a common challenge, though.

The narrative in the case on collaboration with universities and R&D regarding using plastic materials (Tuscany) and the presentation about collaboration between SMEs and researchers at the University of Florence offer examples of processes in which the first step was taken by the businesspersons themselves, although these processes have not yet turned into organizations.

Furthermore, in the case on internationalization and exports, I have found a few examples of Tuscan firms who have established their own contacts with buyers, agents and/or shops in foreign countries. Another example of a process from the same case study, but taking place in the County of Jönköping, is GT-group, which is an export firm founded and run by three SMEs and the Tuscan credit guarantee association Artigiancredito founded and still run and managed by a collective of companies.

In the case on employment and vocational training, one of the businesspersons in the County of Jönköping narrates how he borrows staff from a neighboring company when his company experiences production peaks and how the other businessperson does the same in moments of intense production. I have not explained these processes in detail since they have not been described closely by the interviewees. Also these ought, however, to be examples of processes coordinated from below.

To return to the question about whether the prerequisites for collective action can be verified in the empirical examples, and be used for explaining why SMEs organize themselves with actors in certain instances, and why they do not so in other. The cornerstones for collective action, provided by Ostrom could possibly be used. I have no possibility to go through each single process of self organizing narrated in the cases here, neither do I have all of the evidence which would be needed to measure the specific personal heuristics, norms and rules learned or the possible presence of reciprocity and reputation. I am satisfied with knowing that these are prerequisites that we can assume are present whenever a process of collective action is carried out. As has already been stated at an early stage of this research, I do not aim to construct a toolbox for how to stimulate the ideal situation for collective action. Of course I’m still interested in analyzing the phenomena, though.

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155 It should be mentioned, though that the first contact was established through the CNA.
What is missing in the link?

I will try to answer this question by finding out what’s wrong, or why SMEs do not engage in organizing activities with actors. I will examine aspects which might have been missing in processes/organizations not consulted by the SMEs, and in situations in which the interaction (and the self organizing) did not take place. In the following I will refer to a few organizations, programs and strategies which have been criticized by SMEs to explore whether some of the answers can be found in them.

Formalization and lack of trust

Basel II and the (Italian) banks have been questioned and criticized by Tuscan SMEs. Basel II seems to have been interpreted as a threat by SMEs. One of the civil servants at the regional level I talked to, takes the introduction and support of Basel II as one example of what has been done to assist SMEs in Tuscany. If he has good reasons for introducing and reinforcing Basel II in Tuscany to SMEs, and if his arguments could help SMEs to perceive of it as something positive which would “clarify objectives and rules related to financial matters and make SMEs more economically sound”, his message does not get through to the SMEs. SMEs continue perceiving Basel II as a top-down initiative addressed by powers which they have no possibility to influence. This is an example in which all of the interrelations and communicative aspects that Ostrom mentions appear to be absent. Tuscan businesspersons indicate that formal rules and regulations have replaced the personal relations and the relations that they had established with their bank officers. Newly hired officers cling to Basel II and formal documents and regulations rather than considering reciprocal trust. Also this example shows that any opportunity to communication and human interrelation is missing.

In the case on internationalization and exports some examples are given that show why SMEs do not consult assisting structures who claim to help SMEs with export. Some of the organizations (such as CNA, the chamber of commerce and ICE) have been around for a long time, but have not achieved enough credibility to be trusted for assisting SMEs in their internationalization processes. Actors are not believed to have sufficient knowledge in the field. Also in this case, it is quite evident that at least one of the important prerequisites for collective action, namely trust, is missing. Since Tuscan businesspersons do not even know who to snowball to, I presume that the prerequisites for communication between the actor and the SMEs do not exist.

In one of the successful examples, GT group and the founding SMEs choose the CEO which becomes a common good for them. He enjoyed their trust. The collaborating firms knew each other well as competitors prior to getting together, and they were all present at meetings where the possible export
consortium is “endlessly” discussed. One interesting detail in the narrative is that two of the CEOs who represent two different founding companies described the process as it evolved prior to the decision to found the new export consortium with exactly the same words. The project was “endlessly” discussed. These two CEOs belong to the same lifeworld, which ought to have contributed to communication and exchange of ideas in the group, and it may also have enhanced the prospects for trust to develop among the individuals.

The EU Structural Funds’ programs suffer, among other things, from the absence of communication and interrelation with SMEs. Actors who are expected to work as intermediaries for the programs (such as officers working in assisting structures) agree with SMEs as they criticize the programs, the bureaucracy and the administration required for presenting applications. Trust is established between officers in assisting structures and SMEs, but none of the actors believe that the support from the funds will make a considerable difference.

Ostrom’s concept of trust is closely related to reciprocity and reputation. Individuals who experience that organizations or individuals abuse trust, or actors or organizations defining norms and rules that individuals do not consider legitimate are not consulted, and if they are consulted it is not likely that the contact will be repeated. One such example comes form the case on collaboration with universities and R&D. A businessperson who has received funding from Objective 2 in Tuscany says: “I was present at one of the initial information meetings about Objective 2, organized by Regione Toscana. Quite a lot of businesspersons were there, but many of them gave up, and didn’t go ahead with the application.” He continues: “To understand what can be done with the funds and how it should be done, one needs assistance from various experts.” He explains: “Regione Toscana has appointed an office in Massa Carrara to handle the applications. The staff provides assistance and explains how the application should be filled out. I have no complaints about the staff at Massa Carrara, but I’m not content with the Objective 2 as such. Considering the effort put by us in administering the work I do not regard this project worthwhile. The administration and the participation in the programme turned into an activity serving its own end, and became more important than the actual result in the participating firms.”

All cases where collective action does not come about do, however, not refer to the absence of the prerequisites mentioned by Ostrom. Processes are specific, and there may also exist particular (situation specific) reasons for participating in collective action or the decision to refrain from it. Other explanations to why organizing process result in dead ends and/or with discontent among SMEs can also be found in the fact that actors and SMEs belong to different lifeworlds, and that they either don’t attempt to or don’t succeed in communicating and interrelating. This may also imply that their perception of the lifeworld
challenge or the definition of central concepts related to the challenge may differ considerably between SMEs and actors.

As we have seen, the concept of communication is partly covered by Ostrom as one of the foundations of collective action. I believe, however, that there is more to say about the importance of communication and the exchange of lifeworlds, and have therefore decided to add some theoretical perspectives about these.

In this section I have provided some examples of collective action, which can be seen as one of the possible keys for unlocking the iron cage. I would, however, like to add another aspect, which is related to the prospects for introducing innovation in organizing processes and which has been discussed in this chapter, public entrepreneurship.

Public entrepreneurs difficult to find

True entrepreneurs, devoting themselves to creative destruction cannot be found in any of the cases. One could, of course, argue that every time a solution, which is alternative to the existing structure is created through a process of collective action, a process of creative destruction takes place.

Such examples include, for instance, GT-group, which is an instance of entrepreneurship since it created something new, which couldn't be offered by the existing assisting structures, and - for the same reason - Lichron in the County of Jönköping. Two examples from Tuscany are Artigiancredito (though that example is 40 years old by now) and Pont-Tech.

In the case on financial resources, there is one example of a civil servant, responsible for the investment grants for small firms in rural areas in the County of Jönköping who makes some entrepreneurial moves. He invents training as a part of the grant, and he constructs his own application forms, since he finds those provided through one of the governmental authorities: “absolutely terrible, written by academics without taking the target group into account and thus extremely difficult to understand”.

There are few examples also of interpreters or intermediaries. The (Swedish) bank officers, for instance, those working to expand their network, and to bring resources and specific knowledge into the process, or the officers working with the EU co-financed programs Objective 2 and Objective 3, who interpret programs and strategies, and try to assist SMEs, seem to be appreciated by businesspersons. At the same time they complain, however, that the administration is exaggerated, and that the programs are overly bureaucratic.
Other examples can be found in the case study about collaboration with universities and R&D. Sometimes (as is the case in the collaboration between a Tuscan firm and the professor at the University of Florence) it seems the actor who is brought in as a resource in a project helps in de-coding and interpreting programs and political initiatives so that they fit firms.

I do not have any narratives to prove it, but believe that the officer at CSM in Poggibonsi who coordinated the project Designetwork (see the case on collaboration with universities and R&D) might have manipulated some with narrow programs and criteria to fit the young furniture businesspersons into the design project, and to make it possible for them to receive funding for involving designers to renew the furniture collection of the companies.

Some of the actors working with the Swedish local labor market, yet having to deal with centralized and national policies, seem to have developed an approach to their work which creates a certain space where they attempt to create possibilities for persons who are in need of their assistance. Officers (in PLEAs – Public Local Employment Agencies) talk about using the law so that it is working in favor of individuals who are in need of assistance, and they also describe how they try to increase flexibility by adopting an optimistic and creative approach.

Bank officers, as well as other financial actors in Tuscany, claim to try to stay up-to-date with interventions which can possibly be pooled with their own financing. Artigiancredito and FidiToscana even have this as a part of their task, and anyone visiting these two actors’ websites on the Internet will find that there are numerous references to interventions and supports such as the EU Structural Funds programs etc. Officers can probably be considered policy entrepreneurs as described by Tebaldi (2001) above, but we are still far from the definition of entrepreneurship as innovation.

