

# DELIVERABLE D.T 2.4 1

## MANUAL AND FUNCTIONAL MODEL FOR RIS OBSERVATORIES - PART 2

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results and outputs

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## Table of Abbreviations

BSO	Business Support Organisation
CE	Central Europe
GDPR	General Data Protection Regulation of the EU
PPP	Public-Private-Partnership
RIS	Regional Innovation Strategy
RO	Regional (Support) Organisation (RO) is used as a synonym for RIS observatories.
SME	Small and Medium Enterprises
S3	Smart Specialization Strategy of the EU



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## A. EXECUTIVE SUMMARY

The document is intended to provide a manual for an operational model of an ideal Business Support Organisation/Regional Observatory (BSO/RO). The aim of this document is to describe the possible design and structure of such an ideal BSO/RO. The possible mission of such a BSO/RO, its functions and its values are laid out in a separate document, the functional model of a BSO/RO. Both together describe a model of a BSO/RO that can offer a tailor-made support to businesses and at the same time provide the regional (state) policy makers with valuable information on local economy, its businesses as well as about future steps and strategies for the BSO/RO but also for the Smart Specialisation Strategy as such. Both together also help the management of such BSO/RO to better understand how to best achieve both aims.<sup>1</sup>

We built the operational model on the analysis of the studied BSOs across the Central European regions. The focus is set on their performance design and structure. It allows us to identify a variety of models used by BSOs. Here, we look for the inspiration of an ideal BSO that aims at satisfying end users with services and policy makers with feedback on the condition of the business at the same time.

The operational model of a BSO could be identified thanks to several audited organisations, even though the operational models vary in its design and structure due to the fact that the regions differ, the character of activities (services) and the roles of the BSO as well as expectations of their beneficiaries are different. Nevertheless, the BSO operational model once implemented properly, can contribute to sustainable growth of the Central Europe regions in Smart Sectors.

The main goal of this document is to describe the operational model of Business Support Organisations. Business Support Organizations offer services to the economy, especially to companies within a region or a state. The term BSO comprises several quite different organizations acting on the market. The following types of organizations can be named here:

- Funding organizations (often regional- or state owned) who offer funding for companies in different areas like R&D, qualification, etc.
- Networks/Clusters, development agencies who offer mostly non-monetary service for companies from the same branch like the “Wood Cluster Styria”
- Technology-transfer organizations who are liaisons or who sell their know-how to companies. Universities and different types of research organization can be named here.

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<sup>1</sup> About future steps and strategies for the further development and improvement of the RO but also for the Smart Specialisation Strategy as such.



- Other organizations that provide variety of support actions to business, including chamber of commerce, guilds of artisans, etc.

We understand the modern role of BSOs as those serving their communities (business and social) and offering both free and paid service / data to their customers. In order to strengthen the meaning of their involvement into the local / regional / state economy and show their institutional potential to interact with the ecosystem, the name Regional Observatory is used. In other words, BSOs perform the role of chances providers and knowledge gates. As the ecosystem needs the knowledge on the economy of the place and its actors, BSOs/ROs are also responsible for the flow of information in the ecosystem. Due to their original nature, they can be either technology / markets based, or policy linked.

The Silesian regional network of ROs has served as one of the sources of inspiration for the SMART\_watch project to allow the identification of further 60+ BSOs with the functions described here.

The structure of the document is as follows. First, the most important findings from the analysis of 60+ audited ROs is compared with the findings from the demand side of businesses engaged in their ecosystems. Then, an insight into the design and structure (operations) of the BSO / RO based on the best practices (2 from Austria as well as 2 from Italy) is given. A brief presentation of best practices follows. Then follows the core part with the description of the operational model of an ideal BSO/RO. Finally, some possible pitfalls are mentioned that should be considered.

#### **The main goals:**

The main goals are to provide an operational role model for a (regional) BSO/RO which understands and supports Businesses (SMEs) related to S3 and with benefit also for policy makers at the same time.

