



Business Networks

Final report

Client: DG Enterprise & Industry

Rotterdam, 27th of February 2014



Business Networks

Final report

Client: DG Enterprise & Industry

Dr. Viera Spanikova
Laura Birkman
Corine Besseling

Rotterdam, 27th of February 2014

About Ecorys

At Ecorys we aim to deliver real benefit to society through the work we do. We offer research, consultancy and project management, specialising in economic, social and spatial development. Focusing on complex market, policy and management issues we provide our clients in the public, private and not-for-profit sectors worldwide with a unique perspective and high-value solutions. Ecorys' remarkable history spans more than 80 years. Our expertise covers economy and competitiveness; regions, cities and real estate; energy and water; transport and mobility; social policy, education, health and governance. We value our independence, integrity and partnerships. Our staff comprises dedicated experts from academia and consultancy, who share best practices both within our company and with our partners internationally.

Ecorys Netherlands has an active CSR policy and is ISO14001 certified (the international standard for environmental management systems). Our sustainability goals translate into our company policy and practical measures for people, planet and profit, such as using a 100% green electricity tariff, purchasing carbon offsets for all our flights, incentivising staff to use public transport and printing on FSC or PEFC certified paper. Our actions have reduced our carbon footprint by an estimated 80% since 2007.

ECORYS Nederland BV
Watermanweg 44
3067 GG Rotterdam

P.O. Box 4175
3006 AD Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 68
E netherlands@ecorys.com
Registration no. 24316726

W www.ecorys.nl

Table of contents

Preface	5
Executive summary	7
1 Introduction	9
2 A definition and a model of business networks	11
2.1 Introduction	11
2.2 Business networks and the ToR	11
2.3 Findings of case studies	13
2.4 Proposal for a business network definition and model	15
3 Objectives of business networks	19
3.1 Introduction	19
3.2 Strategic objectives	19
3.3 Operational objectives	23
3.4 The European dimension	24
4 Recommendations on the EC regulatory framework	26
4.1 Introduction	26
4.2 Communications versus Recommendations	26
5 Support structure and mechanism	28
5.1 Introduction	28
5.2 Mechanism to assist business networks and their internationalisation	29
6 Training and training scheme	33
6.1 Introduction	33
6.2 Training matrix	33
6.3 Choice of trainings	34
6.4 Delivery model	37
6.4.1 Building a knowledge sharing community: Peer Learning Exchange	37
6.4.2 Face-to-face training	37
6.4.3 Blended e-learning: mix between online and face-to-face learning	37
Annex 1: Wrap-up meeting presentation	39
Annex 2: Case study reports	40

Preface

Ecorys Nederland BV - on behalf of the WIFO led consortium – was contracted in the summer of 2013 to conduct the study on “Identifying common characteristics among business networks involving companies from different regions and/or countries to encourage their development and enhance inter-firm collaboration at European level” under the Framework Contract n° ENTR-090-33.

This final report presents a proposal for a definition, key characteristics and objectives of EU-level business networks, as well as regulatory and policy recommendations on supporting such business networks, including training.

This study has been carried out in the period between September 2013 and February 2014.

The study team consisted of Dr Viera Spanikova (team leader), Laura Birkman (senior consultant), Corine Besseling (consultant), Eoin O'Melia (research assistant) and local experts coming from countries in which the study visits took place.

The study team was supported by Dr. Christian Ketels (author of earlier profound publications on business networks that served as a starting point of this research) and benefited from his insights and suggestions during the whole study.

This study was commissioned and financed by the European Commission. The views expressed herein are those of the contractor, and do not represent an official view of the Commission.

Executive summary

This final report is based on findings and conclusions from the eight case studies conducted and recommendations made during the wrap-up meeting held on 16 December 2013 at DG Enterprise and Industry in Brussels.

According to the terms of reference specifications the main objective of the study is:

“to investigate and highlight the new forms of inter-firm collaboration and to propose possible support measures to support and coordinate them at European level where and if appropriate.”

The business networks studied through the eight case studies could be divided into two broad types: business associations and company aggregations.

A key difference between the business network associations and aggregations of companies is that the associations provide a platform and conditions for cooperation. The actual decision to cooperate or not to achieve certain objectives is left to the association members. The companies, which decided to cooperate and aggregate, have already taken the decision that they will work together on a basis of a concrete jointly set objective and a cooperation agreement/contract.

The ‘company aggregations’ business network type responds more closely to the study specifications than the ‘business associations’ type. This primary focus on the business networks resembling ‘company aggregations’ has also been confirmed by the EC in discussions on findings of case studies and is reflected also in the proposed business networks definition, model and key characteristics.

The proposed business network definition:

A business network is a form of inter-firm cooperation that allows companies, located also in different regions or countries, to collaborate together on a basis of common development objectives expressed in a cooperation agreement/contract. The companies decide to join their strengths, share information and create synergies to become more innovative and competitive on the domestic and international markets, while keeping their autonomy, not creating a separate legal entity. This cooperation model is suitable for any kind of business activity and sector.

Business networks have strategic and operational objectives. Strategic objectives are focused on longer term activities that help business network members:

- Strengthen innovation;
- Internationalise;
- Foreign matchmaking.

Operational objectives are more diverse and include:

- Provision of legal and financial services;
- Collaboration in regional, national, transnational and European projects;
- Increased buying power through joint purchasing;
- Optimising HR-marketing for recruitment of (highly specialised) talent;
- Provision of Intellectual property protection.

The study has confirmed that business networks do generate value added for their members. It also showed that there is a role for the European Commission to intervene and help the business networks to overcome their regional and/or national borders and become European, which would generate additional benefits for the business networks, their regions, countries and the EU.

The competitive pressure has accelerated in the 21st century. SMEs are challenged more intensively to survive and develop than large companies because of their size, limited access to capital/finance, skilled and specialised staff etc. Their chance to be successful increases when forming so-called “strategic alliances in the form of company aggregations”. It helps them to scale up and expand their market. The studied cases show that companies that formed strategic alliances to internationalise strengthened their competitive positions and brought additional value to their region, nation and even the EU to a greater degree than if they had acted only regionally. However, the cases also show that internationalisation is not an automatic development of business networks. Cross-border cooperation and cooperation at the EU level needs to be triggered pro-actively. The EC with its EU-wide coverage could play such a role and assist those business networks with a cross-border cooperation and internationalisation ambition, objective and potential to realise it.

A full realisation of the objectives of business networks and enforcement of the cooperation of companies through cross-border aggregations and aggregations of companies at the EU level requires longer time and a thoughtful preparation. Therefore, before the EC starts building a support mechanism it needs to prepare the EU business environment for this. Such preparations could be initiated in a relatively short time. We would advise to use the Recommendation as an initial regulatory instrument because it is flexible, can be easily adjusted as the business environment changes over time, and represents less of an administrative burden.

The establishment of a mechanism at the EU level, which would assist the business networks and their internationalisation efforts, would generate benefits for the European business networks in terms of a better (internationalisation) performance. Such a mechanism would assure that the business networks use common terminology, follow common rules and development objectives and carry out tasks linked to these objectives. The mechanism could be seen as a light version of facilitation, with a relevant and clear agenda.

A part of the support mechanism is a specialised training offering provided to EU-level business networks. The European Business Network training scheme focuses on stimulating success and recognises different needs of business networks based on stages of their development. Its mixed educational model offers both face-to-face and blended e-learning and training options to ensure maximum efficiency and cost-effective dissemination.

1 Introduction

This final report is based on findings and conclusions of the eight case studies conducted and recommendations made during the wrap-up meeting held on 16 December 2013 at DG Enterprise and Industry in Brussels. Case studies were conducted in the Baltic Sea Region (ScanBalt), France (COSMED), Germany (NIRO), Hungary (HCCI), Italy (RetImpresa), Poland (Dolina Lotnicza), Spain (AMEC), the United Kingdom (Cambridge Network).

The wrap-up meeting focused on the policy recommendations on (new) forms of inter-firm cooperation, allowing enterprises from different regions or Member States (having different dimensions, productive capacity or operation in different but somehow complementary sectors) to work together around a common objective at the European level. Participants of the meeting came from six studied business networks, DG Enterprise and Industry and the consultant/Ecorys. During the meeting best practices of two different types of business networks were presented: that of NIRO in Germany, representing an association type of business networks, and the company aggregations type presented by RetImpresa in Italy.

The study has an empirical character, represented by the eight cases, and its findings & conclusions result in policy recommendation for the European Commission. Its findings and recommendations reflect a move of the rationale for modern industrial policy¹ towards interventions that help build systems, networks, develop institutions and align strategic priorities².

Outline of this report

This report builds on the draft final report submitted to the Commission on 20 December 2013 and feedback on the draft provided by the Commission on 15 January 2014.

Chapter two proposes a model, including essential characteristics for business networks with a European scope.

Chapter three outlines objectives of business networks, while considering the European value added, compared to their existing regional and national dimension.

Chapter four makes recommendations for the European Commission on how to start preparing the regulatory environment for fostering 'new forms of inter-firm cooperation' at the EU level.