**Why so few public entrepreneurs?**

Why are there so few examples of public entrepreneurship? There exist some tendencies in the cases that may indicate that potential entrepreneurs are busy doing everything *but* developing and thinking innovatively about their organization and what it can do for SMEs. Several actors (in the export case, in the case about employment and vocational training, and, to some extent, in the case about collaboration with universities and R&D) indicate that there are too many actors doing similar or the same things. This results in a competition about money among the actors. I assume it is difficult for such actors to think entrepreneurial and develop rather than defend themselves and their position, no matter which good ideas they may have in mind.
Another example of how actors working in organizations themselves can do little or nothing can be found in the case on employment and vocational training. In the Tuscan context, the overall system of top-down planning and calls for proposals is said to restrict and limit actors. Educational actors report not to have much possibility to influence the course offer. They respond to the calls, posted by Regione Toscana or the Provinces, and according to actors the activities suggested in the calls do not correspond adequately to the demands of the territory. As a matter of fact, despite the fact that businesspersons call for training in CAD/CAM, CNC-turning and other practical courses, few examples of such courses are found. Another example from the same case is that several Tuscan actors claim that SMEs have gotten used to receiving substantial co-financing from programs and institutions. Actors generally see this as a flaw in the assisting structures, and claim that businesspersons who do not have to pay for the services they receive will not demand much either. Consequently, this will cause the quality of training and education to deteriorate. Thus, Tuscan actors seem to indicate that businesspersons should be charged or pay more for training and education.

I believe these actors are stuck in the iron cage rationality. The assistance offered to SMEs may be of little interest to firms, since the measures might not be in accord with what firms need or want. Politicians and decision makers still prefer to spend them, and therefore money is invested in implementing strategies and obeying laws such as security at work (which is a compulsory course for firms, and does not correlate with the solution to the lifeworld challenge perceived by the SMEs ) as mentioned by one or two of the actors.

This kind of approach does nothing else than strengthen the permanently narrow and streamlined top-down solutions to an individual and manifold bottom-up reality. I mentioned the Structural Funds as one example here, but the Swedish PLEAs seem just as caught up in a governmental centralized web of employment strategies as the Italian Provinces in relation to the European Union and its training and educational programs co-financed by the ESF.

As for the SMEs, I would like to suggest that they, like many of the assistant structures are too caught up in processes related to the survival and development of their own firms to take the step to contact the assistant structures and establish innovative projects.

When they do contact actors and discuss (innovative) projects, it seems they sometimes run into challenges related to not being eligible for a certain support, or finding themselves applying for money to finance projects and activities that respond more to the structures and demands of programs than to the lifeworld challenge which would have been more relevant to them. Objectives and criteria are, simply, too narrow to offer space for innovation (see examples in
the case studies on Objective 2 and Objective 3 or the discussion on how innovation in SMEs is measured in the regional development programme for Tuscany 2000-2006).

It should be mentioned that although there are apparently few examples which could probably be interpreted as public entrepreneurship, this doesn’t mean that collective action carried out so far has not been successful, just that it is not about entrepreneurship.

If it is true that contemporary society still suffers the far driven rationality of the industrial society, and if organizations and actors are still partly stuck in the iron cage, this can partly explain why few innovators and public entrepreneurs are present. The rationality of the industrial society is that of the policy output analysis (see chapter three).

Evaluation of programs and strategies in this positivist-approach is expected to provide input for politicians and policy-makers that will enable them to take adequate decisions. Analysis of this kind is, for example, applied in the European Structural Funds’ programs, and the approach continues to be the most commonly applied when the results from social as well as welfare and cohesion policies are to be measured. Stame (2001) tries to explain why this approach has become so trusted, and concludes that the explanation is probably to be found in the fact that politicians search for clear-cut answers to legitimize their decisions. The academic and scientific field provides an acceptable answer by suggesting their paradigm as the preferred evaluation method, which has also been adopted by consultants and public research centres (Stame 2001).

Although processes of collective action are starting to unlock the iron cage, and although some steps of creative destruction and public entrepreneurship can be discerned in the practices of actors and SMEs, we are partly still inside of it. Entrepreneurial individuals may face difficulties as they suggest innovative action and creative destruction in mature iron cage-type organizations. Mature organizations face difficulties in learning and adopting to the surrounding society. Their survival becomes an objective per se. Organizations are no longer means to reach societal objectives, but live on as indispensable constructs. Individuals who think differently are excluded. Organizations can, therefore impede members from organizing activities in a more effective manner, if organizing is done differently than before since it conflicts with a silent myth on which the organization rests. Individuals working in mature organizations are seldom businesspersons, but imitators who learn and spread what has already been learned (Hjern 2001).

The civil servant responsible for the investment grants for small firms in rural areas confirms the statement made by Hjern (2001) that businesspersons
operating in mature organizations, still working according to the laws of iron cage rationality will experience difficulties. The civil servant says he and his colleagues have different ways of dealing with laws and regulations, and that colleagues do not always appreciate his way of doing the job. To this public entrepreneur, the most important thing is that the job produces a satisfactory outcome – and the firms in rural areas are the target group.

Even individuals who manage to allocate the necessary human resources for collective action, may face difficulties. It may be difficult for the group to acquire the necessary financial resources needed, since programs and strategies (such as the EU Structural Funds) have been elaborated according to the approach of the industrial society with efficiency and output as prioritized objectives.

### Lifeworld, a crucial concept

I would argue, the concept of lifeworld is fundamental here and that the gap between the lifeworld of politicians nurturing aspirations, and businesspersons who expect adequate solutions to their lifeworld challenges.

Habermas (1986) has developed a theoretical framework for communicative action, which will be presented in the next section. His theory suggests how individuals can exchange lifeworlds and reach consensus, for instance, the perceptions of a situations, a concept on how collective action is going to be carried out. Habermas believes that social change and policy learning can come about through communicative action, and suggests this way of communication to help individuals reach beyond what he calls “one-sided rationalization” maintained and practised by various sources of authorities in society (de Leon 1999:326).

### 10.6 Lifeworlds and arenas for interaction and communication

One of the impediments to successful organizing processes seems to lie in the fact that interviewees (businesspersons and other actors) live in different lifeworlds, and have different perspectives when defining challenges and opportunities for SME.

There are several examples of gaps between the lifeworlds of SMEs and those of other actors and organizations. The case study on collaboration with universities and R&D contains perhaps, the best examples of this. But also in other cases actors working in assisting structures and SMEs claim to work to
convince SMEs to, for example, invest in R&D or think long-term and advice actors in advance when they will need to employ. The concept of innovation differs between businesspersons, who think of it as investing in machinery which can perform more technically advanced tasks and academics who refers to it in terms of R&D.

**Some theoretical threads on lifeworlds and communicative action**

Individuals’ behavior and actions are based on experience and knowledge, and our actions have underlying motives. According to Jensen (2003:3) these motives, in turn, derive from our so-called lifeworld.\(^{156}\) The concept lifeworld or *Lebenswelt* was originally developed by Edmund Husserl, who can also be said to be the father of phenomenology. Lifeworld is to Husserl “the everyday common-sense world in which we live and work” (Gorman 1976:491).\(^{157}\) A limited definition is that lifeworld is every individual’s sense of consistency and meaning in his/her existence, which derives from the conception and knowledge of the context in which we live and thrive. Lifeworlds can, through communication, be explained to other individuals.

This approach and this conception of the world and other individuals also entail a certain understanding of individuals’ responses to things that happen to them or experiences that they live. Individuals’ reactions to things that happen or experiences lived are not to be conceived as objective, but as perceived and comprehended by the individuals.

Habermas (1986b) has developed an excellent theoretical framework for the understanding of lifeworld and how the application of such a concept in research could serve in analyzing communicative action and the rationality of individuals in communication processes. The process of communicative rationality takes place in the lifeworld, which is one of the central concepts in Habermas’s works. This is an important component in the theory of communicative action of Habermas.\(^{158}\) In order to construct his theory of communicative action, Habermas partially uses Durkheim’s interpretation,

\(^{156}\) This perspective is often used by Habermas. It plays an important role in his theory on communicative action.

\(^{157}\) The concept of life-word has also been used by Durkheim, departing from the affirmation that traditional societies are characterized by a common order called life world, in which collective mythical and religious values are intertwined and they are important integrative forces in society (Wiklund 2002:39). Durkheim together with Husserl, and Wittgestein have originally coined, interpreted and developed the concept. One contemporary theorist, who has contributed with important developments and applications of the concept in his analysis of communicative action is Jürgen Habermas (Habermas, 1986a and 1986b).

\(^{158}\) It should be mentioned that Habermas did not invent the concept life world. Originally it was introduced and interpreted by Durkheim, Husserl, and Wittgestein. Habermas has, however, contributed with important developments and applications of the concept in his analysis of communicative action.
starting off with the affirmation that traditional societies are characterized by a
common order called life world, in which collective mythical and religious
values are intertwined and they are important integrative forces in society
(Wiklund 2002).

All communicating individuals exist in the lifeworld. Lifeworld is limited and
consists of one private sphere and one objective sphere, as well as a social world
of the individual which is mutually accepted by the actors, and can be of more
or less abstract nature. This world is also shared by the subjective worlds of
other individuals as well as collectives of individuals. Furthermore it contains
interpretations of previous generations.

Thus, life world is both private and public by its nature. The interpretation of a
world inherited from previous generations, maintained by tradition helps to
identify a common context of interpretation and understanding and contributes
to avoid the risk of diverse conceptions of the world (Habermas 1986a).

