Support services to SMEs in Italy

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INDEX

SUMMARY

The growth of services to businesses was more noticeable in the nineties: an exponential growth in businesses and employees took place with an accelerated increase of advanced third-party activity.

Services are increasing in demand, partly by SMEs that require more varied and complex skills. The Italian services system, characterised by the use of a notable quantity of productive processes, offers limited production capacity and determines a supply of services with overlapping and a lack of specialisation and flexibility.

The high level of fragmentation in the supply of services is the main feature of the national context.

On the supply side, services are found overlapping and copying each other and an absence of co-operation with client companies. The geography of support services shows an evident gap between concentration in the Centre-north and lack in the South and the islands.

The supply of services is not able to respond to the demand from SMEs because of the absence of interaction between the supply and demand for services.

On the demand side, there is an evident lack of clarity concerning the character and nature of the services required owing to an inadequate awareness among the SMEs of their own needs, and also to the absence of a supply of "visible" services which might encourage an adequately qualified demand.

The concentration of the demand for services in different regions is highly useful when explaining behavioural differences between companies. The rate of development factor in a given area is particularly indicative: where there is growth, whether it be an economically strong or weak area, the correlation with the demand for services is positive. Vice versa, stagnation and decline keep demand on a lower level (this is especially true for services connected with primary activities in the process of service production, in the "chain of values").

Furthermore innovative company behaviour (willingness to innovate both in processes and products, and to put developed internationalisation initiatives into action) is positively correlated to the demand for services. On the basis of this connection, it may be seen that the consumption of services positively influences the innovative behaviour of companies.

There is no clear definition of quality or of recognised, shared benchmarks that might contribute to any formalisation of it.

According to the judgement of business associations and SMEs, the standard of services can be said to reach a middle-low quality, demonstrating the low competitiveness of supply and the inadequacy in meeting the explicit and implicit needs of the SMEs.

Therefore the services market for SMEs has undergone a qualitative and quantitative shift both in the nature of the demand expressed by the SMEs and in the provision of the service companies/firms.

There is no market in which one can compare the supply and demand of services or even a set of criteria by which one can evaluate the quality and therefore the cost of the services on offer.

The visibility of services to the SME system appears patchy. A strategy aimed directly at the visibility of services offered on the market is practically absent from the supply structure. Visibility is often an indirect consequence of the representative role played by suppliers in the economic system.

The quality of services in Italy already feels the effects of the regional nature of service supply. In other words this means, "If the services company is from Milan, it must undoubtedly be of a certain quality since the Milanese market leaves no room for unworthy companies".

CONCLUSION

In the vast fragmentation of local and sectorial competition, there is a role for growth policies only if they are dynamic enough, that is, if they are oriented around a strong inter-relational system linking public and private institutions.

The problem, at least in Italy, lies in the fact that the public sector is not adequately competent in this area and the private sector knows this. This makes it impossible to gear political change towards the real needs of businesses, at least if 'real needs' means what comes out of effective management and planning. Consequentially, the whole system shifts onto a different level of comparison, where corporate or trade union logic prevail. In this scenario, businesses have little faith in the effectiveness of the technical instruments of management as useful elements to be used in order to encourage the development of relations between companies and their operative environments.

In brief, quality in the services sector appears more easily attainable using policies based on attractiveness and marketing, rather than on strategies that are directed towards the definition of standards and the fulfilling of legal requirements.

Also as far as the rate of growth across a territory is concerned, the processes that tend towards increasing scale seem to render better performances compared to the processes that promote adherence to new sets of norms.

However, small enterprises are often penalised for their scarce problem-solving capacities, or by their inability to identify such problems. Small enterprises lack group strength. They therefore need a point of "interaction" with the market where they can take advantage of a network of support and collaboration to make their product ever more attractive and better meet the needs of the client. This goes for the tertiary aspect of the product in particular or, moreover, for the tertiary aspect that the client expects.

It seems both more useful and more suitable to the emerging needs to focus attention on the structural aspects of the system, that is, on checking that every company is linked up to a network, makes regular use of updating services and professional training programmes, that it is able to account for its conduct using interactive channels of communication, that it is "accountable" for the communication of its actions and its references and that it shares the culture and ethics of the services sector.

A network system is proposed as a mean of increasing visibility and quality of services.

It is necessary for the service companies to link up to an international (or preferably global) network which controls the flow of information as much as possible. In other words, it is believed that the quality of services will tend to increase in strict proportion to the growth of tangibility within a communication system that wipes out the revenue from local outfits and facilitates the competition for individual commissions. The clarification of communication standards will facilitate the comparison of different offers. On the other hand, the definition of standards as regards the description of specific services or how these are carried out is to be avoided since in this area it is necessary to maintain as much openness as possible in the creativity of the offer and the personalisation of the service.

The communication network will act as a leveller in the quality of service supply, through the spontaneous interaction of service companies and consultants. Network groupings should thus be formed which will take on the role previously played by trade associations on a local level. These regrouping processes shall principally concern inter-sector integration of productive processes rather than the specialisation of the services on offer.

INTRODUCTION

Support services represent one of the most important factors affecting competition between businesses. Despite this, SMEs have encountered considerable difficulty in accessing services, and consequently there is a tendency to request more specific and concrete services. These support services should adapt adequately to the specific requirements of SMEs and integrate needs that are characteristic of this field, such as accessibility and transparency.

In this market analysis, it was necessary to respond to the following questions.

Why did these businesses have such difficulty accessing the required services?

Why is it that consultants cannot meet the needs of other businesses?

It is difficult to carry on this question because there is not enough data to analyse since most of the information available to us is not representative of the problem.

The limited data is due to the nature of the service market itself. The performance of services is synonymous with the production of the service itself. As a result, there is no real corpus of past work, and changes in value are not always easy to appreciate.

For these reasons it is difficult to evaluate the production of services with the same statistical instruments used in the analysis of the production – manufacturing market.

We tried to overcome this difficulty by using two approaches with opposite perspectives:

- First the potential market was highlighted by evaluating quantitative data;
- Second, the experience and studies of the last few years in both private and public centres were considered.

In the first case, we collected systematic data and information, however specifically orientated it was. In the second case we concentrated on the problem only in specific economic sectors and certain territorial areas.

RESEARCH PROBLEMS

The nature of statistical information on support services does not allow the use of an information-statistics methodology appropriate for analysing the particular dynamics that this sector requires. This is because of the impact of new vocations and technological/professional developments, the value to the business added by contributions in the field, and the value acquired during the development of businesses which make use of these services.

The statistical information on the services sector in question has not grown with the sector itself.

With the increasing importance of the sector in question, there has *not been* an increase in statistical information relating to the sector itself. With this in mind, there is now a tendency to direct data gathering towards "information gaps" traditionally orientated towards the areas of industry and agriculture instead of those dedicated to services with the need to adapt to structural systems in order to face competition in present and future markets. The lack of statistical information in these fields is a result of the way they have been surveyed by ISTAT[1], which is unsuitable given the multi-faceted nature of the sector.

The fist problem occurs when dealing with the nature of the service itself, which because it is not a consumer product, is difficult to quantify in monetary terms. As a consequence, it is difficult to exactly delineate the service rendered.

The second problem results from the wide variety of services. Many activities classified by ISTAT undergo continual modification partly as a result of the introduction of new technology into traditional production processes. Therefore, this sector is forever interested in the development of new activities that modify the larger picture which, in turn, result in complex identification and classification.

The third difficulty is connected to the size and typology of the businesses themselves. In Italy, small and micro-businesses of one or two employees are numerous, not only in services, but also in the industrial field. This makes it difficult to survey the overall structure and organisation of businesses.

Lastly, the extreme fragmentation of services offered and overlapping of similar services along with the business' failure to acquire visibility creates even more problems when analysing this sector.

[1] National Institute of Statistics (Italy).

INSTRUMENTS

The analysis was conducted with the use of the following tools:

- Re-evaluation and mapping of quantitative information available in data banks concerned with business development such as:

  Movimpresa[2];

  Intermediate Census of industry and services 1996[3];

  Reference report on subjects that operate in the service sectors of vocational training and consultancy[4];

  The *on-line* Yellow Pages[5] Data Bank*;*

  Research carried out with Italian BIC;

  Research carried out using information gathered from consultancy centres.

- Quantitative and qualitative information gathered from studies in this service sector:

  Acts from the "First National Conference on support services" held in Rome, 11th – 12th April 1991, (Unioncamere, *Services in Italy*, published by Maggioli , Rimini 1992).

  The Guglielmo Tagliacarne Institute, Unioncamere, *1997 paper on local businesses and economies*, Franco Angeli, Milano 1998.

  The Guglielmo Tagliacarne Institute, Unioncamere, *Businesses and the Territory: Development Dynamics,* Roma 1998.

  FISE, Observatory of SMEs; Mediocredito Centrale, *First report on small businesses in Italy*, Edizione FISE Servizi, Roma 1999.

  Conference abstracts promoted by INDIS and Unioncamere "Forum. Services to Businesses for competition in the business world", held in Rome on 15th June 1999.

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[2] Statistic document elaborated (quarterly) by Infocamere (Unioncamere) based on data from the "Anagrafe delle Imprese Italiane" based in the Register of Businesses.

[3] ISTAT, *Censimento intermedio dell'industria e dei servizi*, Rome, 1996, also found at the web site www.cens.istat.it.

[4] Data bank created with "Progetto LE-TE" and "Prisma" promoted by Unioncamere and Assefor (1993-1996) which offers a national map of around 650 service businesses such as consultancy companies, and free-lance professionals – also available at the web site www.repertorio.camcom.it. Cfr. p. 58

[5] Data base on the net (www.paginegialle.it) which holds information on Italian companies (more than 3 million) on the national level providing information such as addresses, commercial activities, etc..

OBSERVATIONS

A few paragraphs regarding the basis of this analysis have been omitted in this analysis, partly because the topics are covered in other paragraphs and also because they alluded to approaches that are not suitable for those fields. ("Market Failure" has been treated with more specific variables. For example, "Market Failure in Supply and Demand" or "Visibility perception of services in different markets containing SMEs" is treated in general terms in the preceding paragraphs. The paragraph, "Development in the perception of service quality on behalf of different businesses" has been changed to "…on behalf of business associations" to show that the change is more than sufficient considering the role played. "Quality Development Strategies in Different Markets and Different Businesses" has not been treated because of the lack of available data).

In this analysis, there are some suggestions of service groupings, however, these are aggregates that operate with different functions in the overall representation of the supply of Italian services.

STATE OF THE ITALIAN SUPPORT SERVICES MARKET

The growth of services to businesses was more noticeable in the nineties: an exponential growth in businesses and employees took place with an accelerated increase of advanced third-party activity.

Services are increasing in demand, partly by SMEs that require more varied and complex skills. The Italian services system, characterised by the use of a notable quantity of productive processes, offers limited production capacity and determines a supply of services with overlapping and a lack of specialisation and flexibility.

The supply of services is not able to respond to the demand from SMEs because of the absence of interaction between the supply and demand for services.

The geography of support services shows an evident gap between concentration in the Centre-north and lack in the South and the islands.

The service market is inconsistent and unarticulated not only in the supply of services, but also in the demand for services.

CHARACTERISTICS OF SUPPORT SERVICES

According to OSCE statistics, 70% of an industrialised country's occupation is concentrated in services. Even in Italy, this trend seems irreversible, however with a difference. Even though in the 1980's, occupation growth was due principally to commerce in financial services, today this growth is due to the service industries working together with businesses.

The development of the market is dependent on the transformation of the economic system with a growing demand for new products and therefore, the growth of new business activities that have balanced out traditional business activity.

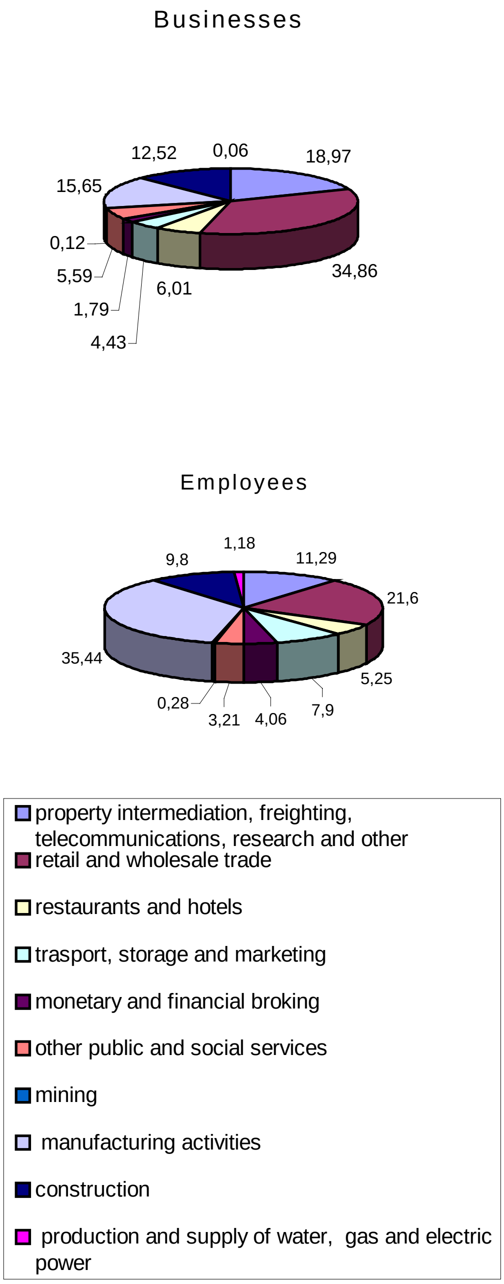
The service sector is in continuous and constant growth.

It is this type of activity that depends on services provided to SMEs. The processes of industrialisation in this sector have developed completely new services that have brought about the specialisation of production and the creation of new professional figures. In particular, the provision of information on productive processes has stimulated the growth of businesses in the field of computer software assistance. The development of telecommunications has stimulated the birth of professional figures dedicated to the assistance of production and consumers. New service businesses have been created to specialise in environmental assistance, fiscal consultancy, and vocational training. The majority of these service firms have found themselves working more with the small and less structured businesses because they take on the responsibilities and aspects of management that small businesses are not capable of handling.

By 1998, the professional service sector had grown with an additional 100,000 employees. 40,000 businesses registered in this sector turned over close to 70 milliard EURO with a workforce of some 1,200,000 employees. By the beginning of 1999, businesses in this sector had grown by 9% compared to the same period the year before[6].

Service firms show very little inclination to operate on an international level.

Tab. 1 - Italian economic structure



Source: ISTAT, Censimento intermedio dell'industria e dei servizi, Rome, 1996.

The demand side is represented by the Italian production network characterised by a reduction in business size[7]. The average dimension is 3,9 employees per

[6] cf. *Il Sole 24 Ore*, May 10th, 1999.

business and 95% of businesses have fewer than 10 employees which in total add up to almost 6.5 million people.

Of course, these studies exclude the larger corporations and businesses that operate strongly in foreign markets and which concentrate principally on Law, Accounting, and Engineering services, whose ability on the international scene is evident from a slightly negative commercial gain. Italian support services are not present on the international scene even in the north of Italy where there are far more foreign transactions than in the south and islands.

Less activity on the international scene and a large foreign deficit weigh heavily on the competition in the internal economy and its development.

MAIN LEGAL REGULATIONS[8]

Growth in the sector depends on the development of adequate legal regulations.

The insufficient growth in Italian services market is also due to lack of legislative action. The incapacity to alter legislative and legal norms in this sector are due to the individual activity sectors which clash with the demand for a continuous evolution of the legal process. However, the legal system does not demonstrate adequate legislative innovation. The legal sectors concerned with private service firms do not have sufficient knowledge. This applies from the legislator right through the entire justice system itself with important negative consequences in production support. The number of directives aimed at specific services that are not in the industrial, manufacturing, or construction markets have turned out to be difficult to apply. Often they entail a distortion of competition that hinders development potential and reduce the effects of introducing technical and organisational innovations (which lead to cost reduction), and new products (with an increase in quality and in the level of service possibilities).

Tab. 2 – Table of Balance Adjustment from 1989 to 1997.

(Totals in percentages of GNP)

	Adjustment Total	Expenditures	Earnings
FRANCE	2.9	-1.0	1.9
GERMANY	2.9	-0.5	2.4
ITALY	10.1	-3.5	6.6
UNITED KINGDOM	3.7	-2.6	1.1
SPAIN	4.5	-3.2	1.3

Source: Bank of Italy, Theme of Discussion, n. 334, 1998 “Fiscal Policy in countries of the European Union in the nineteen nineties” by P. Caselli and R. Rinaldi.

These are the most obvious problems:

[7] ISTAT, *Censimento intermedio dell’industria e dei servizi, Rome,* 1996 also available at www.cens.istat.it

[8] There are not legislative instruments for service activities. Italian regulations don’t discipline service activities, but they regulate the type of registered business name chosen by entreprises. Therefore, a description of the general rules concerning different forms of enterprises wouldn’t be useful for project.

- ♦ Distortions deriving from diverse contributions for private businesses in the service market and also for those in the service co-operative businesses which create unbalanced competition.
- ♦ An increase in fiscal and social security pressures over the last eight years which have grown above the European average by seven percent of GNP.
- ♦ Labour costs which are the highest in the European Union. The load of excessive contributions on businesses leads to alterations in their behaviour: on the one hand, businesses tend to favour tax evasion and, on the other hand, they protect themselves by saving labour and adopting atypical work relationships that make it possible to save on contributions and increase flexibility.
- ♦ Too many instrumental incentives with extremely limited funding and therefore inadequate in effectively producing stimuli even when financial incentives are considered a secondary priority.

  The current policy in relation to business support instruments is unsatisfactory in the following ways:

  - A primarily distributive and financial matrix, with little attention given to the responsibility of resources for real services.
  - Extreme complication in the productive system and the instruments of service support.
  - Formulation and management of central policy, less attention and low interaction at the local level.
  - Support instruments primarily standard, not very selective or customised, not responsive at higher levels to the diverse needs of SMEs.

Tab. 3 – Structural alterations in the Italian fiscal system (in percentages)

	1977	**1987**	**1997**
Fiscal pressures (% GNP)	29.2	36.7	43.6
Direct taxes	7.7	13.3	15.9
Indirect taxes	9.2	9.5	12.2
Social contributions	12.3	13.9	15.5

Source: Survey CER, 5/98

PROGRAMMES AT NATIONAL AND REGIONAL LEVELS

Support for creating services for SMEs is more evident in the national general policy, especially initiatives based on EC directives and limitations imposed by the state, which focus on improving the oppressive economic environment in which SMEs find themselves.

In the 1980’s, incentives to SMEs were oriented towards services in technological innovations and research and development incentives for international relations. These initiatives were both real and financial for businesses that made agreements for productive co-operation outside the national territory (Italian Law 100 of 1990). SIMEST offered assistance and counselling services along with financial services with advantageous tax rates especially for foreign investments.

In the 1990's, the legislative approach became more organic as a consequence of European legislation.

The SME support policy s provides diverse forms of incentive for the acquisition of services.

One of the main political objectives is the recognition for the entrepreneur and an increase in employment (Italian Law 95 of 1995) which renews and revives the Italian Law 44/1986 regarding the young business initiative in the south of Italy, also extending to disadvantaged central and northern areas) and also concerning the recuperation of productive areas in decline, especially those undergoing industrial development (Italian Law 488 of 1992 that allows intervention in depressed areas of the country as well as areas not limited to the poor areas of the country).

At a regional level, the administration promotes the use of services with incentives to invest in that area.

Incentives for Quality Management[9]:

Emilia Romagna:	Italian Law 3rd September 1992, n.37. "Interventions in the Emilia- Romagna Region concerning the artisan quality and that of the small and medium sized businesses".
Campania:	Italian Law 5th July 1994, n.28. "Regional initiatives for the development of quality systems in small businesses".
Basilicata:	Italian Law 20th February 1995, n.16. "Providing incentives for the certification of goods and services and to favour the recognition and development in vocational support".
Lazio:	Italian Law 3rd July 1986, n.23 "Regional funding for technical and financial assistance to the SMEs operating in the Lazio Region ".
Liguria:	Italian Regional Law 9th August 1994, n.43, art. 8. "Incentives for research projects in production innovation and co-operation between businesses".
Lombardy:	Italian Law 10th May 1990, n.41. "Regional initiatives for the development in Quality Systems in small businesses".
Marches:	Italian Law 8th July 1992, n.26. "Regional initiatives to favour SMEs and artisans in order to develop quality systems to facilitate access to certification services of products and intervention in re-organisation".
Piedmont:	Italian Law 1st December 1986, n. 56. "Regional initiatives for promotion and diffusion of technological innovation in operative systems in small businesses".
Autonomous Province of. Bolzano	Italian Law 10th December 1992, n.44. "Initiatives in the autonomous Province of Bolzano in favour of the research and development in the industrial sector".
Sardinia:	Italian Law 23rd August 1985, n.21. "Institutions for funding and assistance for small and medium sized businesses, according to article 12 of the Italian Law 24th June 1974, n.268".
Umbria:	Italian Law 6th August 1991, n.19. "Initiatives for the development of quality systems in small businesses".
Valle d'Aosta:	Italian Law 7th December 1993, n.8. "Regional initiatives in favour of research and quality development in industrial sectors".

[9] Source: Il Sole 24 Ore, 27th August 1996, p. 9.

Other sources of incentives for investing in and acquiring services.

Incentives promoted by the Regions of the Italian Republic for the acquisition of services by SMEs.

Valle D'Aosta

Incentives for small and medium sized businesses for the acquisition of services, promoted by the Italian Regions.
Measures: *Italian regional law 84/'93, defines intervention for the promotion of research and development of new products and productive systems, for introducing methods and systems that guarantee quality and product certification.*
Beneficiaries: *industrial businesses with a number of employees ranging from 10 to 250 (including artisan businesses as well as industries). Industrial enterprises with between 10 and 250 employees.*
Incentives: *for the realisation of quality systems, contributions on capital loss up to Lire 150 million per business (max. 35% of businesses acceptable); for the realisation of quality systems, contributions on capital loss up to Lire 50 million per business (max. 35% of expenditures acceptable).*

Piemonte

Measures: *Italian regional law 56/'86, regarding regional intervention for the certification of quality and the improvement of products and productive processing of businesses in order to favour competitiveness.*
Beneficiaries: *small and medium sized businesses.*
Incentives: *financial derogation at tax rates not above 5%. This financing can extend up to 100% .*

Measures: *Italian regional law 12 May 1997, n. 24 regarding intervention for the development of local systems of businesses in industrial districts of Piemonte.*
Beneficiaries: *small and medium sized businesses.*
Incentives: *financing of expenses per project realised by co-operatives and small medium sized businesses, whether industrial, artisan, or services that promote the supply information services (territorial information desks, assistance and promotion of support instruments in compliance with regulations for intervention in the production system), creation of common central services with innovative content, activation of telemetric networks and the management of databases and information.*

Liguria

Measures: *Italian regional law 43/'94, financial initiatives for the improvement of quality and business certification, production, and the acquisition of the relative instruments (refinancing after 1996 is uncertain); structural funding for objectives 2 and 5b.*
Beneficiaries: *small and medium sized businesses both in areas that are within objectives 2 and 5b and across the entire regional territory.*
Incentives: *contributions towards capital loss of up to 50% of expenses, not more than Lire 50 million capital structuring and financing up to 30% of expenses up to Lire 100 million according to Italian Law 43/'94.*

Measures: *Italian regional law 30th October 1995, n. 49 for the technical assistance and innovative services to artisan businesses. (B.U. 15th November 1995, n.18)*
Beneficiaries: *artisan businesses.*
Incentives: *contributions towards financing projects that concentrate on the organisation of support services, organisational assistance, management and financing assistance, marketing, services in environmental quality, information desks, etc.*

Measures: *Italian regional law 9th January 1995, n.2 – to favour the Inter-category Support Fund (B.U. 11th January 1995, n.1)*
Beneficiaries: *artisan businesses.*
Incentives: *contributions towards maintaining development in real services.*

Measures: *Italian regional law 21st July 1986, n. 14 -Regional Intervention for the development of the productive base, to favour the equilibrium and the growth of small and medium sized businesses, the commercial distribution of artisan businesses and the activation of areas ready for productive establishment. (B.U. 6th August 1986, n.32)*
Beneficiaries: *Artisan businesses interested in setting up services.*
Incentives: *contributions in capital account.*

Measures: *Italian regional law 11th November 1997, n. 45 - Discipline of intervention in industrial districts of Liguria (B.U. 3rd December 1997, n.20).*
Beneficiaries *small and medium sized businesses whether in the industrial or artisan markets or service orientated businesses both commercial and innovative services in the production sector.*
Incentives: *contributions towards projects.*

Lombardy

Measures: *article 4 of the Italian regional law 7/'93 that modifies the Italian regional law 41/'90, relative to financing for quality development in small businesses.*
Beneficiaries: *small and medium sized businesses as well as artisans.*
Incentives: *contributions on the basis of capital accounts to a maximum of Lire 120 million and 30% of expenses.*

Measures: *Italian regional law 10th December 1986, n. 68 – Intervention to promote young business initiative and businesses (B.U. 11 December 1986, n. 50, 1° suppl. ord.)*
Beneficiaries: *young entrepreneurs*
Incentives: *financing for businesses including the offer of services to businesses.*

Measures: *Italian regional law 22nd February 1993, n. 7 – Activation of the regional law 5th October 1991, n. 317 «Intervention for innovation and development in small and medium sized businesses>. (B.U. 27th February 1993, n. 8 1° suppl. ord.).*
Beneficiaries: *small and medium sized businesses as well as artisans.*
Incentives: *contributions on the basis of capital accounts to small and medium sized businesses as well as artisans.*

Veneto

Measures: *Italian regional law 14th June 1995 n. 3573, regulating the financing of quality services, innovation, and spreading technology and safety in the workplace.*
Beneficiaries: *small and medium sized businesses in objective zones 2 and 5b in structural funding.*
Incentives: *contributions of up to 50% of expenditure.*

Measures: *Italian regional law 7th April 1994, n. 18 – Intervention in favour of businesses in the territory and communes of the province of Belluno according to Italian law, art. 8, 9th January 1991, n.19 and successive modifications.*
Beneficiaries: *businesses which offer services to other businesses.*
Incentives: *contributions on the basis of capital accounts with the aim of investing in businesses which supply the innovative technology market in the province of Belluno.*

Measures: *Italian regional law 20th July 1993, n.31 - Intervention in favour of businesses in the territory and communes of the mountain province of Prealpi Trevigiane, situated east of the river Piave, according to the Italian law, art. 8, 9th January 1991, n.19 and successive modifications.*
Beneficiaries: *small and medium sized businesses that offer services to other businesses*
Incentives: *contributions on the basis of capital accounts with the aim of investing in businesses which supply the innovative technology market in the Friuli-Venezia Giulia region.*