Chapter five presents suggestions for the EC to set-up a support structure and the mechanism to introduce and implement the new forms of inter-firm cooperation throughout Europe, while chapter six focuses on the training scheme.

Annex 1 includes the Power Point presentation, including the programme, of the wrap-up meeting.

Annex 2 includes the eight case studies carried out during this research.

¹ Rationale for industrial policy interventions has moved away from a traditional approach based largely on product market interventions (production subsidies, state ownership, tariff protection), through market failure-correcting taxes and subsidies operating mainly on factor markets (R&D incentives, training subsidies, investment allowances, help with access to finance).

² Warwick, K. (2013), "Beyond Industrial Policy: Emerging Issues and New Trends", OECD Science, Technology and Industry Policy Papers, No. 2, OECD Publishing.
<http://dx.doi.org/10.1787/5k4869clw0xp-en>

2 A definition and a model of business networks

2.1 Introduction

Currently, terminology surrounding business networks is diversified. Economists and business experts alike use the concept interchangeably with clusters, incubators, entrepreneurship ecosystems etc. As such, most participants in business networks define their network according to their (own) experiences. This might work all right for business networks operating at the local or regional level but it presents a challenge for business networks operating at a European or international level. The challenge warrants further investigation into the concept of business networks.

This chapter presents a proposal for the introduction of a common business network definition and a business network model at the European level. It has a number of immediate advantages, including:

- a clear definition of the phenomenon is the very first step to creating more legitimacy to business networks as a business concept;
- a common term and model of business networks facilitates exchanges between business networks from different countries and/or regions.

2.2 Business networks and the ToR

According to the specifications laid down in the ToR (see page 3 of the ToR), business networks have been characterised as *'forms of cooperation allowing enterprises belonging to different regions or even different Member States, having different dimensions, productive capacity or operating in different but somehow complementary sectors, to work together around common objectives.'*

The policy framework characterising business networks is given by the following documents:

- The Europe 2020 flagship initiative "Innovation Union";
- The EC communication on "An integrated Industrial Policy for the Globalisation Era";
- The 2011 Review of the Small Business Act (SBA) for Europe, which pointed to clusters and networks as ***new forms of cooperation between companies capable of triggering important synergies that can contribute to strengthening competitiveness and innovation***; and where the EC announced that it will:
 - promote the new forms of cooperation between companies, including between businesses located in different regions or countries;
 - investigate the new forms of inter-firm collaboration that enable enterprises to join forces, stimulating a coherent and coordinated approach to achieve a common objective without losing their independence.
- The EC Communication on "Small Business Big World, ***a new partnership to help SMEs seize global opportunities***", including a proposal to "encourage and finance the establishment of training programmes for entrepreneurs, SME managers and managers of clusters, business networks and export consortia in order to enable them to steer internationalisation operations."
- The EC Communication on "A European Industrial Renaissance" explaining that the Commission is exploring further possibilities for SMEs to develop cross-border synergies, while maintaining a flexible and light regulatory framework for SMEs. It clarifies that "Business

Networks present interesting business opportunities in particular to strengthen cross border cooperation and that through enhanced intra-community specialisation, business networks could also be an important factor contributing to innovation”.

Based on the above-mentioned, the study thoroughly examined both consolidated and new forms of inter-firm cooperation, which enhance collaboration between enterprises and increase their potential to internationalise, innovate, access finance, carry out research & development and become more competitive than before. The following eight cases were selected and researched under this study:

Nr	Country	Network	Sector	Network at the regional level	Inter-regional network in a given country	Network at the national level	Network at the international level
1	Italy	Business networks formalised by RetImpresa	Various		✓		
2	UK	Cambridge Network	Various	✓			
3	Spain	Amec	Machinery/ Equipment			✓	
4	Poland	Dolina Lotniczka	Aviation		✓		
5	France	COSMED	Cosmetics			✓	
6	Germany	NIRO Network Industry RuhrOst	Mechanical engineering and industrial electronics	✓			
7	Hungary	Hungarian Chamber of Commerce	Various			✓	
8	Baltic Sea region	ScanBalt	Health, pharma, life science				✓

The studied cases present a mix of business networks with different geographical and sectorial coverage in Europe³. They were selected on a basis of the classification of business networks presented in the 2012 European Competitiveness report, its Chapter 5 ‘Clusters and Networks’, which uses the geographical scope as an instrument to systemise the available business networks⁴.

Moreover, the studied business networks were differentiated from clusters and cluster organisations, while using key characteristics of these three types of collaboration structures given in the 2012 Competitiveness Report, Chapter 5, Figure 5.1. In line with these characteristics,

³ One should note, however, that most of the considered networks have a regional character. Only a few considered business networks have a national or international character.

⁴ The chapter on “Clusters and Networks” in The European Competitiveness Report 2012 and the Background Study by Christian Ketels et al on “The impact of clusters and networks of firms on EU competitiveness” proved of great value to this Ecorys study. The business networks and sources identified and used by Mr Ketels were of much use and hence facilitated implementation of this study.

clusters are focused on regional group of related industries, while business networks can have a broader geographical coverage and can be formed around any specific topic and/or objective.

2.3 Findings of case studies

The business networks studied through the eight case studies could be divided into the following two broad types:

- Business networks as business associations;
- Business networks as company aggregations.

The business networks as associations provide a platform and conditions for cooperation. The actual decision to cooperate or not to achieve certain objectives is left to the association members.

Business networks as company aggregations are formed by companies, which decided to cooperate and aggregate. They have already taken the decision that they will work together on a basis of a concrete jointly set objective. Each of the aggregation companies has a value added that needs to be realised in order to achieve the joint cooperation objective.

Each of these two types is characterised more in detail below.

Business networks – associations

The majority of the identified business networks have a character of business associations, which are servicing their members (SMEs, large firms, universities, research institutes) and satisfying their ambitions and actual needs. The ambitions and actual needs cover a wide range of topics, including:

- Networking
- Matchmaking
- Training
- Recruitment
- Joint purchase
- Export/internationalisation support
- Lobbying.

The members of these associations pay a certain membership fee to cover the centrally provided services. The associations have established a stable and well functioning governance structure. Most successful associations are close to their members, monitor their ambitions and needs periodically and are pro-active in developing & providing new services to satisfy them. A combination of the bottom-up (staying close to the actual members' needs) and top-down (efficient & lean governance structure) are important factors of their success.

Some business networks of the association type, such as NIRO (2007), ScanBalt (2004) and the Cambridge Network (1998) are relatively young. They were established as a response to satisfy some new and growing needs of their founding companies. For example, NIRO found a niche market by providing solutions to process challenges of its member companies that are not or cannot be solved by the existing organisations, such as Chambers of Commerce or lobby institutions. The Cambridge Network, in turn, provides its members with state-of-the-art networking, website, training, matchmaking and recruitment services. ScanBalt enables its members to join together in consortia to present strong teams in multi-million euro research acquisition projects.

Moreover, some of the association type business networks are grouped by sector (i.e. AMEC, COSMED), while others are more typically organised by geographical location and scope (i.e. Cambridge Network, ScanBalt).

Through the provision of networking and matchmaking services the business networks of the association type create a playing field, or a platform, for cooperation among companies. An example could be assistance in the establishment of export consortia for different countries/markets by AMEC in order to increase the success rate of new markets penetration/internationalisation by its members. However, it should be noticed that such services are usually offered as a side activities and do not, in general, belong to the core offer of the associations.

To conclude, the provision of relevant services to its members, both general and specific, is the key task of the business networks of the association type. As these services are provided to a range of members, they are more extensive and professionalised than would be the case when each company would carry/offer them by itself. Some companies might not be even able to provide them themselves as they would be too costly.

Business networks – company aggregations

The study has researched also business networks as aggregations of companies. Such business networks have been formed by companies collaborating directly with each other, without an establishment of a representative and/or a servicing association. An illustration could be an aggregation of companies along the value chain of the sector in which they operate. The aggregations of companies are networks of companies that cooperate together to achieve a certain, joint objective. It is a spontaneous aggregation of companies, cooperation of which can be intensified by its formalisation through a business contract. This type of business networks has been found in Italy.

Both types of business networks are important for the development of cooperation among different types of companies, as they both help them to increase their potential to internationalise, innovate, access finance, carry out R&D and at the end become more competitive. They are placed somewhere within the continuum from arms length pure market interaction up to full company integration, i.e. by mergers. The rationale for the business networks must therefore somehow relate to their relative strengths and weaknesses. Thus, it is on the one hand about synergies (economies of scale & scope; spill-overs) versus flexibility (i.e. preparation of contracts).

Common denominator of business networks

One of the priorities of the study is to identify a common denominator around which a definition and a model for business networks having a European scope could be built. The common denominator is identified on the basis of information gathered in the case studies and the wrap-up meeting held at the European Commission DG Enterprise & Industry on 16 December 2013.

When looking at the researched business networks, the ‘company aggregations’ business network type responds more closely to the ToR specifications of this study than the ‘business associations’ type.