The structure of lifeworld is never completely accessible to the actors
themselves. This is because the individuals are not capable of stepping out of
their own (subjective) lifeworlds and of comprehending it as a whole.

The actors are, however, often capable of changing positions in their lifeworld,
conceiving it out of new perspectives and discovering new challenges or aspects
(Habermas 1986b, Wiklund 2002).

**Lifeworld as a foundation for communicative action**

Habermas outlines the concept of lifeworld as a foundation for communicative
action by thoroughly describing its nature and content. He defines three
different actor-world relations that an individual can establish. The relations:

- that take place or are produced in one single world - the objective, or
- that
- is shared by all belonging to a collective and that is recognized as
  “necessary” or “a must” - the social or normative, or
- the relations ascribed to by other actors as the own subjective world,
  that is accessible in a privileged way to the individual who is
talking/expressing him/herself (the sender).

These three dimensions of lifeworld frames the communicative action taken
with the objective to arrive at how subjects comprehend each other. They
distinguish and clarify the contact that an individual establishes with the
objective world. The means used by the person to manifest this contact is the
language.
Different dimensions interact, thus, in the communicative process. Lifeworld provides the very foundations for agreement, while the formal concepts are systems of references that contribute to the comprehension in that the participants in the communicative process can start out from their common lifeworld (objective, social or subjective) in order to attain comprehension and consensus.

When a person establishes a contact with the objective world it results in enunciations of entities (issues, objects etc). Interpersonal contact in the social world manifests itself as legitimization. The subjective dimension of the lifeworld is also exposed in communicative action, since the individual expresses his/her personal experiences on an issue or an entity.

All of these three worlds are referred to contemporarily in communicative action. Habermas writes: “Communicative action relies on a cooperative process of interpretation in which participants relate simultaneously to something in the objective, the social and the subjective worlds, even when they thematically stress only one of the three components in their utterances. Speaker and hearer use the reference system of the three worlds as an interpretive framework within which they work out their common situation definitions. They do not relate point-blank to something in a world but relativize their utterances against the chance that their validity will be contested by another actor” (Habermas 1986b:120).

Habermas also explains the relevance of the theory as a means for analyzing mechanisms of understanding and agreement. This is an important aspect of the theory since it becomes one of the cornerstones of theory of discourse and deliberative democracy.

This theoretical construct of how lifeworlds are created and recreated in a continuous process of interaction and communication is important if we want to attempt to arrive at an understanding of how different individuals perceive the world, how they take sides in conflicts, and how they rationalize in acting, and in choosing with whom they organize when they participate in a process of collective action, etc.

Weick (1995) comes close to Habermas’s perspective as he develops his theory on sensemaking in organizations. According to Weick, individuals use words to construct structures and settings which have consequences. Thus, organization is the meaning and interpretation attributed to it by individuals. The author argues that the meaning and significance that individuals give organization should be the starting point for examining and understanding it.
Bevir (2003:216-217) tries to explain how processes of communication and images are crucial for understanding the outcome of strategies and programs: “The fate of policies depends on the ways civil servants, citizens, and others understand them and respond to them.” The author continues: “If policymakers kept this firmly in mind, they still would not be able to predict the consequences of their policies but they might at least forestall some of their unintended consequences. More generally, they might allow that the management of networks is in large part about trying to understand, and respond suitably to, the beliefs, traditions, and practices of those they hope to influence.”

“The relations between ideas and behaviour are mutual”, Lundquist (2007:163) asserts, as he attempts to describe how ideas in local self-governance in Sweden “functioned both as steering measures and steering goals”. Lundquist’s perspective is discursive, and he investigates the meaning of words and concepts. The author claims that words are never neutral, but that they take on a crucial role in the construction of reality (Lundquist 2007:165).

The interpretation and understanding of situations and processes and the gradual construction and institutionalization of meaning is important for the investigation of processes of organizing and collective action. “At a certain time an existing order makes sense to actors; it makes their actions meaningful. Over time the order is transformed as new forms of meaning emerge. In the end a new order is established” (Flugt & Gjelstrup 2007:159).

As has been argued earlier in this thesis, as delimitations regarding power were discussed, Habermas has been criticized for not providing empirical research that would support or repudiate the theoretical constructs. He is said to be too idealistic. Flyvbjerg (2001) criticizes Habermas’s suggestions to use institutional development and constitutions as solutions to the challenges in contemporary society, as well as his preference for consensus rather than conflict (which is the focus of another philosopher, Foucault). Flyvbjerg claims that power and conflict are present everywhere in society, and that these phenomena therefore must be taken into account in research. These aspects have already been discussed in chapter three. I will therefore not dwell on them here. However, Flyvbjerg does not repudiate Habermas’s entire philosophy: “Habermas’s work has value, especially in a time when most philosophers have given up on the high ambitions for philosophy and social science that Habermas still pursues, for instance regarding universal grounding of our thoughts and actions. Even if such ambition cannot be fulfilled, the history of philosophy and science shows that we have much to learn from attempts at doing so” (Flyvbjerg 2001:109).

Ostrom (1998) has explained that meetings between people are important prerequisites for collective action. These meetings and the communication are
the arenas that Habermas depicts in his theory. Many examples have already been provided in the cases and repeated in this chapter on how some of the actors live in lifeworlds that appear distant from those of the SMEs, and how these distant lifeworlds create gaps which are difficult to bridge.

The aspects mentioned by Ostrom are, in my opinion, integrated in lifeworld and communication concepts. For example, trust is another important concept that has been mentioned by Ostrom and in several of the narratives, but it assumes that trust is unlikely to develop, if the process of communication and the exchange of lifeworlds doesn’t come about in the first place. The same goes for norms and rules which, according to Habermas’s model, need to be perceived of as legitimate to be respected, thus the establishment of rules and norms and the agreement on the legitimacy of these need to be deliberated. As we can see, even the personal heuristics in Ostrom’s theoretical construct finds its counterpart in the individual lifeworld of each person.

I believe a good part of the explanation to why businesspersons choose not to organize themselves with certain actors lies in the fact that individuals have different lifeworlds. But it is not only the fact that individuals perceive of phenomena and processes differently which hampers collective action. It is also the actors and the SMEs incapability and/or the lack of opportunities to communicate and exchange lifeworlds with the rest of the actors (who might be potential participants in the organizing process). It may never be possible to create the arenas for communication between actors and SMEs. Findings from my empirical research show that in some cases actors take on the roles as interpreters and intermediaries between the organizations and SMEs and succeed in bridging the gap. This might be a viable solution if personal meetings are not possible, provided that the representative of the organization knows how to communicate his/her lifeworld to the interpreter, so that he/she can convey it.

As I conclude this chapter and think of how I am using Habermas’s model to explain just how important it is to communicate and to understand the lifeworlds of other individuals, I realize that I am stuck in my lifeworld too. It would be interesting to see how this theory would be perceived by one of the interviewed businesspersons! In writing this thesis, I have aimed at assuming the role of the interpreter of more than one hundred lifeworlds. I hope to have conveyed the narratives well and that the narrators can recognize their story in mine.
10.7 Conclusions

In this chapter, the empirical findings are analyzed with help of four theoretical threads, (1) organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) lifeworlds and arenas for interaction and communication. Threads 1-3 were presented first, in sections 10.2, 10.3 and 10.4. Section 10.5 aims at delivering some tentative explanations about the link between political aspirations and adequate policy for SMEs. Section 10.6 is devoted to the last theoretical thread, which is central for the thesis.

Bureaucratization and formalization appear to be organizations’ natural response to complexity and uncertainty. Many organizations, also recently formed, have been established with the same or very similar objectives. Organizations tend, thus, to formalize according to a conformist pattern as they attempt to survive and function as tools, which can help steer and control a complex and unpredictable society.

Programs and strategies, such as for instance the EU Structural Funds Programs, or organizations, such as the many export-assisting institutions in Italy or the many assisting actors on the labor market and the educational sector in Sweden, do not seem to be trusted by interviewed businesspersons as they face the main challenges, and actors do not appear to assist SMEs adequately in their organizing processes.

The observations made are aligned with the theoretical construct of Weber, Di Maggio & Powell (1991), Meyer & Rowan (1991) Carlsson (1993) and Hjern (2001). Iron cage rationality, bureaucracy and formalization are still present in modern organizations, and organizations are means for controlling and steering the complex society. The more complex the society gets, the more organizations are added to those already existing. But, there are also additional theoretical threads which I wanted to include in the theoretical framework.

One aspect which is not discussed to any greater extent by the scholars referred to above, and that we may take into consideration here, is that single organizations are no more the sole point of reference for solving challenges. The policy-organizing analysis accounts for the multi- and interorganizational perspective.

Although I accept all of Weber’s predictions, and acknowledge that they are valid also in the contemporary society, I believe that Weber’s metaphor holds only one part of the complex puzzle which must be done if we want to analyze and understand institutions in post-modern society. The ambition is therefore to study phenomena taking place also beyond the cage and, when possible,
elaborate on solutions which could be suggested as potential keys for unlocking it. When constructing my theoretical framework, I have therefore searched for additional items that could be integrated in a theoretical toolbox in the constructivist field of social sciences.

Weber describes highly formalized institutions mainly as impediments for individual evaluation and action, and the neo-institutional approach seems to keep institutions and individuals mainly inside of the iron cage. The principal aim of this thesis is to explore the link (if there is one) between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. The research maps out, analyzes and interprets the processes of self organizing among the SMEs and other actors.