Measures: *Italian regional law 2/'92 article 19 that modifies article 45 of the Italian regional law 30/'84.*
Beneficiaries: *small and medium sized businesses as well as artisans (artisans can also refer to Italian regional law 5/'94).*
Incentives: *contributions of up to 50% of the cost of specific services, and to raise quality levels and increase productivity.*

Measures: *Italian regional law 29th March 1993, n. 10 - Activation of EC programmes (B.U. 30th March 1993, n.20).*
Beneficiaries: *artisan businesses and bodies in the field of artisan development.*
Incentives: *contributions on the basis of capital accounts with the aim of investing in common services between businesses.*

Measures: *Italian regional law 28th November 1997, n. 35 – Norms of activation of EC Konver programmes (B.U. 3rd December 1997, n.49)*
Beneficiaries: *small and medium sized businesses including the tourism industry.*
Incentives: *contributions towards the cost of consultancy services, employee health, computerisation of production, quality, marketing, development of common services, and the creation and development of small and medium sized businesses.*

Measures: *Italian regional law 2/'92 article 19 that modifies article 45 of the Italian regional law 30/'84.*
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Autonomous Province of Bolzano

Measures: *Provincial law 44/'92 article 19, regarding intervention to initiate and support industrial, artisan research into technological innovation including quality in business.*
Beneficiaries: *small and medium sized businesses as well as artisans.*
Incentives: *projects over Lire 450 million can benefit from this financing with 70% of expenses; projects under Lire 450 million can receive contributions on the basis of capital accounts with 50% towards expenses.*

Autonomous Province of Trento

Measures: *Provincial law 17/'93, promotes a policy of services to businesses to improve the state of existing businesses and their strategic position.*
Beneficiaries: *small and medium sized businesses*
Incentives: *contributions are awarded according to points evaluated by priority of intervention (differentiated in relation to the typology of initiative) of up to 40% and 50% of expenses. The lower and upper limits are Lire 50 and 300 million.*

Emilia Romagna

Measures: *Italian regional law 37/'92, regarding intervention in quality in artisan, small and medium sized businesses.*
Beneficiaries *small and medium sized businesses and artisans.*
Incentives: *contributions to capital loss of up to 35%, and 50% of expenses for the following: studies in system quality, products and processes.*

Measures: *Italian regional law 24th September 1988, n. 43 – Activation of Italian regional law L.R. 10 September 1987, n. 29 for the development of employment opportunities.*
Beneficiaries *small and medium sized businesses that employ young people. Aimed at businesses whose interest is to improve the following aspects:*
information development on employment and the creation of small businesses, orientation and vocational training, vocational training or businesses,
consultancy services in technical and management divisions.
Incentives: *contributions towards expenses.*

Measures: *Italian regional law 15th February 1994, n. 9 - Intervention for the promotion and innovation of new businesses (B.U. 18th February 1994, n.16)*
Beneficiaries: *promoters that offer a system for integration in businesses in the areas of product innovation, technology, production processing, and conventions with central services and associations to raise business profile.*

Tuscany

Measures: *programme to initiate EC objectives for small and medium sized businesses (objectives 2 and 5b).*
Beneficiaries: *small and medium sized businesses*
Incentives: *contributions towards expenses based on particular needs.*

Measures: *Italian regional law 10th May 1994, n. 184 – Intervention for the innovation and development of small businesses (activation of Italian regional law 317/91)*
Beneficiaries: *companies providing services, technological innovation, management and organisational consultancy to small and medium sized businesses including industrial, commercial or service orientated.*
Incentives: *contributions in capital accounts of up to 50% of expenses towards the realisation of programmes, up to Lire 500 million annually and 1,000 million over three years.*

Marches

Measures: *Italian regional law 26/'92, concerning intervention towards the development of quality systems for access to product certification services and for intervention in restructuring.* Beneficiaries: *small and medium sized businesses including artisans.*
Incentives: *contributions in capital accounts of up to 50% of expenses relating to the development of quality systems (up to a maximum of Lire 30 million); contributions up to 50% or 60% of expenses towards intervention relating to services and restructuring.*

Measures: *Italian regional law 21st November 1997, n. 66 - Intervention for the development of quality systems for small and medium sized businesses. (B.U.1 December 1997, n.86)*
Beneficiaries: *small and medium sized businesses that make use of services in order to realise quality systems and evaluations in productive processes.*
Incentives: *fixed contributions of up to 30% of expenses.*

Umbria

Measures: *Italian regional law for Umbria 19/'91 (modified by the Italian Law 2/'93), to promote the development of quality systems and evaluation of production processing.*
Beneficiaries: *small and medium sized businesses that have set up a project in accordance with EC directives in the EN series 29000 or 45000.*
Incentives: *contributions in capital accounts of up to 50% of expenses up to a maximum of Lire 70 million.*

Measures: *Italian regional law 3 April 1997, n. 12 – Intervention for financial assistance to small and medium sized businesses, favouring technical assistance to small and medium sized businesses, both commercial and service orientated.*
Beneficiaries *small and medium sized businesses that are in commerce or the food industry.*
Incentives: *contributions in capital accounts towards the setting up of technical assistance services, market analyses, productivity, business plans, promotion of quality systems in the company, and computer innovation.*

Lazio

Measures: *Italian regional law 23/'86, modified by article 21. The Italian regional law 21/'93, which regards financial assistance for businesses that present projects which introduce certified quality systems.*
Beneficiaries: *small and medium sized businesses including artisans.*
Incentives: *contributions in capital accounts of up to 35% of expenses, limited to a maximum of between Lire 50 and 70 million according to the type of project.*

Measures: *Italian regional law 10th September 1993, n.41 – Promotion and development of technological and scientific centres in the Lazio Region (B.U. 30th September 1993, n. 27, S.O. n.3)*
Beneficiaries: *companies or institutes that are interested in realising scientific and technological centres.*
Incentives: *contributions in capital accounts.*

Molise

Measures: *EC directives for support, measure 2.5, concerning contributions towards the acquisition of services, including the certification of quality systems and total quality.*
Beneficiaries: *industries, with the possibility of extending across all areas of the country, including artisan businesses.*
Incentives: *contributions in capital accounts of up to 35% of expenses in acquiring services.*

Campania

Measures: *Italian regional law 28/'94, concerning intervention in the development of quality systems in small businesses.*
Beneficiaries: *small and medium sized businesses including artisans in co-operatives or associations.*
Incentives: *contributions in capital accounts of up to 30% of expenses, limited to a maximum of Lire 100 million.*

Measures: *Italian regional law 31st August '93, n. 28 - Intervention and assistance for new business initiatives in favour of employment (B.U. 6th September 1993, n.39)*
Beneficiaries: *companies that promote employment.*
Incentives: *contributions towards expenses in acquisition of quality analysis services , market analysis, vocational training, and promotional activity for products and services.*

Abruzzo

Measures: *Italian regional law 26th May 1986, n. 15 - Institute for a Regional Fund to ensure youth employment (B.U. 4th June 1986, n.6 straord.)*
Beneficiaries: *companies promoting employment that offer real services to businesses: management consultancy, marketing, accounting, and technical assistance.*
Incentives: *contributions from funding.*

Puglia

Measures: *multi-faceted operative programme, measure 2.1 and 3.4.*
Beneficiaries *small and medium sized businesses including artisans.*
Incentives: *contributions towards expenses for the acquisition of services*

Basilicata

Measures: *Italian regional law 16/'95, concerning incentives for the certification of goods and services.*
Beneficiaries: *small and medium sized businesses including artisans.*
Incentives: *contributions in capital accounts of up to 50% of expenses with a maximum of Lire 120 million.*

Measures: *Italian regional law 29th March 1993, n. 15 - Incentives for businesses*
Beneficiaries: *small and medium sized businesses*
Incentives: *contributions towards expenses for the acquisition of services including revision, marketing, industrial design, and innovation research.*

Measures: *Italian regional law 7th January 1998, n. 1 - In favour of intervention and assistance for new entrepreneurial initiatives (B.U. 12th January 1998, n.2).*
Beneficiaries: *companies that promote projects for new initiatives for the production of goods and services.*
Incentives: *contributions towards expenses for the acquisition of services including project orientation, vocational training, tutoring in the activation of the initiative.*

Calabria

Measures: *Italian regional law 24th February 1988, n. 2 - Intervention for youth access to the job market and the development of employment (B.U. 4th March 1988, n.10)*
Beneficiaries: *activation of projects by young unemployed people in various sectors, one of which being services to businesses.*
Incentives: *funding contributions for youth employment*

Sicily

Measures: *article 9 of the Italian regional law 41/'95, concerning assistance based on regional legislation considering expenses in the forms of investments in the acquisition of services relative to the certification of quality systems, processing, and products.*

Measures: *Presidential decree 23rd July 1993, n. 32 – Norms for the distribution of funds in accordance with article 33 of the Italian regional law 23rd May 1991, n.35 (G.U.R. n. 21 30th April 1994).*
Beneficiaries: *companies which promote employment offering real services to businesses or artisans.*
Incentives: *contributions towards expenses in acquisition of services including revision, marketing, industrial design, and innovative studies in telecommunications and advertising.*

Sardinia

Measures: *Italian regional law 21/'85, concerning funding for assistance to small and medium sized businesses in concordance with article 12 of the Italian regional law 268/'74.*
Beneficiaries: *small and medium sized businesses that have production activities.*
Incentives: *contributions towards expenses for external consultancy as directed by the beneficiary company.*

There is assistance for the continual growth of projects concerned with global integration in such areas as innovation, quality, service access, and the creation of a promotion system for the service market.

Cited examples are the following projects: DIT[10] LE-TE[11] Dintec[12], Sepri[13], Prisma[14], LAB[15].

SERVICE PROVIDERS

Over the last decade, the competition has led to radical transformations around the country, including institutions that have confronted the new needs of businesses dealing with services. These necessities are reflected in the demand for services such as quality control, the environment, and international relations. Unlike traditional needs, these are a consequence of new directions in national policy and the promotion of development in various sectors.

Apart from the evolution of certain business behaviour patterns, the system of service providers has broadened. Since the 1970's, certain institutions have been created to offer a variety of services: far from the fragmented world of private consultancy, central services in the form of public and private institutions have become established as alternative consultancy services.

An articulate and extensive system such as this is re-orientating various areas of the field as a result of market competition.

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[10] Progetto DlT (Speading of Technological Innovation organised by the Tagliacarne Institute). The system is composed of a network of 25 links located throughout the territory providing information, advice, and technical assistance to favour competition in over 600 companies in the south. The network has an advantage in consultancy and experience with developing structures present in Italy (the present project is being renegotiated with MURST. It lasts 2 years and concentrates on the food and agriculture sector.

[11] Progetto *LE-TE* (up until 1996, organised by Assefor) for the consolidation of manufacturing companies (850 companies in Abruzzo, Molise, Puglia and Basilicata) and the necessary support services (organisation and financial consultancy). See page 59.

[12] Activities and projects promoted by the collection of technical norms and the promotion of the quality certification culture. The aim is to offer information and assistance services regarding technical norms and quality levels for small and medium sized businesses, increasing competitiveness.

[13] Progetto Sepri ('Promotion Services for Businesses') involves the entire south of Italy for manufacturing and construction companies (in 1997-99 for about 4.000 businesses). It proposes an improvement in international relations and consolidation of businesses: this will favour active collaboration between special enterprises and those in foreign centres. See page 58.

[14] Progetto Prisma (Project of informing businesses on technical norms) until June organised by Dintec (founded with around 3,000 businesses), with the aim of creating an information and assistance service for small and medium sized businesses in the south of Italy, and to promote the adoption of technical norms and other criteria to ensure quality through the distribution of information, assistance, and orientation. This has been dispersed (by six specialised companies in the south composed of voluntary members of the Uni and Cei) together with the norms in particular about safety and the environment on national and European levels.

[15] Progetto LAB (Project for the implementation of networks and technological help desks in the south of Italy which lasted until 31.12.1997) designed to create a network capable of offering information services to small and medium sized businesses in the meat industry through the use of information networks and technology help desks to ensure a higher level of competition on the European and international level. The LAB project, Unioncamere and the Chamber of Commerce propose stability for businesses in the south of Italy and higher competitiveness, while at the same time allowing the quality of activity and production to rise.

Principal services providers to SMEs in Italy are Chambers of Commerce, Service Centres, Business Associations, Private Consultants, Banking Companies, Underwriting and Export Syndicates.

A) CHAMBERS OF COMMERCE

The Chambers of Commerce are a system of institutions spread throughout Italy available to SMEs. They are allowed autonomous status, offering strategic programming in both organisational and financial areas.

Following recent reforms, certain relationships between institutions have been reviewed: between Chambers of Commerce and territorial entities, and between Regional Unions and Regions.

The most important areas of specialisation of the Chambers of Commerce are: international relations, vocational training, technological innovation, quality certification, the development of services to businesses, especially small and medium sized businesses.

In order to meet these objectives, the Chambers of Commerce have the power to set up and directly manage structures and infrastructures at the local and national level.

In the following section the principal areas in which Chambers of Commerce provide services are presented.

Information

The principal activity consists in the registering of companies, which provides Chambers with the Official Register of Companies as a resource when dealing with commercial chancellors and tribunals. The Register of Companies is one of the instruments used in recognition, transparency, and maintenance. The support of a computer network makes this system of information more accessible and extends it across Italy.

The Italian Chambers System is at the disposal of the business world through the 102 Chambers of Commerce based in provinces, 19 Regional Unions, and 18 Foreign Offices, with one Union Chamber at the national level with offices throughout Italy.

In a market that has always had a tendency to create networks, the System of Chambers of Commerce is in itself a network that connects SMEs, markets, and public administration with a continual flow of information.

Info-Chambers are the institutions that manage the information of the Chamber network giving interested parties any information which is at the disposal of the Chambers.

The development of the computer network connects SMEs to data banks such as ISTAT, to the public administration, and central information services for foreign markets.

Vocational Training

These services are aimed at entrepreneurs, managers, commercial agents, artisans, junior entrepreneurs, and businesses providing services that are essentially the fulcrum of the Italian business culture.

In 1995, a poll showed that there were 53,000 participants in 2,179 courses for small and medium sized enterprises.

Employment and enterprise creation

The Chambers of Commerce are also preparing information systems for employment and vocational training which may at the same time give reliable forecasts of job market requirements.

Finance

The Chambers of Commerce also support businesses by providing them with access to various trustworthy credit sources and other forms of innovative financing (the network being available to small and medium sized enterprises).

Innovation

More than 80% of the Chamber's efforts are geared towards entrepreneurial innovation. The aspects of this task are multifold: vocational and informational, certification, project quality proposals, experimentation, specialised training, consultancy, and the promotion of scientific and technological centres.

Initiatives of the Chamber of Commerce on matters such as Norms, Certification, Safety and Quality, have grown in the last five years by up to 54%. In the know-how assessment area, there has been a growth of 57%.

Environment

EC initiatives such as the Eco-audit and Eco-label, internal norms on recycling and waste management, and analytical studies on environmental risks, provide SMEs with new competitive roles and openings.

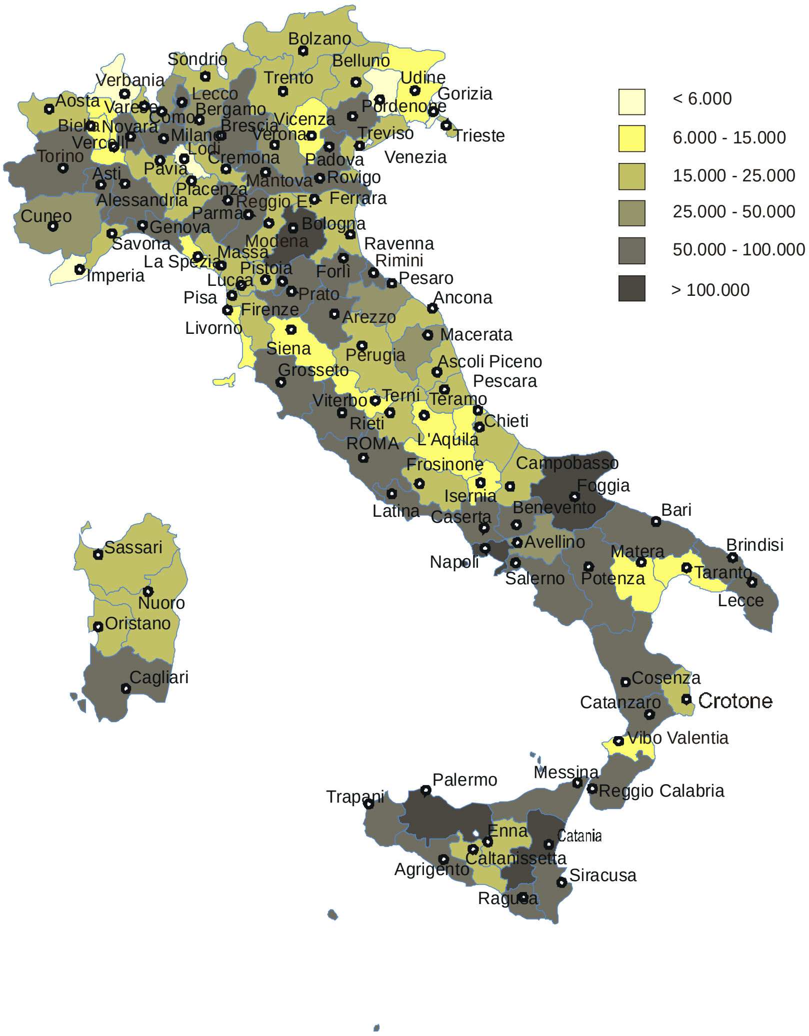
International relations

With 17 regional centres for foreign markets, 62 Euro information desks and a centre in Brussels, national agencies such as Mondimpresa, the growth of a network of Euro Chambers, the Chambers of Commerce also take on the role of international intermediaries.

Apart from the Chambers of Commerce, there are also networks connected to the Italian Chambers System including: a network of 60 structures across all continents that bring together 30,000 entrepreneurs of Italian origin or related to the Italian market.

Chambers of Commerce fulfil other roles: they have responsibilities such as informing enterprises of EC initiatives, connecting foreign markets, increasing their know-how in commerce and international marketing, assistance in the organisation of and information about foreign trade fairs, facilitating the matching of potential partners around the world for joint ventures and commercial agreements, assisting foreign investments in Italy, etc.

Tab. 4 - Ratio between Enterprises and
Chambers of Commerce Offices
(number of enterprises per office)
1998 Report on Chamber System



Regional development

There are policies that favour weak areas or ones that find themselves at a critical moment. There is now a strong movement towards the EC models that promote decentralisation, concentration, and interaction.

In order to develop these European initiatives, Chambers promote exchanges of experience and competence between public institutions and individuals.

In this field more than 60 Pacts of Agreement exist between the development parties accessible through the Chambers of Commerce.

The financial resources of the Chambers of Commerce and those of the EU and the Italian State as well as SMEs are being utilised for the Chambers to offer services that the market is not capable of providing.

As indicated in the Support Programme of the European Union, the Chambers have utilised 19 million EURO from the European Social Fund out of a total of nearly 52 million EURO (of which 64% is for the south of Italy). From the European Social Fund for Regional Development, the Chambers have utilised around 13 million EURO out of a total of 42 million EURO (completely destined to the areas of the south). For these initiatives, the Chambers have used all the funding at their disposal.

The network is completed by the Regional Unions whose role is to get to know the economic and administrative situations in the different regions of Italy, all under the supervision of Unioncamere.

Over the last five years, the Chambers' Special Offices, that concentrate on this field, have increased from 95 to 125. The growth has been especially noticeable in the fields of vocational training, workshops, and transportation infrastructures.

The Chambers system has branched out into shareholding in companies and institutions who concentrate on the areas of assistance to enterprises: these entities have grown form 992 to 1,052 service businesses with investment growing by a face value of 114 million EURO .

The recent growth in the area of infrastructures for commercialisation, transport services, culture and research, the environment, and financial innovation with the project of grants extending to SMEs, has resulted in the numbers of participants increasing in these fields from 374 in '91 to 442 in '95, with contributions ranging from 13 to 18 million EURO.

B) SERVICE CENTRES

There has been a growth of structures that offer services promoted by local administrators, Chambers of Commerce, and entrepreneurial associations. This began in the 1980's as a response to fragmented models which isolated functions that would otherwise be linked. These included investment, vocational training, economic development, and employment.

With Service Centres, instruments related to financial initiatives and programmes of orientation on the sector and geographical level have been abandoned. Instead, they have adapted to be able to intervene in the entire business structure. In 1988, the "Nomisma" survey identified 75 Service Centres compared to 140 in 1992.

An investigation undertaken by INDIS[16] and Unioncamere indicated weak operative articulation of Service Centres with a smaller average company size throughout Italy. As the average turnover was under 800,000 EURO in 1998, so the budget available has been reduced for most Service Centres and now less than 500,000 EURO is usually provided.

Such are the essential elements in the recognition of supply and demand in markets like vocational training, telecommunications, the environment, and enterprise promotion.

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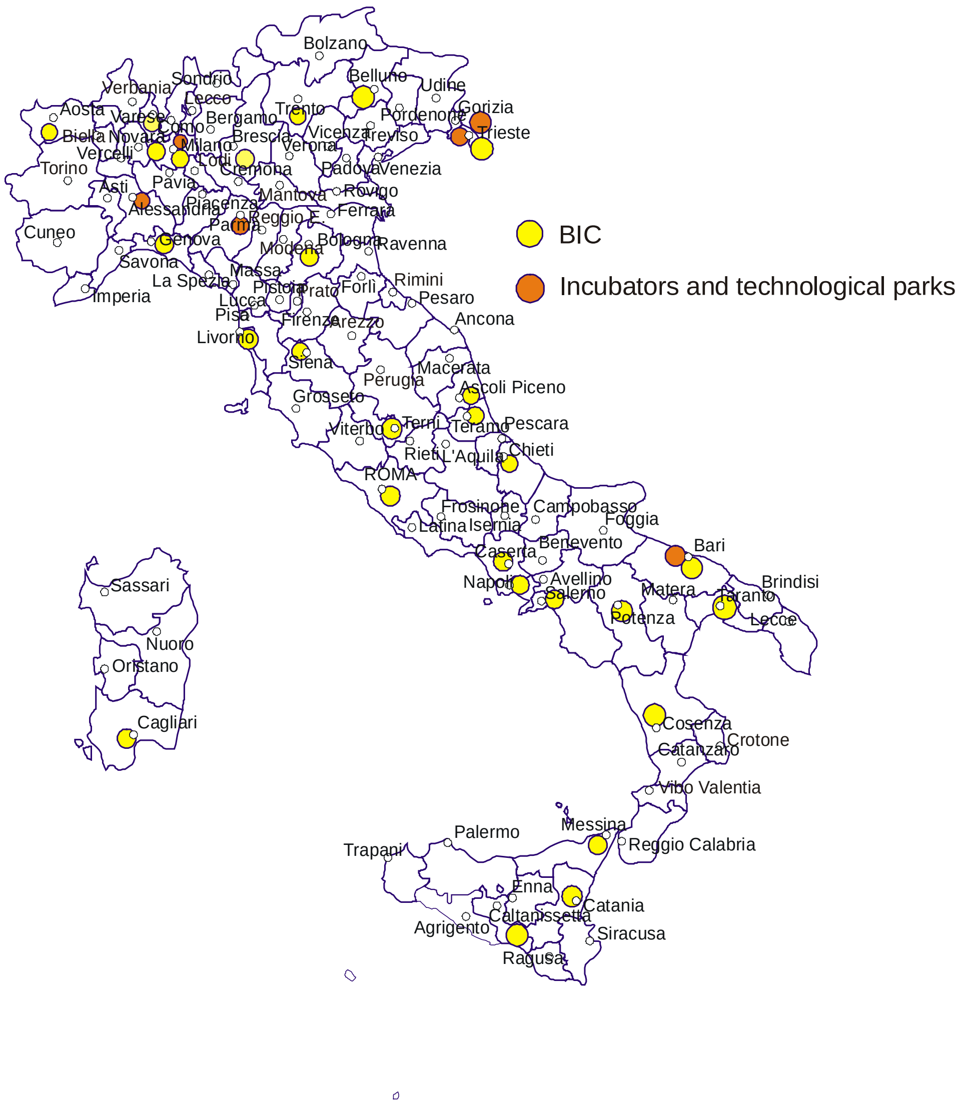
[16] INDIS, Unioncamere, *Caratteristiche ed evoluzione del terziario allo sviluppo* (Characteristics and evolution of the tertiary sector for development), Investigation presented at the forum "Servizi alle imprese per la competitività del sistema imprenditoriale" ("Services for business to increase competitiveness in the business system") Rome, 15th June 1999.

The users of centres have increased by 20% over the last three years and are mainly small enterprises. Undoubtedly, the major users are small enterprises (up to 50 employees) making up 55% of the total. Artisan enterprises come in second place as regards numbers of users, followed by medium sized businesses, and larger companies. The majority of enterprises using the centres are in the consolidation stage of the commercial cycle.

Tab. 5 - Distribution of Italian BICs



SURVEY OF ITALIAN BICs

BICs (Business Innovation Centres) are entities founded by public and private concerns to elaborate EC directives in the setting up of an economic model provided by EU initiatives. The European BIC is co-ordinated and developed by the European Business and Innovation Centre Network (EBN) that is concerned with the following points: to ensure efficiency, individual and collective performance, the utilisation of benefits that the network has to offer by sharing expertise and know-how, establishing partnerships in research and development as well as in technological innovation, and marketing.

The reasons for founding them are: to give multipurpose assistance to SMEs in order to stimulate industrial, local and regional development, and to offer a complete series of services and assistance for their new projects. They were created with the goal of favouring the creation of new enterprises on the basis of their potential at a local level and the development of SME innovations which are already operative.

BICs are also required to carry out major and local surveys. In doing so, BICs act as an interface between existing service firms and new and innovative ones by pointing out the weakest points in their services, offering incentives to improve. The main function of BICs is to optimise the internal process of their region in order to transform the region's innovation potential (however slow or spontaneous) into economic activity promoting productivity and the creation of wealth.

In many regions, BICs have played an important role in the network of development especially by offering local support for small innovative enterprises with new ideas and projects. In order to ensure this development once initiated by the BICs, an agreement pact was signed between DG XVI and DG XXIII, which extended the BIC's parameters to collaborate and maintain network contact with Euro Info Centres (EICs).

A direct survey has been conducted on services offered by Italian BICs, on the qualitative side, by issuing a questionnaire that was sent via fax or e-mail to BIC operators active across the country.

The principal conclusions that can be drawn from this survey are as follows.