According to the ToR⁵ ‘business networks should be understood as **aggregations between companies** that enable them to join strengths, share information and create synergies to become more innovative and competitive ...’. This primary focus on the business networks resembling ‘company aggregations’ has also been confirmed by the EC in discussions on findings of case studies.

While the focus of the ToR is clear, it is important to notice that business network associations can and do play an important role in the formation of company aggregations through their networking and matchmaking services. Since SMEs have limited capacities and resources to search for suitable (inter)national cooperation partners who could strengthen their competitive position, there is clearly an increasing need for such assistance, especially at the European/international level. Relevant examples of needs for such assistance are provided by the Italian and Spanish cases addressed in this study.

The Italian case is unique in this respect as it presents both types, the business network association and company aggregations. RetImpresa⁶, as a representative association, coordinates and delivers business network related services to its affiliated members. RetImpresa, through its regional associations in the whole country identifies and formalises the existing BNs, and assists in creating strategic aggregations of firms (matchmaking) since 2010. The formalisation takes place through the business contract among member companies of the BN. The aim is to bring BNs to a higher, more structured, collaboration, which equips them with skills to face the globalisation pressure, become more competitive, start innovating and internationalising and at the end achieve a better economic performance than before (without a formalised BN).

The Italian business network as company aggregation, is expressed through a multi-lateral cooperation contract between entrepreneurs⁷. The law provides a frame of the contract (including a number of key mandatory and optional elements), while the content is decided by companies themselves. Free riding of companies, which might be inherent to such intermediate arrangements, is treated by the availability of the key mandatory elements of the contract, namely the specification of a jointly agreed objective, activities to achieve it and a mechanism of measuring & monitoring the progress towards its achievement. The business network contract leaves participating companies their own autonomy, without creating a separate legal entity. This formalisation of business networks in Italy has been a valuable industrial policy tool that has enabled – in less than 3 years – more than 6000 companies to embrace innovation and internationalisation programmes.

2.4 Proposal for a business network definition and model

On the basis of the findings of this study, a business network could be defined as follows:

A business network is a form of inter-firm cooperation that allows companies, located also in different regions or countries, to collaborate together on a basis of common development objectives expressed in a cooperation agreement/contract. The companies decide to join their strengths, share information and create synergies to become more innovative and competitive on the domestic and international markets, while keeping their autonomy, not creating a separate legal entity. This cooperation model is suitable for any kind of business activity and sector.

On the basis of this working definition, a business network model could be characterised by the following elements:

- Business networks seen as the aggregation of collaborating companies with no limits in number, size, sector or geographical location;
- Collaboration of companies is focused on achieving a certain, jointly agreed objective;

⁶ RetImpresa is a representative association that works on behalf of Confindustria on the implementation of the business network contract model among Italian and European companies. Confindustria is the Italian employers' federation.

⁷ It is regulated by D.L. 5/09 and subsequent modifications and integrations.

- Companies define jointly also set of activities (i.e. programme/business plan) to achieve the objective, as well as agree on a procedure to measure the progress towards achieving the objective;
- Collaboration, including the objective, activities, measurement of progress, is stated in an agreement formalised through a contract with a certain, jointly agreed duration. The formalisation brings the participating companies to a higher, more structured collaboration. Such intensified collaboration equips the companies with skills to face the globalisation pressure, become more competitive, start and/or intensify innovating and internationalising and at the end achieve a better economic performance than before (without a cooperation agreement/contract). At the same time it treats free riding of companies;
- The cooperation contract should include also jointly defined and agreed governance, such as decision procedures, definition of parties' rights and obligations; ways to enter/exit the contract;
- Collaborating companies are open to and look for (new) strategic partners elsewhere in order to remain competitive and stand the globalisation pressure.

A key difference between the business network associations and aggregations of companies is that ***the associations provide a platform and conditions for cooperation. The actual decision to cooperate or not to achieve certain objectives is left to the association members. The companies, which decided to cooperate and aggregate, have already taken the decision that they will work together on a basis of a concrete jointly set objective.*** Each of the aggregation companies has a value added that needs to be realised in order to achieve the joint cooperation objective. Thus, the aggregations of companies go a step further in achieving and maintaining a higher intensity of cooperation that is stated in the joint agreement formalised through a contract.

An overview of key characteristics of business network associations and aggregations of companies are presented in Figure 1. Figure 2 illustrates relations in a business network association. Figure 3 gives examples of possible cooperation in business networks of aggregated companies.

Figure 1 Business networks: associations and company aggregations

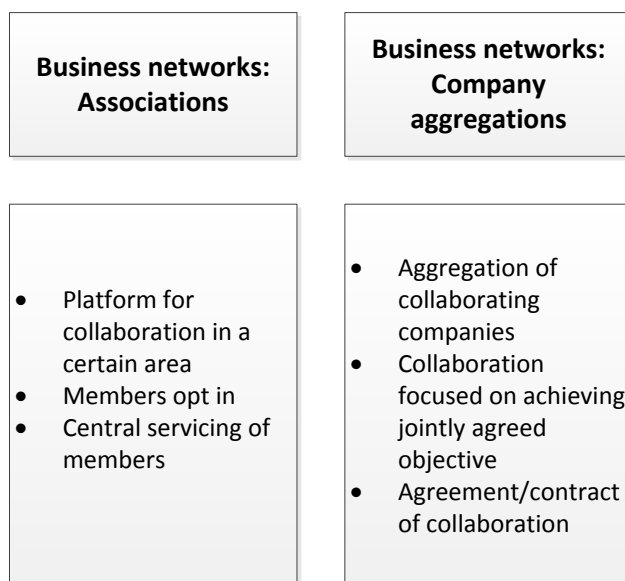


Figure 2 Business networks: associations

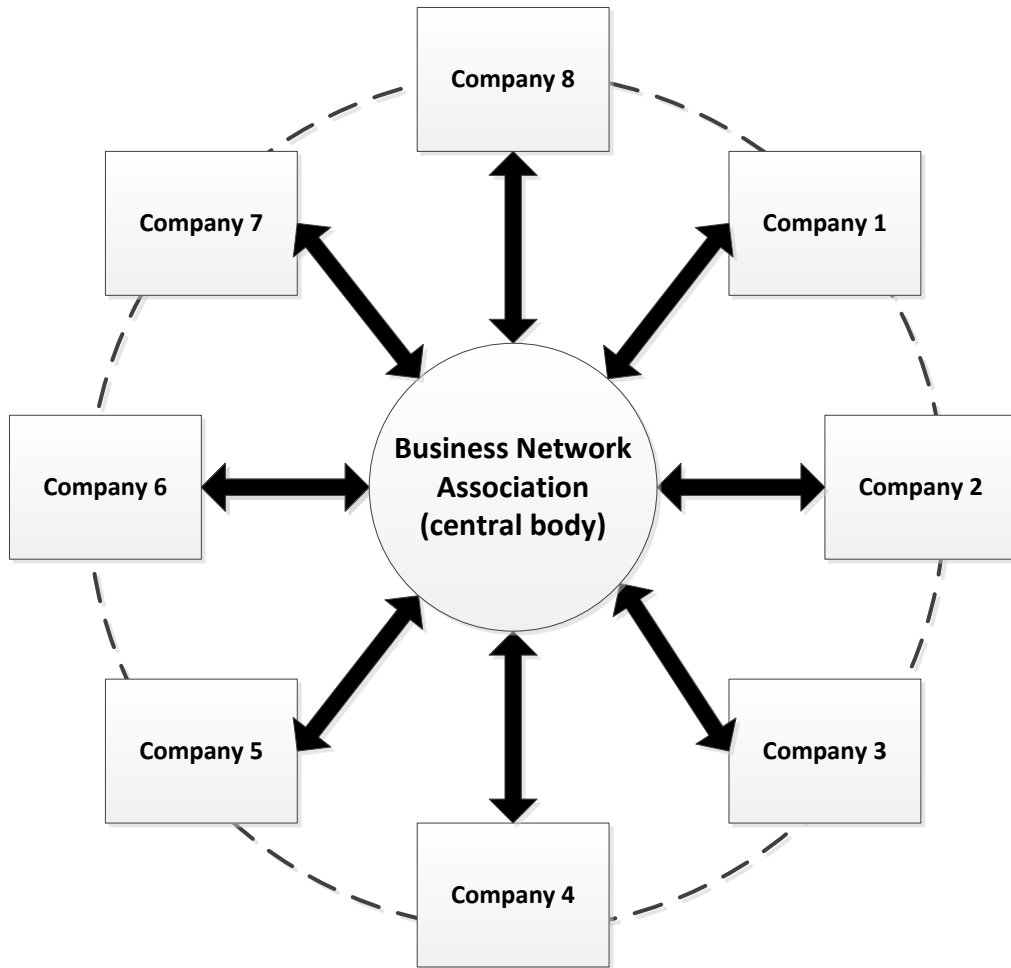


Figure 2 illustrates the association type of the business network. The association provides a platform and conditions for cooperation for its members. Companies decide to join the association or not. Once they join, there is a direct linked and communication between the central body of the association and the member, which is indicated in Figure 2 by arrows. However, as mentioned earlier, the actual decision of companies to cooperate with each other or not in order to achieve certain objectives is left to the association members themselves, which is indicated by a broken line between companies.