Empirical findings of my research imply that it is possible to unlock the iron-cage and that CEOs and other actors do it, or attempt to do it all the time as they engage in solutions of common challenges. The conception of the multi-organizational society and the many interrelations and interdependencies provides a suggestion that the iron cage exists as formal organizations, but that many parallel processes are performed by actors who go beyond the formal organizations. In order to describe and comprehend SMEs and other actors living in the multi-organizational and interacting in implementation structures, I need to bring in theories about collective action.

In section 10.2, I refer mainly to Ostrom (1998 and 1990) and Bogason (2005), who provide important theoretical threads and indicate prerequisites which need to be present for self organizing and collective action to come about. Examples of such prerequisites are trust, communication and norms and rules. In this chapter I have made an attempt to check if prerequisites were present in cases of organizing solutions which interviewees indicate as adequate, and to use the theoretical threads on collective action and organizing to explore the link between structure and action, and, if possible, find the missing link.

Several examples of self organizing with “individuals who interact aiming at finding the solution to a common challenge” (Hjern 1999:18 and Carlsson 1993:44) can be found in the case studies. The concept of collective action can be understood as: “a process where actors organize for joint decision-making for one or more purposes and, in doing so, give up some of their autonomy and give up their freedom of action in favour of the joint decisions regarding that purpose (Bogason 2000:66).

It is not possible to verify whether actors give up some of their autonomy and some of their freedom of action in all instances, but it is clear that if certain norms and rules frame the interaction, it will be difficult to find situations in
which the individual businessperson finds him or herself completely free to do whatever he/she wants.

I have no possibility to go through each single process of self organizing narrated in the cases here, neither do I have all of the evidence which would be needed to measure the specific personal heuristics, norms and rules learned or the possible presence of reciprocity and reputation. I am satisfied with knowing that these are prerequisites that we can assume are present whenever a process of collective action is carried out. As has already been stated at an early stage of this research, I do not aim to construct a toolbox for how to stimulate the ideal situation for collective action. Of course I’m still interested in analyzing the phenomena, though.

I therefore try to arrive at an answer by finding out what’s wrong, or why SMEs do not engage in organizing activities with actors. Aspects which might have been missing in processes/organizations not consulted by the SMEs, and in situations in which the interaction (and the self organizing) did not take place are examined. I refer to a few organizations, programs and strategies which have been criticized by SMEs to explore whether some of the answers can be found in them. Among the narratives, several examples of lack of trust and communication are found. Formal rules and regulations replace personal relations and opportunity to communication and human interrelation is missing. Furthermore, businesspersons indicate that actors are not believed to have sufficient knowledge in the field and that they, thus, do not trust actors.

All cases where collective action does not come about do, however, not refer to the absence of the prerequisites mentioned by Ostrom. Processes are specific, and there may also exist particular (situation specific) reasons for participating in collective action or the decision to refrain from it. Other examples of organizing processes resulting in dead ends and/or with discontent among SMEs can also be found in the fact that actors and SMEs belong to different lifeworlds, and that they either do not attempt to or do not succeed in communicating and interrelating. This may also imply that their perception of the lifeworld challenge or the definition of central concepts related to the challenge may differ considerably between SMEs and actors.

Collective action can be seen as one of the possible keys for unlocking the iron cage. In this chapter I also add another aspect, which is related to the prospects for introducing innovation in organizing processes, innovation and public entrepreneurship.

I first refer to Schumpeter’s definition of entrepreneurship as creative destruction, and state that I do not find any clear examples of public entrepreneurship which responds to the Schumpeterian ideal. Tebaldi (2001)
defines the public entrepreneur more as an intermediary or a broker creating linkages between different organizations, programs and actors in a multi-organizational setting. This conception of entrepreneurship, if caught in the iron cage and consulted by highly institutionalized organizations to legitimize a certain protocol of action or to work as an expert without any competitors challenging the intermediary in his/her role, this may hinder the entrepreneur and lead to hyper-routinizing instead of creative processes (Tebaldi 2001: 95).

Tebaldi’s research suggests, however, that different actors and functions can be brought back together with the aim of solving a challenge, facing a challenge and making sense to the actors who participate in the process through the agency of a public entrepreneur.

Tebaldi’s interpretation permits for a scope of the conception of public entrepreneurship which is much broader than the Schumpeterian ideal of creative destruction, but even using Tebaldi as a guide, it is difficult to find examples of entrepreneurial solutions in the case studies.

Why are there so few public entrepreneurs? Findings seem to point at the iron cage as a possible explanation.

Several actors indicate that there are too many actors doing similar or the same things. This results in a competition about money among the actors. I assume it is difficult for such actors to think entrepreneurial and develop rather than defend themselves and their position, no matter which good ideas they may have in mind. Another example of how actors working in organizations themselves can do little or nothing is the top-down planning and calls for proposals in the educational sector, which is said to restrict and limit actors.

The assistance offered to SMEs may be of little interest to enterprises, since the measures might not be in accord with what firms need or want. Examples from the case studies do nothing else than strengthen the permanently narrow and streamlined top-down solutions to an individual and manifold bottom-up reality. Thus, although processes of collective action are starting to unlock the iron cage, and although some steps of creative destruction and public entrepreneurship can be discerned in the practices of actors and SMEs, we are partly still inside of it. Individuals with entrepreneurial ideas face challenges when trying to organize themselves, and even if they manage to allocate the necessary human resources for collective action, it may be difficult for the group to acquire the necessary financial resources needed, since programs and strategies have been elaborated according to the approach of the industrial society with efficiency and output as prioritized objectives.
One of the solutions to the challenge would lie in changing the rationality of the structures. Habermas (1986) has developed a theoretical framework for communicative action, which will be presented in the next section. His theory suggests how individuals can exchange lifeworlds and reach consensus, for instance, the perceptions of a situations, a concept on how collective action is going to be carried out. Habermas believes that social change and policy learning can come about through communicative action, and suggests this way of communication to help individuals reach beyond what he calls “one-sided rationalization” maintained and practised by various sources of authorities in society (de Leon 1999:326).

One of the impediments to successful organizing processes seems to lie in the fact that interviewees (businesspersons and other actors) live in different lifeworlds, and often depart from different perspectives when defining challenges and opportunities for SMEs.

There are several examples of gaps between the lifeworlds of SMEs and those of other actors and organizations.

The concept of lifeworld has been mentioned several times in this and previous chapters. A limited definition is that lifeworld is every individual’s sense of consistency and meaning in his/her existence, which derives from the conception and knowledge of the context in which we live and thrive. Lifeworlds can, through communication, be explained to other individuals.

Habermas (1986) has developed an excellent theoretical framework for the understanding of lifeworld and how the application of such a concept in research could serve in analyzing communicative action and the rationality of individuals in communication processes. The process of communicative rationality takes place in the lifeworld, which is one of the central concepts in Habermas’s works. This theoretical model of how lifeworlds are created and recreated in a continuous process of interaction and communication is important if we want to attempt to arrive at an understanding of how different individuals perceive the world, how they take sides in conflicts, and how they rationalize in acting, and in choosing with whom they organize when they participate in a process of collective action, etc.

The aspects mentioned by Ostrom are, in my opinion, integrated in lifeworld and communication concepts. For example, trust is another important concept that has been mentioned by Ostrom and in several of the narratives, but it assumes that trust is unlikely to develop, if the process of communication and the exchange of lifeworlds doesn’t come about in the first place. The same goes for norms and rules which, according to Habermas’s model, need to be perceived of as legitimate to be respected, thus the establishment of rules and
norms and the agreement on the legitimacy of these need to be deliberated. As we can see, even the personal heuristics in Ostrom’s theoretical construct finds its counterpart in the individual lifeworld of each person.

I believe a good part of the explanation to why businesspersons choose not to organize themselves with certain actors lies in the fact that individuals have different lifeworlds. But it is not only the fact that individuals perceive of phenomena and processes differently which hampers collective action. It is also the actors and the SMEs incapability and/or the lack of opportunities to communicate and exchange lifeworlds with the rest of the actors (who might be potential participants in the organizing process).

It may never be possible to create arenas for communication between actors and SMEs. Findings from my empirical research show that in some cases actors take on the roles as interpreters and intermediaries between the organizations and SMEs and succeed in bridging the gap. This might be a viable solution if personal meetings are not possible, provided that the representative of the organization knows how to communicate his/her lifeworld to the interpreter, so that he/she can convey it.

The next chapter is devoted to final analysis and concluding remarks, including the potential and the possible added value of using the comparative aspect and what comes out of it.
11. Final analysis and conclusions

The first section of this chapter recapitulates the aims of the research, and is followed by an outline of what came out of the confrontation of empirical findings and theoretical threads carried out in Chapter ten. The comparison of the two national and regional contexts will also be accounted for. I will go through each case study again, and thoroughly analyze similarities and differences between (a) the industrial sectors and (b) the two geographical settings. Similarities will be presented first. My contribution to the field of policy analysis and the possibility of using this study’s conclusions will be discussed in the last section.

11.1 Returning to the aims of the research

The principal aim(s) of the research is to analyze and explain if and how SMEs interact with policy as they confront challenges and opportunities.