The majority of BIC centres are eligible for activation and benefits of EC programmes for small and medium sized businesses, to stimulate new innovative business initiative, programmes for vocational training and for the development of communications at local and regional levels (e.g. NOW, LABOUR, ADAPT, BC-NET, PMI, DOCUP OB.2). Apart from these EU programmes, BICs usually have legislative advisors working for the promotion of junior entrepreneurs as in art. 1b of Italian Law 236/93 and 44/96, and financial assistance in starting up their own enterprises (eg. Italian Law. 608/96). As a result, BICs offer a direct interface with institutions and other entities of the European and national policies oriented towards SMEs and entrepreneurs.

The services offered by BICs are principally ones that help create new enterprises and offer support or assistance to SMEs already in existence:

- Information and documentation services, information on resources on the EU, national, and regional levels.
- Selection and assistance for the creation of new enterprises.
- Business plans and tutoring.
- Incubators and technological centres.
- Formation and preparation of businesses plans
- Consultancy support on functional areas in SMEs
- Vocational training in management.
- Technical assistance for accessing financial aid, quality certification, and prototype verification.
- Development of business relations between enterprises and enterprise networks.
- Conferences and seminars.
- International relations.

SURVEY RESULTS

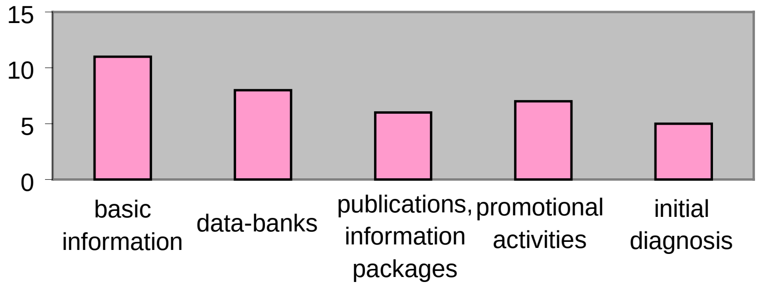
The questionnaire was sent via fax or via e-mail to 28 BICs operating across the country.
13 BICs answered the questionnaire, representing 46% of total operators.
Subdivision of services by type:

- General and professional informational.
- Consultancy services.
- Financial services.
- Vocational training services.
- Special services for small and medium sized businesses.

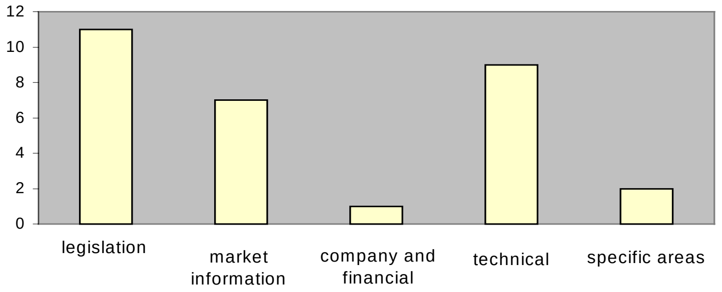
It is possible to present the results in the following way.
(Among all the services offered, those in the field of preparation and practical consultancy for the acquisition of financing and EU, national and regional assistance).
Out of the 13 BICs, all of them confirmed the presence of "business incubators" already active or at the initial stages, of different size but all providing services for SMEs such as

logistical advice, secretarial work, accounting, and administration as well as specialised consultancy.
Since such incubators are fairly recent, it is not possible to know about trends in business competitiveness and profitability after leaving the incubators.

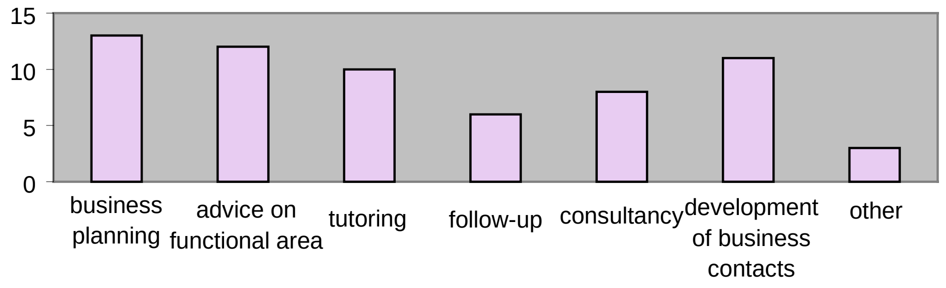
Tab. 6 - BIC: facilities and basic information



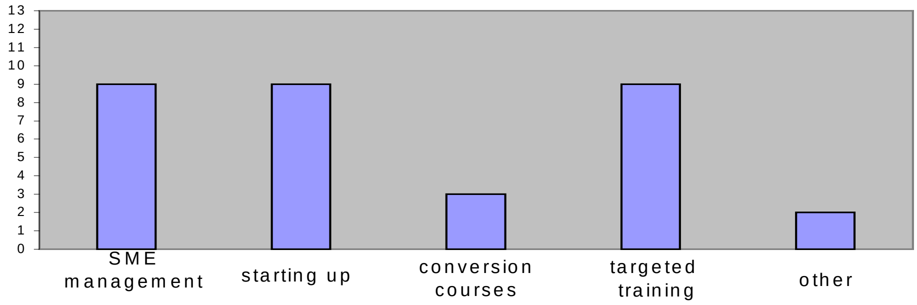
Tab. 7 - BIC: professional information



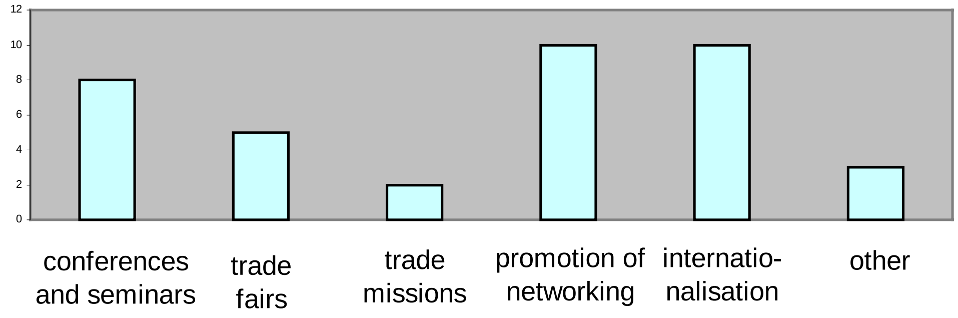
Tab. 8 - BIC: advice & direct support



Tab. 9 - BIC: SME specific training



Tab. 10 - BIC: SME specific strategic measures



Source: Data processing of results of the survey of private consultant (Annex 1)

C) ENTERPRISE ASSOCIATIONS

Enterprise associations are a part of the private sector and act as intermediaries between general and single businesses. Apart from this function, they also act as intermediaries with institutional subjects.

Confindustria is the principal representative organisation of manufacturing companies and support services in Italy. Working on the basis of voluntary participation, it is made up of a total of 107,000 businesses of all sizes with a total of around 4,100,000 employees. This organisation represents the needs and proposals of the Italian economic system in relation to the principal political and administrative institutions, including the Italian Parliament, the Government, the trade unions, and other social forces in the country.

Confindustria is made up of: 110 Category and 107 Territorial Associations, 18 Regional Confederations, 12 Sectorial Federations, 9 Associate Members.

Principal services offered to associates are trade union consultancy (collective work contracts), and social security consultancy on economic, financial, legal, and legislative matters.

By conducting an Internet survey on sites linked to Confindustria (www.confindustria.it), it was possible to present a qualitative investigation from the Territorial Associations to Business Associations. The services can be regrouped as follows:

Tab. 11 – Services supplied by Confindustria

Basic information	Distribution of economic information and the availability of spaces needed for conferences and meetings.
Professional information	Normative aspects regarding environmental impact, hygiene, safety in the workplace, transportation, quality, EC certification, EU financing, financial incentives, tax norms, legislation in the workplace, studies conducted with various sectors.
Consultancy	Enterprise functions (marketing, tax issues, financing, production) and specific material in relation to quality, safety, exports, international relations, and access to financial incentives.
Vocational training	Directions in management in relation to EU programmes, and collective vocational training.
Financing	Agreements with Banking Institutions.

The **National Confederation of Artisans, Small, and Medium Sized Enterprises (CNA)** is the national representative body of artisans, their companies, and other SMEs.

This institution is made up of 7,000 operators situated in 1,000 offices spread throughout the country. The confederation offers consultancy and information in order to ensure the success of SMEs and the development of new enterprises. The CNA system is composed of 20 CNA Regional Federations, 106 Provincial Associations, 25 Sectorial Associations, totalling 520,000 active and retired entrepreneurs. The CNA has headquarters in Rome and Brussels but most of the CNA's activity is within Italy and aims to integrate different associations from different fields, giving value to the unitary system on a national level, and guaranteeing standards of quality and behaviour.

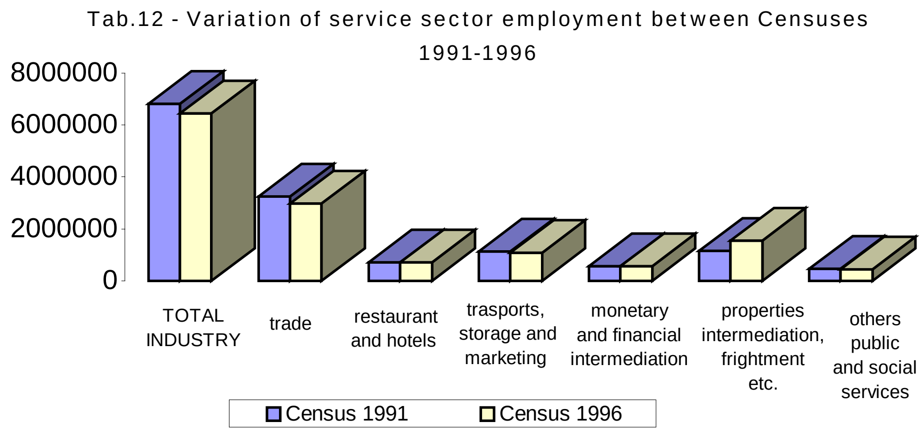
More than 520,000 artisans are members of **Confartigianato**, the trade union organisation which has represents the productive activity of artisans in the nation since 1946 and has the responsibility of providing information services to their businesses.

The organisational structure of the "Confartigianato System" at the service of artisan SMEs consists of the following: 20 Regional Federations, 119 Territorial Federations, 63 Categorical Associations, 1,200 outer offices, and a total of 14,000 employees.

Italian Confederation of Small and Medium Sized Enterprises (API), which represents around 60 thousand enterprises with around one million employees, aims to represent and continually propose improvements favouring SMEs. This is in keeping with the API's political directives in supporting these enterprises at the legislative level, constantly maintaining relationships with the Italian political institutions.

D) PRIVATE CONSULTANTS

There are 2.5 million private service companies, about 72% of the total. 668,002, 19% of the total, offer services for companies. They employ 11% of the workforce, providing 1.56 million jobs.



Source: Intermediate Census of industry and services 1996

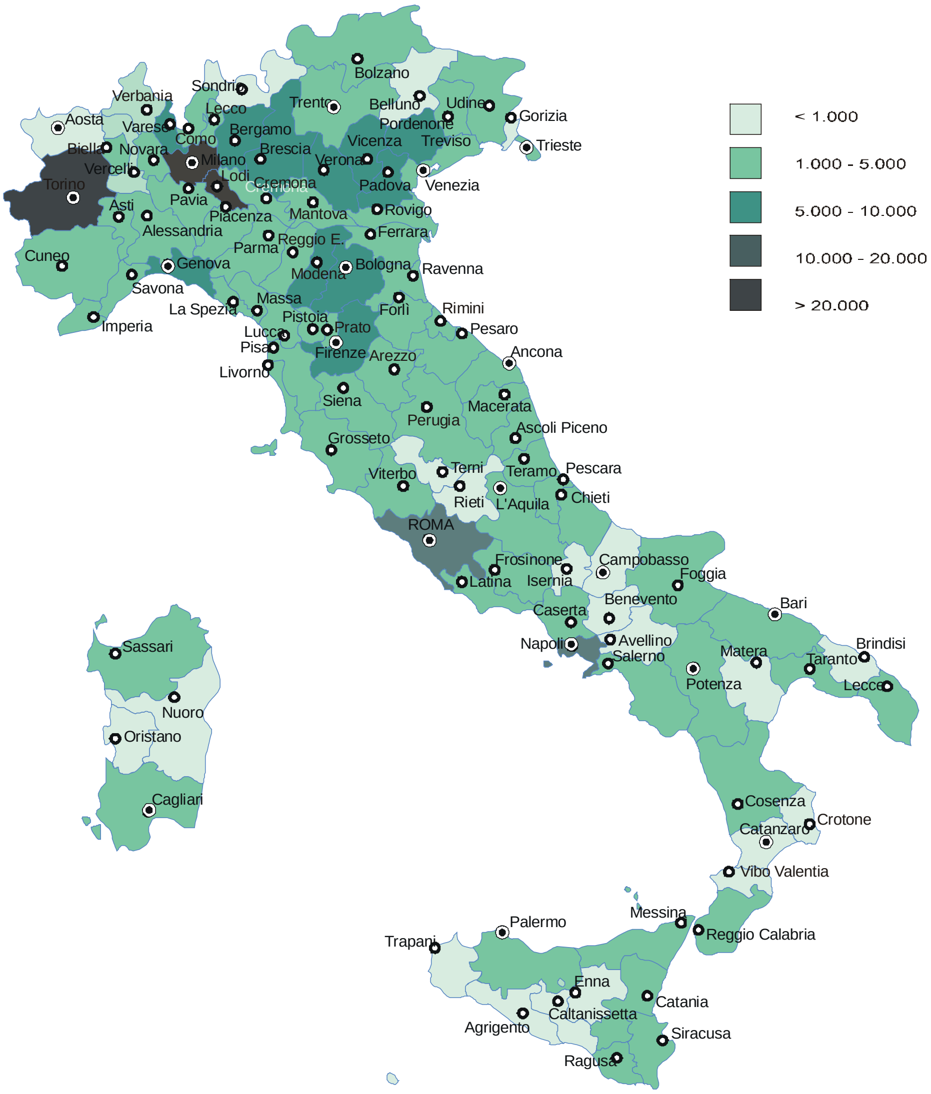
The strong presence of small companies in Italian production, especially the 1 to 9 employee bracket, is a common factor in most production sectors, and is particularly marked in private services, where they represent 97% of the total. The average size of these micro-enterprises in the private service sector is 1.8

employees and the entire sector is characterised by an average of 2.9 employees per company.

Within the structure of the private services sector, there is an indication of strong fragmentation in that there are 654,000 enterprises with fewer than 10 employees. 98% employ around 1 million of them at an average size of 1.6 per business.

As for service companies, there are larger sized companies to be found acting as financial intermediaries, financial institutions, and also operating in transportation and telecommunications of which a large number are also small enterprises.[17]

Tab. 13 - Service Company Distribution
(Movimpresa, 1998)



Butera F. [18] has estimated that in Italy there are at least 7,000 consultants and that the consultancy market is approaching an annual turnover of Lire 3,000 billion.

[17] ISTAT, *Censimento intermedio dell'industria e dei servizi* (Intermediary census of industry and services), Rome, 1996, also available at the site www.cens.istat.it.

According to statistics presented by the "Rapporto ASSCO 1996 big private consultancy firms hold a large proportion of the market: in 1995, the top 20% of consultancy businesses in Italy held 70% of the market with a growth trend of 10%. Of those, the top 5% of foreign companies in Italy held 40% of the market, while the Italian top 5% held 18.5%.

E) BANKING COMPANIES

The services offered consist of fee consultancy, management of exchange and interest risks , factoring, and leasing.

The relationship between banks and SMEs is quite fragmented. With the increase in earnings of these businesses, there has been an exponential growth of businesses using three or four different banks[19].

In relation to districts and small and medium sized businesses, **the banking system** has simply adopted those financial instruments that are sought after as answers to large-scale problems. Over time, this behaviour has come to be called what some have defined as "discount banking". That is, banks that sell similar products to similar clients speculating on price competition.

The approach adopted by the banks is concentrated on the value of credit ratings based on real guarantees and on client personnel, and through the analysis of past balance sheets. They do not take into consideration the prospect of future income and project validity, that is to say, the future capacity to produce income (they show a limited capacity to evaluate company prospects).

Although for many years SMEs have been asking not only for normal banking services, but also ones with greater added value, showing that banks should listen more carefully to SMEs treating them as individual productive entities, not simply companies at the "teething stage" of company development. Banks should therefore move from treating SMEs as customers and start treating them as partners.

F) UNDERWRITING SYNDICATES

Underwriting Syndicates represent one of the most interesting sources of financial support when dealing with small and medium sized businesses. Ever since they were founded in the 1970's these institutions have aimed to offer funding to guarantee loans with social commitments in mind. Another role is the institutions' responsibility of convening the intermediary activities between banks and enterprise members of the syndicate especially in the following activities: type and duration of financing, methods of repayment, interest rates, loans, etc.

Underwriting Syndicates offer a greater level of security and contractual power, allowing small or medium sized activities to relate directly to banking companies for short-term credit (the greater guarantee offered by Underwriting Syndicates is derived from two factors: the existence of specific presiding judges - capital is presented by members of the Syndicate – and the improvement of the negotiation process assisted by the technical group and the partial standardisation of information elaboration).

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[18] Unioncamere, *L'individuazione dei fornitori di servizi consulenziali di qualità per le imprese* (The identification of suppliers of quality service consultancy), Rome, 1999

[19] Gersandi A., *The relationship between banks and small and medium sized businesses: problems and perspectives*, Materiali n.13, December 1994, Sevizio Studi ASSBANK

In this way, Underwriting Syndicates have become a real ally for SMEs, also when dealing with the documentation necessary for requesting finance. Thus the credit obtained by SMEs has become less costly and more abundant yet with a stability that satisfies the credit system.

The problem with Underwriting Syndicates, however, is their scarce presence around the country. In Italy, there are 1,200 Underwriting Syndicates connected to Confindustria, Confapi, entrepreneurs, artisans, and agricultural enterprises. In each of these areas it is difficult to find any dialogue between Confidi and similar organisations. Since 1993, Confindustria has managed to create a system of networks with Federconfidi, adding 100 Underwriting Syndicates to the territory.

There is a fair amount of regional legislation that promotes intervention and the constitution of institutions to favour credit access to SMEs.

The relationship between consortiums and the credit system, in the medium or long term, is quite different from this process: Syndicates require a higher level of management capacity at the same level that credit companies operate at as a result of a fall in the number of reliable consortiums.

G) EXPORT SYNDICATES

The objective of Export Syndicates is the promotion of products to international clients and the commercialisation of these products on the international market.

The benefits for SMEs are the following:

⇒ The Export Syndicate represents a form of aggregation that is less committing, like a joint venture. Because of this, it is more suitable for enterprises that have to collaborate with other companies.

⇒ It allows the activation of strategies not accessible individually to small and medium sized businesses: sharing of resources, risks, and costs.

⇒ It allows one's own economic combinations to be maintained unaltered without changes on the organisational level.

⇒ It offers international relations services at low cost.

The number of Export Syndicates affiliated to the Italian Chamber of Commerce in 1994 was 3,822. By estimating that each Syndicate might be linked to 10 enterprises, the result would be 38,000 Italian enterprises of this nature. Federexport, the association that unites Export Syndicates, declares that their 145 associated Syndicates in 1993 constituted 41% of the total in Italy. This would mean 5,030 companies were represented, that is, 69% of partner companies affiliated to Export Syndicates. On the basis of this information, we may deduce that Export Syndicates in Italy will grow by up to 350 involving more than 7,000 companies. Institutions that operate at the international level could be added to these figures (one might think of purchasing groups, for example, who only assume syndicate form and act with the exclusive objective of supplying the international market). Whatever the results of estimates might be, the syndicate or consortium model represents a significant phenomenon on the Italian economic scene[20].

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[20] Brunetti G., Mussati G., Corbetta G., *Piccole e medie imprese e politiche di facilitazione* (SMEs and incentives policies), EGEA, Milano 1997.

ANALYSIS OF SERVICE PROVISION

The services market for SMEs has undergone a qualitative and quantitative shift both in the nature of the demand expressed by the SMEs and in the provision of the service companies/firms.

On the demand side, there is an evident lack of clarity concerning the character and nature of the services required owing to an inadequate awareness among the SMEs of their own needs, and also to the absence of a supply of "visible" services which might encourage an adequately qualified demand.

On the supply side, services are found overlapping and copying each other and an absence of co-operation with client companies.

The high level of fragmentation in the supply of services is the main feature of the national context.

There is no market in which one can compare the supply and demand of services or even a set of criteria by which one can evaluate the quality and therefore the cost of the services on offer.

THE SUPPLY OF SERVICES

Using the data from the 1991 Census and the 1996 Intermediate Census, it is possible to analyse the economic picture of the support service sector on a national level.

The supply of services: small-companies and fragmentation.

At the end of 1996 there were 2.5 million enterprises working in the private service sector, some 72% of the national total of enterprises, employing 7.3 million workers (53% of the total) meaning an average size of 2.9 employees per company. Meanwhile, in the industrial sector, there were 998,348 enterprises (28%) with 6.4 million workers (47%), the average size being 6.5 employees per company. The average size over the entire productive system was 3.9 employees per company. The whole private services area was characterised by a smaller size of company, especially for very small companies (from 1 to 9 employees).

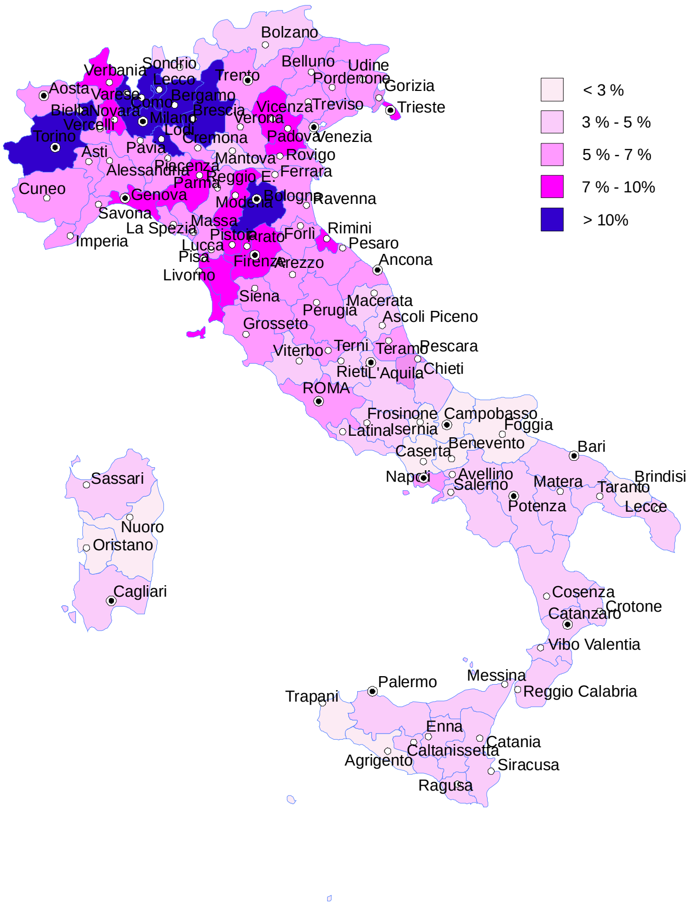
The phenomenon of the small-sized firm, though in line with most of the productive sectors, seems to be a constant feature of the services field, in which small businesses make up 74% of the total (2.5 million entities) and employ 68% of the total workforce (4.4 million workers out of a total workforce of 6.5 million in the companies of 1 to 9 employees.) The presence of large service companies (with more than 250 employees) is also relevant. They represent 40% of the total number of companies of the same size, and they employ 51% of the workforce, opposed to the 49% employed by industry.

Within the field of private services the support service sector is characterised in both censuses by vast numbers (around 670,000 enterprises, meaning 19% of the total of functional businesses in 1996 and 375,000 enterprises, that is, 12% in 1991) and by high levels of employment (more than 1.5 million workers, meaning 11% in 1996 and about 1.2 million, that is 8%, in 1991).

The data shows the emergence of the considerable weight of this sector in the economy as a whole, both in terms of functional, productive businesses and in terms of employment. This confirms the role played by service companies in the community and in other companies, not only because the sector offers the greatest opportunities for the development of innovative, high added value commercial ventures, but also because it appears to be the field most open to competition. Within it there is a high incidence of fragmentation; enterprises with fewer than 10 employees make up 98% of the total. The average company size is very limited, with 1.6 employees per company.

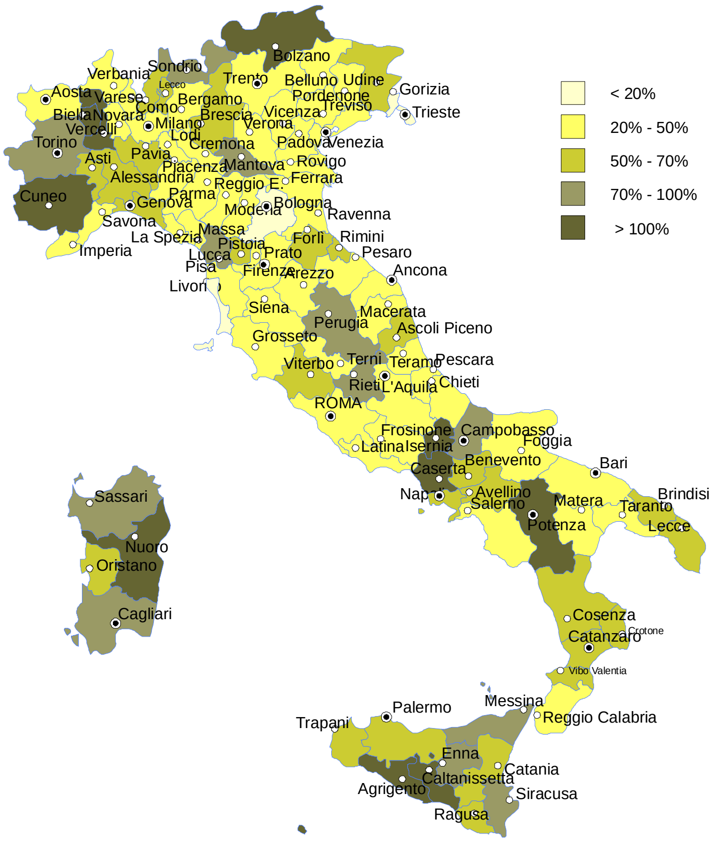
With regard to the 1991 Census, the structural transformation of the third sector has affected employment levels rather than market share. Over the five years, the companies working in services remained level at 72% of the total of functional businesses, while the overall workforce rose by one percent. This fact is much more relevant when it is borne in mind that the industrial sector has witnessed a 2% fall in employment levels. This reshaping of the labour market has also taken place in several other service areas such as transport and retail, but the positive outcome of the service sector is due in particularly to the dynamism of professional services for companies.

