

# 02



## What and why meso organisations?

The previous Article 1 explained the importance of the meso level to achieve competitive regions and sound economic development. It also differentiated between meso policy and meso space. This article looks at the meso space, which is the group of public and private organisations that are tasked with strengthening the competitiveness of a locality. The meso space is an expression of the current and past meso policy, combined with self-organised structures resulting from collaborations between public and private actors on the micro level.



Table 1 lists typical organisations in the meso space. It is, however, often difficult to allocate organisations to the meso space. For example, an ordinary commercial bank is part of the micro level since it is basically just another company, which operates in a competitive market, and central banks are elements of the macro level. However, government-sponsored microfinance organisations or government-guaranteed local banks are part of the micro level as they are commercial

operations, but they are also an instrument of meso policy, and are therefore part of the meso space. The meso space is a dynamic entity. Some meso level organisations are permanent inhabitants of the meso space because they will never be organised as business operations. This applies to organisations that supply public goods such as education or public infrastructure, or provide services with very strong external effects. Many meso level organisations are only temporarily part of the meso space, such as testing and quality assurance service providers. These services can be taken over by private service providers. Another example is start-up promotion and incubation services, which are often semi-public or highly subsidised in the early stages of economic development and only later – and under certain conditions – become self-sustainable enterprises.

Table 1 Typical meso level organisations

Public	Hybrid / either-or	Private
Centres for research and development	Metrology laboratory	Chambers
Public education and training institutes	Certification agencies	Industry associations
SME promotion agencies	Incubators	Foundations
Development banks	An industrial park with specialised infrastructure, e.g. cold storage	NGOs
Metrology institutes	Local development agency	
Accreditation bodies		
Industrial or agricultural extension		



Meso policy not only addresses the meso space but also could, for instance, aim to promote the concept of the fourth industrial revolution, which is all about connectivity, data exchange, digitisation, etc. This requires changes in how a society thinks about such aspects (the meta level). At the same time, on the micro level, it requires firms to start thinking differently about how they connect their enterprises and processes to Internet, and how they integrate various suppliers into their internal systems to allow data exchange (the micro level). This clearly shows that the different levels of the Systemic Competitiveness framework (see Article 1 '*Meso level, meso space and the relation to territories*') are dynamically interconnected.

A meso organisation can be a completely separate legal entity, or it can take the form of a programme implemented by a hosting organisation. For instance, standards bodies are often legal entities, with the government as the main shareholder. A technology transfer centre at a university could be a separate legal entity, or it could be configured as a programme.

The creation of a competent meso space is a means to strengthen the competitiveness of a region. Not all meso policies automatically lead to the establishment of a meso organisation or to adding a task to an existing organisation. For instance, a meso policy that aims to prioritise the development of local enterprises through public procurement does not necessarily need a new organisation; it could simply shape the criteria of the respective public procurement processes.



### The role of meso organisations

Meso policy alone does not change incentive structures and performance on the micro level. For certain services to be delivered, it is necessary to create a dedicated organisation or add a mandate to an existing one. Such services are often not provided naturally by the market, either because their function is to provide public goods or because trust in an institution needs to be established first. For all these reasons, individual businesses are disincentivised to invest in these services. Table 2 lists typical activities of meso organisations.

While these examples of typical activities are directed towards actors at the micro level, meso organisations also play an important role in advocating for policy change and shaping public sector strategies (at both meso and macro levels), based on their insight into the incentives and behaviours of enterprises. Very often these organisations must balance the requirements of the micro-level actors with the priorities of policy makers or funders.

Table 2 Typical activities of meso organisations

	<b>Technology</b>	<b>Education and training</b>	<b>Finance</b>	<b>Infrastructure</b>	<b>Foreign trade</b>	<b>Entrepreneurship</b>	<b>Business membership associations</b>
<b>Basic functions</b>	Measurement, standards, norms, quality assurance	Secondary and higher education in basic disciplines	Credit, Investment capital	Basic infrastructure: roads, water, electricity, telephony	Basic foreign trade transactions	Awareness raising on potential of entrepreneurship	Elementary services Ad hoc lobby
<b>Advanced functions</b>	Technology transfer	Vocational training in specialised disciplines	Development banking Micro-finance Collateral banking	Reliable, efficient, high-quality infrastructure	Export financing Export credit insurance	Entrepreneurship training, business skills training BDS market facilitation	Specialised services Business networking
<b>Specialised functions</b>	Specialised R&D	Highly specialised, high-quality training courses	Specialised, innovative financing Venture capital	Specialised, innovative infrastructure	Advice and support for market research, design, packaging, etc.	Business incubation, business acceleration	Comprehensive services Active role in locational policy





Meso organisations are typically part of various networks of organisations. To find opportunities for improvement, or to address binding constraints, these organisations must typically work with other stakeholders, conduct all kinds of diagnostic processes, and formulate improvement processes over the short, medium and longer term. An example is a standards body that assists enterprises to meet international and national standards.

### **Challenges for meso organisations**

Meso organisations often struggle to learn and adapt in order to respond to the continuously changing economic environment, industry structure, framework and market conditions. Reasons for this can be micro-management by their funders or policy makers, under-resourcing,

applying too narrow indicators for performance management and evaluation, or because they are trying to do too much (or too little).

Another challenge for a meso organisation is that it might lose its purpose and has to struggle for survival, since a particular underperformance in the market, which it was initially established to address, was only of a temporary nature. A private firm at the micro level can now offer the organisation's service or it is no longer demanded by enterprises. If external funding for such a meso organisation is secured, there is typically a tendency towards inward orientation and to continue operation as usual, without benefiting the enterprise sector any longer.



Inward orientation is a general issue of meso organisations that receive external funding and are thus able to offer their services to firms at highly reduced prices or even free. The market then cannot properly assess the quality of services, service design does not consider the real needs of enterprises and marketing efforts are neglected.

Meso organisations and the support system they are part of need to rise to these challenges and carefully assess what change and adaptation are needed to continue creating value for the enterprise sector at a high level of efficiency and effectiveness. Meso organisations therefore need to be innovative and adaptive in order to respond to continuously changing demands (see Article 6 *'Meso organisations need to be innovative and anticipate future trends'*).

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