#### **Methodology**

The methodological approach taken for this document was that the existing analysis and pilots were taken as a starting point. Taking into account additional findings and experience towards the creation of a model of a BSO/RO, the most important design and structural elements are named.<sup>2</sup>

#### **Definitions**

A Regional (Support) Organisation (RO) is used as a synonym for RIS observatories. However, since ROs are only known in Poland, Business Support Organisations (BSO) were taken as a model that

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<sup>2</sup> Prossnegg, Wirtschaftsförderung in der Steiermark, 2019.



are usually Business Promotion / Development Agencies, Funding Agencies or part of the Government. They generally also act partly as ROs.<sup>3</sup>

## B. General - BSO/RO in the frame of the S3 strategy

The **Smart Specialisation Strategies (S3)** assists regions to grow economically by implementing tailor-made business support strategies. They focus on identifying niche areas of competitive strength, solving major societal challenges, bringing in a demand-driven dimension, fostering innovation partnerships emphasizing greater co-ordination between different societal stakeholders and aligning resources and strategies between private and public actors of different governance levels.

The actors who normally create and implement the S3 strategies are the triple helix actors, including regional governments and a variety of BSOs in the regions. Since BSOs/ROs should cover a wide range of services and support as described in the functional model of an ideal BSO/RO, this has to be reflected also in the design and structure of the respective model of a BSO/RO. However, again the analysis of the reports, the workshops and the SWOT showed that there cannot be one ideal of a BSO/RO. In fact, the BSO/RO has to vary according to the region, the needs of its customers and of course its means (budget ...). On top, budget always remain an issue, because businesses are usually not able (founders, start-ups ..) or willing to pay for such services, partly because they feel it should be part of public services, partly because they never had to pay till now, but partly also because they cannot afford it (ie founders).

When analysing the best practices of BSOs, it became clear that the most successful BSOs had the following assets in their operational organisation in place:

- Excellent management with clear strategies
- excellent sales staff with strong knowledge of existing funding programmes
- excellent staff with strong expertise in their respective fields
- good long-term relationship with companies (clients) and politicians as well with other stakeholders (clusters, regional development agencies, chamber of commerce, technology park, accelerators, etc.) and scientists
- good internal communication processes
- successful and powerful sustainable marketing strategies (plus implementation)
- good image and a good reputation for supporting innovation

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<sup>3</sup> <https://s3platform.jrc.ec.europa.eu/what-is-smart-specialisation->, 13.11.2019.



- involving leading companies (big players) who play a very active role in the business development of the region or of the industry
- department / staff dedicated to internationalisation
- innovative, well-structured services (expert services like market tailored reports, business development plans, risk assessment evaluation)

Analysis also showed, that trust is a vital asset of such BSOs/ROs.

In the analysis, the “quadruple helix” was mentioned as best practice example for an ideal operational BSO/RO. That can also be implemented in a PPP-model.

- business sector: SMEs, large companies, spin-off companies, start-ups, incubators, investors, clusters, RIA's, technology transfer organizations, industrial and science parks, etc.
- academic sector: researchers, universities, research centres, university knowledge centres, etc.
- public administration: counties, National Innovation Office, etc.
- civil and social sector: representative organisations, platforms, chambers, associations, private persons, etc.

To do this, the cooperation and supportive approach of the local stakeholders are essential. Some kind of a board is advisable. This would also serve as a democratic aspect and enhance participation.

To support the quadruple helix cooperation, the communication between those groups is crucial. To achieve the common understanding, the RO could play a significant role as interactive/contact platform.