Tab. 14 - Concentration of service companies 1998
(% of service companies out of the total number
of functional enterprises) (Movimpresa, 1998)



The majority of productive sectors show a strong presence of small businesses. In particular, in the private service sector, the field is characterised not only by the high number of companies, but also by the great share of them with fewer than 10 employees. The average size is among the lowest, just 1.8 employees per company. The same fragmentation distinguishes the support service sector where the average size is 1.6 employees.

Tab. 15 - Variation in service companies 1991-1998
(Movimpresa 1991, 1998)



Support service companies are most highly concentrated in the provinces with the highest levels of industrialisation in northern and central Italy, predominantly in the most important economic provinces: Turin, Milan and Rome.

Even if the ratio of service companies to the total of companies is considered in these areas, the regions with the highest number of support service industries remain the three mentioned above.

From a geographical point of view, the growth of service industry appears generalised, but in fact follows two different criteria: the provinces of the centre/south are characterised by the shortage of infrastructure so growth is huge as it has to make up for an enormous lack of supply, whereas in the heavily industrialised provinces, there has been a further growth in services, though not as marked as in the above mentioned regions.

An overall description of services on offer is to be found in the double variable tables below which include the service providers s and the type of service which each of them offers.

SERVICE PROVIDERS	SERVICES						
	Reception, facilities and basic information	Professional Information Services	Advice and Direct support	SME-specific training	Finance	Premises	SME-specific Strategic Measures
Chambers of Commerce	✓	✓	✓	✓	✓		✓
Service Centres	✓	✓	✓	✓	✓	✓	✓
Business Associations	✓	✓	✓	✓	✓		✓
Private Consultants		✓	✓	✓	✓		
Banking Companies		✓			✓		
Underwriting Syndicates		✓			✓		
Export Syndicates		✓	✓			✓	✓

Service providers	Reception, Facilities and Basic Information, Referral						
	First-Stop-Shop	Official registration and documentation	Distribution of publications, information packages	Promotional activities	Provision of facilities (e.g. Meeting and office facilities, videoconf.)	Initial diagnosis	Signposting
Chambers of Commerce		✓	✓	✓	✓		
Service Centres			✓	✓	✓	✓	
Business Associations			✓	✓	✓		
Private Consultants							
Banking Companies							
Underwriting Syndicates							
Export Syndicates							

Service providers	Professional Information Services					
	Legislation	Market Information	Company & Financial	Technical - standards & certification	Technical - Patent & Copyright	Technical - Specific areas (e.g. Environment)
Chambers of Commerce	✓	✓	✓	✓	✓	✓
Service Centres	✓	✓	✓	✓	✓	✓
Business Associations	✓	✓	✓	✓	✓	✓
Private Consultants			✓			
Banking Companies			✓			
Underwriting Syndicates			✓			
Export Syndicates		✓				

Service providers	Advice & Direct Support						
	Business planning	Advice on functional areas of business activity	Follow-up and accompanying measures	Mentoring	Consultancy (general management, quality, health & safety, …)	Development of business contacts	Schemes to provide direct experience
Chambers of Commerce		✓			✓	✓	✓
Service Centres	✓	✓	✓		✓	✓	✓
Business Associations		✓			✓	✓	✓
Private Consultants	✓	✓	✓	✓	✓		
Banking Companies							
Underwriting Syndicates							
Export Syndicates						✓	

Service providers	SME specific training				
	SME management	Start-up	Growth & Development	Conversion courses	Targeted training (women entrepr, …)
Chambers of Commerce	✓	✓	✓	✓	✓
Service Centres	✓	✓	✓	✓	✓
Business Associations	✓		✓	✓	✓
Private Consultants	✓		✓		
Banking Companies					
Underwriting Syndicates					
Export Syndicates					

Service providers	Finance				
	Equity finance	Loans	Loan Guarantees (Direct guarantees)	Loan Guarantees (Mutual guarantees)	Grants & subsidies[21] (research for)
Chambers of Commerce				✓	✓
Service Centres					✓
Business Associations				✓	✓
Private Consultants					✓
Banking Companies	✓	✓	✓		
Underwriting Syndicates			✓	✓	✓
Export Syndicates					

[21] Grants and subsidies for companies are generally supplied by the State or Regional Administration, therefore the service is considered a research activity and an access to grants and service subsidies.

Service providers	Premises & Environment		
	Incubation units	Business units	Technology Centres
Chambers of Commerce			
Service Centres	✓	✓	✓
Business Associations			
Private Consultants			
Banking Companies			
Underwriting Syndicates			
Export Syndicates		✓	

Service providers	SME Specific Strategic Measures						
	Conferences & Seminars	Trade Fairs	Buyers' Exhibitions	Trade Missions	Promotion of Networking	Supply Chain Development	Cluster Promotion
Chambers of Commerce	✓						
Service Centres	✓				✓		✓
Business Associations	✓						
Private Consultants							
Banking Companies							
Underwriting Syndicates							
Export Syndicates		✓		✓	✓		

It might be added that information services and advice on functional areas of business activities are offered to companies by nearly all services suppliers.

Training services are provided to a lesser extent, and the supply gap is felt particularly in the field of finance (where most of the services on offer are concerned with searching for financial backing or subsidies and benefits.)

There is a distinct lack of activity in the area of specific strategic services for SMEs,. There is a large gap in strategic services across the private and semi-public areas in the small business sector. Private outfits concentrate on middle to large clients, partly because these companies are in a better position to elaborate their own service requirements, and also because the potential remuneration for services rendered is greater.

As far as internationalisation services and the necessary information, training and consulting are concerned, the principal reference points are ever fewer, with the Chambers of Commerce, Business Associations and Export Syndicates.

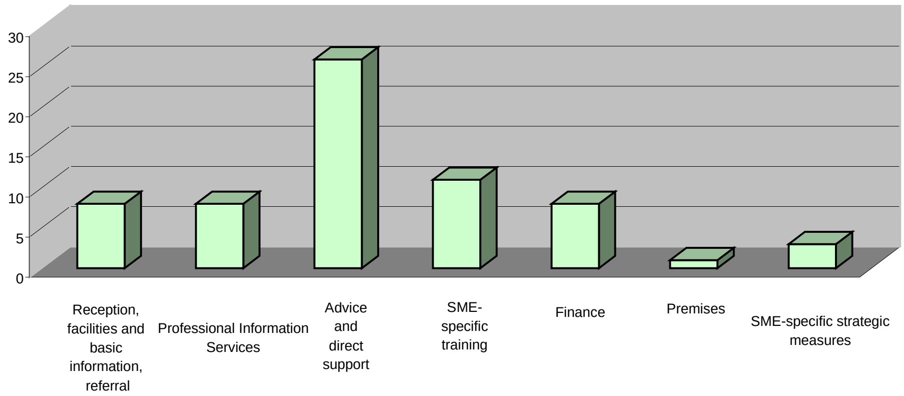
With the aim of a qualitative appreciation of the consulting services on offer, a survey was carried out among free-lance professionals and consulting firms.

Questionnaires were sent to 200 free-lance consultants and consulting firms (see annex 1).

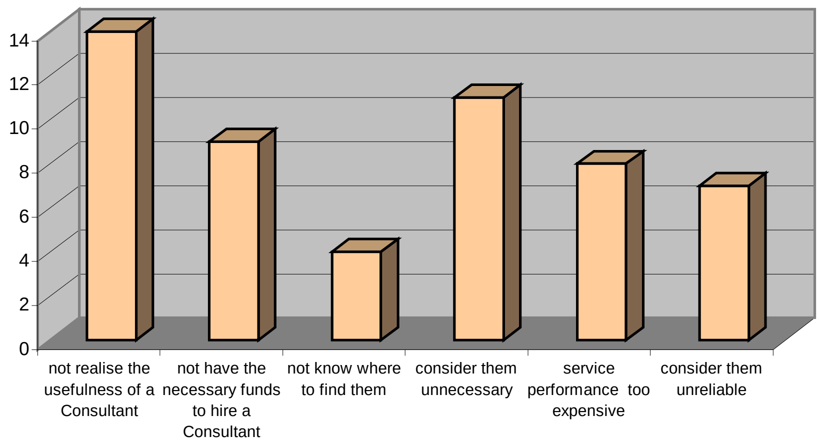
The reference sample is represented half by candidates selected to fill the role of Supervisors of the SEPRI Project Development Agents[22] and half by consulting firms present in the Yellow Pages[23].

The consulting activities of the sample are distributed fairly equally across Italy.

Tab. 16 - Provided Services



Tab. 17 - Problems faced with services



Source: Data processing of results of the survey of private consultant (Annex 1)

Regular clients represented on average 70% of sales turnover in 1998, above the mean figure of Lire 300 million.

The companies are small-sized (with an average of two full-time employees and three part-time). The services provided mainly involve direct advisory consultancy with advice on functional areas provided by 22 consultants out of 27, 15 providing business planning services, consulting on company strategy, and

[22] See page 58.

[23] Database on the net (www.paginegialle.it) which holds information on Italian companies (more than 3 million) on a national level providing information such as addresses, commercial activities, etc.).

organisation. These are followed at a distance by training and information services (covering market, financial, and technical aspects), and financial services mainly based on consulting for access to financial subsidies and benefits.

The main means of communication with the market consists of direct contact whereas advertising is most effective for consultancy and information services as well as those promoting access to subsidies and financial benefits. Current legislation imposes advertising restrictions on free-lance professionals.

The difficulties shown by SMEs in using services are caused, according to the consultants, by the lack of evaluation of the benefits of consultation and by the fact that it is considered unnecessary. Lack of necessary funds to hire a consultant and the high cost of services also represents an obstacle to access.

The quality of the services provided is based both on common industry practice and on plans drawn up by the company: major elements in terms of quality are considered to be mutual trust (22 consultants out of 27), professionalism in client communication (20 consultants), the conformity of service to requirements (17 consultants), assistance and on-going information as to working procedures and the ability to understand the needs of the enterprise and to offer the most suitable service. The subsequent discussion on service satisfaction is a fixed element of the service contract for almost all the consultants.

GAPS IN SERVICE PROVISION ON THE LOCAL, REGIONAL AND NATIONAL MARKETS

Natural monopolies and bureaucratisation of access to state benefit services.

In the field of state subsidies, there are many natural monopolies for access to such benefits owing to the presence of figures who operate as official service providers and certifying bodies for suitability to access programmes, incentives, grants and state subsidies.

In Italy, the service market is characterised by a series of laws and public grants which were meant to consolidate SMEs, but in the process created such complex bureaucratic procedures that they were in fact put out of the reach of most of companies.

The main areas of application of these laws were: the promotion of new entrepreneurial spirit, technological innovation, standardisation certification.

The way these laws came into force has determined the way that consultants have adapted to the new requirements.

Consequentially, a market has been created which has not been brought about by the relationship between supply and demand but moreover by the availability of subsidies. In this sense, the consultant has come to be identified as "the one who manages to secure a contribution" rather than "the one who can solve the company's problems".

The grafting of these circumstances onto the established territory of financial consultants (general auditors, etc.) has meant that this category has cornered a fair share of this market, paying more attention - as is their nature to do - to bureaucratic rather than practical aspects.

The presence of 'professional orders' does nothing but worsen the problem. In fact, today's consulting market is characterised by insufficient specialisation, or moreover by packages of services which unfortunately turn out to be more relevant to the profession of accountancy.

This also raises obstacles for young, specialised professionals who do not have a sufficiently clear field in which to position themselves.[24]

PROBLEMS IDENTIFIED ON THE NATIONAL SUPPLY MARKET

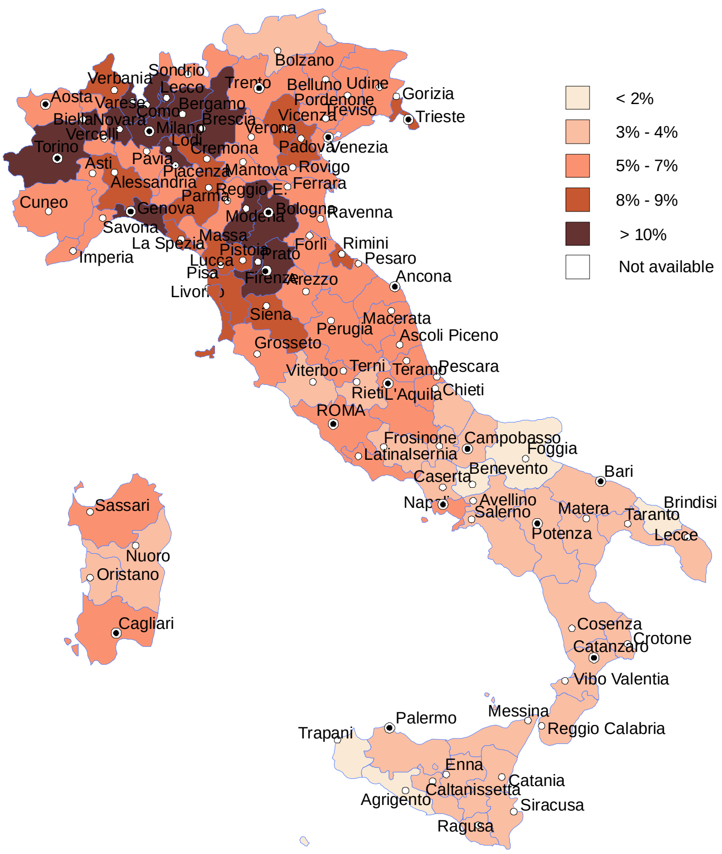
The geographic concentration of services on offer shows a distinct mismatch with the distribution of the demand expressed by SMEs.

The services offered fail in their adaptability to the precise needs for services in the regional/territorial area in question. This shows an inability to evaluate the surrounding context in which there is a missing intermediary role that a supplier could strategically fill.

[24]These conclusions are drawn from a survey carried out among young professionals in the field of economics who have already been working in the market for two years or more.

The difficulty in "creating a system" in the services field is therefore clear, as well as the lack of communication networks that would encourage a better use of resources: information sharing and the ability to collaborate in order to overcome current obstacles between the public/associative/private sectors and to avoid the stagnation of the services market. These are essential elements that determine efficiency and effectiveness.

Tab. 18 - Services companies for SMEs 1998
(% out non joint-stock companies)
(Movimpresa 1998)



ANALYSIS OF THE DEMAND FOR SERVICES

The concentration of the demand for services in different regions is highly useful when explaining behavioural differences between companies. The rate of development factor in a given area is particularly indicative: where there is growth, whether it be an economically strong or weak area, the correlation with the demand for services is positive. Vice versa, stagnation and decline keep demand on a lower level (this is especially true for services connected with primary activities in the process of service production, in the "chain of values").

Innovative company behaviour (willingness to innovate both in processes and products, and to put developed internationalisation initiatives into action) is positively correlated to the demand for services. On the basis of this connection, it may be seen that the consumption of services positively influences the innovative behaviour of companies.

There is an ample range of specialised services perceived by companies as being of great relevance now and over the next two years, but for which there seem to be serious problems of availability. (The list of main requirements is found in tab. 26, together with the rather high level of difficulty encountered in obtaining individual services, as can be seen, these are principally technological innovation services and those aimed at growth and consolidation of the market share). So, in the field of more developed and frontline services, businesses show certain needs, already quite evident, that they are not able to satisfy through their internal organisation or through external supply channels (including private consultancy).

A relevant area of implicit needs can be observed, retraceable through the segmentation of companies by life cycle and the segmentation of services by their occurrence in the chain of values.

THE USE OF SERVICES BY SMES AND FULFILMENT OF THEIR NEEDS

Those who express a demand for services: small businesses and their high concentration in central/northern Italy.

Until the mid 1980's competition was based principally on the basic variables of the productive process, but the constitution of a single competitive context and the abolition of price advantages following the single currency have emphasised competition based on immaterial aspects. This is particularly true for qualitative growth achieved through services which co-exist in a complementary relationship with the production process in the closest sense.

It is common knowledge that among the SMEs: 48.3% of SMEs intend to launch initiatives aimed at qualitative improvements in their products, including the development of processes that will lead to standardisation certification. However, a wide gap is noted between the perception of the importance of competitive factors and the consequential action taken, since there are many areas not yet satisfied.

The setting up of a network of local productive systems, above all of those most developed, fulfils the need to establish better collaboration between tertiary functions and production aspects, through a complex integration between different functions which:

- Are developed at a local level, but which have connections over a wider area, making the location the site not only of the manufacturing phases but also, to a lesser extent, of the tertiary phases.

- Concerns both intersectorial and intrasectorial relations, for example through the important role of suppliers who demand higher quality working relations with subsuppliers in giving innovative input and then in determining the demand for services (like standardisation certification and technological innovation.)

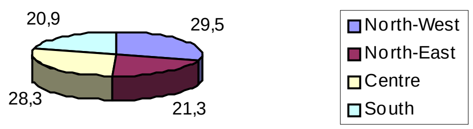
However, this is a latent phenomena which, despite a heavy quantitative impact, have had little effect on the SME system. In fact, they tend largely to try and meet their own needs internally, contrasting sharply with the tendency to buy in specialist input and specialised flexible production models.

The demand for services by SMEs is furthermore facing contextual factors which act as restrictive elements:

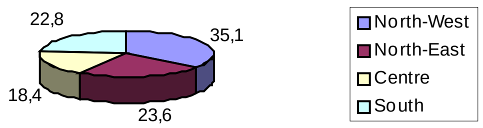
- The stricter implementation of European directives, tightened to keep all forms of government subsidies to business under control.
- The reduction of public funds used to sustain both the demand the institutional supply of services.
- The reduction of funds allocated by businesses for the purchase of external services for selection processes owing to increased competition.

The demand for services is expressed by industrial SMEs which are characterised by a greater average company size compared to the average size of service companies (6.5 employees per company) despite the presence of around 881,000 businesses with fewer than 10 employees (88% of the total).

Tab. 19 - Companies: presence across the territory



Tab. 20 - Employees: presence across the territory



Source: Elaboration of data from the 1996 intermediate Census of industry and services.

Manufacturing activities form the most important industrial area both in terms of companies (551,000) and also of employees (4.9 million). The average size indicates that even in this sector, the weight of the companies with fewer than 10 employees is relevant: there are in fact 457,000 (52% of industrial companies), with a workforce of 1.2 million. The manufacturing sector represents the highest number of large-sized companies, meaning those with more than 250 employees. They total about 1,440 (90% of the large industrial firms) and employ 1.1 million workers.

North-western Italy is the geographical region with the greatest number of companies (more than a million) and employees (about 4.9 million). The regions with the highest density of productive activity in this area are Lombardy (18.1% of total companies and 23% of the workforce), Emilia Romagna (8.6% of companies) and Piedmont (8% of companies).

The north-eastern and central areas have fairly similar shares, compared to the national total, similar both in terms of companies and in terms of employees. In the north-east, companies make up 21% of the total with a workforce of 3.3 million, concentrated principally in Veneto. In central Italy, Lazio has the highest number of companies (8.7%) followed by Tuscany (7.6%).

Lastly, the south constitutes the second division by total number of companies (994,000 entities, that is 28%) but the last in terms of employees (2.5 million). Out of these regions, Campania is in first place for number of companies, followed by Sicily and Puglia. The average company size in the south is of 2.6 employees, lower than the figures typical of other areas (4.7 in the north-west and 4.3 in the north-east and centre).[25]

The following data gives an idea of the potential for expansion in service demand:

◊ There are about 7,000 medium-sized companies that are implementing changes and rationalisation in order to compete, expand, and internationalise.

◊ Small businesses (1 million in number) are organising themselves into networks and districts in relation to the need for consultancy services, suitable for both present and future contexts[26].

Prevalence of internal assistance in the fulfilment of service needs.

A recent analysis carried out on the tertiary sector[27] indicated that the explicit needs for services expressed by firms are entirely met, largely from internal channels. Companies behave similarly in their capacity to satisfy their own requirements, above all through internal structuring and specifically allocated resources and functions.

The reasons behind this behaviour are due to a negative perception of a "return on investments" in the purchase of consultancy services, mistrust of external provision structures (especially the "institutional, public and associative" ones) and a low level of strategic complexity in the management of companies which reduces the need for specialised services, purchasable only from outside.

Also with regard to external assistance, the evaluations given by the companies are clear- the relations with private consulting providers, though held to be too expensive, are perceived as satisfactory for the expectations of suitability and personalisation. Conversely, relations with associative or public provision structures are problematic for various reasons (lack of information on services provided, lack of personalisation of services and unpleasant personal relations).

Companies claim to have reached a balance in their satisfaction with their explicit tertiary needs, with an instilled tendency towards the "do-it-yourself" approach as regards the use of services and the problems of relations with the institutional

[25]cf. ISTAT, 1991 Census and 1996 Intermediate Census of Industry and Services.

[26]Unioncamere, *The identification of quality consultation suppliers for businesses*, Rome, 1999

[27]INDIS-Unioncamere, *Characteristics and evolution of tertiary development*, Minutes of the conference, Rome, June 1999.

assistance structures. This attitude profile confirms the results of empirical surveys carried out over the last few years on the same theme.

THE ATTITUDES OF COMPANIES TOWARDS PROFESSIONAL TRAINING

The first fact to emerge from the analysis[28] is the tendency among SMEs towards business models resistant to the advent of in-house training. In particular, it becomes extremely clear that over the last two years, the majority of companies (55.6%) have not instigated any form of personnel training, compared to a percentage of SMEs (44.4%) that have taken steps in that direction, either under the exclusive supervision of in-house staff (31.8%) or by calling in external consultants (12.6%).

If this data is broken down by general geographical area, it would be found that the southern and island regions are the ones least involved in the process of training as part of human resource management: in fact 63.9% of these companies claim not to have carried out any training activities in the past two years (graph. I3). This percentage is lower in the central regions (57.4%) and in the regions of the north-west and north-east where these levels appear to be below average (54.8% and 51.6% respectively).

In must be pointed out that out-sourcing of training programmes seems to be relatively more widespread in the north-east (15.5%) while in the south the numbers of SMEs that have implemented forms of training with the assistance of external consultants is as low as 8.1%. The firms of the two general areas of the north stand out for having instigated training sessions to a higher than average degree, making use only of the skills supplied by staff inside the company.

Further examination of the data on a geographical level more clearly defines the different levels of importance given to company training. The analysis of the results allows us to see how high the number of companies not involved in training activities in the past two years is in the following regions: Sardinia (70.6%), Campania (70.1%), the Marches (68.1%), Umbria (66%) and Calabria (64.4%), whereas the most active regions on this front turn out to be Trentino Alto Adige (where only 46.6% of managers interviewed have *not* instigated training sessions over the last 24 months), Friuli Venezia Giulia (49.4%), Lazio (49.5%), Molise (51.5%), Veneto (51.9%) and Emilia Romagna (52.2%).

If different productive sectors are compared, it can be noted how training interventions seem very under-exploited in the traditional manufacturing industries.

The wood/furnishing sector together with the food sector turn out below average. In fact, only 29% and 30.8%, respectively, made any provision for training by their own staff in the years 1996/7, and only 10.6% of primary sector SMEs and 10.1% of secondary sector claimed to have implemented in-house training making use of external professionals.

The most dynamic firms, from the point of view of training undertaken, are those in electronics. More than four managers out of ten (40.2%) declared having made provisions for training programmes in the last two years, making use of in-house personnel, while 18.9% had utilised external training providers. Even the chemical and light industrial SMEs show above average participation in training programme levels both with internal and external personnel.

By cross-comparing the data on the participation in training activities with that of the company products market, it is possible to observe how 65% of companies whose products are classed in the lower part of the market and the 57.5% of those belonging to the middle to low part of the market have not undertaken any in-house training at all during the period in consideration.

These results clearly lend themselves to a negative reading considering that continuous and sudden changes in the market also dictate substantial modifications to production methods and therefore to ever more diverse skills.

Managers who have not undertaken to provide training activities in the last two years justified their decision in the following ways:

- 6.3% retain that the costs of training are too high or at least beyond the financial reach of the company, a percentage that in the south and islands reaches 8.9% and in the central regions 7.5%.

- 4.8% believe the training on offer to be insufficient or at any rate inadequate given the requirements of the company. The qualitative and quantitative shortage of training on offer shows up even more clearly in the southern regions (6.7%), in the north-east (6.%) and in the north-west (3.3%).

- The absence of specialised in-house personnel able to preside over staff training is a factor behind the choice not to take part in training initiatives only for 3.9% of companies. Even less relevant among the reasons given for the lack of training was the loss of valuable working time (2.9%), the limited offer of training programmes (2.2%) and the distance from the company compared to the locations were the training would take place (1.2%).

The companies that put up most resistance to the introduction of company training defend their attitude in different ways according to their productive sector. To be precise, the lack of correspondence between the provision of training and the specific company needs is underlined especially by the SMEs belonging to the wood and furniture sector (9.9%), by the textile/clothing sector (5.1%), and by the light engineering sector (5.2%). The lack of specialised in-house personnel able to preside over human resource training is emphasised in particular by rubber and chemicals firms (6.7%) and by light engineering, while the subtraction of time from work is a relevant factor above all for the electromechanical firms (4.1%). Finally, the cost of training is judged excessive, particularly by chemical (8.4%) and by textile/clothing firms (7.9%).

[28] Ist. G. Tagliacarne-Unioncamere, *Impresa e territorio: le dinamiche dello sviluppo*, first draft, Rome, November 1998.

SURVEY OF THE USE MADE OF DIGITAL COMMUNICATION SERVICES

A survey[29] has explored the conduct of SMEs and their attitudes towards the Internet and other digital communication tools . In the first place, the managers were asked if they had launched a company Internet site in the last two years, or if they intended to set one up soon. In emerged that more than one company out of four already has a virtual space online (25.8%) and that another share, 23.7% are thinking of moving in that direction in the near future. So almost half of the SMEs show an interest in the possibilities offered by telecommunications networks. This percentage rises further if the initiatives set on mere connection to the Internet are considered: 27.6% currently claim to have already done so, and 25.7% express the intent to do so over the next two years (tab. 21).

Tab. 21 - Internet connection and creation of a company site by general geographic area of companies (in % of total, multiple answers)

	North-west	North-east	Centre	South/ islands	Italy
Connected to Internet	29.0	29.9	26.4	20.7	27.6
Intend to connect to Internet	26.1	26.8	19.7	30.2	25.7
Don't intend to connect to Internet	46.4	45.3	54.5	50.3	48.1
Internet site exists	27.9	28.0	24.0	18.2	25.8
Internet site planned	23.3	26.5	17.0	28.2	23.7
Internet site not planned	50.2	47.2	59.4	54.5	51.7

Source: Survey by Istituto G. Tagliacarne-Unioncamere, 1998

From a geographical point of view, a clear delay on the part of southern firms can be noted as is the relatively innovative behaviour of SMEs in the north-east: in the first case, the companies that have actually set up a site form just 18.2% and the percentage of those already connected to Internet is even lower compared to the mean total.
From a reading of the data it becomes clear however that the firms of the south and islands are aware that they have been left behind on this front, since to a far higher degree than average these companies claim to want to set up a site over the next two years (28.2%) or at least want to get connected to Internet (30.2%). As regards firms in the north-eastern part of the country, it can be observed that 28% of them already have a site and that 29.9% are connected. The number of them that intend to get started soon with a connection or a site is also shown to be above the national average. The companies that seem most unwilling to experiment with the use of new technologies are found in the central regions. The percentage of these companies that have opened a site on the web or who have connected is well below par. Even more significant is the difference from other areas, considering the core of those who intend to move in this direction to carry out initiatives in this field over the next two years. A slightly above average interest in TICs is shown by companies in the north-west where there is a relatively high degree of Internet sites and connections, while their intentions for the next two years are in line with the national mean.