Figure 3 Business networks: company aggregations, examples of collaboration model

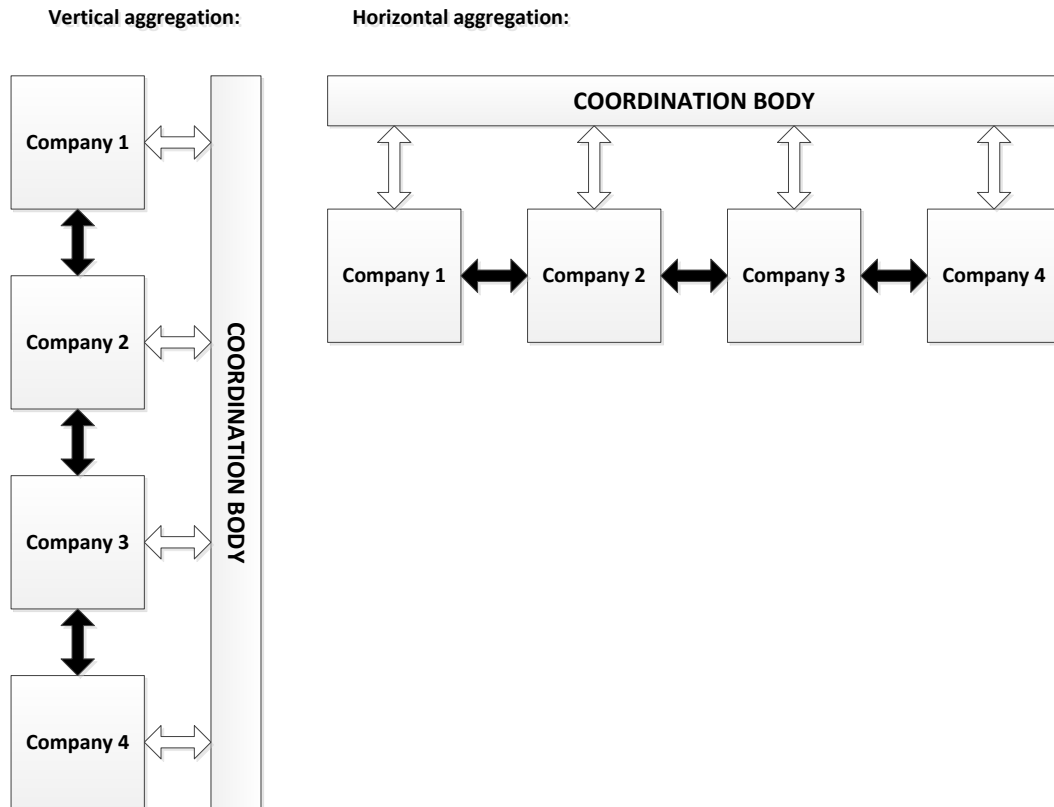


Figure 3 illustrates two forms of cooperation through business networks as aggregation of companies: the vertical and horizontal one.

The vertical cooperation is collaboration between companies that are engaged in different stages of the value. An example is cooperation between the following companies: a supplier of leather, a manufacturer of leather bags, wholesale distributor and retailer of leather bags.

The horizontal cooperation characterises collaboration among firms of the same industry and in the same stage of the production process. An example is a number of small producers of leather bags who cooperate and produce together sufficient number of bags to satisfy the order of a large marketing & distribution company.

The arrows between companies show that these companies are actually cooperating together in order to achieve a common, agreed objective. They have agreed and are obliged to do so through an agreement/contract. They are dependent on each others inputs by, for instance, representing (a part) of value chain. At the same time they communicate directly with a common body that coordinates their cooperation and monitors whether they do contribute to the achievement of the jointly set objective.

A key difference between business networks as company aggregations and joint ventures is that the former use the network contract as a collaborative tool to get hold of concrete opportunities and expand their business, while preserving at the same time their autonomy without creating a new legal entity. The latter assumes an establishment of a new legal entity.

3 Objectives of business networks

3.1 Introduction

Following a definition and model of business networks, the next logical step is to formulate the main objectives of business networks. The objectives of business networks describe what the business network is striving to accomplish. Objectives of business networks can be divided into strategic and operational ones.

While a network's strategic objectives depict the more general outcomes of activities, its operational objectives specify more specific outcomes of activities. Business networks will likely adopt strategic and operational elements, depending on their role in the market. As discussed in Chapter 2, business networks can take on the form of either associations or aggregations of companies. As such, their specific objectives differ.

In the case of business network associations, operational objectives will mainly focus on optimising the conditions for inter-firm collaboration. They provide the enabling environment for companies to develop strategic alliances with other network members to improve their performance.

Company aggregations go one step further: the companies involved already have agreed to cooperate and work around jointly agreed operational objectives expressed in the cooperation agreement/contract.

Important mechanisms driving business network activity include: cooperation, sharing, acceleration and optimisation. These mechanisms can trigger benefits for businesses, such as:

- Sharing information and exchanging experiences to make informed and operational decisions faster;
- Pooling of resources and support activities to improve performance;
- Creating new business opportunities and facilitating access to new (international) markets.

The opportunities that business networks bring, however, will not materialise unless they articulate specific operational objectives for the actual activities of the network. Collaboration does not happen automatically, even if funding is available. According to the European Competitiveness Report 2012⁸:

'without clear targets there is a danger that network programmes attract 'hunting parties', i.e. small groups of companies, often facilitated by a consultant, that tap into available funding without creating any meaningful public value'.

The articulation of common, operational objectives, therefore is another essential component in the successful implementation of a business network model. This clarification holds for both strategic and operational objectives.

3.2 Strategic objectives

Business networks facilitate the formation of strategic alliances that are becoming of increasing importance in a fast-moving, highly competitive global business environment that requires

⁸ European Commission, European Competitiveness Report 2012, Chapter 5 'Clusters and Networks'.

companies to be innovative, adaptive, and (cost) efficient. Specifically, business networks can help SMEs develop more innovative products and share the costs of research, manufacturing and distribution.

The underlying driver for business networks is the growing realisation among SMEs that they need long-term business models in order to innovate and internationalise. A longer term agenda helps companies incorporate both corporate and social value in their business models – a dual orientation that helps SMEs stay in touch with the market and its customers and remain competitive.

Developing a long-term strategic agenda, however, is often too costly for SMEs forced to focus on surviving the next financial quarter. Business network associations and company aggregations bring companies together around strategic issues and enable companies with shared interests to work together to:

- Do business at a faster speed: The speed of doing business in the 21st century has accelerated at unprecedented levels as a result of the internet and the ever increasing demand for fast, decisive, and innovative action, with the right partners⁹;
- Exploit scale advantages: Business networks offer opportunities to bundle and unify company-specific operational objectives and capacities with other companies and/or interested parties so that they can compete more successfully on the global market.

The business networks studied for this report cover business network associations and company aggregations in Italy, the United Kingdom, Germany, France, Spain, Poland, Hungary, and the Baltic region. In order to get a good sense of business network objectives, therefore, it is interesting to point out the common specific outcomes of the activities – both strategic and operational - of these networks.

Strategic objectives are focused on longer term activities that help members of business network members:

1. Strengthen innovation;
2. Internationalise;
3. Foreign matchmaking.

Strengthening Innovation

Business networks help protect innovations by providing an enabling environment for companies to improve their skills and help them aggregate or strategically align with (other) companies with shared objectives to develop new products or services.

A good example is the Italian case, where RetImpresa assisted the RACEBO¹⁰ machinery business network that was established by cooperating machinery companies to help them be more competitive. RACEBO was able to grow rapidly as a result of the combination of two targeted activities:

- the joint development of a new or innovative product that was composed of elements that were manufactured and assembled by different member companies;
- the efforts of RetImpresa to help RACEBO screen potential partners for the network to help them scale up production.

The above two-step process lies at the heart of our business network model: i.e. to combine the bottom-up driven process of the aggregation of companies around a strategic or operational objective (i.e. the development of new/innovative product), assisted by the association that helps

⁹ The agreement/contract facilitates focused cooperation and prevents free riding of companies.

¹⁰ RACEBO business network grew rapidly since its establishment in 2010 and started exporting in 2011.

creating the enabling business environment for aggregations (i.e. by screening potential partners to upscale production).

Internationalisation

Most business networks studied in this report provide advice and coaching in internationalisation. This service is provided both by network associations and company aggregations. The best practice examples of internationalisation services are given by the COSMED business network in France, the AMEC network in Spain and FFF business network in Italy.