More specifically, the research is a contribution to implementation research and policy analysis, a scientific field with the remit intention to answer to the question: “how well does the body politic link good representation of societal aspirations (‘politics’) with their efficient and effective realization (‘administration’)?” (Hjern & Hull 1983:2)

The aim, in other words, is to explore the link if there is one between structure and action interpreted as the interaction between political aspirations elaborated as systems, organizations, programs, strategies etc and the adequate realization of solutions to SMEs’ challenges. At a more pragmatic level this study can, hence, enhance our understanding of what can actually be attained from programs, strategies etc.

Political aspirations are expressed in numerous programs, strategies, and organizations, all claiming that their objective is to assist SMEs. Narratives presented in Chapters 6-9, appear to indicate that only a few of the ambitions and strategies the politicians and decision makers undertake as they sit at the helm of their organizations actually reach the beneficiaries at the bottom. As for the businesspersons, even if they know know about them, they often do not consult the offered solutions.

\[159\] The term efficient refers to an economic use of resources, while effective refers to the actual effect achieved. In this thesis, the two terms are used interchangeably. The concept used here is adequate.
This finding is interesting and noteworthy. The same key concepts are mentioned and emphasized by programs, politicians and decision makers at the top, as well as the SMEs and other actors at the bottom. There seems to be coherence on the focus of the problems and challenges, but disagreement regarding the solutions. Hence, a gap seems to exist between aspirations and realization.

The policy problem elaborated and formulated as a question concerns the missing link between the efficient and effective realization of solutions for challenges faced by SMEs and the good representation of societal aspirations of the body politic.

The decision to adopt a comparative approach, as explained in the research, has been taken in order to be able to use the potential it assumes. The aim of the comparison is to see whether the processes of development converge or diverge in different contexts, how possible similarities and differences between them can be explained and possibly to learn something about the field of policy analysis.

The study’s principal aim, to analyze and explain how SMEs are related to policy as they confront challenges and opportunities, can partly be achieved by closely analyzing the case studies. Each case study is concluded by a brief summary and analysis. The case studies, including their analysis and conclusions, are written without reference to possible theoretical explanations and are, thus, of a practical nature. The reason for not bringing in theory at that stage has been discussed in Chapters four and ten.

How can the link between structure and action be explored and explained? Glemdal (2008) poses the question if his “objective should be to (1) Arrive at universal or singular statements supported by empirical observation?”, or to “(2) Arrive at a hermeneutic, empathic interpretation which can contribute to that the researcher and others can re-experience the experiences of the actors investigated?” (Glemdal 2008:19). The first objective draws on the assumptions supported by positivists such as Schlick (1934) and critical rationalists as Popper (Glemdal, ibid.), who presume that objective knowledge is possible and that it can be achieved through testing observations and assumptions against hypotheses. The second is supported by advocates of hermeneutics (or post positivists such as Collingwood (1938), who presume that it is impossible to achieve objective knowledge, since the investigated individuals as well as the researchers have their own subjective experience of the situation. Advocates of

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the hermeneutic tradition come close to what Weber calls *verstehen*, and focuses more on understanding than on explanation (Flyvbjerg 2001:33). Glemdal (2008:19) adds a third objective for social research, namely to “Arrive at conclusions which combine objective 1 and 2.” Glemdal uses Popper (1972) and Lin (1998) to construct his analytical framework which is a combination of objectives 1 and 2.

I have attempted both to arrive at singular or universal statements supported by empirical observation and to provide a hermeneutic interpretation of lifeworld challenges, organizing processes and the link between structure and action.

Lin (1998) recommends researchers to adopt the comparative design, with several cases in one piece of research, and claims that it provides the researcher with several possible explanations and make findings less case-specific. The other technique that I have used to try to arrive at explanations about the link is to relate research findings from the case studies to theories. Theoretical threads are outlined in Chapter ten. Four headings have been utilized to help account for the phenomena identified in the case studies. The headings are: (1) institutionalization and organizations, bureaucratization and formalization, (2) self organizing and collective action, (3) innovation and public entrepreneurship and (4) life worlds and arenas for interaction and communication. In Chapter ten I have explained why these four headings were chosen, and presented the theoretical threads.

The following conclusions can be drawn when comparing the empirical with the theoretical threads:

Iron cage rationality, bureaucracy and formalization are still present in modern organizations, and organizations are means for controlling and steering the complex society. The more complex the society gets, the more organizations are added to those already existing;

It is possible to unlock the iron-cage. Businesspersons and other actors do it, or attempt to do it, all the time, as they engage in solutions of common challenges. The iron cage exists as formal organizations, but that parallel processes are performed by actors who go beyond these formal organizations;

Lack of communication and trust between businesspersons and actors and organizations appear to provide a part of the explanation to the question on what the missing link consists of;

Few (if any) examples of public entrepreneurship have been found in the case studies. Findings seem to point at the iron cage and its far-driven formalization of strategies, programs and organizations as possible explanations;
One of the impediments to successful organizing processes seems to lie in the fact that interviewees (businesspersons and other actors) live in different lifeworlds, and often provide different perspectives when defining challenges and opportunities for SMEs.

11.2 Analysis of the outcome of the comparative approach

The decision to adopt a comparative approach was taken with the intent to use the potential that I, together with my tutors, assumed that the comparison of a few different contexts in two regional and national settings could bring. The aim of the comparison is to see if the processes of development converge or diverge in different contexts, how similarities and differences between them can be explained and possibly learn something about the field of policy analysis. Keeping this aim in mind, I will now go back to the findings in the case studies and examine what came out of the comparison, and see whether something can be learned from it.

The most palpable general similarity between the two regional contexts is how businesspersons perceive common lifeworld challenges. Lifeworld challenges have been outlined and analyzed in detail as case studies in Chapters 6-9 under the headings: financial resources, collaboration with universities and R&D, internationalization and exports and employment and vocational training.

Table 11.1 Lifeworld challenges

<table>
<thead>
<tr>
<th>Tuscany</th>
<th>Financial resources</th>
<th>Collaboration with universities and R&amp;D</th>
<th>Internationalization and exports</th>
<th>Employment and vocational training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal manufacturing</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Furniture-producers</td>
<td>4</td>
<td>4</td>
<td>12</td>
<td>3</td>
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<tr>
<td>County of Jönköping</td>
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</tr>
<tr>
<td>Metal manufacturing</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Furniture-producers</td>
<td>6</td>
<td>2</td>
<td>9</td>
<td>8</td>
</tr>
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</table>

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Final analysis and conclusions

Table 11.1 shows the times the lifeworld challenges have been mentioned by businesspersons. The case studies are, hence, compliant with four main lifeworld challenges around which the businesspersons’ narratives evolve. The case studies are: (Ch. 6) financial resources, (Ch. 7) collaboration with universities, and Research & Development, (Ch. 8) internationalization and exports, and (Ch. 9) employment and vocational training.

11.3 Similarities and differences between the two industrial sectors

Financial resources

The main challenge relates to finding adequate financial solutions to make investments (for instance in machinery and/or production-plants) or financial arrangements (for instance in the case of shifting the ownership of a family-firm to the younger generation). Banks and other financial actors have been indicated as assisting structures. The challenge is general for both industrial sectors, but needs are more manifest in the metal manufacturing industry than they are in the furniture sector. The reason for this is, most likely, that metal manufacturing companies are dependent on technologically advanced machinery, which is expensive.

Collaboration with universities and R&D

The challenges perceived by SMEs, as they try to get in contact with universities, research-centres etc. involved in R&D, have been narrated by representatives for both business-sectors. CEOs for firms of both sectors (though mainly from metal manufacturing firms) speak of product-development, production-processes or knowledge about materials (metals for instance). Furniture producers generally mention design and collaboration with architects (which, of course, can be considered product-development) as innovative measures.

Internationalization/exports

Most of the metal manufacturing companies are subcontractors, and they are, at present, not actively promoting and selling their products directly on foreign markets, since their products are usually components in products assembled and sold by larger companies. A large part of their products eventually end up on markets abroad though. The competition from Asia, particularly China, is mentioned by businesspersons in both industrial sectors, although the
Employment and vocational training

The challenge related to the lack of employable staff and the need for adequate education and training is general for both industrial sectors, but the situation seems to be more acute in the metal manufacturing industry than in the furniture sector. These differences may be related to the fact that businesspersons in the metal manufacturing sector have been more specific as they describe what kind of profiles would be needed. Examples of profiles mentioned are CNC turners and CAD/CAM operators.

It can be argued that these profiles are certainly relevant also in furniture manufacturing, though narratives provided by businesspersons representing the two industrial sectors may indicate that the metal manufacturing firms analyzed in this thesis are using more technologically advanced production-systems and machinery than do the furniture producers interviewed.

11.3 Similarities and differences between the two national and regional contexts

Financial resources

Similarities

The main challenge indicated by SMEs is the need for heavy investments mainly in machinery. Interviewees generally also describe that the relation between firms and actors is more formal and complicated. It should be mentioned, however, that the number of businesspersons who mention this particular lifeworld challenge is slightly greater in the County of Jönköping than in Tuscany.

Most likely the reason is that the state of the market during the last couple of years has been more favorable (to SMEs) in Sweden than in Italy. At the time when I made the interviews, Sweden was enjoying an economic boom, while Italy was experiencing an economic downturn. This implies that businesspersons in the County of Jönköping might have been more apt to invest than their Tuscan colleagues then.

