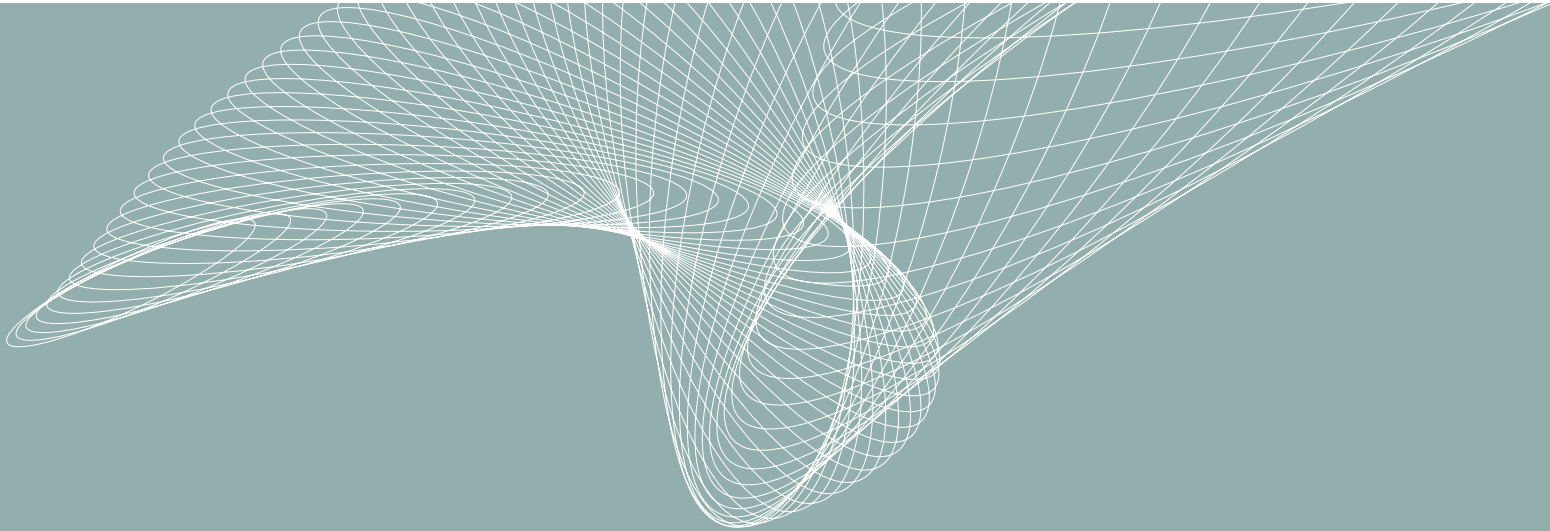




Micro-Inno-Change

Innovative approaches to the
management of change in small
and micro enterprises





Micro-Inno-Change

Innovative approaches to the management of change in small and micro enterprises



EUROPEAN UNION
European Social Fund
Article 6 Innovative Measures

The graphic consists of numerous thin, white, curved lines that originate from a single point on the right side of the teal background and fan out towards the left. The lines are arranged in a way that creates a sense of depth and movement, resembling a stylized wave or a series of overlapping paths. The overall effect is a dynamic and modern aesthetic.

Foreword

Economic globalisation, the enlargement of the European Union, the growing levels of the technological innovation, demographic trends and the development of the European internal market are accelerating the rate of economic change and increasing the need to anticipate and manage this change.

According to modern business management principles, a vital enterprise is one that is in a constant state of reorganisation and can adapt to new conditions. This focus is based on the anticipation of change, something that still needs to be developed in current Small and Micro-sized Enterprises' (SMicEs) practices. SMicEs in crafts and industry often constitute an important part of the local economy and tend to be very dependant on the success of its specific economic activities or industrial partners. Consequently, they are particularly vulnerable to negative changes in the market place.

Concepts and instruments for the management of change are mostly used by medium-sized and large enterprises. These concepts are either unknown by SMicEs or considered too abstract and bureaucratic for their needs. Furthermore, their complexity often hinders an integration in the daily routine.

To overcome these difficulties, the Article 6 ESF project “MIC – Micro-Inno-Change: Innovative Approaches to the Management of Change in Small and Micro-sized Enterprises” was conceived.

With this brochure, you will get an overview of the project’s results. Different approaches from four European countries accessing SMicEs in several sectors are illustrated. Examples of good practice are described and demonstrate how diverse SMicEs successfully anticipated and managed change with tools developed especially for their needs. Fur-

ther information, as well as all tools, are available on the project’s website: www.mic-project.org.

We sincerely hope that the results of MIC will find widespread dissemination among European SMicEs.



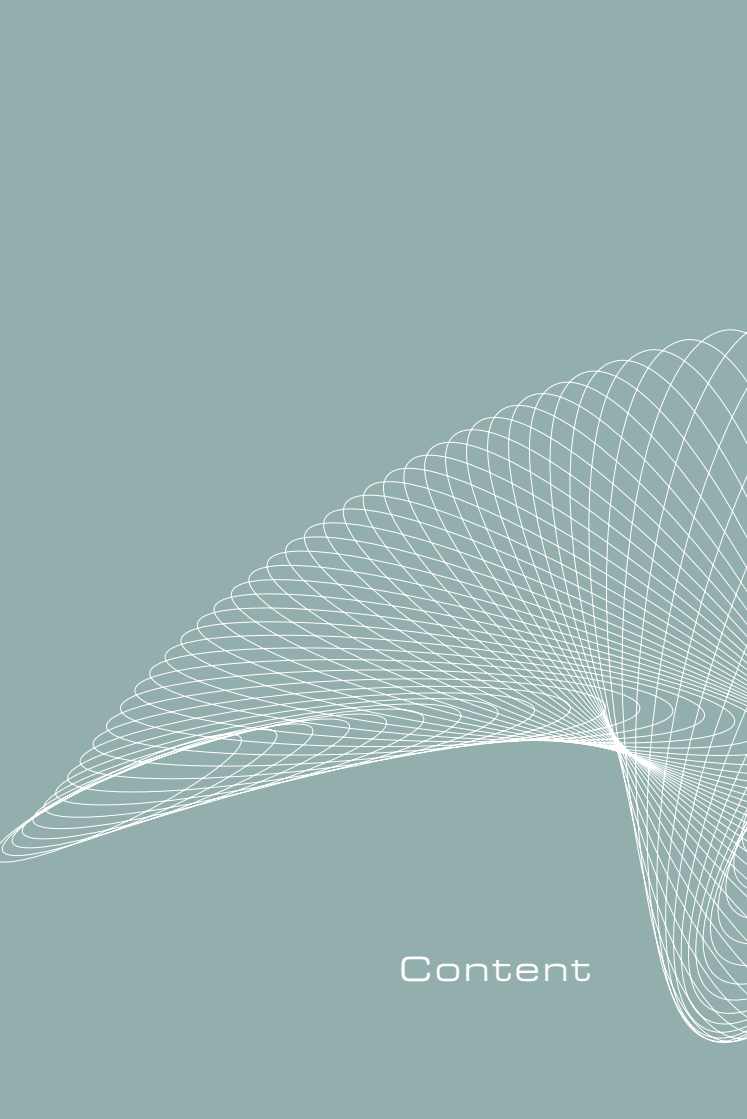
Dipl.-Volkswirt Reiner Nolten

Managing Director, Landes-Gewerbeförderungsstelle des nordrhein-westfälischen Handwerks e.V., Düsseldorf