- The COSMED business network in France is an association active in the cosmetics sector, for which international markets are considered key to the survival of member companies. Yet, legislative, labelling and regulatory requirements might change considerably across countries. Therefore, to help its members succeed in exporting and investing globally, COSMED has successfully developed the regulatory monitoring of relevant legislation for 92 countries across the world. Part of the COSMED team also provides specific support through an e-mail alert system and a telephone service.
- The AMEC Association in Spain provides assistance to members who want to participate in international fairs and provides information on potential export markets. In addition, AMEC has established cooperation agreements with various partners with the intent to help Spanish companies internationalise. An example is the 'Export to grow programme'. The programme was established three years ago by a consortium of companies, offering companies/exporters a wide range of information, advice and services. Under the programme regular events are organised – both face-to-face and online. A strong point of this scheme is that it encourages successful exporters to share their success stories with interested companies.
- The Five For Foundry (FFF) business network, where companies from four EU countries (Italy, France, Czech Republic, Poland) work together to achieve a better performance through the creation of a common brand, development of a wide range of offer, development of post-sale assistance, reaching high quality standards and the reinforcement of the presence on international markets. See for more information the text-box below.

FIVE FOR FOUNDRY business network ¹¹
<p>Members</p> <p>15 flexible and dynamic SMEs active in the aluminium foundry business, of which: 12 Italian, 1 French, 1 Czech and 1 Polish company who decided to join forces under a business project in 2008 as a response to the engineering sector crises</p>
<p>Joint tasks</p> <p>By signing the business network contract, the companies perform together the following tasks while remaining autonomous in all others business decisions and activities:</p> <ul style="list-style-type: none"> - Creation of the brand "Five For Foundry -FFF" - Development of a wide range of offer - Development of post sale assistance in third countries closest to international partners' - High quality standards - Reinforcement of the presence on international markets
<p>Results</p> <p>Since the establishment of the network in 2008, the FFF reached the following results:</p> <ul style="list-style-type: none"> - presence/activities in 21 countries

¹¹ <http://www.fivefoundry.com/en/company/1/five-for-foundry.html>

FIVE FOR FOUNDRY business network¹¹

- 11% increase of staff in the period 2009-2012, compared to 2008 (through hiring of new staff)
- 3,5% cost saving in 2012, compared to costs in 2009
- total annual turnover increase, compared to the previous year: 16% in 2010, 34% in 2011, 7% in 2012
- total turnover of EUR 118 million in 2012

The above examples illustrate the important work that business networks play in facilitating internationalisation. In order to consolidate internationalisation efforts, a company relies more directly on strategic alliances that can help trigger synergies around specific operational objectives.

Foreign matchmaking

Most business networks studied for this report provide their members with assistance in their search for (potential) partners and/or strategic investors through matchmaking and other means. Examples include the Corporate Gateway initiative by the Cambridge Network (UK) and the Dolina Lotnicza Association (Poland).

- The Corporate Gateway initiative is an internationally oriented service that offers a so-called “speed dating service” that works as follows: an international company interested in the Cambridge Network makes a business proposition and the Corporate Gateway sets up a two-day schedule of meetings with potential partners. The UKTI, a member of the Cambridge Network works in partnership with Enterprise Europe Network on a similar EU-funded initiative.
- The members of the Dolina Lotnicza Association (DLA) are companies that constitute an important part of the world supply chain of the aviation industry. These companies offer final products, such as transporting planes and helicopters, as well as several types of light and ultra-light airplanes. A large group of these members are foreign investors (international corporations and a growing number of medium-sized family businesses) who have invested in the Polish Podkarpackie region. This has brought the DLA network to pro-actively explore international cooperation opportunities in Japan, China, Australia and Latin America.

While the above business networks are associations that have done a lot to attract foreign investors to their individual member companies, they have not been equally successful at creating aggregations of member companies around more specific operational objectives. RetImpresa goes one step further than these associations by encouraging company aggregations to establish a joint fund facilitating the achievement of shared operational objectives. The establishment of such a fund by aggregations of Italian companies was until recently stimulated by tax reliefs. Not only does this stimulate companies to search for and articulate potentially ambitious joint objectives with other companies, it invites them to articulate specific action plans with concrete deliverables.

3.3 Operational objectives

Effective operational objectives define a goal, specify definite, observable behaviours, indicate an appropriate level of attainment, are assessable through one or more indicators, are realistic and achievable and use simple language.

Operational objectives of business networks mainly focus on tools for organising activities specifically directed towards SMEs and the provision of other value added schemes aimed at reducing operational costs, improving innovation, exploiting scale advantages, developing market share, and increasing profitability.

Operational objectives observed in the case studies are more diverse and focused on sharing best practices among business network members. Common operational objectives include:

- Provision of legal and financial services;
- Collaboration in regional, national, transnational and European projects;
- Increased buying power through joint purchasing;
- Optimising HR-marketing for recruitment of (highly specialised) talent;
- Provision of Intellectual property protection.

Provision of Legal and financial services

Legal services include formalising business network contracts for companies and company aggregations and the provision of information about getting tax reliefs, such as those provided by RetImpresa in Italy. Another example is the provision of certain legal services by AMEC to its members, through its cooperation with Garrigues (one of the main law firms in Spain), which takes place free of charge or for reduced prices.

An example of financial services is the financial advice and assistance provided by BNL-BNP Paribas Bank for company aggregations in Italy.

Collaboration in regional, national, transnational and European projects

Publically funded projects often form a catalyst for the formation of consortia assembled by a business network and can even catalyse the formation of new networks. E.g. The ScanBalt network specialises in building consortia and winning European and other transnational projects in the field of health and bio-economy, such as the EU Baltic Sea Region Strategy. Future opportunities are foreseen for bundling network member expertise in the EU Horizon2020 agenda.

Increased buying power through joint purchasing

The NIRO network has developed a joint purchasing scheme with partners (e.g. Technical University of Dortmund) and member companies for the procurement of goods such as electricity and overhead materials. and has an online system where member companies can pre-order specific items. In addition, the NIRO Academy efforts at forming steering groups or training programs organised around management and voluntary contracts. The NIRO joint purchasing system has been so successful that NIRO created a sister organisation ByNIRO that focuses primarily on providing services that bundle member procurement needs.

Optimisation of HR-marketing for recruitment of (highly specialised) talent and use of talent

Recruitment services are a priority for many business networks and provide a classic example of an operational objective to attract the best people to member companies. The Cambridge and NIRO provide two good best practice examples:

- The Recruitment Gateway of the Cambridge Network is one of its most used and appreciated services. It is an online tool that helps companies recruit key staff from outside the network. It functions as a Jobs Board. It is especially useful for member SMEs who want to recruit talent beyond the immediate Cambridge community, but do not want or have the resources to invest (heavily) in recruitment efforts. The jobs presented on the Gateway are mainly technology related.
- The NIRO business network, in turn, creates and promotes direct relationships between companies and young academics with special campaigns that promote careers in the metals, mechanical engineering and industrial electronics sectors (focus areas of NIRO member companies). In addition, the NIRO Academy provides online recruitment and matchmaking services. NIRO recently invested in add-on advanced online recruitment system that has a reach well beyond the Ruhr region. Candidates from around the world are able to apply for jobs through this system.

The best practice example of the use of recruited talent is provided by the Italian business networks, which have flexibility to share and exchange personnel of its individual members, according to their actual needs. This allows overcoming fluctuations in work load of member companies and optimising occupancy of available personnel. This flexibility was introduced by the amendment of the Business Networks Act (No. 122/2010, article 4) in Italy in August 2013.

Provision of Intellectual property protection

In addition to more strategic considerations to protect IP over time mentioned above, business networks also provide operational IP schemes to assist members in the complicated and often burdensome IP application process. Cambridge Enterprise of the Cambridge Network provides such as service for all University related start-ups. Another example is the IP development efforts RetImpresa is making to help SMEs over the hurdle to seek out new and complementary collaboration efforts.

3.4 The European dimension

Company aggregations that embrace the strategic objectives of business networks outlined in section 3.2 are the target group of this study.

The strategic objectives of company aggregations functioning at the European level will be by and large the same as the strategic objectives at the regional and inter-regional level, namely: innovation, development of cross-border cooperation, internationalisation and foreign market exploitation. However, the ambition level of these strategic objectives will need to be sharpened and optimised to match the more complex realities of the European internal market and include a corporate risk analysis along the lines of adapting to new geographies, institutions, values (social, cultural) and economical realities.

The operational objectives of company aggregations functioning at the European level, on the other hand, will likely need to be adapted more rigorously as the size and scope of company aggregation operations will demand a new business model with specific activities attached to them.

For an illustration, the internationalisation strategic objective could be translated into the following operational objectives:

- Development of a common internationalisation strategy;
- Participation in events and initiatives that promote internationalisation such as fairs;
- Development of marketing strategy, i.e. creation of a common brand, and marketing of high quality products abroad;
- Seizing new business opportunities;
- Common post sales assistance abroad;
- Sharing information on different markets;
- Providing training to members of staff employed in the international areas of businesses.

The remaining sections of this report will focus on business networks as company aggregations and the term 'business networks' will refer to them.

4 Recommendations on the EC regulatory framework

4.1 Introduction

The study has confirmed that business networks do generate value added for its members. However, why should the EC intervene and help them to overcome their regional and/or national borders and become European?