Comments on EU structural funds and governmental programs or strategies can be found in the narratives provided by many actors, and are particularly
emphasized by bank officers. The financial actors’ conception of their job today, in comparison to the situation as it was a few years ago, is that teamwork is more important now than in previous years. Bank officers report that, besides the banks, many other actors are involved in financial issues, and officers consider it important to know these actors, but also to keep them informed about other interventions and financial solutions offered to customers. Several of the interviewees among the financial actors reflect on the relation with customers. They describe the situation as “increasingly complex”, and they also feel that relations are becoming more instrumentalized and regulated. Some of them indicate that they would wish to be able to act in a more pragmatic manner.

**Differences**

Certain differences can, however, be discerned in the narratives given by actors in the two different national and regional contexts. One example of such a difference is the fact that the relationship between firms and banks has become more difficult during the last few years, stressed more often by Tuscan actors than by actors in the County of Jönköping, and the Tuscan narratives focus more on Basel II as a probable cause for the complications. One or two actors in the County of Jönköping have commented on the possible consequences of Basel II for SMEs, but report that they do not think the accord will imply any serious effects for Swedish firms.

Interviews carried out with Swedish bank officers do however highlight the fact that banks are becoming less reluctant to take risks, and that the risk is often shared with other financial actors and claim that the Basel II accord was established in order to reduce financial risk-taking for banks. Banks are trying to reduce the risk-taking by collaborating with other financial actors, by combining their assets with different kinds of national and/or EU interventions and by preventing failure through offering consultancy.

Swedish bank officers describe how they try to build their own network of external consultants and contact persons consisting not only of collaborators in the financial field in order to assist the businesspersons as much as possible. Examples of such challenges may include ownership succession of firms or better knowledge of financial flows in the company.

The investment grants to firms in rural areas in the County of Jönköping are highlighted in comparison with the rest of the financial actors. The challenge of assisting the companies appears to be approached with a broad spectrum of activities and actors, and the officer in charge of the grants emphasizes that they are not merely about money, but that the intervention can be considered “a chain of activity-coaching”, even involving educational packages for small companies receiving them. The officer is also the only actor who particularly
stresses the difficult role played by the civil servants wanting to assist firms in a pragmatic manner, yet being expected to strictly follow laws which he says are not designed with the SMEs in mind.

The most intriguing difference relates to political involvement and steering with regard to financial issues which is more felt in Tuscany than in the County of Jönköping.

One of the reasons for this may be that political steering is more present at the regional level in Italy than in Sweden (see Chapter four and the brief comparison of the county of Jönköping and Toscana as a region for details). The 20 Italian regional authorities, such as Regione Toscana have their own statuto, a regional constitution, and regional legislative powers in several areas (regional development being one of these areas). The President of the Regione, and other representatives of the Regional Government, (the regional government, giunta and the regional parliament, the consiglio regionale) hold political offices. The components of the giunta, the managers of the various departments of the Regione (the so-called assessori) are appointed by the President. If we return to the theoretical thread on organizations, bureaucratization and formalization in Chapter 10 and recapitulate what has been said regarding uncoupling by Bang & Bech Dyrberg (2003) and decoupling by Meyer & Rowan (1991) we can conclude that individuals who want to act and interact beyond the formal and highly institutionalized organization probably have a more difficult time in Tuscany where there is a regional government, than in Sweden where politicians and politics at the regional level do not have the same formal power as in Tuscany.

A few examples of political involvement are mentioned in the case study. In the closing section of the case study, I suggest that political involvement and steering may explain why the feeling of instrumentalization and management by rules is perceived and narrated more often by businesspersons and actors in Tuscany than in the County of Jönköping.

**Collaboration with universities and R&D**

This case study exposes more general tendencies than substantial differences between the two regional contexts. The gap between Universities, R&D and SMEs is visible in Tuscany as well as in the County of Jönköping. Actors representing organizations at the local and regional level, such as business organizations or Universities are aware of the gap and describe their attempts to reach out for SMEs and bridge the gap between R&D and firms. In this case

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[162] See Chapter four, and the section on the institutional design of the county of Jönköping and the region Tuscany for more details.
study only two instances of organizing processes have been found, both of them in Tuscany.

I do not think that this finding can be explained by describing Tuscan institutions, strategies and programs as “better” than those in the County of Jönköping. It can, however, be argued that researchers play an important role as interpreters and intermediaries between the worlds of R&D and that of the SMEs in both of the instances and that such persons seem to be rare in Tuscany as well as in the County of Jönköping.

**Internationalization and exports**

**Similarities**

Two key concepts, often touched upon by businesspersons and other interviewees in both regional contexts, are trust and lack of knowledge. With regard to trust, businesspersons report encountering difficulties as they try to find someone they can trust for introducing them to new markets and in representing them abroad. As for the lack of knowledge, they indicate that there is a general lack of knowledge about foreign markets and exports among SMEs as well as actors.

Numerous organizations exist, which aim at assisting SMEs, especially in Tuscany, but there are few examples of successful organizing processes related to internationalization and exports in both contexts. There are a few more concrete examples of organizing processes in the County of Jönköping than in Tuscany. Formally there are more actors present in Tuscany than in the County of Jönköping. Businesspersons (especially in Tuscany) do not know what person or organization is assisting them and who to snowball to.

**Differences**

Some differences can be discerned in the case study: (a) Tuscan businesspersons are more critical of assisting structures than businesspersons in the County of Jönköping; (b) Swedish metal manufacturing firms appear to have taken on a more pro-active approach to competition from low cost countries than their Tuscan colleagues; (c) Tuscan furniture producers export more, and have developed more niches than furniture producers in the County of Jönköping.

How can these differences be explained?

(a) Tuscan businesspersons’ criticism of assisting structures can, possibly, be explained by referring to the many organizations present in the region. It seems this multitude creates confusion among the organizations themselves, as well as among businesspersons, and increases the gap, which can also be discerned. A few narratives provided by actors also indicate that organizations are old
constructs offering traditional and standard solutions and that the specific knowledge required by the businesspersons, cannot be delivered by these organizations and their staff. The situation in the County of Jönköping is not that much better, but fewer organizations exist, which possibly makes the problem less noticeable there.

(b) The pro-active approach of metal manufacturing companies in the County of Jönköping may be explained by having a closer look at the industrial structure of the two regions. The County of Jönköping (especially the south-western part) is well-known for its many metal manufacturing firms.

As we have seen, in some of the narratives, for instance the example provided by the businessperson who managed to keep a customer despite competition from a producer in China, metal manufacturing industries in the area provide high precision components, and might, therefore, be more competitive compared to some of the Tuscan SMEs studied in this research. This finding does not appear to be related to programs, strategies or political decision-making or the like.

The finding regarding the Tuscan furniture firms and their extensive exports has been explained in the case study. Visited firms in Tuscany would often be characterized as design-companies by anyone working in the Swedish furniture sector. Italian producers of design-furniture appear to have more characteristic niches than their Swedish counterparts. This constrains the domestic market.

As we can see, policy in the form of political decisions, programs and strategies do not seem to explain why Tuscan furniture producers export more than their colleagues in the County of Jönköping. For this reason, I do not consider differences mentioned above relevant for further comparative examination.

**Employment and vocational training**

*Similarities*

This case study exposes several similarities. Numerous organizations exist, which aim at assisting SMEs, but there are few examples of successful organizing processes related to employment and vocational training in both contexts. Entrepreneurs, especially in Tuscany, don’t know who or what organization is assisting them and who to snowball to, despite the fact that more than 1000 organizations (educational agencies) have been accredited for working with this challenge by Regione Toscana.

The two national and regional contexts are both highly institutionalized. The Tuscan context is organized in order to enact programs and receive co-financing from the EU. Initiatives are often implemented by using calls for proposals
Final analysis and conclusions

The Swedish system rests upon rules, regulations and organizations once established by the State. EU co-financing (the European Social Fund) in Sweden is received through programs and strategies and regional offices. During the EU programming-period 2000-2006 promotion and administration of one part of the ESF was handled through the EU co-financed program Objective 3. During the EU programming-period 2007-2013, the ESF is handled by the Swedish ESF Council, a Swedish governmental authority with eight regional offices.

The majority of businesspersons and actors in both national and regional contexts describe programs, strategies and structures as organized from above. According to actors in Tuscany as well as in the County of Jönköping, the money spent (actors often refer to Structural Fund-resources), frequently creates inadequate solutions in relation to the challenges faced by local actors and businesspersons. The narratives of actors involved in programs and organizations steered from the top indicate that regulations are too narrow, and that the structure impedes them from providing adequate assistance to target groups such as SMEs. Actors in both national and regional contexts say that policies must be flexible and adjustable to local and specific conditions, so that officers can approach certain individuals rather than groups, and that instructions and regulations from the top prevent them from delivering adequate solutions.

Differences

Some interesting differences can be discerned. More concrete examples are found in the County of Jönköping than in Tuscany. Businesspersons in the County of Jönköping immediately snowballed to several actors. In Tuscany, Pont-Tech was the only organization, programme or strategy involved in facing challenges related to education and training, which only one single Tuscan businessperson cites. This finding can presumably partly be explained by investigating the historical development of organization and strategies in Sweden, and the dominance of the State as the provider of free education and training for all, and the strong institutions which were established to deal with the problem in an efficient manner.
The Swedish Public Local Employment Agencies (PLEAs) are examples of structures established by the Swedish government more than half a century ago, which now attempt to adjust to a new environment, although there are claims that traditional centralized organizational settings and strategies hinder change. Meanwhile, businesspersons shun the organized solutions they are offered. Private or semi-private solutions such as the Private Job Agencies or LICHRON seem to be preferred by Swedish businesspersons and actors, while authorities and public solutions are mostly criticized.