Dr. Thomas Langhoff

Managing Director, prospektiv Gesellschaft für betriebliche Zukunftsgestaltungen mbH, Dortmund



Content

I. The Project MIC - Micro-Inno-Change

Background	8
Aim, Content and Structure of MIC	9
Access to Enterprises: 4 complementary Approaches	11
Target Groups	12
Outcomes of the Project	13

II. Different Approaches to Anticipation and Management of Change

German Approach:

Approach for Owners and Executives of SMicEs	17
Automotive Supplier Industry as Target Group	19
Procedure	20
Example of Good Practice: an Automotive Supplier	21

Dutch Approach:

Advisor Approach	27
Machinery Industry as Target Group	28
Procedure	29
Example of Good Practice: a Machinery Manufacturer	31

Spanish Approach:

Multiplier (Networking) Approach	39
Metalworking Sector as Target Group	41
Procedure	42
Case Study: a Boiler making Company	44

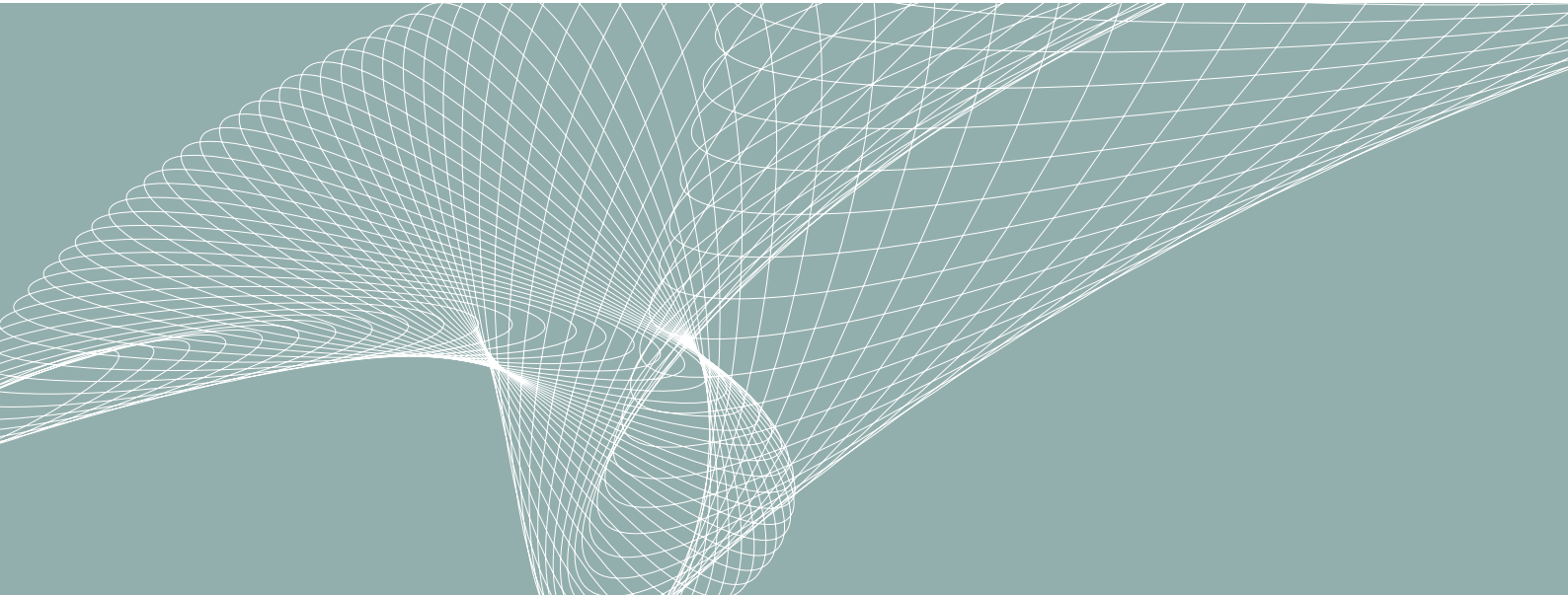
Italian Approach:

Mixed Approach of Consultant, Multiplier and Initiative of SMicEs Owners	49
Carpentries of the Wood Industry as Target Group	50
Procedure	51
Example of Good Practice: A Carpentry	53

III. Conclusion and Perspective

Transnational Value	58
Transnational Dissemination and Mainstreaming	60

I. The Project MIC – Micro-Inno-Change



Background

Innovative approaches to the management of change in Small- and Micro-sized Enterprises are constantly becoming more important. Already today and even more in the future the challenges for Small- and Micro-sized Enterprises (Small Enterprises: 10–49 employees; Micro-sized Enterprises: 1–9 employees; hereafter: SMicEs) are continuously growing. Besides the necessity to manage challenges in the every-day operating life, it is crucial for SMicEs to anticipate on market developments and changes in the environment and to face the exigency of positioning the own enterprise. Taken the fact that SMicEs represent 98% of the enterprises in Europe, just under 50% of the employees and approximately 40% of the value added in the European Union, it is clear that they are an economically important target group which is highly relevant to the European Employment Strategy.

Until today the conditions for SMicEs in facing the growing challenges are disadvantageous. Usually, the existing management models and consultant activities focus on large or, if at all, on Small- and Medium-sized Enterprises (hereafter: SMEs). SMicEs are the last element in the chain of reacting on changes. They lack a systematic human resource and



Aim, Content and Structure of MIC

business strategy. Well-established management models that promote consequent customer orientation, strategic quality management and/or the efficient utilisation of human resources, meet with little response in SMicEs. These models are either unknown or considered as too abstract and bureaucratic, have little relation to the real problems and do not fit for an integration in the daily routine. Furthermore, SMicEs lack contact with relevant sources of information and usually have few or no partners. And, last but not least, SMicEs tend to hesitate to invest in their employees, fearing that competitors might poach their qualified staff. All this leads to the fact that they react rather late to the changing demands. Even project funding activities do not consider them normally as a target group, they prefer to focus on SMEs although problems affecting SMEs hit SMicEs even harder. In many cases this goes hand in hand with the frequent perception for SMicEs of being a “victim” rather than a “manager” of economical, technical, political and social developments.