The competitive pressure has accelerated in the 21st century. SMEs are challenged more intensively to survive and develop than large companies because of their size, limited access to capital/finance, skilled and specialised staff etc. Therefore, in order to survive and be successful, they need to become, act and work more strategically, faster and in a more flexible manner. Their chance to be successful increases when forming strategic cooperation aggregations. It helps them to scale up and expand their market. The case studies of Italy, Spain and Poland showed that strategic alliances of companies that internationalised strengthened their competitive positions and brought more value to their region, nation and even the EU, compared to when they would act only regionally. However, as the cases show, internationalisation is not an automatic development of company aggregations. Cross-border cooperation and cooperation at the EU level need to be triggered. The EC with its EU-wide coverage should play such a role and assist company aggregations with a cross-border cooperation and internationalisation ambition & objective and potential to realise it.

Realisation of the objectives of business networks and enforcement of the cooperation of companies through cross-border aggregations and aggregations of companies at the EU level requires longer time and a thoughtful preparation. Before the EC starts building a support mechanism it needs to prepare the environment in the EU for this.

An essential question in the preparation of this environment is whether it should be legally binding or have a voluntary character with some specific obligations. We recommend focusing on the latter because it is more flexible, can be easily adjusted as the business environment changes, and represents less of an administrative burden. In the end, this would be beneficial for the whole implementation process. Moreover, it is important that the implementation and possible future changes take place in communication with relevant public and private stakeholders.

4.2 Communications versus Recommendations

In order to foster cooperation of companies through business networks at the EU level, the EC could, in a short-term, consider the use of the following two legislative instruments:

- Communications;
- Recommendations.

Communications allow for medium- to long-term policy planning by setting out strategies and policy objectives. Usually, they are drawn up in consultation with appropriate consultative committees and committees of experts and have to be approved by the Council to be given effect. The consultation and approval procedures can therefore result in a rather lengthy process.

The Commission may consider it therefore preferable to suggest, by means of the approval of a Recommendation, greater coordination and enhanced cooperation among companies through business networks. By doing so, the Commission could suggest practices and common rules by which the business networks voluntarily regulate and organise their activities. Although Recommendations do not involve legislative acts, they do not rule out the possibility of legislating if the agreement proves insufficient or inefficient.

Recommendations, as a form of self-regulation, may provide greater speed, responsiveness and flexibility, as they can be established and altered more quickly than legislation. Therefore, this instrument is preferred in markets and circumstances that are changing rapidly.

The ability to use this self-regulation instrument depends on the existence of bodies and processes to support it, including the building up of consensus amongst market players on the contents of the Recommendation and monitoring of its enforcement¹².

Taking into account the above-mentioned aspects, including the existence of bodies and processes supporting various business networks in the EU, we would advise to use the Recommendation as a tool to foster cooperation of companies through business networks at the EU level.

¹² For more information see: See: http://ec.europa.eu/smart-regulation/impact/commission_guidelines/docs/ia_guidelines_annexes_en.pdf

5 Support structure and mechanism

5.1 Introduction

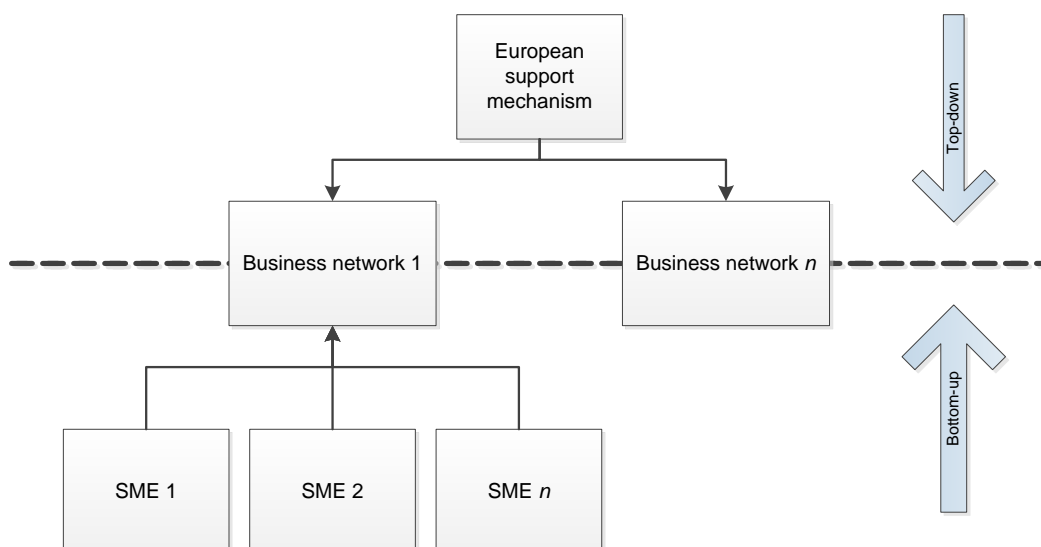
Business networks are essential to enter new markets and strengthen innovation capacity of companies, especially SMEs. As mentioned earlier in the report, the majority of business networks considered for this study have a regional character, with only a few inter-regional, national or international ones. Development of a business network from the regional level towards the national or international level does not happen automatically. The empirical evidence found in this study shows that, in cases when such development does take place (i.e. FFF and RACEBO in Italy), business networks generate benefits for regions, countries and, in the end, the whole of the EU in terms of strengthening the competitiveness of companies and their ability to face globalisation pressures. The economic performance (growth) figures of FFF and RACEBO could be used as examples of achievements of the internationalised business networks. Therefore, there is a role that the European Commission should play in supporting business networks in their expansion beyond regional and national borders and their internationalisation. The EC could play a role through establishment of a support structure and mechanism, as described below.

The support structure and mechanism focuses on fostering cooperation of companies through business networks at the EU level. This should lead to a growing number of such European business networks. Business network associations and aggregations could play an important role in assuring that the actual number of the European business networks is growing by creating and facilitating conditions (enabling environment) for their formation and internationalisation.

Integrated bottom-up and top-down approach

Our proposal for establishing a support structure and mechanism is based on an integrated bottom-up and top-down approach, as illustrated in Figure 5.1. Business networks are dynamic bottom-up initiatives set up by entrepreneurs. On the other hand, support to business networks by a European mechanism follows a top-down approach as this could take into account the main trends of changing economies, policies and programmes at the EU level.

Figure 5.1 Proposed policy approach



5.2 Mechanism to assist business networks and their internationalisation

The establishment of a mechanism at the EU level, which would assist the business networks and their internationalisation efforts, would generate benefits for the European business networks in terms of a better (internationalisation) performance. Such mechanism would assure that the business networks use common terminology, follow common rules and development objectives and carry out tasks linked to these objectives. The mechanism could be seen as a light version of facilitation, with a relevant and clear agenda.

Examples of tasks of such a mechanism

The objectives of business networks, as described in chapter 3, serve as a basis for formulation of concrete tasks of the European mechanism to support business networks. The very first task is establishing a common, European, framework by unifying business networks in terms of:

- Terminology: developing common definitions and defining common characteristics of frequently used terms, such as 'business contract' throughout the EU;
- Legislation, in terms of guidelines and principles (so called 'soft laws) throughout Europe, as current differences seem to form an obstacle for the creation of European networks.

Proposals made in earlier chapters of this report should serve as a starting point to harmonise the terminology and legislation related to business networks.

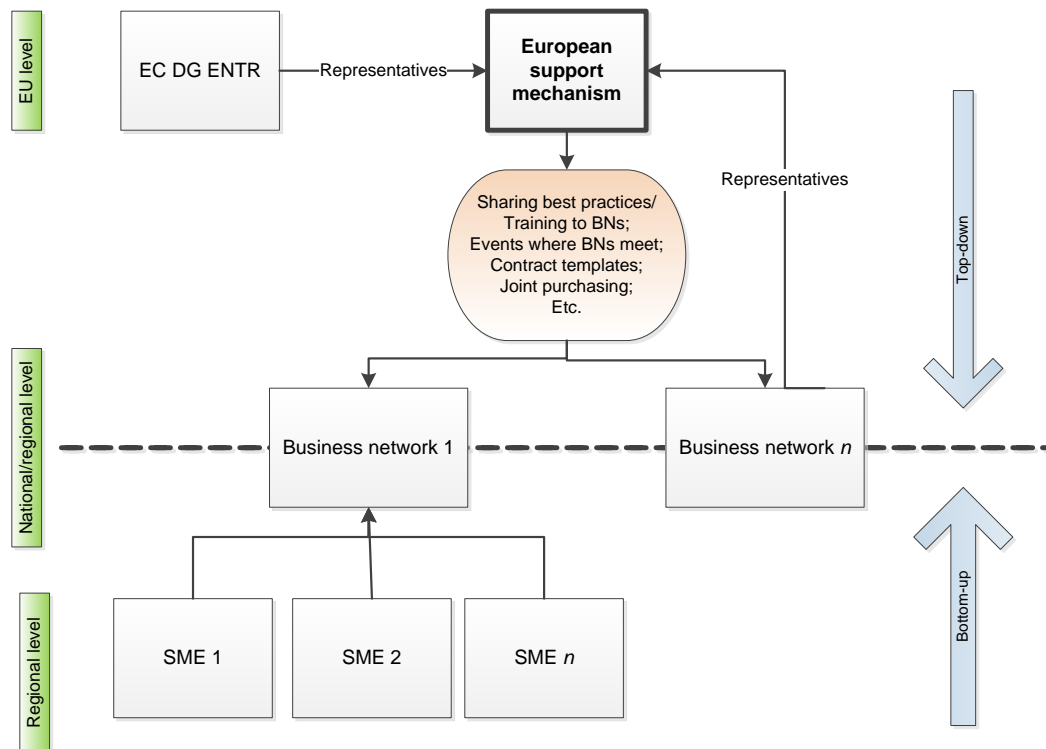
Other task of such as mechanism could be:

- Collection, elaboration and sharing best practices of internationalised business networks in Europe, including:
 - Formalisation of business networks through contracts by RetImpresa in Italy;
 - Legal aspects (incl. tax reliefs illustrated by Italy);
 - Intellectual property (being dealt currently by RetImpresa);
 - Working with cultural differences, such as Cambridge Network;
 - Joint purchasing, illustrated by NIRO, AMEC and COSMED practices;
- Providing advice and coaching to business networks focused on internationalisation;
- Development of a web-tool on matchmaking business networks at the EU level, run by skilled matchmaking representatives of EU Member States (i.e. one representative per country) and providing assistance in screening & matchmaking, aimed at internationalisation of existing business networks at the EU level;
- Coordination of different EU-wide programme and project opportunities relevant for business networks (i.e. COSME and HORIZON 2020), incl. their implementation;
- Organisation of networking events, which could take place for instance twice a year. During such events a certain actual topic could be presented and discussed so that such meetings would have also a brainstorming character. The events could be organised during weekends and would give its participants an opportunity to stay together for some two days instead of having just a short meetings. There should be sufficient time available for networking and sharing experiences;
- Introduction of Erasmus programme (currently available for entrepreneurs) and exchange of students for international business networks;
- Organising joint purchases of goods and services to bring down procurement costs.

It is important that such a mechanism has and keeps an ability to change, is and remains flexible. It should be able to adapt its services offer to the actual needs of the business networks.

Figure 5.2 below shows the proposed structure of such a European support mechanism for business networks.

Figure 5.2 Proposed structure of such a mechanism



The mechanism could consist of a coordination body, such as a secretariat, and its members, which are business networks in Europe. Such a lean and direct structure is needed in order for the coordinating body to stay close to and keep links with real business/SMEs of the business networks.

The implementation/delivery of such mechanism would be done through the following elements:

- The secretariat;
- Web-based tool for knowledge sharing, matchmaking and training;
- Entrepreneurial ambassadors.

The secretariat could consist of both the representatives of the European Commission, DG Enterprise and Industry, and business networks and would have an operational character.

The secretariat could be in its work supported by the web-based tool that should be developed to share knowledge, facilitate matchmaking and provide various training and coaching activities. Box 5.1 gives a description of such tool.

Entrepreneurial ambassadors are crucial to promote the internationalisation of business networks, and inspire the existing business networks leaders and/or CEOs to become active at the European level. They should be successful business(women) who are rated highly by their business environment. The ambassador’s model could be inspired by the current model used by the UN to promote its initiatives.

One of the first tasks of the secretariat should be to find funds, and prepare and implement an EU-wide campaign to promote EU-level business networks. Entrepreneurial ambassadors should play a key role in this campaign.

The European business network support mechanism could be a membership-driven, with the express goal to take existing business networks at the regional and inter-regional level and lift them to the European level. As such, its main goal is twofold:

- 1) cross-border business networking;
- 2) internationalisation of SMEs.

Eligibility of business networks for support will be based on:

- demonstrated ambition and potential to internationalise (not all SMEs have this ambition, consider family-owned businesses that prefer a consolidated presence in a town or region);
- demonstrated evidence of aggregation with other companies (in existing business networks or clusters);
- completion of a business plan with both strategic and operational objectives.

Funding of the support mechanism would initially need to come from a public source, as business networks are not likely to provide financing for the establishment and operations. However, when specific training or events are organised, it is likely that the business networks may want to contribute as long as there is clear value added of these events. Membership fees could, in a later stage, contribute to the funding.

In the medium to longer term, EU Structural Funds could provide financing of programmes supporting cross-border cooperation and internationalisation of business networks too. There would be a justification for such a support as the up-scaling of such business networks to the EU-level which would bring benefits to their originating regions and countries, which in turn would justify national co-financing. In the programming period 2014-2020 a large part of Structural Funds support is devoted to clusters and related programmes. Business networks could be supported through similar channels. In order for such support to be targeted and generate returns, a set of eligibility criteria should be developed. Among the eligibility criteria for such support could be:

1. Availability of a well-developed business plan, including jointly agreed objective(s) of business network, as well as activities to achieve them and indicators to measure and monitor their actual achievement;
2. Availability of an ambition to up-scale its activities towards the EU level and internationalise, as well as capacity to be able to do so;
3. Regular monitoring and evaluation of the effort by external parties (i.e. independent evaluators).

Recommendations on the (potential) funding from the EU Structural Funds need further exploration and elaboration that goes beyond this study.

Text box 5.1 Web Portal for European Business Networks

The Web Portal for Business Networks is a platform that examines, in a structured way, a common business network challenge each month during one year. Insights developed around each management theme will be collected and summarised in an e-book that will be made available to all member business networks. In addition, members are invited to write articles and provide blog entries for a monthly newsletter that will be tailor made to business network interests and activities – from workshops to networking events. Business networks will be able to select issues of interest for the Newsletter from a drop down menu when they join the portal. This allows for tailor made newsletters for all business network members, based on their specific interest.

The aim of the Web Portal is to gather and structure relevant information about best practices in business networks and to package these findings in a “best-practice” e-Book approved by the business network community. This instrument will enable business network leaders to identify the best practices in managing and organising business networks.

Additional features of such a web portal would include:

- automated registration site for training courses and learning exchange workshops for business network managers;
- a corporate social media site for business networks to showcase themselves to all web portal visitors (a “yellow pages” social network comparable to LinkedIn and/or Facebook);
- a recruitment site for all member business networks.

Training

A European support mechanism should also provide training to its members, business networks in Europe, based on their real needs.

There are a few solid training offers and knowledge sharing platforms available among business networks, such as that of RetImpresa, the Cambridge Network and NIRO that could provide a rich source of inspiration for a European level training scheme. The secretariat should inform its member business networks about what is available on the market and facilitate the sharing of it (benefit of sharing knowledge of what is already out there).

That said, most of the actual training offers are available for company members of business networks and not business networks themselves. Therefore, a training and knowledge sharing scheme provided by the European mechanism should focus exclusively on business networks. This is reflected in the proposed training template presented in the following chapter.

It goes without saying that training courses provided at the EU level should be of the highest quality standards. Certification of such courses could be explored.

Measurement of success of such a mechanism

It is important that the results, and thus success, of the established mechanism is being regularly monitored, reviewed and measured. The short-term success could be measured by the number of members and/or amount of membership fees that the mechanism has attracted, or the number of requests for providing advice, coaching or training received. In the mid- to long-term evaluation studies to address the causal impacts are needed. This should be considered at the initial stage in order to think about how one can develop a representative control sample of similar firms that are not participating in the business networks.

6 Training and training scheme

6.1 Introduction

A European Business Network model will be a support-oriented organisation serving ambitious and internationally oriented business networks. In order to help increase the success rate of European business networks, it is proposed that a training module is developed with a twofold aim:

- Facilitate cross-border business networks through knowledge and skill-building to help push regional and inter-regional company aggregations to a European level in the short to medium term;
- Ensure sustainability of operations; with a particular emphasis on trainings to help business networks be financially and operationally self-sufficient.

A European level business network training matrix in Section 6.2 (Table 6.1) reflects the opinions and thoughts of the business network members interviewed during the cases for this study. Flexibility is the key to success of a European business network training institute focusing on the consolidation of business networks at the European level. It should respond to the needs of its members. As such, the training offering should be demand- and feedback-driven and remain open to adaptation and change over time.

Since business networks face new challenges in an ever-changing international business environment, so will the training needs and forms. The below training offering, therefore, will be subject to change depending on a broader needs assessment of business networks around Europe. In addition to traditional training settings, with an instructor explaining material to the participants, a large component of the training scheme will be learning-based. Learning is more interactive than training and involves getting people together to exchange experiences and learn from one another, rather than from a trainer. The idea behind this pedagogy is that the best teachers are the practitioners themselves. A training merely structures the learning environment and matches the participants to optimise added value.

6.2 Training matrix

Despite the need to be flexible in terms of specific training and learning courses, the core structure of a training matrix reflects a strategic vision of how business networks could be developed further into European business networks active on the internal and external markets. The key intuition here is that not all business networks are in the same phase of development. The assumption is that all business networks that are eligible for training will be successful (do not require public funding within 3 years). The European Business Network training scheme, therefore, is there to make already successful business networks more successful. It is hence focussed on stimulating success instead of mitigating failure. To this end, the trainings are designed for excellent business network performers at the regional and inter-regional level only. Poor performers will not be eligible for this scheme. However, there will be provision for beginner or advanced level trainings depending on the specific needs assessments of business networks.