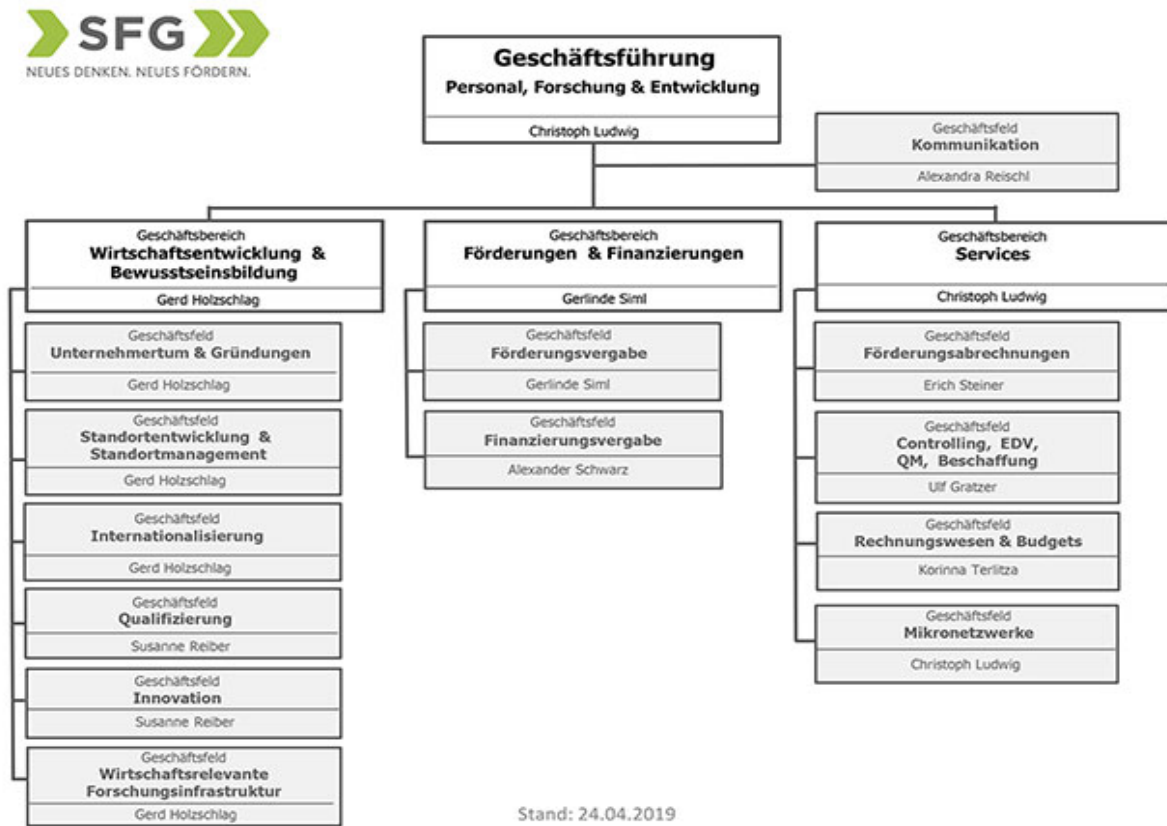
## C. Analysis of the design and the structure of the best practice BSO

The following analysis of the design and the structure of the best practices BSO were carried out:

- SFG-Styrian Business Promotion Agency (AT),
- Wood Cluster (AT),
- Environment Park (CLEVER Innovation Hub Cleantech&Energy innoVation clustER) (IT),
- Energy Center of the Polytechnic of Turin (IT) and
- UNISG - University of Gastronomic Sciences of Pollenzo (IT) The SFG, taking the legal form of a limited, is wholly owned (100% of the shares) by the state of Styria in Austria. As the regional business promotion agency, the role of the SFG is to grow and consolidate the Styrian economy. The role of the SFG is to attract new business to the region with a view to encouraging industrial expansion. This is designed with three different business areas underneath its management: Growth and Awareness-raising, Funding and Financing and (internal) Services. Communication (PR and marketing) is outside this structure directly connected to the management.

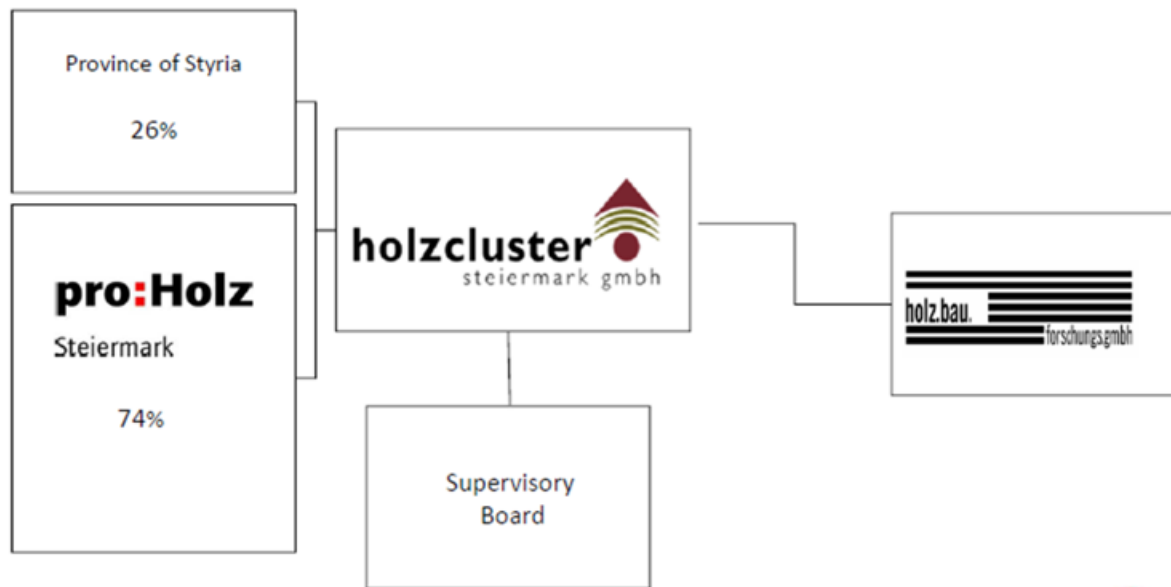
Design and structure of the best practice SFG is as such:

**Picture 1 Operational Model of the SFG, AT**



The Wood Cluster also has the legal form of a limited, an important part of the shares is owned by the SFG-Styrian Business Promotion Agency, alongside with other stakeholders, companies etc... The role of the Wood Cluster is to support the Styrian wood economy and its businesses.

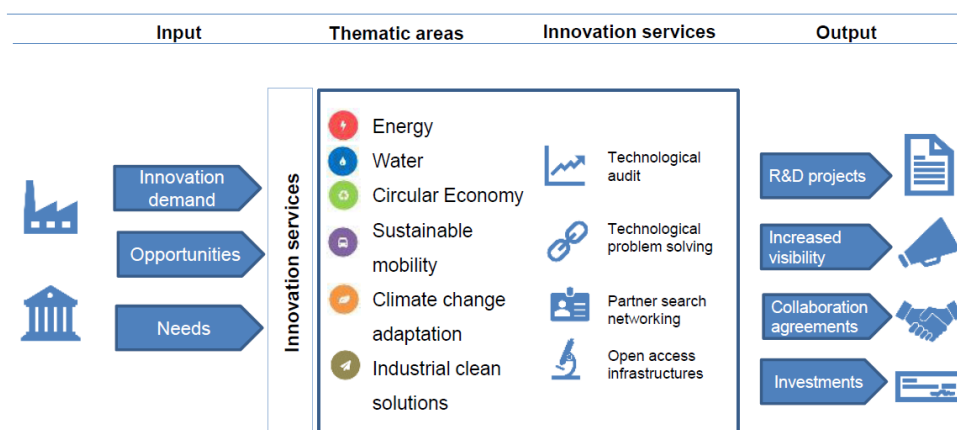
## Organisational structure and design of the Styrian Wood Network



**Picture 2 Operational Model of Wood Cluster, AT**

Environment Park is a public joint-stock company that operates under a system of free competition. Its activities are divided into two business units: Innovation and Development and Real Estate Services. The Environment Park is the largest area of urban renewal in Europe after the Défense in Paris. It is a new quarter that was given back to the city of Turin at the end of the nineties, following the decommissioning of the so-called ‘belt of steel’.