An analytical breakdown of the data by region shows some very clear distinctions. Looking at the implementation of websites, it is seen that the firms currently better-represented than average are to be found in Trentino-Alto Adige, Emilia Romagna and in Basilicata, while the decidedly under-represented SMEs are those in Puglia (15.2%), Abruzzo (13.9%) and Sardinia (13%).

However, the most negative signals are to be found when the use of the more advanced new technology is taken into consideration:

[29]Ist. G. Tagliacarne-Unioncamere, *Impresa e territorio: le dinamiche dello sviluppo*, first draft, Rome, November 1998.

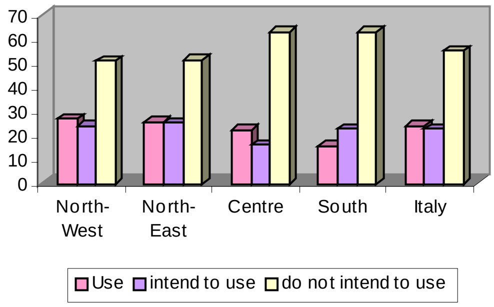
• Concerning experimentation with forms of electronic commerce, it is found that only 8.3% of SMEs have made any progress in this direction and the number of them who intend to do so in the next two years is also low (17.4%).

• The number of firms that make use of video conference facilities or that plan to do so in the future is also negligible (6.3%).

• The use of tele-didactics is also very low, both at present (3.9%) and planned for the future (6.6%).

• The use of distance working systems is only slightly higher (5.3% of companies use them and 7.5% of them plan to do so in the next two years).

Tab. 22 - Opinions of entrepreneurs on the use of e-mail (in % out of the total)



Ist. G. Tagliacarne-Unioncamere, *Impresa e territorio: le dinamiche dello sviluppo*, first draft, Rome, November 1998.

In order to fully evaluate the attitudes of SMEs towards new information and communication technology, managers were asked what advantages they would attribute to their use. It turned out that 63.2% of the companies expect time to be saved in particular from their use of TICs (graph. 21). Other aspects that appeared to be significant for those that have tried out telecommunications instruments were: the improved possibility to link up to other companies (18%), the increased facility by which in so doing they might access information useful to productive activities (17.2%), and cost saving (15.6%). The number of companies that see a chance via the use of new technologies to improve the company image or that of their products (10.6%) cannot be ignored, while little consideration is given to the possibility to develop their own sales through Internet in Italy (5.9%) or abroad (6.9%).

THE USE OF EXTERNAL CONSULTING BY SMEs

From a detailed analysis of company behaviour[30], the following can be deduced.

Internal/external assistance-seeking in relation to the type of service.

The services defined by Porter[31] as support services (financial, training, standardisation, and technological services) are the services in which the split between internal and external help-seeking is least notable, particularly in relation to services in the standardisation-environment-safety line and managerial training.

[30] INDIS-Unioncamere, *Characteristics and evolution of tertiary development*, Minutes of the conference, Rome, June 1999.

[31] Porter M., *Competitive strategy*, The Free Press. Macmillan Publishing co. Inc., New York 1980. From now on services will be grouped according to this scheme as they represent homogeneous groups in the chain of value formation.

The activities defined as "transversal" by Porter (identified in relation to the position in the life cycle: company organisation, strategic planning, computer and telecommunications systems) are the services in greatest demand, in which internal assistance-seeking is decidedly higher than external.

Services connected to primary activities (organisation of production, logistics, marketing) manifest a degree of external assistance-seeking far lower than the other two groupings.

Internal/external assistance-seeking in relation to life cycle.

During the start-up and development stages, the demand for support services grows in firms.

At the mature stage, the firm requires higher quantity primary services. They therefore show less dynamism in the organisational and market fields, while they search for better organisational solutions for the activities at the bottom of the "chain of values".

During the repositioning stage, companies display a low level of demand for primary and support services compared to other companies and indicate a higher level of demand for transversal services.

Internal/external assistance-seeking in relation to company size.

The smallest companies show a fundamentally lower demand for services and concentrate on internationalisation.

Similar behaviour is to be found in medium-sized companies (more than 50 employees) though they make use of transversal and support services to a greater extent.

The companies with 10 to 50 employees display a more frequent use of external assistance than the categories mentioned above.

This data seems to contradict the traditional model, according to which the smaller the company size, the greater the need to turn to outside help, and the larger the size greater the need to make use of outside help for highly specialised and sophisticated services.

Conclusions

Support services show a limited divide between two channels,- the balance between standardisation, safety and environmental services, and managerial training services .

Meanwhile, for primary services, the balance is tilted in favour of internal assistance, especially at the mature stage and particularly for the very small and middle-sized firms.

A parameter of segmentation of the demand for services: location in dynamic/static areas.

Firstly, it seems clear that being located in areas characterised by dynamic development, differentiates the demand for services to a greater extent compared to being located in areas characterised by stagnant development. The tertiary needs of companies are thus greater in expanding areas, be they weak or strong, whereas they are more limited in the static or declining areas (also in this case "be they weak or strong"). This scenario holds true substantially for the three areas of value formation that have been identified, with particular stress on primary activities.

The data for services connected to primary activities raises interesting questions. In fact, the higher level of use is recorded in the strong expanding areas and the difference with those in decline, both in the weak and developed ones, shows the highest degree of use, even higher than those of support or transversal activities. It is evident that the development of companies in the most static, disadvantaged situations should be sustained by the strengthening influence of those services that deal with the functional areas of business activities. Perhaps the gap between them and companies in strong, dynamic locational contexts should manifest itself in the transversal functions. The misalignment observed should be the subject of suitable remedial policies.

It is also important to note that businesses from weak though developing areas overall make the most consistent use of services with their determined spirit, higher than the companies of all the geographical groupings, for the services connected with transversal activities.

Secondly, regarding individual services, the following general points can be made:

- In strongly expanding areas, the use of planning and organisational services (including logistics), project planning and both technical and managerial training are relatively more accentuated.
- In the strongly consolidated areas there is little exploitation of the different fields of services: planning, company organisation, the standardisation-environment-safety at work group, or company finances. Conversely, wider use is made of services such as post-sales assistance, purchases, and telecommunications-information systems.
- In under-developed areas, like those strongly expanding, it is primarily planning and organisational services that are called for along with special attention to human resources (organisation and human resource management, managerial training).
- Finally, the companies in weak areas in decline show numerous shortfalls in their use of services, from logistics to organisation, from post-sales assistance to training.

Segmentation parameters of the demand for services: propensity towards innovation.

The innovative tendency of companies provides a segmentation parameter for service demand s and provides an explanation for the differences in company behaviour.

For a company, to maintain a process of innovation and internationalisation means the acquisition of skills though its own internal structures or through external channels which translates into consumption of specialist services. Therefore, from this point of view the relation observed was predictable. It might also be supposed, however, that the use of services positively influences innovation and the market strength of companies. In this case, the policy of maintaining the demand for services should encourage innovation in companies.

High performing, innovative companies[32] use transversal activities as well as primary support activities to a great extent. With a reduction in performance and innovative planning, the intensity of the use of services also reduces, particularly the "consumption" of primary activities.

The emerging data shows the correlation between the two variables observed, both in the case of current innovative behaviour and, to an even greater degree, in the case of innovative future planning.

A survey (by Istituto G. Tagliacarne-Unioncamere, 1998) evaluated the use of external services of certain services previously executed by in-house company personnel (administration, accountancy, distribution. In table 23 it is possible to note how consistent the share of SMEs are (53.5%) that, over the last two years have not externalised any company services etc.) out of a sample of firms.

Only 13.1% of the companies in the study entrusted services - previously executed internally - to other companies in the same province, while the share of SMEs who entrusted company services to other companies located outside the province was just 3.2%. If the data is broken down along territorial lines, it becomes possible to detect how in the South and islands, almost nine companies out of ten (88.8%) decided to keep the main company services within their own structure, while the shares of SMEs in the centre, north-east and north-west who referred externally 78.9%, 82.1% and 84.9% respectively.

Overall, the low level of company service externalisation could be attributed both to a prevalence of business models which favour the centralisation of the functional areas of business activities and also to an inadequacy, especially in the southern regions, of high added-value service providers.

Tab. 23 Relations with other companies over the last two years to entrust services by general geographic company areas.

Location of company entrusted with services	North-west	North-east	Centre	South/islands	Italy
In the same province	12.3	13.8	6.0	9.7	13.1
In the rest of Italy	2.7	4.0	3.9	1.6	3.2
Abroad	0.3	0.4	1.5	---	0.5
None	84.9	82.1	78.9	88.8	53.5

Source: Survey by Istituto G. Tagliacarne-Unioncamere, 1998

[32]In order to frame this behavioural profile, three macrogroupings have been formed for the purpose, based on the current level of innovative aptitude and three more on the basis of innovative planning for future behaviour:

the "highly innovative performance" group is made up of companies that in the last two years have put together at least one product or process innovation, and contemporarily at least one internationalisation initiative (commercial or technological agreements, joint-ventures, direct investments etc.). The "highly innovative planning" group is made up of companies that in the next two years will contemporarily implement activities both of internationalisation and of innovation,

the "under-innovative performance" and "under-innovative planning" groups are made up respectively of companies who have not innovated in the last two years nor begun any internationalisation initiatives, and those who do not intend to move in this direction over the next two years,

lastly the intermediate businesses, of mixed internationalising and innovative behaviour (both current and future) are grouped in the two remaining company categories: "average innovative performance" and "average innovative planning".

Breaking down the data by production field allows us to compare how the company types most open to externalisation of certain company services are electromechanical (18.3% of the SMEs in this sector have externalised several activities previously done in-house), and light engineering (13.2%). The SMEs most resistant to the instigation of company out-sourcing are in the food sector (only 8.2% of companies in this field have externalised services), chemicals and rubber (8.5%), textile/clothing (12.1%) and wood/furniture (12.8).

The main sales market of the companies that decided to externalise services was predominantly the national one. In fact, 40.6% of the companies that chose to de-centralise certain logistic and productive activity support functions operate in extra-regional markets, while among the SMEs who have adopted company outsourcing solutions the proportion who have a prevalently regional or provincial market is in both cases 21.9% (tab. 24). The SMEs with a wider market seem therefore to have a greater need to transfer service functions out of house, probably to cut down certain company costs or to reduce the transaction costs and the information gaps which get bigger as the share of the market in which they work increases.

Tab.24 - Relations with other companies for service activities over the last two years, by main market of reference (in % of total, net of unanswered questions).

	Location of companies services were entrusted to				Location of companies who have reinternalised services				
	Province	Italy	Abroad	No relations	Province	Italy	Abroad	No relations	Total
Local	22.5	12.6	21.4	22.1	25.1	6.7	-	22.0	21.9
Regional	23.7	14.4	6.5	21.4	23.9	10.8	13.4	21.3	21.3
Interregional or national	35.7	38.4	38.8	41.4	32.5	65.8	40.1	41.8	40.6
EU markets	14.8	21.2	15.9	10.6	15.3	13.1	27.6	11.1	11.5
Others international markets	3.4	13.4	17.4	4.6	3.2	3.6	18.9	4.9	4.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey by Istituto G. Tagliacarne-Unioncamere, 1998

The survey of manufacturing firms also allowed us to detect the existence of a reinternalisation processes of several company services. In fact, a numerous core of SMEs have decided to concern themselves directly with certain activities previously entrusted to other companies (11.4%). The reinternalisation of certain company services has come about more consistently in the north-east where 14.3% of firms have brought back services into the firms previously carried out by other companies (tab. 29). The north-west also presents a noteworthy share of firms who have decided to return to direct treatment of services previously carried out by other companies (12.1%) while in the centre and the south the percentages go down to 8.4% and 7.3% respectively.

Such a direction seems to indicate a tendency to develop specific skills in-house, but it may also derive from the need to keep down certain costs. Reinternalisation of certain functions probably came about because the transaction costs relative to the purchase of services and consulting on the open market had become too high.

MARKET FAILURE IN THE SCALE OF DEMAND

There exists an important area of implicit demand, that is, existent but not expressed, identifiable through the segmentation of services by their effect on the "chain of values". Regarding the general level of use made of services, two unbalanced user-areas can immediately be identified in which the mismatch between supply and demand is determined by the supply:

1. Companies in the starting up and growth stages who claim to make (relatively) little use of services for primary activities.

2. Companies at the maturity stage who claim to make (relatively) little use of services for support and transversal activities.

It may be concluded that the two relevant company segments: starting up/growing, and those that have reached maturity, express implicit needs in specific functional tertiary areas of (respectively) primary activities and support activities (and to some extent also transversal activities).

It should be noted that with reference to the parameters both of territorial segmentation and of innovative propensity, the biggest mismatches in the expression of the demand for services may be found not in the more highly developed services (transversal activities), but in the primary activities of product value formation. This misalignment is incompatible with the prospects of company growth along the path of articulation and increased complexity of functions and strategies.

A detailed analysis of the types of service considered allows us to identify more precisely the workings behind this unexpressed demand. In particular for the companies at the stage of maturity:

- The standardisation-safety at work area.
- Training, especially management training (see the survey of professional training services: the failure of the market is on the demand side).
- Strategic organisation and planning.

For the companies at the start-up and growth stage:

- Post-sales assistance, and planning and design.

A comparative analysis[33] between the indexes of service provision and the index of satisfaction expressed by managers regarding conditions of service accessibility made it possible for us to verify in what measure the gap is perceived by managers, thus allowing us to show the mismatch between supply and demand of services in the different general geographic areas.

In fact, with reference to the different types of infrastructure, some particularly relevant results emerged.

In the north-west, it is seen that:

[33] Cf. Unioncamere-Ist G. Tagliacarne, *The provision of infrastructures for development of companies in the 103 provinces*, May 1998.

A very large mismatch is identified in the possibilities for local SMEs to access real services: the degree of satisfaction of the managers, despite being above average (107.2), doesn't reach the level of the provision index (141.8);

The north-east area reveals some interesting features:

In services and companies there appears to be an discrepancy between the opinions of the managers, who seem more satisfied than average (with a satisfaction index of 104.1), and the index of actual provision in the area (82.9) which is characterised by an evident lack of services to companies. This apparent contradiction can be read, at least in part, as an indication of a high level of efficiency in the supply structures of services for SMEs in the area.

The index of satisfaction was obtained using the percentages from a survey conducted by the national media.

Tab. 25 - Comparison between indexes of infrastructural service provision to companies and indexes of satisfaction of managers regarding the position of companies in relation to access to services, by general geographic area (index number Italy=100).

Services to companies	Index of infrastructure provision (index number Italy=100)	Index of infrastructure provision (index number Italy=100)
North-west	141.8	107.2
North-east	82.9	104.1
Centre	135.5	93.5
South/islands	59.8	81.1

Source: Survey by Istituto G. Tagliacarne-Unioncamere, 1998

In the central Italian regions, these dynamics are particularly noticeable:

The first thing to signal a gap between supply and demand is the fact that in the presence of a high availability of services for businesses (135.5), managers express very negative impressions (93.5). Reasoning backwards from what was said before, it can be assumed that this perceived gap could be attributed to an inadequate standard of performance provided by service companies in this area.

Finally, with reference to southern and island regions, it is seen that:

Manager's perceptions are even less negative than it might be reasonable to expect, considering the low level of service provision that distinguishes the area in question, to a greater or lesser extent for the various reasons already discussed. This becomes particularly clear if the state of the road and motorway networks and other support for companies is considered - infrastructural factors that cause the divide between the two indexes to exceed 20 points. It is plausible to suppose that the basis of this not particularly severe judgement by managers, there is generally less demand for services in southern companies, generally less open towards international markets and therefore with a more limited need for high level infrastructures.

ACCESS BARRIERS TO THE USE OF SERVICES

The results of the survey[34] of companies clarify the criticisms made by the users of each of the supply structures:

- As regards private consulting, the main motive criticism is, as was easily foreseeable, the excessive cost of services. These appear to be particularly out of reach of companies in the repositioning phase.
- As regards trade associations, it is the difficulty in interacting with them and the negligible personalisation of services that bring out critical judgements, especially on the part of businesses during the starting up and growth stages.
- Regarding Service Centres, the main complaints concern the lack of information available about the services provided, something especially evident in the companies at the repositioning stage and in the smallest businesses.
- Lastly, for the Chambers of Commerce, the lack of personalisation of services (3.4) turns out to be a particularly critical point.

Despite the difficulties encountered with institutional service providers, the companies do give "credit for competency" to the Chambers of Commerce and trade associations who maintain legitimacy in the eyes of individual users and members. In particular, around half of the companies interviewed said that the Chambers of Commerce should provide training and market development services. As for the Service Centres, the main options concern technological innovation and standardisation services. This sort of specialisation is not universal, and it must be viewed in relation to territorial parameters and context (tab. 26), both in managerial characteristics and company evolution (life cycle), thus clearing the way for specialisation/interaction between both individual and large-scale supply agents.

A signal emerges from companies of a balance having been established with the satisfaction of explicit tertiary needs and a well developed "do-it-yourself" culture for services, and of problematic relations with the institutional structures of service provision. This profile of attitudes, which was in some respects predictable, confirms and perhaps accentuates the results of empirical studies carried out on the subject over the last few years.

The results show a certain degree of difficulty in finding very specialised services and ones that require a high level of technology, as in the case of website creation and assistance with e-commerce, just as an example.

This tendency characterises the entire structure of service demand s. In an initial summary we could say that regarding very standardised services, there is very little trust in the Service Centres, while firms are encouraged to look for services in the advanced tertiary sector, like for example, services for growth and consolidation of market shares, or to find information on foreign markets or assistance in the development of company networks or partnerships.

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[34]Cf. Unioncamere-Ist G. Tagliacarne, *The provision of infrastructures for development of companies in the 103 provinces*, May 1998.

Tab. 26 - Services that companies need or think they will need in the next few years, ordered by level of difficulty encountered obtaining them.

Technological innovation services	
Research into new raw materials	3.5
Brokerage of product and process innovation	3.5
Construction and development of prototypes	3.3
Financial assistance and consultancy	3.1
Standardisation services	
Adherence to environmental legislation	3.1
Tests and verification services	2.6
Growth and market consolidation services	
Assistance with the creation of brands and with entry into purchasing groups and consortia or with participation in public tenders	3.6
Assistance with company network development and partnerships	3.6
Information on foreign markets	3.3
Procurement of clients and management of relations with foreign companies	3.3
Information services	
Assistance with e-commerce services	3.6
Surveys and market research	3.1
Demand/supply services (market) of subsuppliers	3.1
Individual or group website creation	3.0
Training services	
Information on new professional figures	3.2
Information on training and professional up-dating	3.0
Services for enterprise promotion and training (only for new businesses)	
Information on incentives for new business initiatives	3.3
Technical assistance with feasibility studies and business plans.	3.1
Key: points from 1 (least difficulty) to 5 (most difficulty)	

Source: INDIS-Unioncamere, *Characteristics and evolution of tertiary development, Minutes of the conference*, Rome, June 1999.

BEST PRACTICE ORGANISATION AND SOLUTIONS

THE SEPRI PROJECT

SEPRI, the nationwide subsidy scheme (Servizi Promozionali per le Imprese - Promotional Services for Enterprises) is a support programme for SMEs co-financed by the European Community and with FESR funding. It is run by ASSEFOR Camere (Association between Chambers of Commerce for the promotion, assistance and training to SMEs)[35].

The scheme intends to assist 1,000 businesses by analysing their needs and setting up consolidation and development plans, helping with the financing of necessary consulting. Furthermore, the scheme helps businesses to access medium-term loans.

The activities are carried out locally by special companies of the CCIAA using specialised personnel chosen for the purpose, called promoters. Each promoter is assisted in the performance of their duty by a professional figure called a supervisor. The SEPRI scheme supervisor is a senior consultant, expert in business organisation of notable experience and able to adapt their role to meet the requirements of company growth.

The project was inspired by the observation that the technological innovation programmes from which the small and medium-sized manufacturing enterprises in the south of Italy benefit are less effective because of the lack of initiatives concerning managerial innovation and the difficulty in acquiring real services. The main aim of the project is therefore to facilitate company access to information and consulting services on the financial front, in managerial administration, marketing, and company organisation.

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[35] Assefor Camere (National Association of the Chambers of Commerce for SMEs training), founded in 1883 on initiative of Unioncamere, it is the national association of the Chambers System for the development of innovative enterprises, able to affirm themselves and to grow in a more and more competitive market.

The quotas of Assefor shares are : Unioncamere 37 parts; Infocamere 3 parts; a part each for 38 Chambers of Commerce.

In substance, Assefor operates as “technical support” for Unioncamere and for the whole Chambers System. Assefor assists the Chambers mainly in three areas: Entrepreneurial and managerial training, Special projects, New enterprises service (SNI).

Business training: Assefor organises courses in all the productive sectors (agriculture, industry, crafts, commerce and services) for the Chambers of Commerce involved in enterprise training. The trainers are specialised in SME intervention and they guarantee “front line” professionalism including training, consultation, and direct business experience.

Special projects: Assefor provides technical support for special projects, initiatives with particularly innovative characteristic from the point of view of tools or pursued finalities, financed from the EU or from other organs. These projects concern professional and entrepreneurial training and the promotion, management, control and statements of advanced projects for SMEs.

Service for new enterprises: In 1888 Assefor started the SNI-Service New Enterprises project. With the SNI (sustained and promoted by Unioncamere) Chambers of Commerce can give concrete support to aspirant entrepreneurs or new enterprises using special computer and stationery products.

The SEPRI project (promotional services for businesses) is promoted by Unioncamere and is aimed at manufacturing and construction companies in southern Italy. (period: 1997-1999 for around 4,000 companies)

The aims of the project are:

Aims of the project.

- To extend to the entire area in question the network of respected services for business, linking up all the Chambers of Commerce to the Internet.
- To place development plans at the disposal of businesses in order to be able to apply for bank loans according to predetermined procedures and in agreement with the banks.
- To promote and strengthen a network of regional or interregional joint medium term lines of credit, also promoting a new capacity among businesses for financial self-analysis and relations with the banking system.
- To support the access of a limited number of businesses to the Metim (SME telecommunications market).
- To help consolidate a limited number of businesses in difficulty, yet totally sound, through the fruition of services well-suited to their requirements.
- To bridge the gap between the need for economic information on the part of enterprises and the information available from the Chamber of Commerce.

Apart from taking place through traditional channels (information desks, meetings, newsletters, etc.) this interaction with companies is also undertaken by promoters, assisted by supervisors, who visit the companies in the areas directly.

A new approach procedure: direct contact between the promoters and the SMEs.

This second procedure is especially suited to the promotion of technological innovation among small businesses. The promoters make initial contact with the enterprises and make an assessment of their needs. After an initial informative stage, check-up methods are then employed and these are followed by the pinpointing of advisory requirements and small-scale experimentation.

The promoters and supervisors carry out their "super partes" mission with great flexibility and, in their relations with companies use operating procedures based on:

- The circulation of information by different means, including direct company "door-to-door" methods.
- A concurrent diagnosis of company needs based on an on-going policy of listening and using ad hoc instruments such as company check-ups carried out by purpose-trained personnel.
- Diagnosis of the areas of the company in which to intervene with suitable consultation services and help in bridging the supply and demand gap between respected services in order to establish a plan for consolidation and development.
- Close interaction and an area network enabling these structures to interact with the manufacturing world skilfully and promptly.

THE LETE PROJECT

The LETE project was set up over 1993-1996. It was run by ASSEFOR and constitutes the original model of intervention that was improved by the SEPRI project. It aroused the interest of companies who had modernised by concentrating on product and/or process innovation, but who needed to begin organisational restructuring or even the widening of company strategies through the development and organisation of financial and marketing activities. The embryonic stage of the demand for advanced tertiary services called for by these companies turned out to be the main cause of the lack of development in the offer of such services. Therefore the possibility to try out more advanced projects than the current ones in the south was suggested, so that they might represent pilot-experiences, later transferable to other areas.

Aims of the project.

The objectives were the consolidation of technological innovation in SMEs and the development of financial, marketing and organisational innovation, to enhance the growth of the demand for advanced services, to put the supply and demand for such services into contact and to facilitate the access of SMEs to financial services.

Results of the project.

The given targets have, on the whole, been met. Furthermore, with access to the Internet, a Reference Index of subjects was created (actual people or firms) which, especially in the regions benefiting from the LETE project, offer consultation and training projects to companies (700 members from among the consultation companies and experts answering an average of around 1,000 questions per month by Internet). An initial study of economic impact carried out using a sample of businesses that have implemented a feasibility plan under the supervision of the LE-TE project gave the following results. Between 31/12/93 and 31/12/96 the annual turnover increased by an average of 30%, occupation by 5%, and productivity per employee by 23%. This last parameter allows us to verify the effectiveness of the interventions carried out, since given the low financial contributions foreseen by the project, the expected result was the rationalisation of the business, and not the achievement of significant increases in turnover or employment.

The project allowed verification of both the unwillingness of the companies involved to turn to consultation services and also the limited offer of the services themselves. Furthermore, it showed the effectiveness of an action which principally adheres to the specificity of the location in order to differentiate itself from the "over-the-counter" model, in this context of trust relationships between SMEs and service providers.

ANALYSIS OF SERVICE VISIBILITY

The visibility of services to the SME system appears patchy. A strategy aimed directly at the visibility of services offered on the market is practically absent from the supply structure. Visibility is often an indirect consequence of the representative role played by suppliers in the economic system.

THE IMPORTANCE OF VISIBILITY FOR ACCESS OF SMES TO SERVICES

The lack of service visibility in the Italian SME sector results from high fragmentation in the provision of services.

This is expressed through:

- The shortage of clear access channels to services for SMEs: among the factors to be considered are the poor development of on-line services and telecommunications owing to a delay in the innovative capacity of service suppliers and an insufficient recognition of the potential advantages of these tools.
- The high number of service suppliers despite the overlapping of both public and private provision.
- Overlapping of services: service visibility is penalised by competition between companies that repeat and propose the same models, thus disorientating the customer instead of offering integrated supply formulae - the production of complementary services offered together.
- The absence of recognised quality standards which would allow the customer to clearly identify the service that would best suit his or her own needs.