To enable SMicEs to become rather a manager than a victim of change, several institutes and organisations from Germany, the Netherlands, Spain and Italy initialised the project “MIC – Micro-Inno-Change: Innovative Approaches to the Management of Change in Small- and Micro-sized enterprises”. During two years, the project partners have developed tools and instruments which allow an extensive anticipation of change and an implementation of future-oriented strategies in the daily management of SMicEs. By choosing different approaches that together build a complementary system, it is assured that the project’s activities and its outcomes fit to the needs of SMicEs, meet their requirements and thereby reach as many SMicEs as possible.

This brochure summarises the concept and procedures of the approaches within the project and informs about the main results. Examples of good practice show how enterprises successfully managed to anticipate change with the tools developed in the project and how they achieved to identify and implement adequate measures and strategies according to their findings. The content of the brochure refers to the website of MIC (www.mic-project.org) which provides

all the tools, instruments and examples of good practice developed in the project.

By systematically explaining the different approaches that have been chosen it is clarified how they fit together and how the tools and instruments can serve as an aid for SMicEs in anticipation of change and integration of findings into the daily management behaviour. The brochure does – like all outcomes of the project – strictly focus on the target group of MIC: SMicEs. They shall benefit in the first instance from all activities of MIC.

The project was funded by the European Union (European Social Fund; Article 6: Innovative Measures). Within the project, LGH (Landes-Gewerbeförderungsstelle des nordrhein-westfälischen Handwerks e.V., an association of handicrafts in North Rhine-Westphalia, Düsseldorf) as the lead partner managed all administrative coordination. Prospektiv (Gesellschaft für betriebliche Zukunftsgestaltungen mbH, a ltd. company for applied future-related work science, Dortmund) acted as transnational research partner and was in charge of monitoring and evaluating the project. These tasks in-

cluded mainly the revision of the current state of research as well as the organisation of the cooperation as regards contents within the project. Also, prospektiv took care of the consolidation of the (partial) results on transnational level. A controlling concept served as continuous process evaluation. Qualitative data was collected and measured and in regular intervals all project partners exchanged the experiences gained during the different phases of the project. The additional collection of quantitative data clarified amongst others how many SMicEs could be reached by dissemination and mainstreaming activities and which tools have been applied. LGH guaranteed the controlling concept's implementation. All other partners were responsible for operational processes and the development of the project's outcomes which are described below.

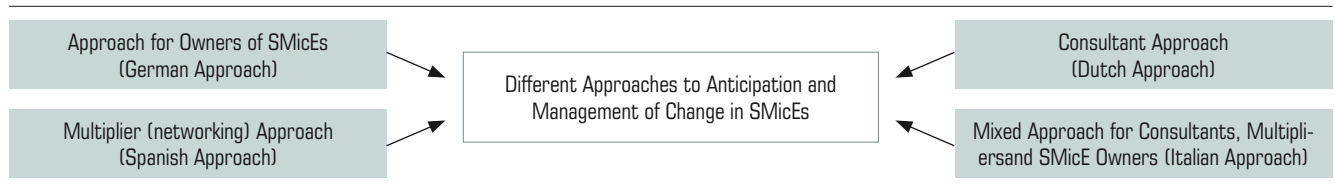
Access to Enterprises: 4 complementary Approaches

In order to reach as many SMicEs as possible, the MIC-project has been divided into 4 different but complementary approaches: a German approach, a Dutch approach, a Spanish approach and an Italian approach. Each of these approaches followed a specific understanding and procedure, which is explained in detail below. The idea behind this method is the fact that there are several ways possible and necessary to actively support SMicEs in anticipation of change and successful management. By using various approaches, more enterprises could be reached and for every specific approach, adequate tools and instruments could be developed. Furthermore, by following different approaches, different perspectives towards SMicEs were taken into consideration during the phase of developing and testing the tools.

The four approaches are:

- approach for owners and executive staff of SMicEs (German Approach)
- approach for advisors and consultants of SMicEs (Dutch Approach)
- approach for multiplier organisations such as chambers and associations which offer support to SMicEs (Spanish Approach)
- mixed approach for advisors, multipliers and owners of SMicEs (Italian Approach)

The following graphic shows the 4 approaches in an overview:

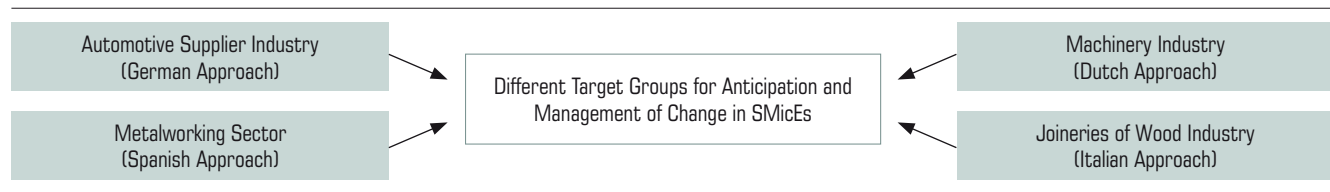


Approaches to Anticipation and Management of Change in SMicEs

Target Groups

In order to get a more concise access to SMicEs, each approach focussed on a certain target group within the heterogeneous and wide-spread range of SMicEs. Also, this procedure does justice to the different weight and importance of sectors, branches and industries in each of the countries that joined the project. These sectors or industries are of high relevance for added value and employment in the respective countries or regions. By considering their specific needs for managing change, it is assured that the tools and instruments meet the requirements of the different branches, industries and sectors and will lead to concrete improvements of their situation.

The following figure shows the different target groups:



Target Groups for Anticipation and Management of Change in SMicEs

Nevertheless, the achievements of the project are not limited to just these target groups. They are supposed to be transferable to the respective industries in other countries or even to other sectors that are facing comparable challenges.