## Innovation cluster services: operational model

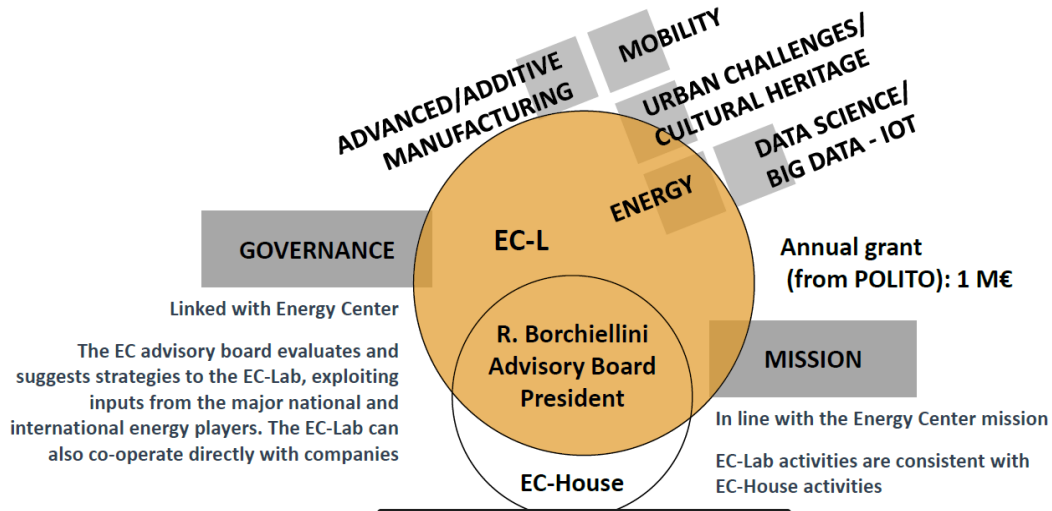


**Picture 3 Operational Model of Clever Cluster, IT**

The Energy Center aims to build national and European networks as a lever to develop new entrepreneurial activities in the energy sector, through the opportunities given by academic research, innovation and partnership. Companies, R&D business units and Public Administration can cooperate thanks to an environment that stimulates the interaction and the involvement in the scientific, social, technological and managerial innovation on the energy topics.

The Center is ruled by an Advisory Board with the principal national and international players for this sector: companies representatives (ENI, ENEL, Edison, Terna, IREN, FCA), local and regional governments (City of Turin and Piedmont Region), research institutions (ENEA, JRC) and other leading subjects at a global level in energy sector.

## POLITO'S TOP-DOWN RESEARCH CENTERS



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**Picture 4 Operational Model the Energy Center, IT**

The University of Gastronomic Sciences, born and promoted in 2004 by the non profit organisation Slow Food association in collaboration with the Piedmont and Emilia-Romagna regional authorities, is a private university legally recognized by the Italian state.

## Organizational Structure

- + RECTOR
- + PRORECTOR
- + FACULTY COUNCIL
- + BOARD OF DIRECTORS
- + EXECUTIVE COMMITTEE
- + ADMINISTRATIVE DIRECTOR
- + BOARD OF AUDITORS
- + EVALUATION COMMITTEE
- + STUDENT REPRESENTATIVES

**Picture 5 Operational Model of UNISG, IT**



## D. The operational Model of a BSO/RO

1.1. An operating model is both an abstract and visual representation (model) of how an business support organization and an Regional Observatory is strategically built up and how these organizations deliver value to its customers or beneficiaries as well as how an organization actually runs itself.

1.2. The following points show the most important findings of the best practices in order to have an ideal operational BSO:

- **Lean Management:** A Lean Management structure is advisable and helps to save costs. Especially a lean organizational structure is a structure that is designed to create more customer value using fewer resources than a traditional organizational structure. However, at the same time there have to be certain anti-corruption / anti bias measures in place like the four-eyes principle, independent internal and external auditors, high transparency, information flows, given processes and workflows etc. that cause cost but help to contribute to efficiency.
- **Structure/Size:** The structure varies with the functions and the size. Preferably, in a small organisation that is up to 30 employees, there is just the management and a rather flat organisation in place. From 30 employees onwards some kind of middle management level will be necessary.
- **Staff:** It is advisable to have staff structured according to trainees and junior consultants, who are doing rather simple matters, experts and senior consultants who are experienced and know not only the programs and services of the BSO/RO but also the companies and stakeholders in the region, and finally some back office employees who give general support.
- **Stakeholders and civil society:** It is also important to integrate stakeholders, shareholders, (advisory-)boards, counsels and mentors as well as the civil society as far as possible. This could be parties, interest groups, partners from the educational sector like universities, company partners like big or particularly active companies.

Trust has to be the basis in the organisation just as much as outside.<sup>4</sup> It is the fundament for all further work of an ideal of a BSO/ RO. Some kind of code of conduct or governance is advisable to improve trust.

- Also a **learning organisation** is important: wherever people work especially in innovative organisations like these ROs, mistakes happen - have to happen. They really should be seen

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<sup>4</sup> Stephen Covey, Schnelligkeit durch Vertrauen.

as a chance to learn, to improve, to understand. Marshal Rosenbergs concept of non violent communication as a communication skill should therefore be in place beginning already during the onboarding process and be kept alive continuously.