Supply fragmentation has further repercussions with a lack of visibility in the area of quantitative information[36].Over the course of the study[37], the managers indicated the agents and institutional bodies that should assist firms in their efforts to develop their market. The results may be read as an indicator of the degree of visibility of the different suppliers in the services to companies market. To this effect, a central role is attributed to the Management Associations (indicated on average by 37.3% of SME managers). It must be pointed out, however, that this result is not consistent across different geographical areas: in fact it oscillates from 45.5% in the north-east to 28% in the south and Islands, while the north-western and central regions register levels nearer to the norm, or slightly above, at

[36] There are various problems in measuring the economic groupings that characterise the service sector. The progress of the service market for SMEs is by definition linked to the progress of the small businesses themselves, not to a well-defined, measurable group of larger companies. It is therefore more difficult to run checks of an administrative or fiscal nature and it is plausible to maintain it to be the least forthcoming in the supply of statistical information. Further information gaps are caused by the undeniable difficulties in measuring service companies' output and the value of the services purchased by firms.

[37] INDIS-Unioncamere, *Characteristics and evolution of tertiary development*, Minutes of the conference, Rome, June 1999.

35% (tab. 27). The mismatch with the judgement of the southern managers could be partly attributed to the lower representation and consequently visibility which networks and contact systems tend to establish among business people in the area.

Tab. 27 - Market development assistance bodies by general geographic area (in % of the total, multiple answers)

Assistance bodies	North-west	North-east	Centre	South/ islands	Italy
Chambers of Commerce and their structures	28.5	18.4	21.3	20.5	23.0
Business associations	35.3	45.5	35.2	28.0	37.3
Freelance professionals/Consulting firms	3.3	3.8	3.2	3.1	3-4
Service companies	2.5	3.0	1.2	2.4	2.4
Certification companies	3.7	3.5	5.5	1.9	3.7
Export Syndicates	1.5	1.1	5.0	4.3	2.4
Ministries	3.3	3.5	4.2	8.2	4.2
Regions	10.1	7.6	7.9	17.6	10.0
Councils and other local bodies	7.5	5.1	5.0	8.6	6.4
Other	3.4	3.1	1.7	2.2	2.9
None	15.7	17.8	22.5	16.6	17.7

Source: Survey Ist. G. Tagliacarne-Unioncamere, 1998

Visibility of the Chambers system.

The Chambers of Commerce also have their role to play in the expansion of SMEs. On average, 23% of SME managers indicate that it should be up to the Chambers of Commerce to help them realise their market potential. If the data is broken down by general geographic area, it divides up to 28.5% in the north-western regions, and a below average count in the central (21.3%), southern (20.5%) and above all north-eastern (18.4%) regions.

An important role is attributed to regional bodies, especially by southern contractors of whom 17.6% pointed a finger in this direction (compared to a national average of 10%). Furthermore, regional institutions were indicated as agents of company development assistance by 7.6% of managers in the north-east and by some 7.9% of contractors in the central regions, while the result in the north-west was in line with the average (10.1%).

Town councils and other local bodies were indicated as agents of assistance by 8.6% of managers in the south and islands, a level which decreases in the north-western regions (7.5%), the north-east (5.1%) and in the centre (5%). Furthermore, the role of ministries is more relevant for southern and island contractors who give them a central role in 8.2% of cases (the other percentages are 4.2% in the centre and 3.5% and 3.3% in the north-east and north-west respectively).

The particular expectations that southern managers have with regards to institutions and public bodies (ministries, regions, town councils and local bodies) is a fact worth underlining because it is a potential indicator of attitudes and business models being conditioned by limited organisational autonomy in southern companies.

Low visibility of private consulting and services companies.

Lastly, the contractors attributed a marginal role to private consulting and services companies in the development of their own companies (3.4% of answers), to certification companies (3.7%), to companies that supply logistic services and post-sales assistance (2.4%). In these cases, these results are seen across the board in all the general areas considered, showing not only the overall lack of insufficient trust in private professional consultancy structures, but also an absence of visibility strategies.

It becomes particularly clear that the visibility of suppliers stems from the standard of services experiences by SMEs. These notions become particularly evident when taking into consideration the role that businesses assign to different agents, relative to the different services already used or that they are thinking of using in order to increase their market share (tab. 28). With regard to the above, it can be noted that:

- The trade associations are given a prominent role above all when the registration and exploitation of trademarks and patents is concerned - almost half of those who believe this to be a strategic element in company growth said that they had turned to or had planned to turn to organisations that represent the interests of companies. A considerable use of such agents becomes clear in relation to standard controls of company products with a view to consumer protection and company standard certification of products (40.8% and 38.7% respectively, cited the trade associations as points of reference in these situations).
- Greater numbers than average turn to Chambers of Commerce for standard certification (23.9%) and above all, for assistance in the resolution of problems of a logistic nature (29/8%).
- The regions are particularly cited with regard to assurance of product standardisation to the norms imposed by certain production guidelines to safeguard the health or safety of the consumer (12.4% entrust this to the regional body or intend to do so).
- The town councils and other local bodies are assigned an important role in logistics.
- Finally, it may be noted that the proportion of those who turn to certification companies remains small (though almost double compared to that of the companies who generally also make use of these companies in relation to certification of the company and its products (6.1%). This outcome is certainly influenced by:
    - The limited knowledge that SMEs have of services offered generically by consulting and services companies.
    - The conviction that such services are unaffordable for SMEs.
    - A conservatism that makes firms trust figures who institutionally provide assistance to companies almost exclusively.

Tab. 28 - Problems with demand for services as expressed by local companies according to trade associations (in %)

Activity	*Knowledge of external structures*
Primary activities	
logistics	25.0
planning and design	13.5
production organisation	19.2
communications and marketing	23.1
post-sales assistance	13.5
Support activities	
acquisition of goods and services	17.3
finance acquisition	17.3
technological updating	21.2
environment and safety	25.0
energy concerns	11.5
quality control systems	23.1
H.R. management and organisation.	13.5
technical training	17.3
managerial training	11.5
Transverse activities	
accountancy, administration	21.2
company organisation	19.2
strategic planning	19.2
company finance	30.8
information/telecommunications systems	28.8
activities for new companies	30.8

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

VISIBILITY STRATEGIES OF SUPPLIERS IN DIFFERENT MARKETS

The Chambers of Commerce and Trade Associations achieve visibility through special SME interlocutors, acting as intermediaries between the producers and institutional bodies. This produces strong and "natural" visibility deriving from their position.

Underwriting and export syndicates generally arise out of the promotion of business associations and therefore enjoy the visibility of these agents themselves.

Banking companies have an almost complete monopoly of financial services, and follow a visibility strategy based both on direct relations with the client companies, and on direct publicity and press exposure.

The private service provision sector is insufficiently visible owing both to the limited means of marketing due to small company size and because little importance is attributed to visibility. The tools of marketing used consist mainly of direct relations and word of mouth amongst clients.

The use of communication tools by Service Centres is summed up in tab. 29. It is interesting to note how very little use is made of press exposure as opposed to sending information memos directly to companies. It may furthermore be noted that more use is made of information tools by Service Centres working in crisis areas.

Tab. 29 - The importance of information tools used by Service Centres in different areas

	Total	Areas of rapid expansion	Areas of consolidation	Weak developing areas	Weak crisis areas
Memos to companies	3.5	Medium	High	High	Medium
Memos to business associations	2.7	Low	Medium	Low	Medium
Press exposure	2.4	Low	Low	Low	Medium
Direct publicity	3.0	Medium	Medium	Medium	High
Key: from 1 to 3.6 low importance; from 1.7 to 3.4 medium importance; from 3.5 to 5 high importance.					

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

IDENTIFICATION OF BEST PRACTICE TO IMPROVE THE USE OF SERVICES THROUGH IMPROVED VISIBILITY

In connection with the LETE[38] project, a Reference Index of agents that offer consulting and training to companies was set up. This is a freely accessible and voluntary database created with the purpose of providing a map of the supply of services to SMEs on a national level.

The main objective of the Index is to provide a bridge between the demand for consultancy service provision for SMEs, enhancing the clarity, the competitiveness and the quality of the sector. Born as a tool for the provinces in the LE-TE project, it was then extended across the whole country until it provided a useful map of company service provision .

[38] See page 59.

The Index has been available on Internet (http://www.eureka.it/repertorio) since 1995 and around 650 consultants (freelance professionals and firms) operating in the services to companies field have already registered . The contractor, by linking up with the Internet address may search the database by geographic area or by individual sector in the field of consultancy, thus obtaining a map of the supply of services to companies in a specific area. A detailed card is created for every agent included in the index showing the sectors of activity in which they work, a description of the work done, references from work already carried out, the curricula of the various consultants and any other information considered relevant in order to best characterise each entry.

This service is undoubtedly an important information tool for companies in the choice of consultants and it lends visibility to all the consultants in the world of SMEs, guaranteeing clarity and competition. After one year, the Index had already registered more than 12,000 consultations, with an average of 1,000 a month. About 60 entities, institutions, and companies believed the Index to be so useful that they created direct links to in from their home pages.

From the interviews with the SMEs that took part in the LE-TE project, it is possible to gather quantitative data about user satisfaction. 92% of the SMEs that took part in the project made innovative changes thanks to the help of consulting firms and 53% of them used the Index as a search tool. 42% of those interviewed that had used the Index believed it to be very useful, while 82% expressed a positive opinion. Only 16% of those interviewed believed it to be of little use.

QUALITY ANALYSIS

There is no clear definition of quality or of recognised, shared benchmarks that might allow it to be clearly formulated. According to the judgement of business associations and SMEs, the standard of services utilised was middle to low in quality, demonstrating the low competitiveness of provision and the inadequacy in meeting the explicit and implicit needs of the SMEs.

DEVELOPMENT OF THE BUSINESS ASSOCIATIONS' PERCEPTION OF SERVICE QUALITY

What perception do the associations have of the provision structure offered to companies?

The judgement expressed on the present provision structure offered to companies in different geographical contexts appears middle to low in quality (tab. 30) for private consultants and for Service Centres, while the Chambers of Commerce tend to be considered inadequate. This evaluation is roughly similar across the productive field in question. A more positive judgement must also be highlighted in relation to the Service Centres for support activities (2.9 vs. 2.6 of consultants) and, conversely, the slight superiority of consultancy structures, for transverse activities (these are the very services in which the CCIAA express their main weaknesses).

Tab. 30 - Assessment of business associations of the level of satisfaction with service on the part of the client companies, by supply and operational field.

(ratings, 1=low satisfaction, 5=high satisfaction)

Activity	*Consultants*	*Service Centres*	*CCIAA*
Primary activities (in total)	2.7	2.7	2.2
Support activities (in total)	2.6	2.9	2.2
Transverse activities (in total)	2.9	2.8	2.0

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

In general, it must be underlined that the lowest scores are more frequent in the weakest areas, where it is possible that the attitude towards associations may be due to factors not directly attributable to "environmental" shortfalls rather than specific weaknesses in the provision agents.

If the opinions expressed on the problematic processes in the relationships between client companies and providers are considered, a more complex situation emerges (tab. 31).

Tab. 31 - Judgement of business associations of company relationships with external structures, as regards problematic contact procedures

Judgements	Consultants	Service Centres	CCIAA
Services little known	2.4	2.6	2.6
Services too expensive	3.3	2.3	2.5
Inadequate quality	2.7	2.5	2.3
Insufficient personalisation	2.9	2.9	3.1
Relational difficulties	2.8	2.7	3.0
Key: ratings, 1=low satisfaction, 5=high satisfaction			

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

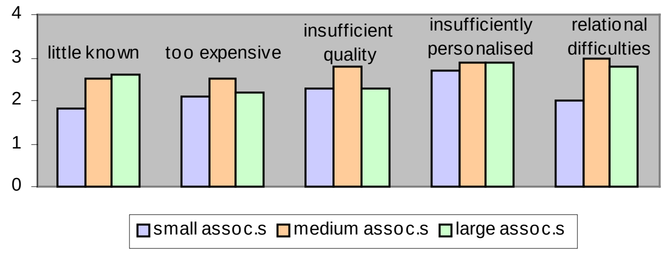
Consultants turn out to be rather uncompetitive as regards the price-quality ratio, they offer fairly personalised services and the relationship with businesses (such as contacts, performance, promptness, payments etc.) tends to be problematic.

Consultants

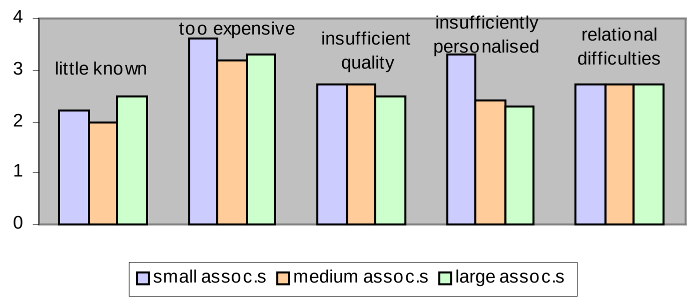
The CCIAA offer insufficiently personalised services, the relationship with businesses appears to be rather difficult and though the quality is adequate and the prices are considered fair, the information on the services offered should certainly be more readily available.

Chambers of Commerce

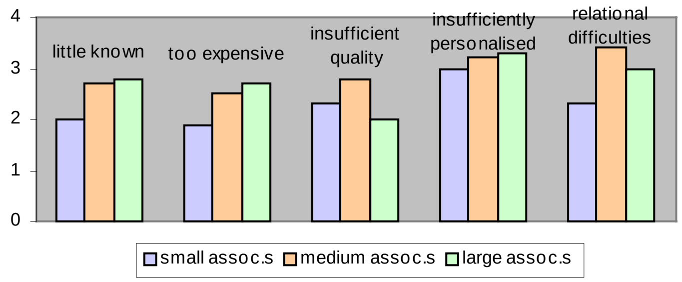
Tab. 32 - Companies/Service centres relations according to the Associations
(scoring 1= least agreement with statement, 5 = most)



Tab. 33 - Companies/CCIAA relations according to the Associations



Tab. 34 - Companies/consultants relations according to the Associations



Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

Service Centres

The best overall performance still turns out to be that of the Service Centres, despite the fact that there is still certainly room for improvement as regards the personalisation of services and interrelations and to some extent how well-known their services are[39].

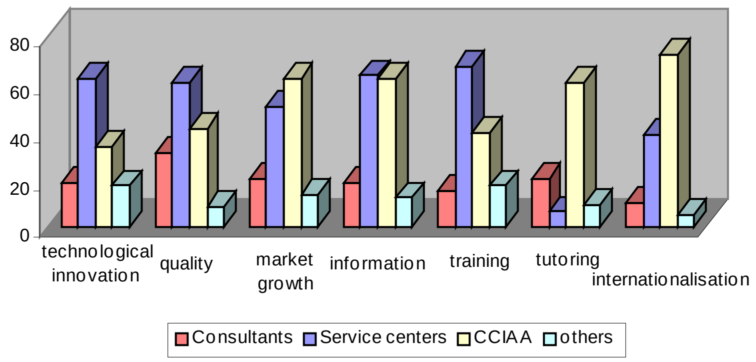
Lastly, from the point of view of regional characterisation, the results show a high level of variability where, in the same area both highly positive and highly negative scores are found (in the scale of evaluation adopted). Among the eight areas, Potenza and Messina both stand out, but for opposite reasons. In the first case the opinions expressed are constantly positive for all the structures in question, while in Messina the opposite is true, all the evaluations are negative with the exception of the degree to how well-known the services carried out by the CCIAA and Service Centres are and to what extent they are personalised.

Regarding which provision agents should carry out company services, the associations' opinions (shown in tab. 35) seem to favour the recognition of a significant role for the Service Centres, above all for the provision of technical services, such as those related to technological innovation, standardisation, safety, environment and training. Conversely, for support activities directed at market growth and consolidation, enterprise promotion, training, and internationalisation the main point of reference is the Chamber of Commerce. The consultants, in the end, are decidedly a second choice.

Such expectations, with generally fairly low geographical variation in the different areas and different association sizes, would appear (in the opinions of those interviewed) to identify a preference for a well-defined system of role divisions between different service providers, which is also expressed through the statements on the level of competition.

[39] It is also interesting to touch on the existing differences in evaluations according to the size of the associations interviewed. Generally speaking, it may be noted how the smaller associations have a generally better opinion of the services offered by the Service Centres and by the Chambers of Commerce, compared to the medium to large associations, while in opinion of consultants, the opposite is true.

Tab. 35 - Agents that should carry out services according to Associations



Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

This level is still considered to be fairly limited, thus confirming the evaluations that are provided by the Service Centres, as seen in the previous chapter. However, the interviewees show how the dynamics of the business service market and the evolution of the tertiary development sector are helping to raise the level of competition.

Judgement on competition

In the associations' assessment of the competitive relationships between structures, the overall current score appears to be higher than it was three years ago. The collective level: between CCIAA and private consultants 1.4 vs. 1.3, between Service Centres and CCIAA 1.6 vs. 1.3, and between consultants and Centres 2.7 vs. 2.2. This indicates a significant trend which in the medium term could affect the market of services for business considerably, despite the fairly extensive exclusion of the Chambers of Commerce from the competitive system, although even they find themselves in an increasingly competitive situation.

The suppliers' role in the near future will depend on the ability and flexibility of each of them. The Associations, privileged watchdogs of demand, hope that the CCIAAs will improve not only the information available on services provided, but also administrative access procedures, while in relation to the Service Centres, they insist strongly on the information issue - a further example of the opinion that the basic services are in fact of a decent standard (even though further qualitative improvement must remain a top priority), but it is indispensable to improve the dispersion of the relevant information (tab.s 36 and 37).

Tab. 36 - Improvements hoped for by Business Associations in the performance of services (%)

	Service Centres	CCIAA
Access procedures	26.9	55.8
Information regarding services	75.0	55.8
Interaction with company	36.5	25.0
Costs	1.9	15.4
Personalisation	46.2	34.6

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

Tab. 37 - Targets that the provision structures should set themselves for the next two years, according to the Business Associations (%)

	Service Centres	CCIAA
Increase users	38.5	19.2
Increase earnings	19.2	5.8
Widen provisions	23.1	30.8
Improve quality	51.9	50.0
Diversify users	25.0	21.2
Keep costs down	15.4	19.2
Strengthen ties with universities etc.	48.1	40.4
Strengthen ties with other structures in the sector	28.8	46.2
Other things	3.8	1.9

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

Service providers' proposals for improvement

It is worth underlining the data regarding the hope that the Chambers of Commerce and Service Centres will strengthen ties with universities and other structures, such percentages differ widely on a local level, in the sense that where there is a university structure the answer to the first question is generally high and low to the second, while the opposite is true elsewhere.

In any case, this demonstrates the strong and widespread opinion in favour of co-ordinated ventures between the CCIAA and other structures in the area. Approval for the strengthening of ties with other structures in the sector should also be understood in this sense.

Regarding the Service Centres, it again becomes evident (to an even greater extent) that there is a need to strengthen ties with university structures, while there appears to be less need to nurture closer contacts with other structures in the sector. Of course, there is an obvious urgency to widen the availability of interventions (both in quality and quantity), a factor that had already emerged in the evaluations provided by the centres.

The associations expressed opinions regarding the perceptions of service importance: whether the explicit demand is low compared to the implicit needs, whether the use of external structures is low compared to internal, and whether the awareness of existent provision structures at a local level is low. The number in percentage of affirmative answers are collected in tab. 38.

Tab. 38 - Problems with demand for services as shown by local businesses, according to the associations (%)

Activity	Importance of service	Low demand	Use of outside structures	Awareness of outside structures	Don't know/Didn't answer
Primary activities					
logistics	40.4	21.2	11.5	25.0	25.0
planning and design	28.8	23.1	19.2	13.5	26.9
production organisation	17.3	30.8	13.5	19.2	28.8
communications and marketing	40.4	21.2	19.2	23.1	15.4
post-sales assistance	28.8	23.1	13.5	13.5	30.8
Support activities					
acquisition of goods and services	26.9	19.2	23.1	17.3	21.2
finance acquisition	11.5	23.1	23.1	17.3	30.8
technological updating	21.2	34.6	15.4	21.2	26.9
environment and safety	19.2	26.9	15.4	25.0	26.9
energy concerns	26.9	34.6	17.3	11.5	26.9
quality control systems	30.8	28.8	13.5	23.1	21.2
H.R. management and organisation.	34.6	25.0	26.9	13.5	21.2
technical training	23.1	30.8	28.8	17.3	23.1
managerial training	34.6	28.8	26.9	11.5	17.3
Transverse activities					
accountancy, administration	23.1	17.3	23.1	21.2	34.6
company organisation	23.1	32.7	25.0	19.2	23.1
strategic planning	34.6	28.8	13.5	19.2	23.1
company finance	19.2	19.2	23.1	30.8	25.0
information/telecommunications systems	23.1	19.2	23.1	28.8	21.2
activities for new companies	28.8	7.7	11.5	30.8	30.8

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

PRIMARY ACTIVITIES

Low opinion of the importance of services relating to primary activities.

The main problem with the demand for primary activities is above all a low perception of the importance of the service. This is the case where planning, logistics and communication are concerned, in the first two cases to a very large extent (more than 40%), while even in post-sales assistance the percentage is significantly high (above 25%). Likewise, it seems clear that it is not a simple problem of preference for in-house rather than external resources, since the limited use of external structures is at its lowest level in three cases out of five (logistics, production organisation, and post-sales assistance, while communication only exceeds the "don't know"s), the level for logistics is only 12%.

As has been seen, logistics is relatively problematic because of the low perception of the importance of the service, where the use of external structures is not seen as a problem.

For planning activities, which share the same handicap though to a much lesser extent, a large percentage of the associations interviewed did not express any opinions on the subject. The least felt issue being the awareness of outside structures.

Similarly, many interviewees did not give an answer for production organisation. The most felt problem is a low level of demand compared to implicit needs, while together with the use of external structures, the low perception of the importance of the service is also unimportant.

As with logistics, the answers for communications also revolve around the low perception of the importance of the service. The percentage of those who did not answer this question was the lowest, in contrast with the other cases.

The opposite is true of post-sales assistance, where the number of "don't know"s is higher than those who indicate the low perception of the importance of the service, despite this being high. The knowledge of outside structures and their use do not constitute a relevant problem for this service.

Moving on to support activities, the distribution of answers becomes more consistent.

SUPPORT ACTIVITIES

Low opinion of the importance of services relating to support activities.

Again, in the case of support activities, the low awareness of the services is of considerable importance, reaching peak levels in the acquisition of goods and service, quality control systems, organisation and management of human resources, though together with this problem, the low level of demand compared to implicit needs is noted, which reached maximum level in four other cases - technological updating, environment and safety, energy concerns (including the problems of energy saving and technical training), while it gives out relevant signals with regard to the majority of other services. Again, for support activities, no problem of under-use of external structures is observed.

The acquisition of goods and services, in fact, presents a major problem about the perception of the importance of the service and a minor one in relation to awareness of external structures, but the first is below 27% and the second is above 17%.

In financial acquisition, the highest score is again found among the "don't know"s, while the awareness of its importance doesn't constitute a problem and even the awareness of provision structures has a low rating.

Technological updating presents its biggest problem at the level of demand compared to needs, though here too the percentage of "don't know"s is high. The least felt problem is the use of external structures.

Similarly, the use of provision structures is not a significant problem where environment and safety at work is concerned. Here too the "don't know"s are numerous, reaching the same peak level - though not amazingly high - obtained by those underlining the low level of demand.

There are just as many "don't know"s for energy problems but the percentage in the lack of demand is higher. There are few trade associations that show little use of outside structures and even fewer who worry about their limited knowledge.

The major preoccupation is in quality control systems, this being the low understanding of the importance of the service, although there are many interviewees that underline how the explicit demand is too low. It arouses little worry with regard to the use of external structures.

The organisation and management of human resources is another undervalued service (34.6% believe that the companies have a low perception of its importance), but if the level of awareness of external structures does not represent a problem, the use of such structures is seen as a problem by 27% of the associations.

Managerial training and above all technical training are excessively low demands, but for the former the most critical rating is the limited perception of its importance. In neither case is the awareness of provision structures a problem, but the insufficient use made of the service gives reason for concern.

TRANSVERSE ACTIVITIES

Insufficient awareness of services relating to transverse activities.

Reasoning about transverse activities varies: here the low level of demand is negligible on the whole (lowest levels are to be found in accountancy and administration, company finance, information and telecommunications systems and in the activities relative to the creation of new companies, in this case reaching just 7.7%), apart from company organisation and to some extent strategic planning, while the low awareness of external provision structures appears of notable importance where the highest scores are to be found in company finance, information and telecommunications systems and activities relative to the creation of new companies.

It has already been noted how the results for transverse activities are in some ways different from the others. To be precise, accountancy and administration have a roughly equal distribution of results, apart from the high levels of "don't know"s, demonstrating the absence of a specific choice. even the evaluation of low demand compared to implicit needs, shown in the lowest level, is decidedly above the average of lowest levels considering that it reaches 17.3%.

The question of high minimum levels is even more relevant to company organisation, where the insufficient awareness of external structures is indicated by some 19.2% of the associations. The highest level is relative to a low explicit demand.

Strategic planning usually comes under the headings of primary and support activities, the insufficient perception of its importance being identified by the majority of interviewees, with low explicit demand in second place while the use of external structures is the lowest result.

A noteworthy balance also exists in the shortfalls identified for information and telecommunications systems where the highest levels are to the answer on insufficient awareness of outside structures, an answer given, however, by fewer than 30% of the associations interviewed, the minimum result being that for the low level of explicit demand, at 19.2%.

Finally, with regard to the activities for the creation of new companies, the contrary phenomenon emerges: the levels revolve around the low awareness of external structures and the "don't know"s, followed by the low perception of the importance of the service, at 20%. Conversely, the minor use of external provision structures is identified by only 11.5% and in fact the possibility that the explicit demand may be too low compared to needs is considered by only 7.7% of the associations.

A general summary of the evaluations shown in table 39 tells us that the most worrying failings for the associations are the low perception of the importance of services and, to a lesser extent, the low level of demand for services also in relation to the explicit needs. The insufficient use of external provision structures is not considered worrying, whereas the low appreciation of their existence is only signalled with regard to the transverse activities.

It is possible to compare these assessments made by the associations with the opinions of companies on the difficulties of finding certain services. from this comparison, it emerges that the associations seem most able to interpret the needs of companies in expanding areas, a further demonstration of the important link that exists between business associations and firms in these areas. On the other hand, opposite opinions are to be found in the less developed areas.

ANALYSIS OF THE PERCEPTION OF SERVICE QUALITY BY SMEs IN DIFFERENT MARKETS

Tab. 39 shows the results of the opinions expressed by companies on the quality and competence of different suppliers providing different types of service.