Outcomes of the Project

With regard to the different approaches and the respective target groups, each approach developed 3 outcomes within the project:

- Tools for Anticipation of Change (1st Outcome)
- Instruments and Concepts for successful Management (2nd Outcome)
- Descriptions of Good Practice Examples (3rd Outcome)

All tools of the 1st outcome shall serve as a basis for the enterprises. They first have to be sensitised for the need for action and for the necessity to identify their current

situation. The tools for anticipation allow to systematically assess which challenges concretely occur, how they influence the company and which steps and measures should be undertaken.

The tools developed in the 1st outcome differ between the approaches. Within the German approach, a self-applicable toolbox has been designed. It enables company owners and executive staff of SMicEs to analyse their business, market and environmental situation. Within the Dutch approach, tools for advisors have been developed in cooperation with several pilot companies. The approaches from Italy and Spain



Different Tools for Anticipation of Change

deal with the creation and testing of supporting tools and activities for anticipation from the multiplier perspective. Seminars, trainings, sector analyses, newsletters, symposia and radar concepts for technology watching have been used for this concept.

In the most optimal situation, the anticipation tools show that the enterprise is strategically following the right course. If on the other hand things are not running smoothly the results may signal a need for action. For SMicEs the question then comes up how to handle the results of their anticipation. Given the variety of potential solution alternatives, the project partners developed in the 2nd outcome instruments and concepts for good management. They are supposed to aid enterprises in integrating the anticipation results into their daily management. For instance, the instruments and concepts provide measure plans and time schedules to fill in the intended actions. Some of them give just first, but important hints to work on the major factors for initiating and establishing a good management of change step by step. Others show systematically how the relation-

ship between a SMicE and an advisor can lead to a fruitful cooperation.

The tools of the 1st outcome as well as the instruments and concepts for good management of the 2nd outcome are designed in a way that they fit together systematically. This becomes clear at the interface between the 1st and the 2nd outcome: At this state, the enterprises can obviously benefit from the different approaches of the MIC-project.

The following example shall clarify the complementary design of the approaches and the respective results of the 1st and 2nd outcome: By using e.g. the self-applicable tools developed in the German approach, enterprises are able to identify threats and opportunities that may be of influence. Respective instruments for good management help them to becoming more active on their own. Nevertheless it is possible that anticipation results (e.g. identified weaknesses) will lead to a demand for further advice from consultants and multipliers such as advisors of the chambers or associations. The instruments and concepts developed within

the Dutch, the Spanish and the Italian approaches may consequently help enterprises to become more active and to implement future-oriented strategies.

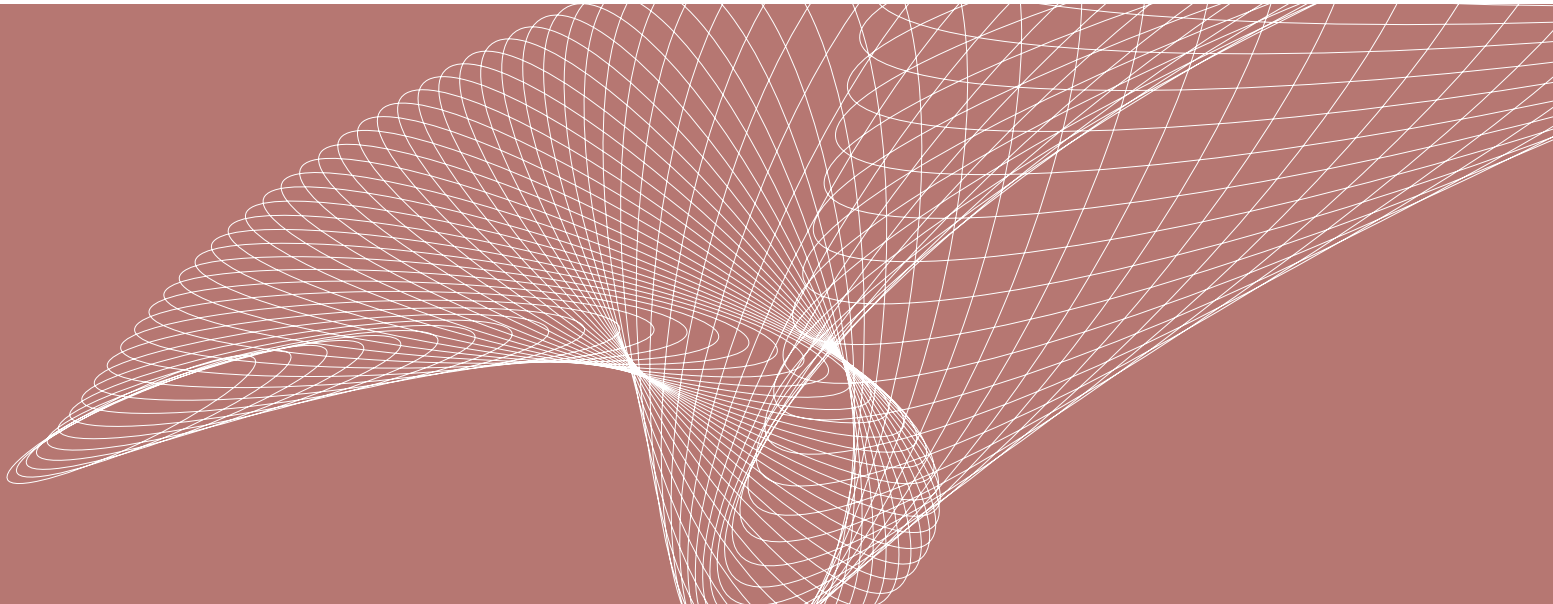


The 3rd outcome of the project provides examples of good practice. Several enterprises that used the tools and management instruments/concepts are introduced and show exemplarily how an anticipation can lead to a successful management of change.

Download versions of all outcomes are available on the MIC-website: www.mic-project.org

II. Different Approaches to Anticipation and Management of Change

German Approach: Approach for Owners and Executives of SMicEs



The German approach designed tools by which anticipation and the management of change in SMicEs is actively supported. Entrepreneurs and executives get the opportunity to use on their own these tools for anticipation and business management which are suitable to the needs of SMicEs. The aim is to enable companies to meet global changes and stress of competition with adequate and anticipating measures. The tools are self-applicable (“help for self-help”) for enterprise owners or operational decision makers. They should be regarded as aids to enable an anticipation and good business management, even if the owners don’t have any knowledge about these issues before using the tools and instruments.



A Component for the Automotive Industry

This approach has been chosen because the challenges for SMicEs are constantly growing. Next to managing the every-day operating life of a company it’s getting continuously more important for them to anticipate market developments, changes in the environment and to face the necessity of positioning the own enterprise. Most of the SMicEs don’t possess the resources and the knowledge to do such an anticipation or to implement future-oriented strategies. For example, they are often customer-driven and find themselves frequently in a victim role.