Tuscan actors indicate that assisting structures are too many, and generally criticize the structure. At the same time, several of the interviewees claim that it is important that SMEs pay for training. These interviewees report that subsidies to firms have been too generous and that one way of upgrading the structure would be to make SMEs pay for the services they receive. These comments are expressed exclusively by Tuscan interviewees. One possible explanation to why Tuscan actors are apt to make businesspersons pay is, of course, that they believe to make the offer more attractive, and enhance its value by making SMEs pay. An explanation to why actors in Jönköping do not mention the importance of charging SMEs for training activities is, again, that training and education in Sweden is often free of charge.

Although examples are few, there appears to be more space for flexibility in the Swedish structure. LICHRON is one example of how businesspersons can make a change as they engage in collective action, despite the fact that they are living in a highly institutionalized setting. Officers working for the PLEAs describe how they approach their tasks by trying to build trust and networks with SMEs. They also report to be attempting to use rules and regulations to assist individuals. Looking back at the theoretical threads in Chapter ten, it appears the tendencies discerned in the County of Jönköping can be an instance of either decoupling or public entrepreneurship or both.

11.4 What did the comparative approach bring?

What value has the comparative approach added to the study? I believe that Lin (1998) is right, as she observes that the comparative case study design, with several case studies in one project “forces the researcher to be more rigorous about defining specific relationships, provides the researcher with a ready-made collection of alternative explanations, and keeps the definition of terms from

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113 It should be mentioned that no interview has been carried out since the education started in 2007 – narratives have been included in this case as an example of organizing only.
being so situation-specific that parallels to other situations are lost” (Lin 1998:176).

The first finding that emerges from the comparison in this research is that similar lifeworld challenges are indicated by SMEs in the two different industrial sectors as well as in the two geographical settings. This finding could certainly not be explained by referring to similar socio-economic contexts, institutional designs, cultural or historical factors. This eventually spurred me to examine the concept of lifeworld and the possible consequences it would bring in processes of organizing.

Besides underscoring lifeworlds as one possible theoretical thread, three additional general conclusions could be drawn from the comparison:

Both regional contexts are highly organized and businesspersons as well as other actors perceive an increased instrumentalization and regulation. The Tuscan context appears to be more steered and influenced by politics than that of the County of Jönköping. Examples are found especially in the case study about financial resources.

Links are missing between available assisting structures and the lifeworld challenges of businesspersons. These missing links are particularly evident in the case study on financial resources and especially in Tuscany, in the case study about collaboration with universities and R&D and SMEs, especially in the County of Jönköping and in the case study about employment and vocational training in both regional contexts.

Another interesting finding is that although examples of public entrepreneurship are few, there are apparently more examples of public entrepreneurship in the County of Jönköping than in Tuscany. I am not capable of explaining this finding. One could easily be lead to assume that it would be more difficult for public entrepreneurship to come about in highly organized settings. In the case about employment and vocational training this assumption does not seem to hold, however, since the officers working at PLEAs appear to develop entrepreneurial conduct despite their narrow organizational settings.

I could probably have arrived at observing the most salient differences and the finding regarding politicized and highly organized settings and their consequences on businesspersons’ perceptions, trust and prospects for organizing even without using the comparative approach. Without such a comparison, the explanations would, however, been more situation-specific. Another observation is that the comparison is a test that bottom-up policy analysis as epistemology and methodological approach fits the type of analysis
carried out in my study. The prerequisites for organizing processes and collective action to pursue are the same in Italy and Sweden, despite the differences which may exist in the structure, history and culture. Furthermore, it can be argued that the multi-organizational society produces similar situations at the local level in Italy as well as in Sweden.

11.5 Some ideas for future research

In the opening chapter, I have accounted briefly for the concept of industrial district. I would like to mention that I have chosen not to use industrial districts or any other type of agglomeration as a starting point. The reason is, as we have seen, that the bottom-up policy-organizing analysis prescribes the gradual construction of the unit of analysis, the implementation structures. The exclusion of theories related to industrial districts is, hence, a conscious choice made by the author, and an attempt to avoid neglecting the phase during which collective action shapes implementation structures. Another reason for not focusing on industrial districts is that these structures are partly organized by authorities, laws and regulations on the central and regional level. Industrial districts, if used as the point of departure, would imply studying organizations rather than organizing (see Bogason 2000, referred to in Chapter four). The latter is not my intention.

One of the local contexts examined in my research, the area around Poggibonsi in the Province of Siena in Tuscany, is defined as an industrial district. None of the interviewees has mentioned the fact that their business or organization is situated in a district, and neither was my objective to examine the relevance of districts. This does, however, not mean that industrial districts cannot be used in the search for implementation structures which could be an interesting focus for a future research. The bottom-up organizing analysis could be used in an area which is defined as an industrial district according to official regulations and criteria, but the researcher could start out from the individual firms and examine what the industrial district means to local SMEs. The geographical scope could eventually be widened, so that the population of the research also included firms outside of the district. This would be a technique which could possibly serve to analyze whether the geographical agglomeration is still relevant in contemporary society.

Another interesting perspective for further research would be to examine the internationalization and gradual delocalization of a big company (such as Piaggio in the Province of Pisa) and the implications for local SMEs and local policy. Such a research could, in my opinion, start out as a bottom-up policy-organizing analysis.
11 Final analysis and conclusions

It is clear that my piece of bottom-up policy research shares some key interests with disciplines such as economy, economic geography and business administration and it would therefore be fascinating to carry out a multi-disciplinary project together with representatives of a few neighboring disciplines.

Furthermore, I warmly recommend other scholars to adopt the bottom-up policy-organizing analysis, and use it as they examine other regional settings. This would contribute to developing and refining the approach, benefit from the comparative perspective and its potential of arriving at an enhanced understanding of the link between structure and action.

11.6 My contribution to the field of policy analysis

I have chosen the bottom-up policy-organizing analysis approach developed by Hjern et al. This meant adopting certain epistemological and ontological perspectives. The analytical framework is described in Chapters three and four.

The assumptions, which I consider integrated in the bottom-up organizing analysis, generally include claims regarding: the definition of policy, the need to identify the unit of analysis and the method for finding it, structuration and organizing and relation to formal institutions and their organizations, programs and strategies. The bottom-up organizing analysis has proven adequate for exploring processes of organizing and for elaborating the results. I would also argue that it provided adequate tool for analyzing and comparing two different regional contexts.

A brief overview of research adopting roughly the same approach, Bostedt (1991), (Hanberger (1992), Carlsson (1993) and Kettunen (1994) has been included in Chapter three. Hjern & Hull's research from 1987, "Helping Small forms grow", has played an important role as inspiration and model for my

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Footnote: Professor Johannison, who was kind enough to provide suggestions on how to improve this thesis, suggested that policy analysis focusing on SMEs and research on entrepreneurship share many interests. I agree, and see this as a possible potential for future research. Johannison has studied phenomena which are close to those making up the focus on my research, for instance: the nature of the entrepreneur (2005), extreme entrepreneurs challenging the institutional framework (together with Wigren, C. 2006), and the industrial district in the area around Gnosjö in the County of Jonköping (2006). As I browsed the literature in Business Administration, I have also found examples of researchers adopting an ethnographic approach as they study enterprises. A good example of such a study, which is also carried out in the region around Gnosjö is The Spirit of Gnosjö – The Narrative and Beyond by Wigren, C. (2003).
thesis. The analytical framework has been used for comparative research in Britain, Italy, Sweden and the Federal Republic of Germany.

How did my comparison contribute to the field of policy analysis? As we have seen, the comparative perspective has been used before, I would argue, however, that the comparison between two regional contexts which appeared to be very different when studying socio-economic contexts, institutional design, culture and history etc. represents an original move. I have attempted to add theoretical threads about collective action and lifeworlds. I have also suggested that an important part of the explanation to the missing links is to be found in the gap between lifeworlds of SMEs politicians and other decision makers.

In this piece of research, interviewees narrate their situation, important challenges and opportunities. As we have seen, individuals’ lifeworlds are influenced by their previous experiences, the overall contexts in which they live and thrive and their interaction with other individuals’ lifeworlds. The narratives together with some of the documents, strategies and other pieces of information that I, for the most part, have provided relying on the interviewees, appear to me as images of different lifeworlds. The gap between lifeworlds seemed to be wider between actors and businesspersons in the same geographical settings than between businesspersons living in Tuscany and the County of Jönköping, two very different cultural, institutional and historical contexts.

Can the gap be bridged? As has been mentioned previously, this research will certainly not result in any ready-to-use toolbox, neither for decision makers nor for politicians or businesspersons. But the study does descriptions and tentative explanations of the contemporary situation regarding action and gives my interpretation of how action is related to structure.

It should now be clear that organizing and organization are two distinct processes, and that it is impossible to organize a process of structuration from top-down. This is one reason why tool-boxes for decision makers or other actors wishing to organize successful policy cannot be provided.

Another reason is that situations are specific, since different actors express different opinions about the challenges conceived. The question is whether and how the problem solving processes could be used for learning, recycled and repeated in other contexts, if the contexts are highly specific. It may be difficult to find general solutions applicable to specific contexts.