Tab. 39 - The judgements of companies of the operative functions of different service suppliers (multiple answers)

Services for	Consultants	Associations	Service Centres	CCIAA	Others	Don't know/Didn't answer
technological innovation	32.3	42.3	19.9	26.9	4.0	5.0
standardisation	29.9	37.8	18.9	27.4	2.5	6.5
market growth and consolidation	29.4	40.3	12.9	46.3	1.5	1.5
training	22.4	50.2	18.4	50.2	3.0	1.0
promotion and environmental training (only for new businesses)	5.5	15.9	7.0	20.4	2.0	58.2

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

In fact, despite low levels of use and shortfalls in the relations as discussed previously, the institutional and associative provision structures find significant support when it comes to providing services.

In particular:

- As for services connected to technological innovation, 42.3% of companies believe they should be carried out by trade associations and 26.9% by the CCIAA.
- For training activities, the preference for the associations and CCIAA reaches 50%. The CCIAA is also in first place to provide services for market growth and consolidation[40].
- Service Centres, though generally cited less here, nevertheless find 20% support for technological innovation, standardisation and training services.
- Lastly, the "competition" of consultancy structures ranges between 22% and 32%. Clearly then, the types of services indicated in the question are recognised by the firms interviewed as having a distinct institutional "mission", not necessarily to be subjected to strict market laws.

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[40] Tab. 40 Perceived quality standards of Service Centres by client companies, business associations and by the centres themselves.

	As evaluated by:		
	Service Centres	Client companies	Associations
Standards of service	4.0	2.7	2.5
Pricing system	4.1	3.0	2.7
Working methods	4.0	2.9	2.3
Key: scores from 1 (=most negative evaluation) to 5 (= most positive evaluation)			

Source: INDIS-Unioncamere, Characteristics and evolution of tertiary development, Minutes of the conference, Rome, June 1999.

Note the discrepancy between the evaluations of associations and client companies and the self perception of Service Centres showing a lack of full understanding of the needs of companies.

As already pointed out, the difficulty encountered in highlighting the quality aspect of service provision is a considerable brake on growth in the services market.

If the aim of a service is to fulfil a legal or statutory requirement[41], the problem does not present itself. However, it becomes overwhelmingly clear when the quality of the service is found within the overall company performance, since its effects have very little external tangibility, particularly in the short term.

The logical answer to this problem is that quality development strategies should be bound to the boost given by the use of well-carried out consulting services, meaning those that achieve their targets.

However, it is quite easy to understand that a positive partnership (or consultancy) experience is particularly important for those who have undergone this experience. This has meant that contact with the world of consulting has until now found a foot-hold only in the areas in which it has been successful.

It is therefore plausible that the best consultancy services may tend to create a privileged relationship between the company and the consultant. In this case, the consultant would try to keep the company informed on aspects of production that the company might want to externalise, directing it towards more flexible and dynamic forms of production management.

Thus, as primary indicator, quality development should use the satisfaction of the client or, much the same thing, an upsurge in parameters which show the economic development of the company or indicating the elimination of negative elements.

However, this statistical aspect is not always easy to pin down, neither can it hope to be sufficiently rapid compared to the pace of company dynamics.

There is a strong suspicion that, when looking at a field as vast as this one, the enquiry methods based on the gathering and elaboration of data, may well turn out to be unrepresentative.

Quality is a distinguishing factor which has value only when it is in line with the strategies of competitiveness.

It is difficult to imagine wide-spread quality which doesn't end up being considered unattractive by the business community. Italy has been through many such experiences in which the diffusion of a quality process has been accompanied by a loss of interest on the part of the companies, considering it a burden and not very "business oriented".

The problem must therefore be brought back down to a more uncertain and less defined level of relations between a company and its place in the field it operates in, without being lured in by proposals of certification processes or other similar forms of standardisation.

Perhaps the best way around this apparent *empasse* lies in the dynamics of competition in order to breakdown the impenetrability of local markets and the

[41] This is the case of fiscal services or those linked to the fulfilment of health and safety in the workplace requirements.

protectionist system that, maybe without any particular motivation, is still presided over by the representation system of consulting firms.

From this point of view, one may usefully rework the nature of the content offered by consulting firms, especially as regards clarity and thoroughness. The standardisation of the documentation would facilitate the reading of alternatives, helping clients to choose the best offer.

This entails a certain amount of training work with companies, to put them in a better position to evaluate consultancy offers, as already happens in other supply areas.

The SEPRI project, which is monitoring this situation in around 1000 cases, should give a clear picture by the end of the year 2000. It will also set out a report showing the critical points in the communicative processes between the supply and demand of services.

Lastly, one more aspect must be underlined which regards local service characteristics and corresponding production ones.

It's no use thinking of a business as just one standard entity like all other businesses.

There exists a dimension of local development which cannot be simply lumped together in all-embracing run downs and general descriptive procedures. But it is not just this. Local development advances by alternate phases of self-propulsion and innovation. While the first tends to exploit any vantage points gained, the second comes into play when the competition decreases. This swinging pattern is to be found in every sector, so it appears to show inconsistent behaviour even at a local level.

In the vast fragmentation of local and sectorial competition, there is a role for growth policies only if they are dynamic enough, that is, if they are oriented around a strong inter-relational system linking public and private institutions.

The problem, at least in Italy, lies in the fact that the public sector is not adequately competent in this area and the private sector knows this. This makes it impossible to gear political change towards the real needs of businesses, at least if 'real needs' means what comes out of effective management and planning. Consequentially, the whole system shifts onto a different level of comparison, where corporate or trade union logic prevail. In this scenario, businesses have little faith in the effectiveness of the technical instruments of management as useful elements to be used in order to encourage the development of relations between companies and their operative environments. The banking system, from this point of view, exemplifies the public sector situation.

Of course, the state of affairs described is not static and it is common to find very different situations. This occurs in particular cases where contextual factors may give rise to peculiarities which turn out to be of real advantage.

Several cases on a local level may be cited with regard to underwriting syndicates' middle-term loans, or the introduction of diagnostic systems as evaluation tools when applying for public support contributions.

Under these circumstances, as in other similar ones, the deciding factor is the ability to manage a certain set of public resources and to direct their use on the basis of innovative technical indicators.

In brief, quality in the services sector appears more easily attainable using policies based on attractiveness and marketing, rather than on strategies that are directed towards the definition of standards and the fulfilling of legal requirements.

Also as far as the rate of growth across a territory is concerned, the processes that tend towards increasing scale seem to render better performances compared to the processes that promote adherence to new sets of norms.

Above all, the former seem exempt from those forms of bureaucratic, unmotivated and largely useless line-pulling which currently make up a fair wedge of the Italian consultancy market.

One last point must be made regarding the relationship that exists between local development and the processes of globalisation.

In general, services for SMEs are considered from the point of view of their becoming competitive in the global marketplace. This is an attitude justified by the continuous pressures of competition and by the worry that newcomers may launch products which stand out from the rest for their innovations in quality or technology, helping them capture large shares of the market. This attitude regards companies both big and small alike, if it is assumed that the latter are destined to become big or at least to put down roots in the same area as the big ones.

On the other hand, the case of Italy shows that with the system of production it has, its market and its external relations, it may also choose to follow a different path. This is not the direct path to globalisation, but instead it may lead there through more localised systems if they have the necessary characteristics for this to happen. This direction would appear both original and promising. Globalisation leads companies to compete in many different fields and to transfer production centres according to conditions of availability and the cost of resources. It leads them therefore to show an ever greater "volatility" with regard to the factors that condition choices made on a local basis which can be seen in the quality of life of the resident population. From this point of view, globalisation is not desirable.

Small businesses can (and indeed must) take a different path. Their size prevents them from adapting to the form necessary to face the global market, allowing them to act only on an internal basis. They need to act as a system. It is therefore necessary to instigate local policies that address SMEs collectively, in harmony with the logistics of the area. Policies that lead principally to the creation of a new management which is able to cope with the factors of innovation imposed by the global market. To this end, it is essential to find the local agents which may be recognised as the "leaders". Throughout its history, Italian industry has always been strongly characterised by the link between its products and the geographical areas that produce them, and not only in the field of foodstuffs. The outlook is therefore promising.

In order to arrive at a new arrangement in the productive system ready to face the global scene, the path to be followed may be considered in two different stages.

The aim of the first is to widen the range of opportunities offered to the business community to encourage it to make decisions in the field of innovation, especially as concerns the best services in the new markets (the emerging quality standards and guidelines, better marketing ideas etc.). This first stage needs an adequate offer of services - the service industry is therefore required to make investments. Given the initial weakness of the market, such investments may prove to be burdensome, above all if the service is still provided at standard (or professional) rates, that is, if the economic motivation to invest is missing.

In this situation, the "first stage" of adjustment must involve the public sector which could, and indeed should undertake the responsibility for shaking up the market. It should take charge of a series of "launch" initiatives aimed at creating a theoretical demand so as to encourage an improved supply. The role of the public sector must be inserted *into the market logic, meaning that it must "withdraw" progressively, in proportion to the autonomy that such a market acquires.*

The second stage sets out a new arrangement of the productive system, both for each individual business and for the territorial context in which it is situated. This is based on the assumption that the added value of production is shifting progressively towards the tertiary element. If applied to the relationship between business risk and innovation, then the role of development services for SMEs and for the local context can be defined.

The most prominent assets when competing on the global market contain a high projection-making capacity. These are: the possession and ability to process data, access to the latest technology, familiarity with different markets and trends, flexibility in the organisation of production, the ability to make intelligent, innovative and distinctive alterations to the product when necessary. It now becomes possible to paint a picture in which local leadership is held principally by the services rather than by the production sector.

In fact, it could turn out that the opportunities for new businesses is most promising for "consultants", rather than for entrepreneurs, and that the willingness to take them on is equally widespread. Thus, a future scenario of consultants for SMEs starts to emerge. A number of them, those that work in data processing or strategic planning, may find their own place in business collaborations. This partnership, however, will not be the classic one of the consortia, company regroupings etc. A new role for SME consultancy may be found largely within the organisation of the districts. Here, a new type of enterprise (characterised by a high service content) may undertake the management role necessary for the development of certain brands or products, and even organise production through the network of local SMEs. The interaction between sides (tertiary companies and consultancy companies) will power the growth of the system.

A new scenario might be envisaged in which the role of the leading company of an area may be played by a highly tertiary company and that such a company may sustain and control a significant flow of information and services both inside the area and for companies that operate directly on the market. This flow would be found in both directions and constitutes the "engine" of the district, characterised in terms of awareness. The more the products of an area are "typical", that is, linked to local detail and points of strength, the more interaction will contribute to the consolidation of the system and will bring opportunities for local development.

In brief, the modifications to the productive system made necessary by the evolution of the markets and by socio-cultural development show the outline of a new type of company, cross-bred between the current sectorial distinctions of secondary and tertiary. In Italy, this new company may grow according to the patterns of the area towards a stronger network in which the key companies move towards a diversification of roles.

The regional characteristics will significantly influence the chances of success through the strong characterisation which they can give to products.

ELEMENTS INDICATING SERVICE QUALITY

The quality of services must always be considered on the level of customer satisfaction, and conformity to standards must be considered as the bare operational minimum.

For the purposes of this research, examining the tangibility of quality, it does not seem reasonable to follow the lines that indicate the bare minimum rather than those that lead to the more promising scenarios.

The progressive shifting in the interests of managers, away from the product and towards the client, may give birth to new systems of organisation and production. The common thread between these innovations is shown by the involvement of the client in the processes of production. This means not only their collaboration in the definition of the product(personalisation), but also in the methods of production (eco-friendly technology, safety etc.). The shorter modification times of the productive cycles - made possible by new production control technology - give enhanced flexibility to a range, to the point in which each client may have his own particular product.

In order to realise this goal - which meets with a high level of satisfaction among clients - it is necessary for the interaction between client and company to be efficient, fairly fast and for it to have a definite and certified outcome. For these reasons, the company must take on the role of being the place to find the "solution to the problem", that is, the problems that generate the demand for goods and services. In this trend, a possible opening in the current evolutionary process may be sensed, and as in such a situation, one must adapt oneself to the cultural needs expressed by new generations of clients.

At the small enterprise level, the characteristics described may be easily found, since many of the managerial functions are concentrated in the single figure of the entrepreneur. However, small enterprises are often penalised for their scarce problem-solving capacities, or by their inability to identify such problems. Small enterprises lack group strength. They therefore need a point of "interaction" with the market where they can take advantage of a network of support and collaboration to make their product ever more attractive and better meet the needs of the client. This goes for the tertiary aspect of the product in particular or, moreover, for the tertiary aspect that the client expects.

The qualitative aspects of the services play on this situation of trends which is diametrically opposed to the definitions of working standards.

If one tried to synthesise all the elements present in this research, one might say, if however approximately, that the qualitative aspects are more readily definable in the field of communication rather than in other technical or operative aspects. Communication here covers ways of processing data in both directions - from the company to the service and from the service to the company.

On this front, it is possible to try to express quality using clear parameters, in the presence of information technology that is quickly evolving towards networked, interactive systems using digital standards and a capillary distribution both in Italy and internationally.

Consequentially, the attention can be diverted from the analysis of the single service company to the level of services found in a regional (or networked) context. In this way, by establishing a low entrance threshold, it may be imagined how the qualification processes would be pushed upwards by the market and by the competition.

The quality of services in Italy already feels the effects of the regional nature of service supply. In other words this means, "If the services company is from Milan, it must undoubtedly be of a certain quality since the Milanese market leaves no room for unworthy companies".

POSSIBILITIES FOR THE ACCEPTANCE OF COMMON EUROPEAN STANDARDS

The conclusion to the last paragraph opens a new path because it suggests that policies of the qualification of services should not be moving in the direction of creating hard and fast rules that define procedures, working models etc. which are really policies directed towards products.

It seems both more useful and more suitable to the emerging needs to focus attention on the structural aspects of the system, that is, on checking that every company is linked up to a network, makes regular use of updating services and professional training programmes, that it is able to account for its conduct using interactive channels of communication, that it is "accountable" for the communication of its actions and its references and that it shares the culture and ethics of the services sector.

These elements could become subject to European standardisation since they concern aspects of production and not of a product. They must adapt to local situations even if this goes against the trend towards the processes of homologation.

PROPOSALS FOR THE DEVELOPMENT OF COMMON EUROPEAN QUALITY STANDARDS OR ALTERNATIVES CONSIDERED ACCEPTABLE BY THE NATIONAL MARKET

The proposals derived from the elements discussed in this research may be summed up as follows:

1. It is necessary for the service companies to link up to an international (or preferably global) network which controls the flow of information as much as possible. In other words, it is believed that the quality of services will tend to increase in strict proportion to the growth of tangibility within a communication system that wipes out the revenue from local outfits and facilitates the competition for individual commissions. The clarification of communication standards will facilitate the comparison of different offers. On the other hand, the definition of standards as regards the description of specific services or how these are carried out is to be avoided since in this area it is necessary to maintain as much openness as possible in the creativity of the offer and the personalisation of the service.

2. The communication network will act as a leveller in the quality of service supply, through the spontaneous interaction of service companies and consultants. Network groupings should thus be formed which will take on the role previously played by trade associations on a local level. These regrouping processes shall principally concern inter-sector integration of productive processes rather than the specialisation of the services on offer.

3. As for the small and medium enterprises, it is plausible that the regional (or relational) environment will tend to influence their productive capacities and their

image, so service companies will form groupings of a relational nature, able to quantify certain levels of quality. These groupings will have a beneficial effect because they will channel the flow of information in the network and they will make access to it easier.

4. Investments that concern the infrastructures of communication (above all for the transferral of data) will characterise regional marketing as well as the levels of competition in productive areas. Quality levels may also be checked by making a quantitative analysis of the supply of infrastructures.

PLAN OF ACTION FOR IMPROVED SERVICE EFFICIENCY

MEASURES TO IMPROVE AND RATIONALISE THE SUPPLY OF SERVICES

The following are the basic assumptions that can be made before any course of action is taken:

- In the manner of approaching the potential demand, the correct fielding of the offer is decisive. It is therefore necessary to thoroughly understand the needs of the company by applying the correct method of segmentation. Several surveys have shown that, in the business world, certain segmentation keys are useful when trying to pin down the need for company services. It can also prove useful to know the position of the firm in the company life cycle in order to identify the underlying demand for services and encourage the need for appropriate services. It is also good to know how keen a company is on innovation, since this can positively influence the demand for services. It may be concluded that not any old company services may be prescribed simply after a quick company check-up as this simply does not supply sufficient data needed to work out the service requirements in relation to the two key variables listed above.
- Geographical setting remains an important factor in distinguishing different company behaviour with regard to their service demands.
- The explicitly expressed service requirements of companies in under-developed areas are decidedly less articulate than those in well developed areas. This suggests that demand development interventions should be called for.
- An analysis of the mismatch between supply and demand suggests a number of critical areas especially where entrepreneurial spirit is strong and where the needs of companies clash with availability problems in the private services market (as they will do ever more in the future.)

MEASURES TO INCREASE THE DEMAND FOR SERVICES IN ORDER TO INCREASE THE COMPETITIVENESS OF ITALIAN SMEs

For the competitiveness of SMEs in the global market, there are two organisational scenarios that will unfold contemporarily and will not necessarily conflict:

Businesses located in typical regional settings (districts), sufficiently structured and strong enough to maintain tangibility in the global market.

Businesses located in networks with decentralised production plants as well as decentralised commercial and financial functions, all fit for the dynamics of the global market.

Obviously, service activities will have different connotations in the two cases:

the former will be more oriented towards regional characteristics,

the latter will be more oriented towards communications.

In reality, this division will not be so radical and the two aspects will co-exist but with greater or lesser emphasis.

In this way, the path to promoting services can be plotted.

Local development will depend on the characterisation of its productive areas and on the leadership of its main businesses.

Being prevalently small-sized, Italian businesses would benefit from a "strategic alliance" with their own region if they prove themselves able to adapt their products and their organisation to the logistics of an area which remains sensitive to the value of local characteristics.

The different areas will be characterised by their "engineering" content and not by the presence of businesses "linked up". This means that they will be more faithfully represented by their network than by territorial ties.

Service standards will develop at a local level (as will the productive technologies). Standards will be raised in the field of communications.

Networks need regional infrastructures - it is here that the gap is bridged between the local and the global.

Within each so-called setting, the districts will consolidate in relation to the abilities of leadership. This will be ever more important for the service industry.

The evolution of companies in this scenario will have two stages:

the first concerns the evolution of the business community towards broader market situations, and the consequential increase in management functions;

the second concerns the evolution of services towards a greater company integration.

Within the logistics of SMEs, the path to take is that of forming structures that behave as united companies - managed from the inside by commercial rules though co-operating with others and sharing objectives.

The whole process must be sustained by substantial investment in the promotion of services.

The promotion of services should act on three fronts:

the appreciation of characteristics of the local context, with a view to highlighting specific businesses that show a sufficient margin of competitiveness (likewise when carrying out the company check-up). In such an approach, the businesses that are firmly rooted in their own territory tend to stand out and benefit from this.

The connection between production systems and information systems outside the company. This role may be given to institutions that operate in support of local development (in Italy, it would be worth mentioning the chamber system in the sense of a "physical" space in this innovative market). This task must include the involvement of figures such as the "development agent" and the bridge between the information system structure and the services offered by the "one-stop help desk".

Support for the introduction into companies of the suitable management tools to keep development in line with changing trends, quality parameters and certification etc. which make such development possible. These adjustments contribute most significantly to the diffusion of a popular entrepreneurial culture, forerunner of the shift to production "systems".

The combined effect of the above will create the conditions necessary for firms to start to relate to the processes of internationalisation through local, strongly characterised systems, stable both on the domestic market and in relation to the global market.

MEASURES TO IMPROVE VISIBILITY AND QUALITY OF SERVICES

The course of action can be described as:

1. A communication network must be made available which would allow production companies to get to know the supply of services which might be useful to their businesses. The network should have the mandate of applying the same operation standards across Europe. The network should have its own name and its own marketing system. The EU might supply contributions and incentives to link up and circulate information.

2. The network would have to undergo quality procedures with regard to the data that it contains to make sure that it is complete, verifiable (data would be self-certified by users) and official.

3. The information may be organised however the service company likes. The information will obviously be necessary to them to find new clients, so it will be continually up-dated and improved.

4. The information about services should be free so as to raise the level of exchange and bring improvements to the system more rapidly. Furthermore, any way of gaining access to the system without first having signed a consultancy contract must be avoided. The impossibility of "returning" goods if not completely satisfied - dealing as we are with services - makes it advisable to exercise great caution with regard to this aspect.

5. The national institutions that promote services might take responsibility for the maintenance of the network, but these must be "super partes" institutions that fairly represent the reasons behind the supply of services and those behind the demand. These same institutions must also guarantee a local support service for the business community. When one passes from the network interaction to a more operative one of consulting contracts, it is in fact necessary that there is full

integration between the data supplied through the network and that used during direct interaction.

6. It is only right that the support service to the consulting contracts utilise standard procedures and quality thresholds. Therefore, support services for companies must be characterised by the networks and less resistant to them. These services may be entrusted to a European Network at least for the levels concerning the promotion of local development (see the results of the demand analyses contained in this research).

The first step towards a net-system could be the use of available resources in alignment with innovative technical indicators. This will work as a catalyst in the process of service network development.

ANNEX 1

SURVEY OF PRIVATE CONSULTANTS

SAMPLE

Questionnaires were sent to 200 free-lance consultants and consulting firms.

The reference sample is represented half by candidates selected to cover the role of Supervisors of the SEPRI Project Development Agents[42] and half by consultancy activities in the Yellow Pages[43].

The questionnaires were sent by fax, e-mail and post to 200 candidates.

ANSWERS

Out of 200 questionnaires sent out 27 have been completed until today.

Some of the consultants who replied found the questionnaire long and complicated.

The complexity was put down to the difficulty in assessing the use of various instruments and to the fact that the multi-column table was hard to complete.

This latter aspect was underlined in particular by free-lance professional consultants who, as such, have no organisation behind them.

The questions on company aspects of organisation and marketing often remained unanswered.

A number of free-lance professional consultants questioned the effectiveness of a questionnaire for the type of work they did and for this reason did not complete it.

RESULTS

The advisory activities of the sample are shared out consistently with consultancy activities observed in Italy: 13 in northern Italy, 9 in central Italy and 5 in the south of Italy.

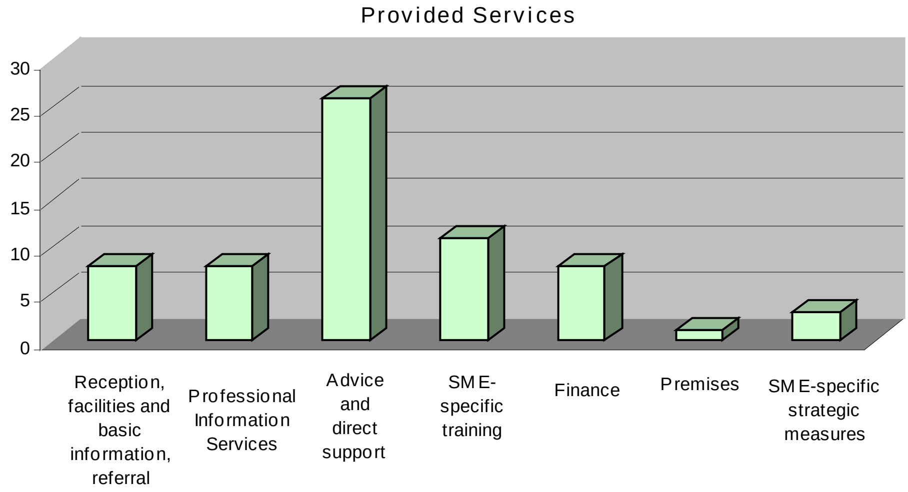
The average number of employees is, on average, more than two units for full-time clerks and almost 3 units for part-time clerks.

Regular clients represented on average 70% of sales turnover in 1998, above the mean figure of 300 million.

[42] See page 58.

[43] Database on the net (www.paginegialle.it) which holds information on Italian companies (more than 3 million) on the national level providing information such as addresses, commercial activities, etc.

The services provided mainly involve direct advisory services. Advice on functional areas is provided by 22 consultants out of 27, 15 provide business planning services and 15 supply consultancy on company strategy and organisation). These are followed at a distance by training and information services (market, financial and technical aspects), and financial services mainly based on consultancy for access to financial subsidies and benefits.



The principal means of communication with the market is represented by direct contacts:

23 consultants out of 27 state that they communicate in this way all the time, sporadic use is made of visits by the field service, presentations on fairs, specialised exhibitions, advertisements in newspapers, phone lists, etc, and professional contributions to magazines and conferences.

Use of web-sites to advertise consultancy activity: 10 consultants regularly use it, 3 make occasional use and 10 rarely or never.

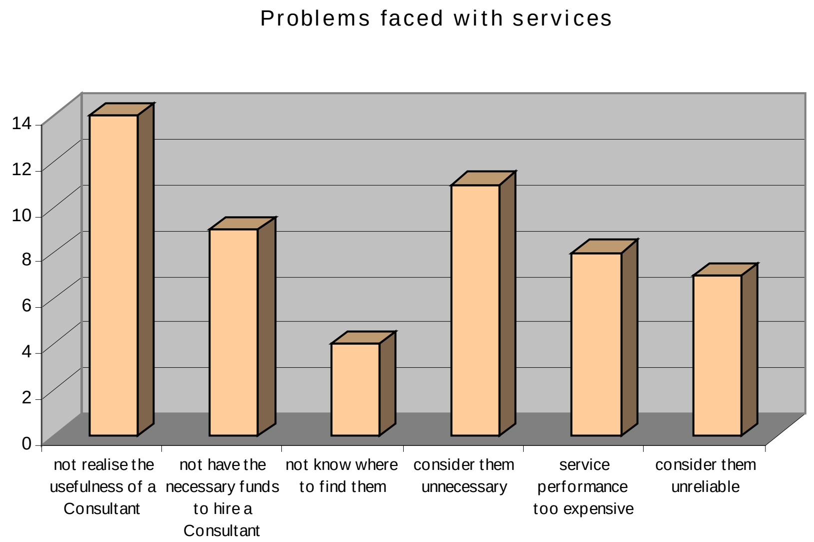
The impact of advertised services is effective above all far advisory and information services and also far access to subsidies and financial benefits.

Another communication element with a strong effect on clients is participation in study groups and/or commissions in which potential clients are represented (13 consultants out of 27).