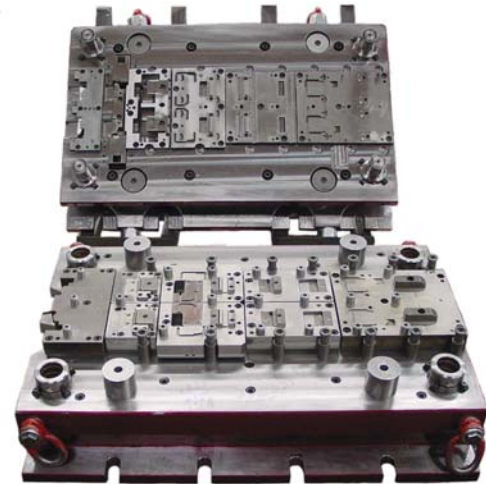
The existing management models and consultant activities that might help are mostly designed for the needs of big enterprises. Because of the lack of tools and concepts that concentrate on SMicEs and in order to help them facing these challenges, the German approach developed a self-applicable toolbox that is supposed to close this gap. When the tools for anticipation are being worked out by an enterprise, they show different results. When the question comes up how to handle these results of the anticipation, it may happen that the use of the German approach is limited. For example, some results may show deficits in important fields and indicate that the enterprises need to obtain more information. Also, some results may require the support of consultants for example. Nevertheless, it is important for enterprises to do the first step. For this aim, different

management instruments have been developed which enable the integration of anticipation results in the daily management behaviour. This may help SMicEs to become more active and future-oriented rather than just being stuck in a victim role.

Automotive Supplier Industry as Target Group

The target group of the German approach were the entrepreneurs and executive staff of companies in the metal and electronic working industry in general and especially suppliers of the automotive sector in the Sauerland Region.

In the Sauerland Region, which is located in the middle-east of North Rhine-Westphalia, a change in the industry composition has occurred in the last decades. Many enterprises are nowadays working in the metal and electronic sector, mainly as automotive suppliers. For automotive suppliers there is always a big pressure from the automotive manufacturers, in which more and more short-dated scheduling and shortened production cycles are significant. The big manufacturers pass down these developments to their suppliers, which appear more and more in a victim role. Especially, the small- and micro-sized automotive suppliers are often dependent on orders and contracts with their customers.



A Traverse used in Car Frames

The high competition in this sector makes it necessary for them to anticipate the changes and to react on those. By choosing them as target group, SMicEs of the automotive supplier industry should be enabled to become more active themselves.

The situation and the development that are described are typically and transferable for the automotive sector in whole

Europe. Also, there are similarities existing concerning the retail industry, where small- and micro-sized suppliers of big discounters are often in a comparable situation.

Procedure

The anticipation tools of the German approach have been developed on the basis of discussion with experts and entrepreneurs of SMicEs. This close orientation and participation of the target group was necessary to understand their needs. Also, there was research on the present state of anticipation knowledge. Management models and instruments for anticipation in big and medium-sized enterprises have been revised, it has been checked which elements of them could be deduced for SMicEs.

The discussion with experts, entrepreneurs and executive staff of SMicEs was also helpful for the question, how to handle the results of anticipation and how to integrate them into daily management behaviour. The requirements of the target group became clearer by this. The description of good practice examples shows what a systematic analysis of anticipation can look like and how the results can be integrated into daily management.

The anticipation tools and instruments/concepts developed are:

- Enterprise Analysis
- Quick-Check Environmental Analysis
- Quick-Check Customer Analysis
- Quick-Check Supplier Analysis
- Quick-Check Competitor Analysis
- Quick-Check Financial Analysis
- Anticipation Cockpit
- Anticipatory View
- Audit of Success – To Learn from Findings

Download versions are available on the MIC-website:
www.mic-project.org

Example of Good Practice: an Automotive Supplier

Situation of the Enterprise

Name of enterprise:	LOTEC Loh GmbH & Co. KG, Arnsberg
Sector:	Tool manufacturer
Number of employees:	35
Business fields:	<ul style="list-style-type: none">■ Tool manufacturer for pressing and metal forming equipment■ Piece part manufacturer■ Measuring equipment■ Punching instead of sawing■ CAD / CAM
Motto:	Quality through precision
History:	<ul style="list-style-type: none">■ 30 years of experience in tool manufacturing■ Founded in 1973 as the job tool manufacturing area of a shelf construction company■ In 1986 the company was extended to become a profit centre■ In 1997 an independent company then arose within the group■ Further development to become a market-related performance centre

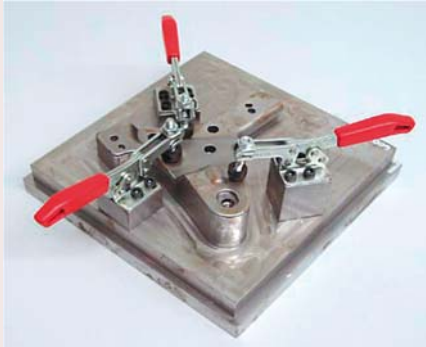


Use of the Anticipation Tools

- Analysis of the company and inclusion of all internal and external interfaces
- Coverage, documentation and visualisation of the entire business process as the basis for the MIC anticipation tool Enterprise Analysis
- Joint development, testing and optimisation of the Enterprise Analysis and of the Quick-Checks

The participation of the company LOTEC in the project already started at an early stage, during the development phase of the anticipation tools. These tools were initially conceived on the basis of the empirical knowledge together with the consultant of the Arnsberg Chamber of Handicrafts as well as by the project partner prospektiv (Dortmund) and developed as basic versions. The results were then presented to the persons responsible at LOTEC, discussed with the

A setting Jig



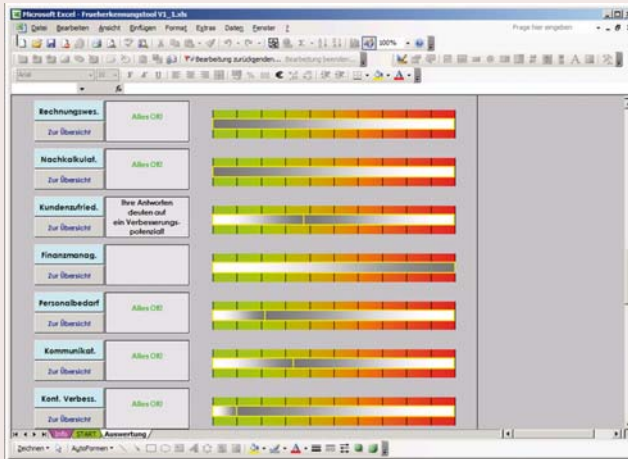
German MIC project team and improved and then tested in practical applications. The results emerging from the application were incorporated in further optimisation of the tool. An analysis of the entire company was carried out at LOTEK. Within the scope of this analysis, the staff were surveyed and jointly all of the external and internal interfaces were elucidated, documented and presented graphically. The results were incorporated as improvements in the MIC anticipation tool Enterprise Analysis. During the next step, the Enterprise Analysis as well as the Quick-Checks were applied and thus potential risks and needs for action were determined. The results formed the basis of more in-depth analyses carried out at certain points and of decisions by management regarding company reorganisation activities.

