

# 09



## Facilitation and Change of Meso Organisations

This article reflects on selected experiences gained from the project *Competitive Regional Economic Development* (CREDO) in Krajina, funded by the Swedish Development Agency (SIDA) and implemented by Eda<sup>1</sup>. The CREDO project operated from March 2013 to August 2016. Krajina is a geographic region in the Northwest of Bosnia and Herzegovina with an unusual combination of administrative structures inside the region and without any harmonised SME policy. The

<sup>1</sup> More about Eda on: <http://www.edabl.org/> and about the project: <http://credo.edabl.org/en/>.



region consists of two entities, one of which includes eleven municipalities organised in two cantons, and the other of which consists of twenty-five municipalities. Eda is a rather atypical local NGO that has been operating for twenty years and has gradually been evolving into a combination of think tank and development facilitator.

The typical way that change has been introduced in the transitional economy of Bosnia and Herzegovina includes an international project led by a foreign consultancy that provides “best” or “good” international practices, which supports selected meso organisations and applies these practices with the minimum involvement of the private sector. If the private sector is involved, then it is usually only represented by a chamber of commerce or similar organisation. This usually works to some extent during the life of the project, but not thereafter.

The CREDO project focused on competitiveness and job creation of industrial SMEs in the region. Most of the project activities were oriented towards the micro level in order to facilitate SME interaction, investment and innovation in four selected sectors: metal, wood processing, food and footwear. Two impressive results were achieved by the end of the project: 490 new jobs

were created (2.5 times more than planned) and around 3.1 million euros were invested by supported SMEs (3.6 times more than planned).

Although meso level organisations were not initially targeted by the project, they came into play after several value-chain analyses and discussions with owners and managers of leading SMEs. One of the key findings was that institutional support and targeted policies to support companies’ efforts to shape and sustain competitive advantages were almost completely missing. Digging deeper, we realised that some existing meso organisations had already lost their connection with and orientation towards SMEs and that their working hypotheses were paralysing any support initiatives. Those hypotheses included assumptions such as: *SMEs’ competitiveness cannot be influenced or SMEs are not sufficiently interested in participating actively in SME development projects.*

The project team accepted this challenge and decided to change the perspective and related practices by initiating direct communication with companies and by facilitating their interaction to identify “market failures”. One of the most important market failures was related to positive externalities through skills development. There was an obvious lack of engineers, technicians and other skilled labour force, but the SMEs were not willing to invest in skills development because of bad experiences in the past of employees leaving the companies after having been trained and - in some cases - having received professional certification. Another market failure was the lack of public goods around quality assurance, including laboratories for measurement and testing and their accreditation. SME



managers agreed that the Mechanical Engineering Faculty of the University of Banja Luka was a meso organisation that could lead change in those areas. Some of the managers were former students of this faculty, but had lost the overview of its current capacities, policy and practices.

The first step was to organise and moderate a meeting between SME owners/managers, the Faculty management and leading professors. The meeting included short presentations by Faculty department heads on their work and capacities, a guided tour of several recently equipped laboratories and a final discussion. The SMEs were impressed by the knowledge and equipment, but were also disappointed that it was not being used to resolve the market failures. The Faculty was not aware of

the enterprise problems, and the enterprises were not aware of the Faculty's capacities. It was like a wake-up call for both sides, and also for Eda, which was acting as a facilitator between both sides. It was obvious that without appropriate facilitation nothing would happen.

The project made an offer to the Faculty that it would experiment with a small sum of financial support to prepare and organise demand-oriented training with the requirement of ensuring at least 50% co-financing by participating SMEs. This turned out to be a successful experiment with learning opportunities for the Faculty, SMEs and the facilitator Eda. Both the Faculty and the SMEs requested more support, but no further project funds were available at this stage. Based on this good experience, the Faculty decided to design and implement

a larger project with vocational technical schools that had failed to meet labour market demand in the region. The Faculty successfully identified another funding source for the training of instructors in these schools to introduce new technologies and methods required by the SMEs. This successful initiative again led to a larger project which is currently in place and is focusing on the training of instructors in further schools, and equipping those schools with a minimum set of tools for practical training.

In the meantime, the Faculty has evolved into a project-oriented institution. The challenge of the Faculty is now to become an innovative meso organisation constantly interacting with SMEs and policy makers. Currently Eda is helping the Faculty to prepare and submit a project proposal for the accreditation of a laboratory for welding and metal testing and to establish a centre for SME support targeting training and technology assistance.

The lessons from the experience described above are:

- (1) Market failures in a transitional economy cannot be resolved by international projects without the involvement and evolution of local institutions; but
- (2) Projects could and should support crucial meso organisations to initiate and lead the required change;
- (3) Change begins with direct contact and interaction between meso institutions and SMEs;
- (4) These interactions often need facilitation and support for small experiments provided by third parties with the necessary facilitation capacity.

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