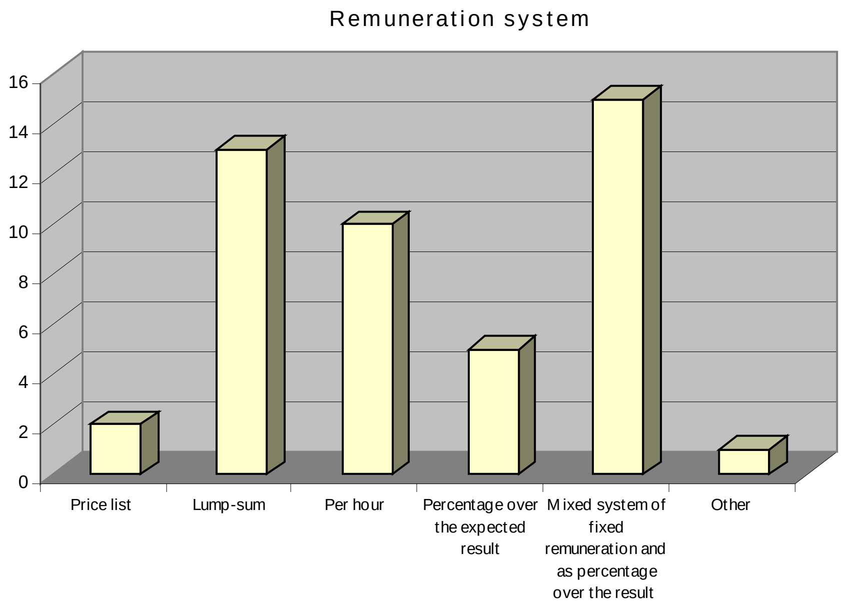
The question regarding services highlighted by advertising media was only completed by 4 consultants: for them, the services that benefit from advertising belong to the area of consultation and professional information.

Applicable legislation prescribes advertising restrictions for free-lance professionals.

The difficulties expressed by SMEs in using services are caused, according to the consultants, by the lack of evaluation of the benefits of consultation and by the fact that it is considered unnecessary. Lack of necessary funds to hire a consultant and the high cost of services also represents an obstacle for access.



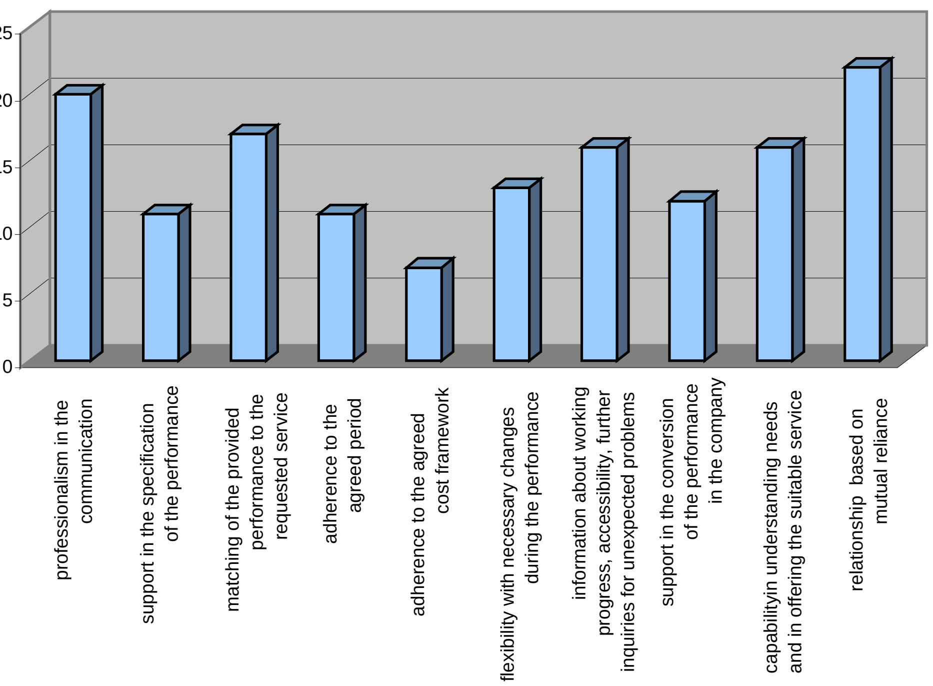
Services are provided by the company mainly in an independent manner. A few cases exist of partnership in a group of suppliers.



Services are provided on the explicit request of the company and are then formally drawn up in a contract. The main system of payment is as a percentage on predicted results and also on lump-sum prices or prices calculated on a time basis.

Services are provided by single contributors mainly within the client company.

Criteria of quality service performance



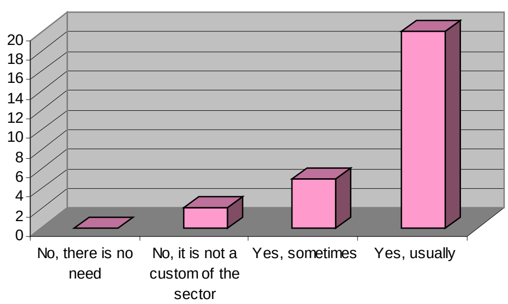
The quality of the services provided is based both on common industry practice and on plans drawn up by the company: major elements in terms of quality are held to be mutual trust (for 22 consultants out of 27), professionalism in client communication (20 consultants), the conformity of service to requirements (17 consultants), assistance and ongoing information in ongoing work, and the capability of understanding the needs of companies and in offering a suitable service.

Subsequent discussion on service satisfaction is a fixed element of the service contract for almost all consultants.

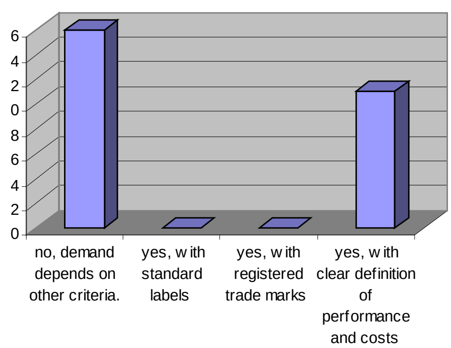
Quality standards defined in advance would be factors likely to increase service demand. For 11 consultants the clear definition of services and costs was considered more important, while 16 consultants think that the demand depends on other criteria.

Demand for definition of minimum quality standards for EU services is expressed by half the consultants.

Following intervew on customer satisfaction



fined quality levels would encrease the demand of services?



ANNEX 2

SURVEY OF SMEs

THE DEMAND FOR SERVICES

The demand for services is analysed in relation to company development strategies. The study therefore focused attention on the types of services that are more directly perceived by business people as useful for company growth, penetrating different markets, etc.

In this sense it is worthwhile specifying what strategic aspects business people concentrate their efforts on.

IMPROVING PRODUCT QUALITY

Most business people endeavour to improve their products (77.5%), without significant distinctions between northern and southern Italy. This strategy is most marked in companies that are aiming at widening their range and penetrating new markets (81.8%), while it is relatively less marked for companies that are striving to maintain their current position. However, even in the latter group the possibility of improving product quality is of interest to three companies out of four (74.6%).

This trend is associated with the demand for quality certification, which is approached in different ways:

- Certification of company quality 10.5%
- Certification of product quality 23.9%
- Quality control of processes and products 16.8%
- Improving development procedures 14.7%
- Improvement in design and packaging 5.8%

INNOVATION

Innovation is the second most important strategy underlying the decisions of business people. In 46.4% of cases these state that they intend introducing innovations over the next two years while 51.1% had already invested in new technology or other innovative elements in 1998.

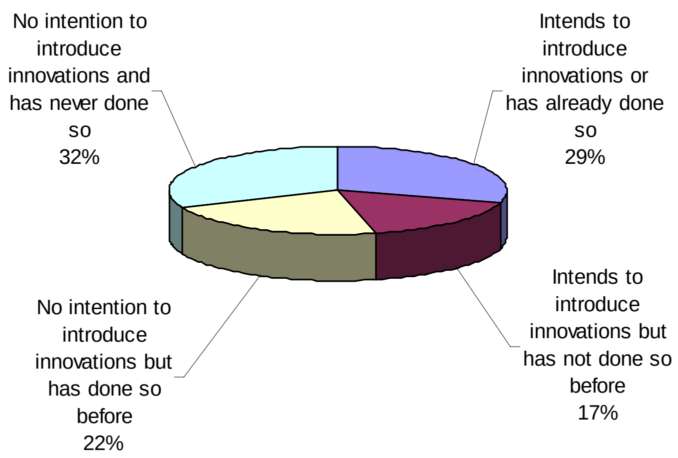
Obviously this tendency is more marked in companies that have aggressive growth policies and less marked in more conservative firms. Geographically, innovation was more substantial in northern Italy (reaching a maximum in the north-west where 54.9% of companies had introduced innovations during 1998) and lowest in the south of Italy (42.2%). As regards the intention to innovate, the position is inverted, with southern Italy (51.2%) exceeding northern Italy (46%).

Innovation has different objectives. It principally involves modernisation of production processes (around 80%) while investment for improvements in products and for marketing/distribution is round 20%. Southern Italy is more interested in improving the marketing/distribution network, while northern Italy is more directed towards new manufacturing processes.

The scale of investment is, however, limited with only 35% of companies making substantial investments (over 300 million lire). In southern Italy minor investments (less than 100 million) are more common (47.5% of companies) and the more substantial investments (over 500 million lire) occur prevalently in the north-west (about 23%).

Classifying the small to medium sized industries (SMI) on the basis of their innovation and investment, a four segment structure is produced (Table 1) and it emerges that the largest block (31.3%) avoids investment while the group of committed investors, who have already made investments and have programmed innovations for the next two years, is 29.4%.

Tab. 1 - Distribution of firms (in percentage) on the basis of their innovation during 1998 and purpose of innovation (no answer excluded)



Fonte: Unioncamere-Istituto G. Tagliacarne, 1999.

The purpose of innovation is more prevalently intervention in manufacturing processes as compared with other company functions.

A need emerges in companies for changes both in company culture and in contextual interaction, this with the purpose of:

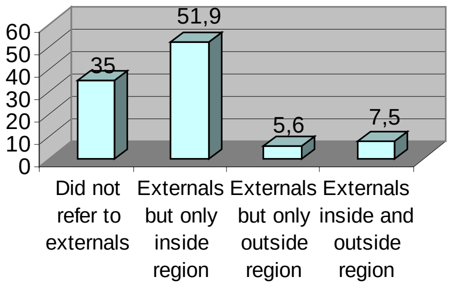
- Making action for product improvement more effective, and the introduction of quality systems more widespread.
- Extending innovation from processes to products and other company functions.
- Reducing financial barriers and promoting the link between credit and innovation.

The resort to external service companies is conditioned by various factors: organisational complexity of firms, internal functional resources, access to and range of services available in the local context, manufacturing integration, role of intermediaries and other figures.

RESORT TO EXTERNAL SERVICE COMPANIES

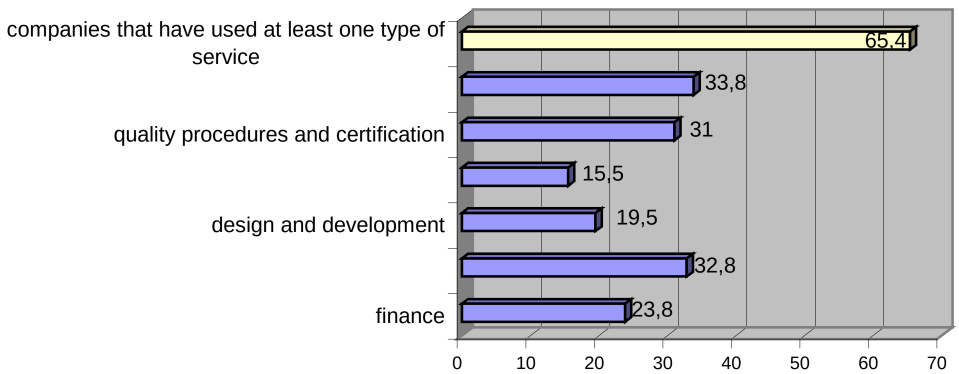
The predominant feature is the widespread degree of externalisation of services and the strong local ties. 65% of companies resort to external services (at least for one type of service) and only a third never do. 52% of firms refer to service companies in their own region, only 5.6% seek services only outside their region, with 7.5% referring to service companies both locally and outside of their own region. (Table 2).

Tab. 2 - Distribution of firms (in percentage) on the basis of territoriality of the demand of services



Source: Unioncamere-Istituto G. Tagliacarne, 1999.

Tab. 3 - The distribution of firms (in percentage) according to the type of services requested from service companies (multiple answers)

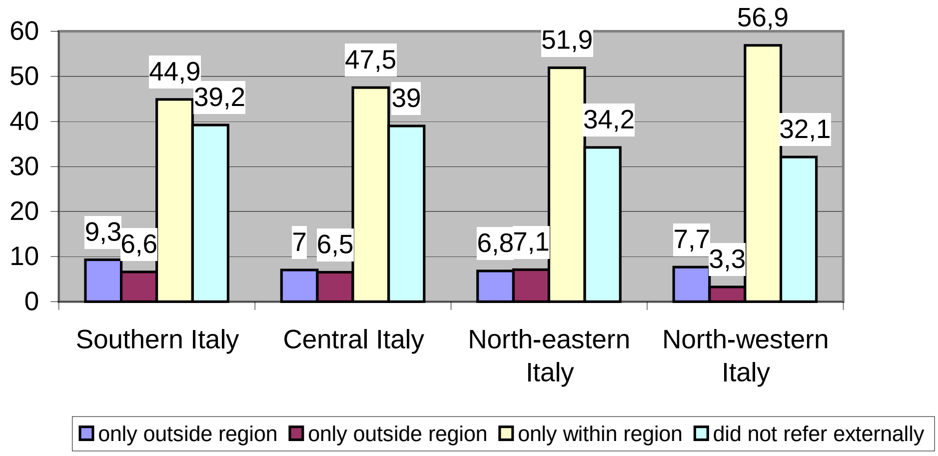


Source: Unioncamere-Istituto G. Tagliacarne, 1999.

The distribution of firms according to the type of services requested from service companies is not clear (Table 3). About a third of firms request quality related services (31%), about a fifth of the total request finance services (23.8%), and design and development (19.5%).

The main criteria in choice of company remains the territorial proximity of the service company. In all types of service the proportion of companies that look for services in their local area oscillates between 76.5% and 84%, while those that look outside of their own region ranges from 6% to 9%.

Tab. 4 - Distribution of firm (in percentage) on the basis of territory of services requested and of place of firms



Source: Unioncamere-Istituto G. Tagliacarne, 1999.

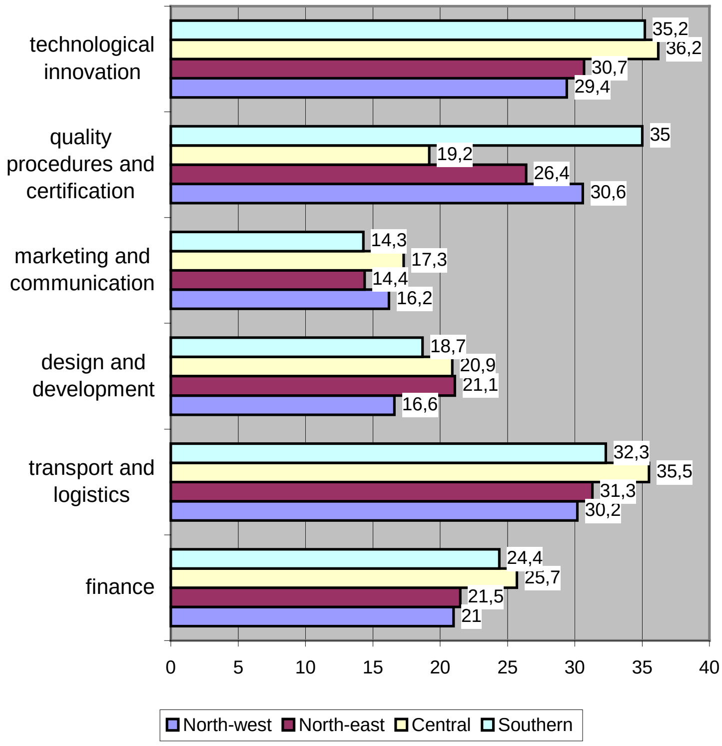
Viewed from a macro-regional point of view few, but significant, differences emerge (Table 4):

- The frequency of resort to service companies is 68% in the north-west, about 66% in the north-east, and 61% in the central and southern regions.
- The resort to service companies in the same region as the company decreases from north to south. It is highest in the north-west (56.9%) and lowest in the south (44.9%), ranging through intermediate figures in the north-east and central regions.

This implies two things:

1. A trend towards equalisation and flattening out of differences between companies from north to south with limited variations in the types of service requested (the only exception being the demand for quality-linked services, with maximum demand in the north-west and minimum in the central region) (Table 5).
2. An increasing demand for regional services, offering opportunities for growth of service companies in less developed areas, and inferring that an incentives policy for enterprise in this area could be beneficial.

Tab. 4 - Distribution of firms (in percentage) that have requested external services on the basis of type of services and the territory of firms (multiple answers)



Source: Unioncamere-Istituto G. Tagliacarne, 1999.

A tendency is observed on a regional basis to look for services in the most easily accessible and frequented areas. In smaller regions, both in terms of size and population, a larger proportion of companies look for services outside of their own region, presumably in the bordering regions.

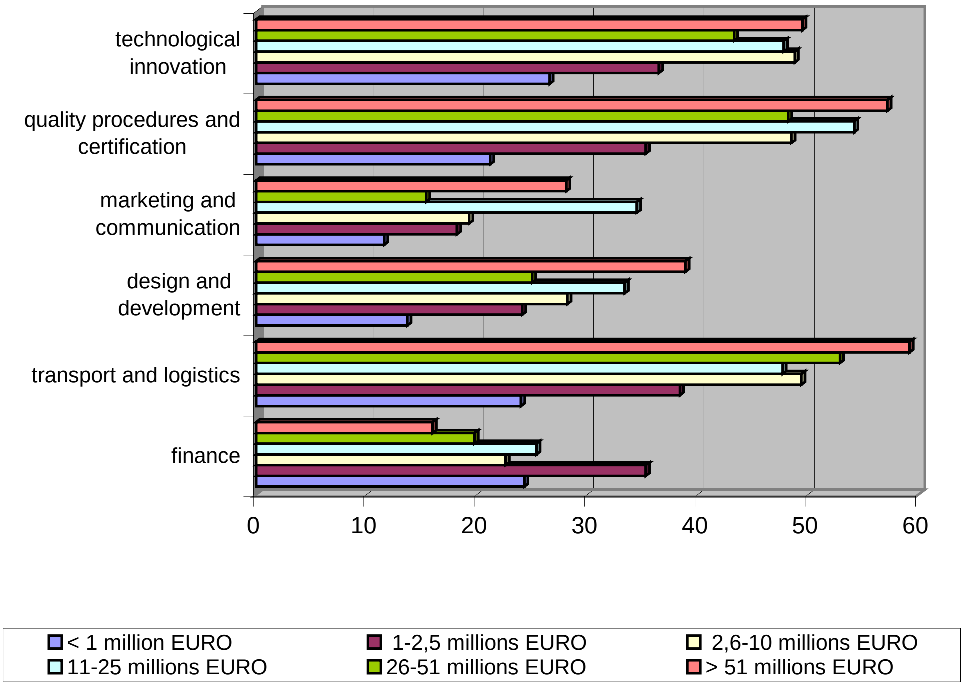
The demand for external services is not a simple substitution of internal functions, and is proportional to the complexity of company requirements. It is consistently higher in companies with a higher turnover (Table 6).

The demand for logistical and transport services, quality procedures and certification, and technological innovation are predominant, and they increase proportionally in relation to increasing turnover.

The demand for design and development, marketing, and communication is lower, but also increases in proportion to increasing turnover (with the exception of turnover in the bracket 51 to 100 billion lire).

The case of financial services runs contrary to this trend with the most frequent demand from the smallest companies and the least frequent from companies with higher turnovers.

Tab. 6 - Distribution of firms (in percentage) that have requested external services on the basis of type of services and sales revenue class in 1998 (multiple answers)



Source: Unioncamere-Istituto G. Tagliacarne, 1999.

Conditions and policies that encourage companies to resort to service industries are clearly expressed by companies. In the first case grants and tax relief, and secondly free provision by public bodies and containment of prices by service companies.

The information collected indicates that resort to services depends on the evolution of the company and the "wealth" of the local supply. There remains an unsatisfied demand (an implicit demand) resulting from the high cost of services.

EXPORT SUPPORT SERVICES

In line with company objectives decidedly slanted towards the commercial area, expressed both in export activity and partnerships with foreign companies, the demand for functions and support activity for foreign sales (Table 7) is, in this order:

1. *Adequate contacts with intermediaries and sales networks (24% of export or potential export companies). This percentage increases sharply for potential exporters (27.1%), which in this way indicate certain specific fields of promotion for their presence abroad, and also for companies that have recently increased foreign sales.*

Table. 7 - % distribution of companies on the basis of services considered important for their positioning abroad and by foreign market trends.

	Total companies	Do not exclude the possibility	Export companies by sales trends abroad		
			increase	decrease	stable
Adequate contact with intermediaries and sales networks	23.5	27.1	25.1	18.1	22.0
Identification and selection of potential clients	20.5	21.4	17.4	20.0	23.0
Evaluation of product potential abroad	17.1	16.5	17.2	13.2	19.7
Covering against risks abroad	7.7	7.5	6.9	10.8	6.8
External services for organising deliveries	6.1	7.1	5.4	7.7	5.0
Technical assistance during contracting	5.6	5.7	4.7	6.6	6.0
Development of the capacity of company personnel	4.8	5.2	6.1	4.3	3.5
Total	100.0	100.0	100.0	100.0	100.0

Source: Unioncamere-Istituto G. Tagliacarne, 1999.

2. *The identification and selection of potential clients is important for about a fifth of firms, up to 21.4% among potential exporters and 23% for companies who maintained unvaried levels of export during 1998.*

3. *The knowledge and evaluation of the potential of products on foreign markets (about 20% of companies with stable levels of export).*

Covering against the risks of trading abroad is seen to be of lesser importance, along with the foreign services for the delivery of goods, and technical assistance during contracting. However, a more marked interest for protection against the risks of foreign trade is seen for the companies that registered a reduction in exportation (about 11%), a symptom also of the problems of enforcing payment. Again in the case of this service there is substantial homogeneity of the potential exporters compared with established exporters. They range through a similar scale of priorities, providing some very interesting insights on how to simplify the *transition to exportation. The bodies considered suitable for the support of companies during export activities can be subdivided into three bands (Table 8).*

- *The Chambers of Commerce (both in Italy and the Italian Chambers operating abroad) were indicated by a fifth to a third of companies. The Italian Chambers structure was indicated by about 37% of non exporting companies, and this could represent the perception its "first contact" role for companies that intend initiating export activities. The figure descends to 29% among exporting companies. However, the latter give more importance to the structures operating abroad. This is easy to understand because these companies require "in the field" support.*
- *The ICE (Italian Foreign Trade Institute) and commercial intermediaries were indicated by about a tenth of companies, slightly more by exporting companies, and less by non exporters. Among the latter indication of ICE falls to 6.1% probably indicating a weakness of the network for "initiating" companies into export and, obviously, the failure of another important promotional activity - "scouting" for potential export companies.*
- *The other subjects, including enterprise associations, freelance workers, banks, export consortiums, are indicated by a small proportion of companies, in the order of 3% to 6%. This fragmented distribution also signals a not insignificant degree of randomness in the bodies that a company encounters when it initiates an export program.*

Table 8 - % distribution of companies on the basis of the subjects considered suitable for providing assistance on foreign markets (multiple answers).

	Total	Exporting companies	Non exporting companies
Italian Chambers of Commerce and their structures	31.0	29.3	36.8
Italian Chambers of Commerce abroad	21.9	22.4	20.2
Commercial intermediaries	11.5	11.6	11.1
ICE (Foreign Trade Institute)	10.8	12.3	6.1
Trade Associations	6.3	6.2	6.6
Freelance workers/consultancy companies and/or procedural management	5.8	5.7	6.3
Banks	5.7	5.2	6.3
Ministry of Foreign Trade	4.8	5.3	3.3
Export consortiums	3.8	3.5	4.7
None	12.2	13.6	7.5

Source: Unioncamere-Istituto G. Tagliacarne, 1999.

In summary, this confirms established experience: the consolidated role of the Chambers of Commerce, the prevalence of foreign structures or Italian national ones, whether or not the company is an exporter, the variety of paths to follow and "do-it-yourself" export activities. There is also a fairly clear lack of "active policy" to induce companies towards exporting.

METHODOLOGICAL APPENDIX - REALISATION OF THE SAMPLE STUDY

The study sample is articulated into two components, each representing a sub-sample of the overall reference population. One referenced the manufacturing sector and the other the retail sector. Both sectors were divided up on a regional basis while maintaining continuity of the panels with the existing sectors in previous editions. The overall structure of the sample thus included 3000 small and medium companies of the manufacturing sector.

The survey questionnaires were compiled using CATI *(Computer Assisted Telephone Interviewing)* by the Atesia company of the Stet group. This technique is characterised by the speed of collection of the information (through the recording of the data with automatic checking) and also allows a centralised management of the survey which takes place over a very limited period of time. The two structured questionnaires were pre-tested before being used for the survey and this allowed assessment both of the survey themes and the practicality of the questionnaires for telematic use. In order to improve the quality of the results, interviewers were also briefed.

The choice of company figures to interview was made from among personnel inside companies that have specific knowledge of the state of company performance. These include owners in the case of small companies and administrative or commercial managers in the case of larger companies. The sampling strategy for each group under examination is described below.

A) Sample of manufacturing companies

Regarding the companies in the manufacturing sector, the sample of previous editions was increased to 3000 units, allowing the main results to be analysed by region (corresponding to the NUTS 2 Community groupings). The sample was redesigned on the basis of the results of the Intermediate Census of Industries and Services 1996. The units were stratified for random extraction in proportional relation to the population on the basis of a "cubic" matrix constructed by sector and size class in terms of employees and regions, with Piemonte and Valle d’Aosta blocked together (Scheme 1). A minimum number was, however, set per region which allowed results with an error threshold below 10% in terms of percentage points, and with a 95% confidence level, hypothesising in advance maximum variability in answers (P=Q=50%).

STRATIFICATION FEATURES OF THE MANUFACTURING SECTOR SAMPLE

Sectors

1) Traditional manufacturing (foodstuffs, textiles and clothing, wood and furniture, etc.).
2) Processing of metallic and other products, chemicals, and rubber.
3) Electromechanics (machines, equipment, means of transport)

Employee classes

1) 6-9
2) 10-19
3) 20-49
4) 50-99
5) 100-249

Regions (NUTS 2) and aggregations:

North-western Italy

1) Piemonte-Valle d’Aosta
2) Lombardia
3) Liguria

North-eastern Italy

4) Trentino Alto Adige
5) Veneto
6) Friuli Venezia Giulia

Central Italy

7) Emilia Romagna
8) Toscana
9) Umbria
10) Marche
11) Lazio
12) Abruzzo

Southern Italy

13) Molise
14) Campania
15) Puglia
16) Basilicata
17) Calabria
18) Sicilia
19) Sardegna