Results of the Anticipation

- Checking of the needs for action indicated by the anticipation process in four main areas
- Development of solutions and alternative solutions concerning the four main areas of needs indicated and identified

Upon the completion of the respective tools, they were put into use successively and at LOTEK test runs were carried out, the results of which showed potential risks, problematic areas and need for changes. In detail these were the following results of anticipation:

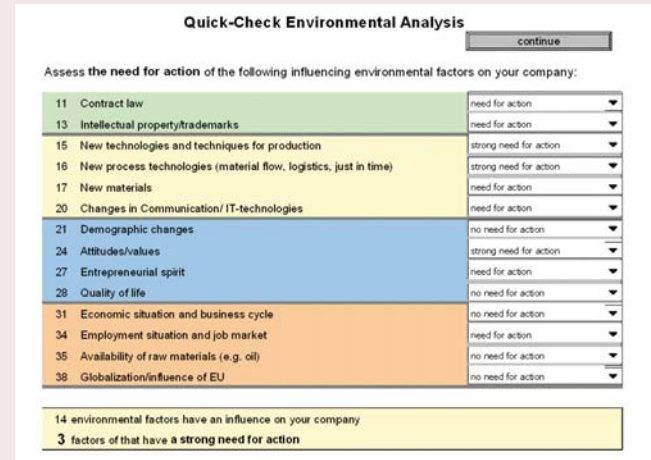
- The responsibilities within the company did not always [recognisably] appear to have been regulated. (Indication of need for action in the main process areas ‚Human resources planning‘ and ‚Internal communication‘)
- The qualifications and development potentials of the employees did not seem to have been completely covered, to be completely known and taken into account. (Indication of need for action in the main process area of ‚Human resources requirements, Human resources development‘)
- Some machines appeared to be no longer adequately optimum with regard to the customers‘ wishes. (Indication of need for action in the main process areas ‚Production‘ and ‚Capital spending‘)



Enterprise Analysis: different Business Areas have been checked

- The use of new materials and innovative production techniques seemed to be an alternative possibility. (Finding concerning need for action from the Quick-Check Environmental Analysis)

Within the scope of the Enterprise Analysis it emerged that the responsibilities in the company did not always seem to have been defined. This indication led to discussions on the responsibilities of the individual areas of the company be-



Quick-Check Environmental Analysis: influencing Factors and indicated Need for Action

ing discussed in talks with the Arnsberg MIC project team as well as internally. For decisions it first of all had to be clarified which requirement profiles the staff had to meet. Also the finding from the anticipation tool regarding possibly necessary changes in the main area of 'qualifications' meant that first the requirements had to be discussed.

The indicators of the Enterprise Analysis indicated that in the area of production the machine train would have to be

the subject of questioning concerning needs. In order to be able to meet the customer's wishes optimally and to keep production at a technologically progressive level, various solutions were collated and as the first choice the acquisition of new production machines was given consideration. On this, however, more profound considerations especially with regard to the capital expenditure involved had to be taken.

As result of the Quick-Check Environmental Analysis for LO-TEC was the consideration given to possibly use different production techniques and/or other materials in processing. In order to be able to make decisions in that case, comprehensive information was obtained on those two subjects.

Implementation of Solutions

- Improvement of the management by the setting-up of staff requirement profiles and job descriptions in order to define and clarify the responsibilities and to prepare a qualification matrix
- Safeguarding of the location by capital expenditure on new production machines
- Considerations as to whether, if necessary, there should be a switch over to other machining materials in the case of the tools (the idea was not implemented for cost reasons, but it will remain under consideration)

With regard to a definition of responsibilities and reorganisation of the area of ‚Qualifications‘ it first had to be clarified what requirement profiles the staff had to match. Upon the drawing-up of staff requirement profiles, the preparation of job descriptions was also implemented and hence the prerequisites were present for documenting a transparent allocation of responsibilities and optimising the management processes conceptually.

The Arnsberg Chamber of Handicraft developed a Microsoft Excel matrix for the main area of ‚qualifications‘ which allowed systematic and future-oriented planning of training courses for the staff. In order to now be able to meet the customer's wishes in the optimum way and to keep production at a technologically advanced level, it was decided that the company would invest in two new CNC milling machines and a new erosion machine. The basis for this was not only the result of the anticipation – the feedback from the members of staff and questions on capital expenditure planning were also taken into account. The latter included all of the tasks and activities associated with the new machines. From the capital expenditure plan the capital requirements were obtained. The management worked out, on the basis of the capital requirements, the necessary financing plan and implemented the capital expenditure project. With this, LOTEC can consolidate the company with its products and

services in the market, safeguard the jobs and lead the company on a future-orientated basis towards becoming a market related performance centre.

As a result of the Quick-Check Environmental Analysis, consideration was given to possibly using other materials, for example, ceramics in processing. Necessary research for a well-founded decision was carried out by LOTECH and this step into a different technology was discussed several times. For cost reasons (capital expenditure/earnings) the use of different materials was put aside for a medium-term period and was not implemented during the project term, either.

The second suggestion from the Quick-Check Environmental Analysis regarding introducing new production methods was likewise carefully examined and discussed. In this case, the company LOTECH focussed on a new process in which the cutting of metal sections to length is not carried out by sawing, but by punching. The punching process is carried out in the form of two separating cuts which in each case are carried out by separate mobile cutting tools and cut off different sub-areas of the section part. Section parts cut off accumulating as scrap are disposed of after each separating cut by means of separate ejection ducts. The innovative new process offers the customer, in conjunction

with a cutting fixture designed specially for the customer's production, decisive optimisation possibilities, and it was introduced after the weighing up of the advantages and disadvantages.