For example, young business networks that are performing well are often still very much involved with ad-hoc internal issues and may not have tweaked their strategic objectives to

secure a European positioning over time. More mature business networks that are successful will likely be interested in scaling up and, in many cases, internationalise beyond Europe. To this end, the trainings will be offered at two levels of development: basic and advanced.

It is important to note that the European Training Scheme does not have to build these training and learning models from scratch. Rather, it will be responsible for setting up a service platform of existing training and learning institutions in the development of business networks into European business networks and provide a central point for successful business networks to register and be further directed. In this sense, the European training scheme will be an online tool that provides a blended (online and face-to-face) offering. The administration of the mechanism will be light with only 3 or 4 FTE envisaged for the administration of a designated Secretariat.

The training template for the (international) business networks will necessarily need to be supplemented with a basic but thorough course on European business network definitions, concepts and terminology.

6.3 Choice of trainings

The justification for a final selection of trainings exhibited in table 6.1 below (training matrix) is based on a needs assessment of the many stakeholders that were interviewed in the eight case studies selected for this study.

The choice of trainings for a European-based business network is based on a twofold, interrelated, objective:

1. To form strategic partnerships ;
2. To internationalise and scale up.

While the relevant stakeholders were all members of business network associations and aggregations, there appears to be a shared intuition that trainings should endeavour to intensify existing inter-firm cooperation and assist the formation of alliances to help companies internationalise their operations.

The trainings in the training matrix were all brought up and/or discussed with the stakeholders interviewed in the relevant case studies: AMEC, Cambridge Network, COSMED, Hungarian Chamber of Commerce and Industry, NIRO, RetImpresa and ScanBalt¹³. In order to be selected for the matrix, the following basic criteria needed to be met:

- the training was deemed important by at least two out of the eight business networks from the case studies;
- the training cannot be done better by existing training institutions (e.g. language courses are better done by specialised language institutes).

The trainings recommended for a European cross-border business network development scheme are general in character with the explicit pedagogical goal to learn and replicate by example. To this end, graduates of trainings are expected to take a leadership position on the relevant training topic on return to their companies and business networks. The selection of candidates for the trainings therefore should also be subject to a careful screening process to ensure optimal combinations of profiles, talents and learning objectives.

¹³ The Polish case study indicated a need for training courses that can be delivered through existing training channels.

Table 6.1 Training Matrix

EUROPEAN BUSINESS NETWORKS: CROSS-BORDER BUSINESS NETWORK DEVELOPMENT TRAINING SCHEME

Topic	Programme	PRIORITY LEVEL	TRAINING AND LEARNING MODULES
		1 = first priority 2 = second priority	Introductory training courses = blue Advanced training courses = orange
Strategic Leadership	European Business Networks Leaders Programme	2	Practical Entrepreneurial Introductory course: The potential of internationalising your business
		1	Peer learning and shared learning between business network CEOs, CFOs, and CIOs
	Adaptive Leadership	1	Creating enabling environments for trust and open communication lines in a business setting
		2	Exercising leadership: how to lead a business network through change
		1	Train-the-trainer of business networks: pedagogy and tools used for action based learning of business network trainers
Operational Management	European Business Network Administration and Management	2	Creating and spreading a common European business culture and acquiring international experience
		1	European Business Network Manager Development
		2	Flagship Masters in Business Networks
		1	Talent Development Schemes
	Innovation	1	Joint purchasing plans and framework agreement development to reduce costs in e.g. energy, raw materials, overhead etc.
		1	Working groups with business network managers that meet 4-5 times a year on specific topics (e.g. technology and innovation). Opportunity for networking mixed with learning
		2	New technologies workshops aimed at increasing and sharing knowledge on trending issues. E.g. Resource efficient component cleaning workshop; Waste and energy recycling workshop
Supply Chain Management	2	Value chain integration for cross-border business networks	

	Stakeholder Engagement	1	Marketing tools to increase business network membership
	CSR	2	Due diligence: ensuring alignment between business network practices and international CSR norms (social, environmental)
		2	Longer term business planning and creating shared value
Legal Issues	Business Network Contracts	1	Formalising business networks: a guide to business network contracting based on examples from RetImpresa
	Judiciary practices	2	Creating a legal entity within and between business networks
Financial Issues	Access to Finance	1	Introductory course to financing options for business networks
		1	New forms of financing: from public funding to venture capital investment
	Fiscal (tax) aspects of business networks and contracts	2	Fiscal regulation will differ between EU member states, but this course will provide a guide into the most relevant aspects of fiscal reporting for business networks.
Regulatory Issues	Procurement	1	Exploring joint purchasing models in energy, overhead, etc. within company aggregations.
	Intellectual Property Rights (IPR)	2	Operational IP schemes to assist members in the complicated and often burdensome IP application process.
	Technical regulations (e.g. standards)	2	Inspections issues and quality standards: an introduction
Scaling up	Access to Finance	1	Understanding the options for accessing capital at every stage of the scaling process (not just early stage but also and especially at the upper end).
	Recruitment	1	Regional, national, European and pan-European talent recruitment matching through online web portal
	Supporting international staff	2	Human Resource training to ensure better alignment between foreign talent and business human resource needs

	Foreign Market Matchmaking	1	Business Network matching, in particular with international visitors. Service that helps set up a strategy for matchmaking with potential company partners in the international (non-EU) market

6.4 Delivery model

Following consultations with multiple business networks and the discussion during the wrap-up meeting in Brussels with a number of business network leaders from six different EU member states, there seemed to be a general consensus to create a light delivery model for training. Accordingly, a mixed education model is favoured, one that offers both face-to-face and blended e-learning and training options.

This two-pillared training model ensures a bottom-up, sustainable training environment that is easily transferred from one community or network to another. The added value is to create shared education models that can answer both general and specific business network needs.

6.4.1 Building a knowledge sharing community: Peer Learning Exchange

The Peer Learning Exchange is an online community of business network professionals who are members of the Web Portal and want to collaborate and learn from each other in discussing, structuring, and qualifying best practices of managing and organising business networks in Europe.

6.4.2 Face-to-face training

The traditional learning and training in group classroom or workshop settings can be upheld for those courses and exchanges focused on relationship-related or “soft skill” capacity building. E.g. adaptive leadership and management challenges are best tackled in a more interactive environment. In particular, face-to-face interaction brings some important trust building elements that can be lost in a strictly online environment.

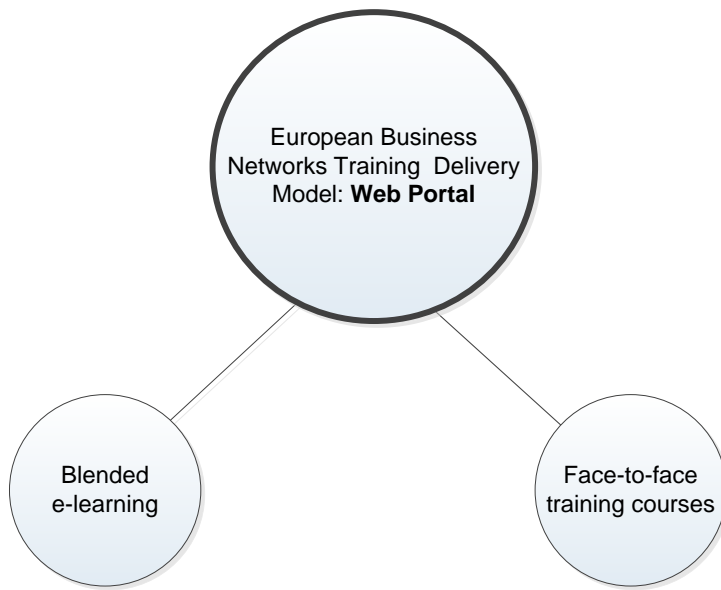
In addition to leadership and management courses, the advanced and extensive training courses (marked in orange in training matrix) require at least some form of face-to-face interaction.

6.4.3 Blended e-learning: mix between online and face-to-face learning

This takes the form of a formalised training programme and is a blend of individual and live training sessions accessed online, and can be enhanced by conventional face-to-face learning sessions in a group classroom or workshop setting. Such blended training programmes are popular because they enable trainees to meet together with the trainer/s for an initial session (a webinar or conventional workshop) to build a fundamental understanding of the principles of a subject where discussion, feedback and role play are possible. Trainees can then access a series of associated online training modules tailored to their needs in their own time and location. Live sessions can then take place during and at the conclusion of the training programme.

Languages and other, content-based, courses can also be initiated online and then followed up with face-to-face meetings to help consolidation of the material over time.

Figure 6.1 **The European Business Network Learning Delivery Model**



Annex 1: Wrap-up meeting presentation

Annex 2: Case study reports



P.O. Box 4175
3006 AD Rotterdam
The Netherlands

Watermanweg 44
3067 GG Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 68
E netherlands@ecorys.com

W www.ecorys.nl

Sound analysis, inspiring ideas