- Finance of the BSO/RO: On top, since all or at least most offers to companies have to be **free of charge**, this implies that these BSOs/RO have to be **financed with public money**. To increase the willingness to pay for services, it is necessary to raise the level of BSO's/RO's professional services like for example specialist/branch reports on market trends and new technologies, analysis and development of statistical and quantitative data, professional promotion like entering foreign markets, trade fair participation adapt them better to individual needs.
- Also with regard to access to additional information (about, e.g., opportunities, grants, calls, etc.), here, the involvement of existing international /EU networks would make sense like the **EEN network**.

So what could the organisational frame of such a model RO look like. We would like to outline that in the following chart:

**Table 1 Frame of a Model of a BSO/RO**

Model BSO/RO		
What	How	Why
Legal Form of the BSO/RO	Limited / Public	Easy to establish, clear structure and given processes by law, clear liabilities
Owners and stakeholders	Public (national, regional, local) or PPP with companies (big players) and / or educational sector (Universities ..)	The broader the better
Participation	Board, Advisory Board, Steering Committee, involvement via social media ...	By that the involvement of politics, interest groups and maybe even the civil society can be achieved
Mission	Public Mission, public interest	This may vary according to culture, in Central Europe



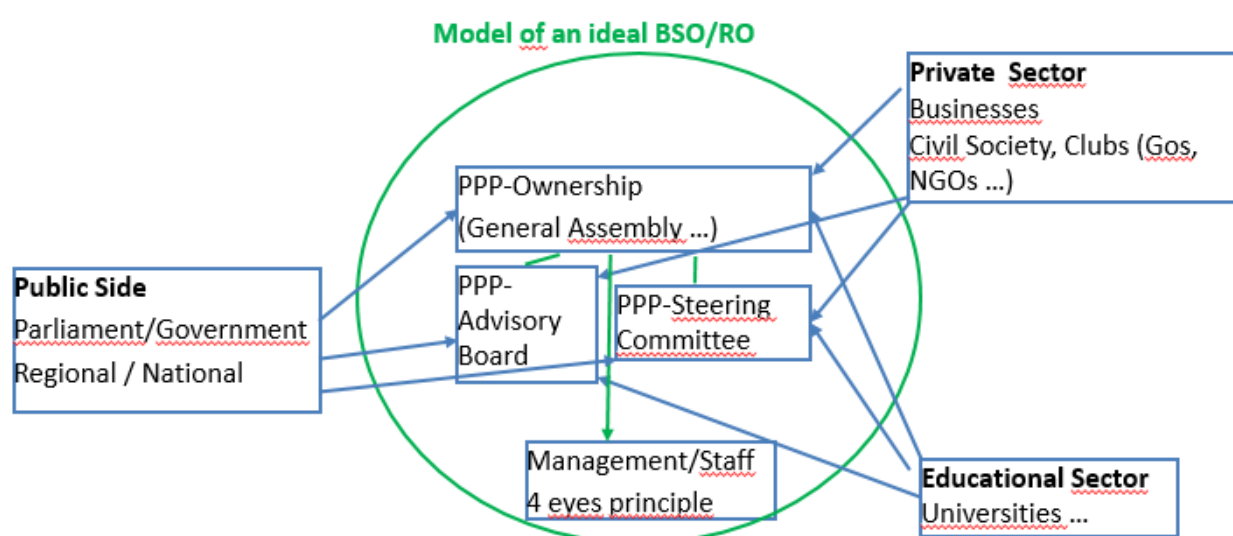
		(CE) it certainly is regarded to be on the public side
Source of funds	Mostly public funds	Again this may vary according to culture, since public interest in the CE region, also (mostly) public funding is expected (till now)
Transparency	Public reports (detailed, correct, informative, understandable ..) Code of conduct/governance	Important for policy makers, the public (taxpayer) as well as a means to prevent corruption
Relation with customers	Contract / notice	Both ways are viable, varies again according to culture
Programs	Public calls	To ensure not first come first serve but to best use of the limited public budget, only the best projects get funding
Remedy	Civil court / public path	Both ways are viable
Liability	Insurance / Public	Both ways are viable
Supervision	First and second level controls, Audit and / or monitoring bodies, Court of Audits, Parliament(s), through ownership / boards, media (social media) ...	This is a difficult task - too many controls mean maybe that they rely on each other, nobody controls, or even more control than work, so it depends on the projects



The good practice RO could have the following structure:

Table 2 Matrix of the structure of an operational model of a BSO/RO

## Operational model of an ideal Business / Regional (Support) Organisation/RIS observatories

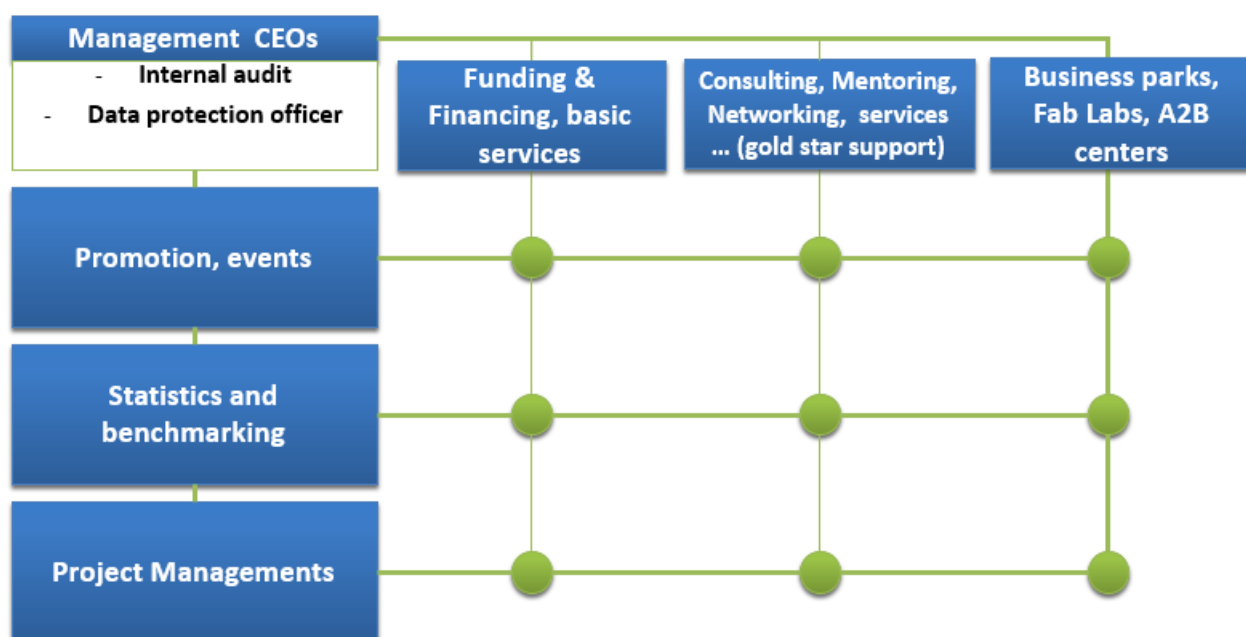


There is one more point to add to the previous table: if business centers, incubators, FabLabs etc are in place, the question arises whether they should be within the Model RO or maybe organised as a separate entity. Both is possible and both has its advantages and disadvantages.

The organisation of the model BSO/RO could have the following structure, see table 5. In the following figure, the branches have been selected randomly, since each RO itself has to determine its respective branches - areas of competence.