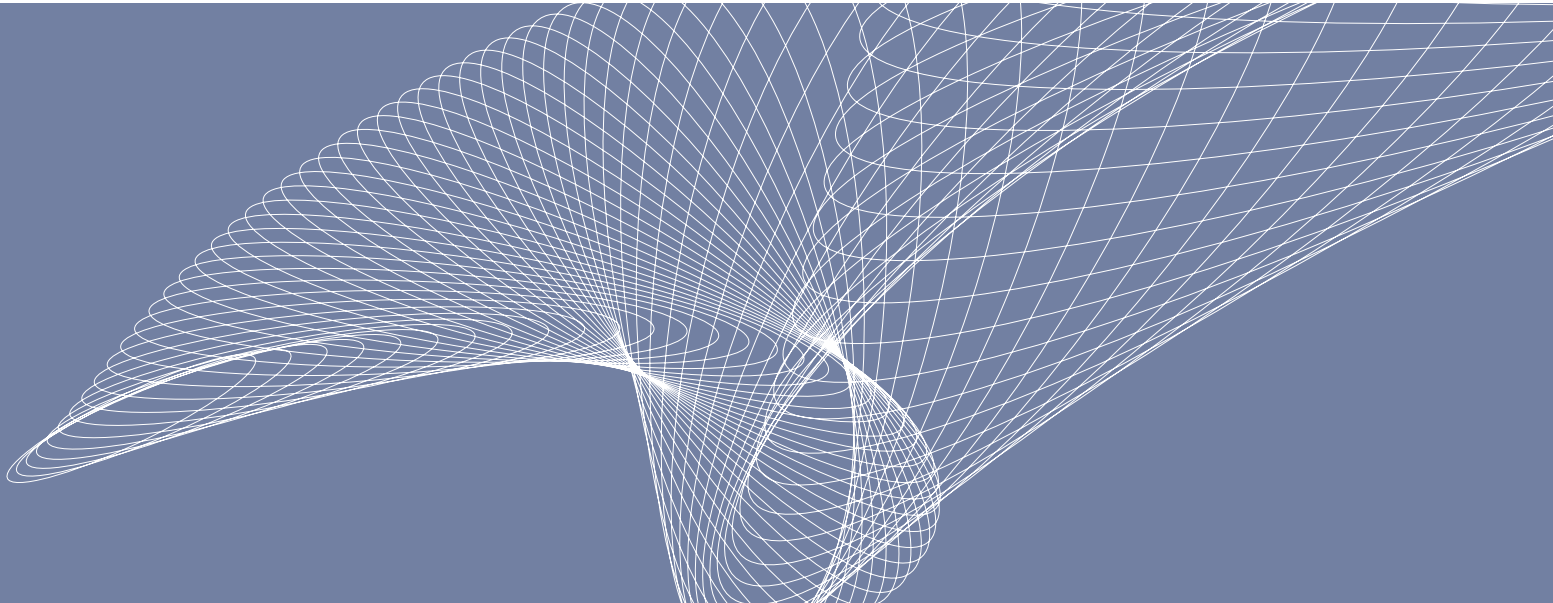
Transferability

The measures that have been taken in the company described show that often having to carry out implementation without any great structural changes is achievable. However, that can differ from company to company. The weak points, risks and the consequent measures explained are also similar in other companies. This applies also to other sectors, the situations in the specific companies always have to be noted. Due to the fact that the tools developed are to be used by each company itself, there is thus a possibility that these tools are always used when requirements make it necessary. It is even recommended that the tools should be applied at certain regular intervals so that possible problems or weaknesses can be identified at an early stage and that an early response is possible. No direct costs arise from this application by the company itself, which is something that is surely very important for SMicEs.

For further examples of good practice within the German approach see the MIC-website: www.mic-project.org

II. Different Approaches to Anticipation and Management of Change

Dutch Approach: Advisor Approach



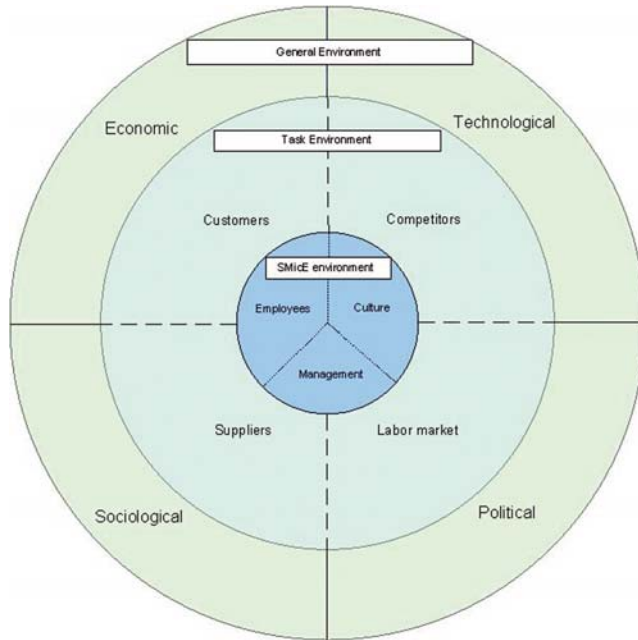
The Dutch approach designed tools and a guide for anticipation and management of change that can be used by advisors of SMicEs to help them anticipate on change. The tools and the guide can be used by advisors to analyse SMicEs by means of a company analysis. By analysing the company, trends and turbulences can be detected and all relevant information can be gathered in one report. This will give the SMicE the necessary insights in the company's situation and potential consequential modes of action. Consequently, the developed toolbox can be used to enable the SMicE to assess its strengths and weaknesses, and recognize at an early stage the external factors that would influence its competitive position.

The Dutch approach has developed an advisor approach, which shows practical and instructive ways to those advisors with small companies as their customers how to help them anticipate on change. The reason this approach was used is that SMicEs lack the time and resources to strategically analyse the company, and contact between SMicEs and advisors does regularly exist. Note: when addressing advisors, the Dutch approach does not only address private consultants, but focuses on all possible parties engaged in an advising role towards SMicEs; like auditors, banks, government organisations, and so on. SMicEs in the Dutch machinery industry are highly innovative as a direct result

from the increased competition from low-priced Asian machinery manufacturers and the current high rate of technology transfer. Their innovativeness pushes them to search for sources of funding, on which consultants advise. Next to this, the Netherlands is known for its high level of bureaucratic procedures and regulation. SMicEs often use the help of consultants to handle these bureaucratic procedures for which they lack the time, resources and knowledge themselves.