For several years now, not least in contexts involving the EU and its institutions, one of the magic formulas for collecting and spreading good examples of projects, has been success stories or the best practice. The aim of
research and making the findings useful for society is highly and generally desired, but for any researcher approaching science in general, and perhaps especially in the social sciences, I believe modesty is key.

It is clear that there are various local environments with evident differences between the enterprises concerning the networks, the dominance of a certain type of enterprise, the patterns of production, etc. as well as the political institutions/government and governance. In the different settings adequate answers and solutions must be found that take into consideration the specific conditions of the local context (Burroni & Trigilia 2001: 76-78). Researchers need to be careful as they select experiences that actors can learn from, and that can possibly be applied in other situations (Stame 2001 and Bogason 2000:108).

Crouch & Trigilia (2001: 236-237) write: "The evidence from local economic governance suggests the advantages of a Popperian and Schumpeterian as opposed to a neo-classical approach to economic dynamism and innovation: Popperian in the sense that no single best means of securing an end is envisaged, but diversity in permanently continuing experiment encouraged; and Schumpeterian, in the sense that entrepreneurship is seen as a disruptive an unpredictable force, not the outworking of static economic laws.”

I can, thus, neither expect, nor intend to construct a manual on how to create the ideal situation that would make solutions adequate. What I and other researchers in social science probably can do is to gain better knowledge of the process, and hope to provide actors, dealing with and involved in local development, with the results that might be of help in organizing programs and strategies for SMEs in local conditions.

This research suggests, however, that lifeworlds are a common ground for collective action and organizing. The recommendation that I can give to politicians and decision makers is for them to take into account the lifeworlds of individuals and groups their programs, organizations and strategies indicate as beneficiaries.

Collective action *always* starts with the definition of a common challenge and a common task to perform in order to face that challenge. As one actor says: “*If we want to collaborate with, and construct common projects with the firms, the interest must be expressed from the firms, otherwise the prerequisites for collaboration don’t exist.*”

Individuals’ common acceptance of a challenge which must be faced is the first step in a process of organization, and it cannot be ignored or bypassed. If the challenge is not perceived as common in the lifeworlds of two or more
individuals, or if different spheres of lifeworlds do not meet, there is not much hope for interaction, no matter how much money and effort politicians and decision makers invest in programs, strategies and organizations.

Policy is not statements only, it is organizing. The concept of lifeworlds cannot be ignored.
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County of Jönköping

Furniture production and interior design
Big Möbel AB, Mr. Svensson
Bröderna Johanssons Sängfabrik, Mr. Lidåker
Conform, Mr. Jacobsson
Ihreborn, Mr. Attoff
Karl Andersson och Söner, Mr. Wadskog
Källemo, Mrs. Lundh
Malmhåcksverken, Mr. Sundberg
Njudex, Mr. Henningsson
Nässjö Inredningar, Mr. Lager
Sabina inredningar, Mr. Lindholm
Sjögrens Möbler, Mr. Sjögren
Smålandsinredningar, Mr. Lundström
Stolab, Mr. Martinsson
Swedese, Mr. Jiseborn
Wigells, Mr. Öhgren

Metal manufacturing and cutting industries
Ahlins, Mr. Isaksson
Aluminiumteknik, Mr. Fransson
Augustssons Beslagsindustri, Mr. Augustsson
Bufab Lann, Mr. Mårtensson
Burseryds Mekaniska, Mr. Carlsson
Ekenäs Mekaniska, Mr. Edlund
Ekenäs Mekaniska, Mr. Edlund
Exir AB, Mr. Söderberg
FiG Metall AB, Mr. Johansson
Gnosjö automatsvarvning, Mrs. Fransson
GT-group (consortium), Mr. Josefsson
Haga Metall, Mr. Nilsson
Holmgrens Metall, Mr. Holmgren
Quist Mekaniska AB, Mr. Qvist
Interviewees

Sandviks, Mr. Andersson
ZAL- Produkter AB, Mr. Zetterström

Additional interviews:
Regional County Council, Mr. Mikael Gustavsson
Regional County Council, Mr. Ullman
Regional Board of Labor, Mr. Werning
Regional County Council and the Municipality of Vetlanda, Mr. Lindell
NUVAB, Mr. Cronwall
Skärteknikcentrum, Mr. Gunnberg
SAPA, Mr. Zetterström
SAPA, Mr. Bernström
Gnosjö Industriförening (local business association), Mr. Eddie Davidsson
Träcentrum, Mr. Simonsson
Träcentrum, Mr. Wijk
NNAB (local business association), Mr. Johansson
TMF (labor union), Mr. Hagström
TMF (Växjö), Mr. Pihlqvist
The Swedish Trade Council, Jönköping, Mrs. Dädeby
Regional office for ESF, Objective 3, Jönköping, Mr. Carlsson
Objective 2 South Sweden, Jönköping, Mr. Blomberg
ALMI Företagspartner, Mr. Gustafsson
ALMI Företagspartner, Mr. Titusson
Post high school practical education: wood processing and management of production, Mr. Rocén
County Administrative Board, Jönköping, Mr. Andersson
Public Local Employment Agency, Mr. Lindström
Värnamo Näringsliv (local business association), Mr. Hultegård
County Administrative Board, Mr. Morales
County Administrative Board, Mrs. Willaredt
Vandalorum, Mr. Lundh
Municipality of Eksjö, Mr. Bogren
Public Local Employment Agency, Mr. Sjölin
HUKAB, Mr. Ferenczy
Jönköping International Business School, Mr. Melander
Private Job Agency, Mr. Nygård
Chalmers University of Technology, Mr. Oskarson
LICHRON, Mrs. Khammari
Jönköping International Business School

Smålandsbanken (bank), Mr. Richardson
Swedbank, Vetlanda, Mr. Ohlson
Jönköping International Business School, Mr. Nordqvist
Jönköping School of Engineering, Mr. Johansson
Jönköping School of Engineering, Mr. Holmgren
KL – Konsult, Mr. Lindblad
Industrigymnasiet i Vetlanda, Technical education at the high school-level, Mr. Wilhelmsson

Interviewees, Tuscany

Furniture production/interior design
Art Fiba, Signor Bacci
Bardi, Mr. Pacini
Bottega d’Arte, Mr. Nesi
BRF, Mr. Cisotti
DEMA, Mr. Rubechini
Erresse, Mr. Bonelli
FERLEA, Mrs. Benini
Florencecollections, Mr. Cappellini
Formitalia, Mr. Overi D.
Gimo (consortium), Mr. Gianettoni
Ginetti, Mr. Ginetti
Goti Arredamenti, Mr. Mencarelli
Halto, Mr. Pellegrini
Mobilificio Benedetti, Mr. Benedetti
Mobilificio Valdichiana, Mr. Fumi
Sedex, Mr. Carli
Toncelli Cucine, Mr. Calluri

Metal manufacturing and cutting industries:
BCS Marine, Mr. Cecchi
Ciemme Costruzioni, Certaldo, Mr. Mancini
EDI Progetti, Mrs. Doveri and Signor Di Renzo,
Filoni Franco, Signor Filoni
Costruzione Meccaniche Bertoli
Giani e Grazzi Meccanica, Mr. Giotto
Sat. Snc Arezzo, Mr. Tozzi
Tecnostampi, Mr. Goretti
Interviewees

Fratellimartinelli, Mrs. Gavazzi
Ghidimetalli, Signor Ghidi
Meccanica Precisione, Mr. Bibbiani
Meccanicasat, Mr. Tozzi
Metalmecanica di Bosco, Mr. Bosco
Oreste Pardini, Mr. Pardini
Sintek (consortium), Mr. Sgrilli
Stern, Mr. Tonarelli
Toscana Metalli, Monteroni (Siena), Mr. Pasquini

Additional interviews:
Artigiancredito, Mr. Borchi, Mrs. Cini
Banca Toscana, Ponsacco, Mr. Spartaco
Camera di Commercio di Pistoia, Mr. Aceto
Cassa di Risparmio di S. Miniato, Mr. Toscanini
CEDIT, Mr. Corrieri
CNA Pisa, Mr. Bandecchi
CNA Pistoia, Mr. Spadoni,
Comune di Pontedera, Mr. Montanini
Confartigianato Pistoia, Mr. Mazzei
Confindustria Pistoia, Mrs. Agrestini
Confindustria Pistoia (Quarrata), Mr. Gori
CSCS, Mr. Tirati
CSM, Mr. Bianchi
FidiToscana, Mr. Delle Rose
Regione Toscana, Mr. Cavalieri
ICE Firenze, Mr. Montanini
Il Tirreno (local newspaper, Pistoia), Mr. Calamati,
Il Tirreno (local newspaper, Pontedera), Mr. Daddi
Consorzio del Mobile in Quarrata, Mrs. Pini
Lucense, Mr. Fontana
Pistoia Provincia, Mr. Bonacchi
Polo Tecnologico a Navacchio, Mrs. Rossi
Pont-Tech, Mr. Lanzara
Pont-Tech, Mr. Pirolı
Pont-Tech, Mr. Pozzana,
Promofirenze, Mr. Boldrin
Provincia di Pisa, Mrs. Rossi
Provincia di Pisa, Mr. Prosperini
Provincia di Pistoia, Mr. Bonacchi
Provincia di Pistoia, Mr. Fondo
Provincia di Pistoia, Mr. Romiti
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Regione Toscana, Mr. Brenna
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