**Table 3 Organisation of the model BSO/RO in detail**

## Matrix of an operational model of a BSO/RO

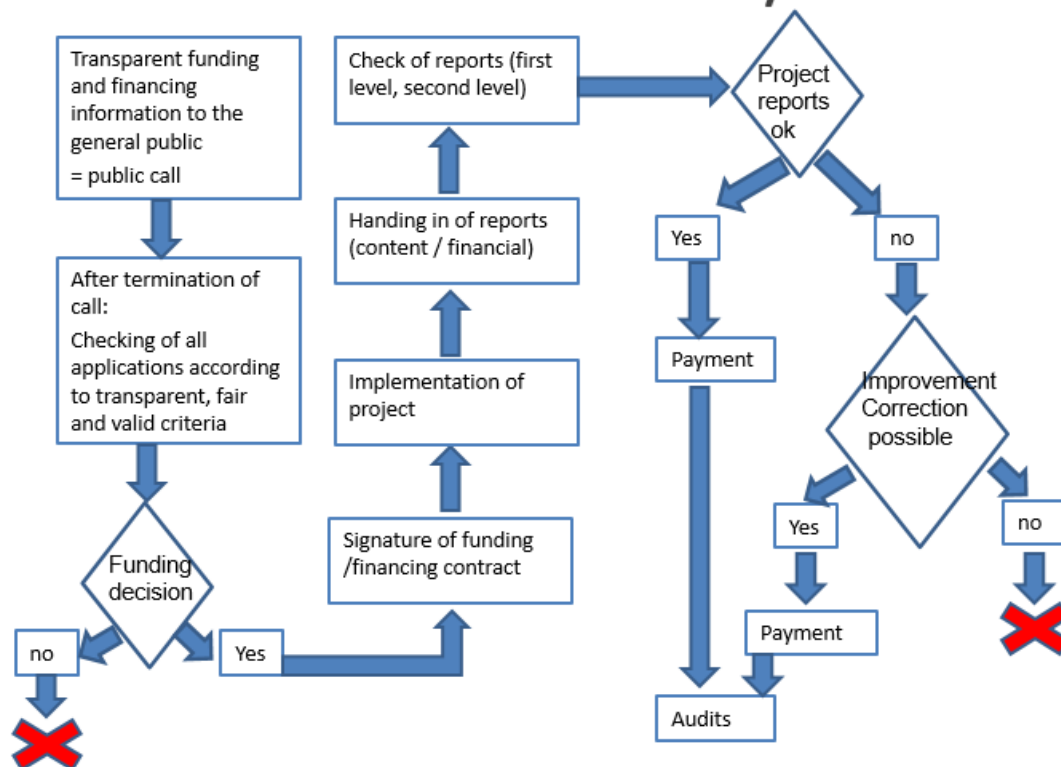


If we now turn to the actual handling of the support like the funding and financing projects, the following process is advisable, see the following Table 6. However, when it comes to other services like consulting, coaching, mentoring etc., the process should also look very similar.

The process starts with a public call to get as many applicants as possible. Already here, clear and valid criteria for projects have to be in place. After the closing of the call, only the best projects compared to the existing set of criteria are selected for support. With those winners contracts are concluded and they start with the implementation of their projects. At the latest at the end of the project, reports are handed in that are checked by the BSO and after those reports have been approved, payment is transferred for the project. Usually, there is some kind of audit in place, either during and/or after the project implementation to ensure that everything is handled correctly.

**Table 4 Funding / Financing Process of a model of a BSO/RO**

## Matrix of funding / financing process of an operational model of a BSO/RO





## E. Possible Pitfalls

In the operational model there are some possible pitfalls that some thoughts should be given.

- First of all, that **internal** matters like staff are not taken seriously (enough). That means no good HR policy is in place (onboarding and offboarding processes, respectful treatment of staff etc).
- **Underestimate promotion/communication** when spreading content without exaggerating.<sup>5</sup>
- In fact, this is one of the “dangers” underlying the work of BSOs/ROs, that they become too close to either the policy side or the company side. The solution is - as it usually is - to find the right balance between the different interests. Therefore, a **system of checks and balances** have to be in place in order to prevent any imbalances, biases or even corruption.
- **Not or not sufficient integration of stakeholders and the civil society**, so that they eventually do not see why their money (public money) should be spend on that. In that case you will lose the budget negotiations next time.
- **No sufficient integration of the founders, SME and big enterprises** and therefore offering services or programs there is no need for, meaning against the market.<sup>6</sup>

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<sup>5</sup> Stephen Covey, Schnelligkeit durch Vertrauen.

<sup>6</sup> Hüther, Private in der Verwaltung: Ökonomische Analyse der Motivlage aus effizienztheoretischer Sicht, in Fuchs/Pöschl/Merli/Wiederin/Sturn/Wimmer, Staatliche Aufgaben, private Akteure (2015) 39-52; Klodt, Die gehemmte Marktwirtschaft – Subventionen aus gesamtwirtschaftlicher Sicht, in Bauer et al, Zur Effizienz der Förderpolitik im Bundesstaat (2013) 19-25; Storr, in Ruthig/Storr, Öffentliches Wirtschaftsrecht 393.



## F. CONCLUSION

To sum up, there is not one for all best practice operational model but just a toolset that has to be adapted to local and regional strategies. Furthermore, changes also have to come with some time since things keep developing and needs and companies themselves change over the years as well. This poses quite a task for the management because it always has to adapt, evaluate, improve and change things.



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