Machinery Industry as Target Group

The target group of the Dutch approach were enterprises of the machinery industry in the Netherlands that make a lot of use of consultants. Structural processes like globalisation and the economic growth in both the Eastern European countries as well as in Asia, are clear examples of environmental changes that lead to problems in the Dutch mechanical engineering sector. These processes are changing the economy and this leads to both opportunities and adjustment problems, especially for SMicEs. Lower-priced competition from Asian companies is increasingly stronger and this is leading to a highly competitive market. Next to this, the fast growth of the Asian economy, especially China's, has been leading to an increased demand for raw materials, thus a scarcity of resources and consequently in an increase in the price of



The SMicE's Environment, where Forces influence the Company

raw materials. Other structural changes are formed by increasing regulation, which increases the amount of bureaucracy and complexity for the sector. Also, the current rate of technology transfer has been leading to an increase in the level of automation and mechanization, as well as a fast

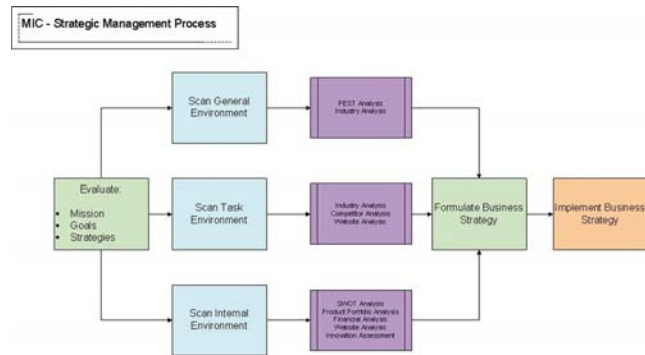
development of substitute products. Next to this, the trend towards globalisation has created a hastening economy where efficiency has to be maximised and the time-to-market minimised, resulting in a more powerful consumer and smaller, more specialist batches. The level of customisation has increased, which forces companies to work in a flexible manner, adapting to each consumer. The Dutch mechanical engineering sector represents an important part of the Dutch economy and a majority of the enterprises in this sector are SMicEs. Nearly all of them face difficulties arising from the trends described above.

Both the number of companies and the employment rate have been decreasing in the past five years. These forces push SMicEs in the industry to anticipate on the changes in their environment. They try to become more innovative, focusing on high-tech, high-quality products. They also increasingly specialise and offer more customisation. These changes require a turnaround in the companies, which is why they served as an excellent target group for the MIC project.

Procedure

The Dutch approach has created a strategy toolbox by analysing a series of management models in order to find the tools that can be suitable for SMicEs after some adjusting,

making them more easy to understand and implement. This toolbox exists of a series of tools serving as an aid-kit for successful business management. The tools in the aid-kit together are able to sketch a complete picture of the company and its environment.



Strategy Toolbox that analyses the SMicE's Environment

A number of pilot companies were analysed using this toolbox by project experts in order to test its value. By means of close interaction with and participation of the pilot companies, the tools were optimised and a guide was developed.

This guide is directed towards advisors and shows them how to help their customers who are SMicEs how to handle the results of anticipation and integrate them into daily management. The experience of the project experts as well as a literature study were used in the development of this guide. Consequently, several examples of good practice were developed in order to show how the developed products can lead to successful changes in SMicEs' daily business activities.

The anticipation tools and instruments/concepts developed are:

- Industry Analysis
- Environment Analysis (PEST-Analysis)
- SWOT Analysis
- Product Portfolio Analysis
- Financial Analysis
- Competitor Analysis
- Website Analysis
- Innovation Assessment
- a Guide for Anticipation and Management of Change

Download versions are available on the MIC-website:
www.mic-project.org

Example of Good Practice: a Machinery Manufacturer

Situation of the Enterprise

The pilot company analysed is a machinery manufacturer based in the Eastern region of the Netherlands. The company was founded 50 years ago and has evolved into an innovative sales, manufacturing, and servicing organisation for woodworking machines and associated tooling and periphery equipment.

The SMicE's core business can be divided into two main activities. On the one hand, the company serves as a representative for a number of reputable machinery manufacturers. The company sells these woodworking machines and the associated tooling and periphery equipment. The company does not only sell new machines, but also trades in second-hand machinery. The other main activity of the pilot company is the building of machinery. This way, the SMicE provides turn-key automation solutions for their customers in the woodworking sector. The company's additional services for both the trading in machinery and the construction of machinery include machine maintenance and overhaul, servicing, trouble-shooting, advice on tool selection and machinery safety assessments.

As could be determined from the SWOT analysis, the combination between building machines and trading in machines, is a major strength of the company and can therefore be determined as its core competence. Because of the company's expertise in building specialty machinery, it has built a reputation for its high quality. The company owns a workshop and a highly qualified staff. The SMicE is therefore highly flexible and able to provide fast customer service. This has served the company with the possibility to focus on a high-quality customer service and complies with its goals to build a reputation based on quality.

The pilot company is a financially strong and stable company. The company's vision is to obtain a national reputation among wood treatment companies based on quality. Aside from its management team, the company has 14 employees: two of them are salesmen, the rest are mechanics for the building of the machines and maintenance services. It is a highly decentralised company: if the company owner would become ill, the company would be able to stay in business without much difficulties. The staff is allowed to make decisions of its own and this has resulted in a high employee loyalty.

Despite the fact that the pilot company is a strong and healthy company, it has been suffering some problems in the latest years. Due to the globalisation and the economic growth in the Eastern European countries as well as in Asia, competition has increased drastically for the manufacturer. Many Asian companies sell machinery in the European market now. These

machines are cheap but do not represent high-quality products. Because the SMicE wants to be a high-quality company, it has decided not to represent these Asian machinery manufacturers. However, customers are increasingly price-sensitive and use the Internet to search for lower priced machines. Since a machine is not a commodity product, but can be seen as a long-term investment for a firm, customers cannot buy another machine once they have realised that the low-priced products represent a far lower quality. Due to these developments the SMicE is losing business.

Use of the Anticipation Tools

The company was analysed with tools from the strategy toolbox developed in the project, in order to identify the SMicE's strengths and weaknesses and consequently advise the SMicE on how to manage and anticipate on changes.

Because this was the first pilot company to be analysed in the MIC project, and the tools and the toolbox still needed extensive testing, the company was extensively analysed. This resulted in a document containing the Company Analysis of 95 pages, and total time spent analysing the company was considerable. The company was analysed using the following tools:

■ Environmental Analysis

From the Environmental or PEST Analysis it became visible that the pilot company is operating in a difficult market. The largest identified threats are the globalisation and the increased competition in the sector. Another large threat is the large price of raw materials as a result of the the

scarcity of resources due to the large demand for raw materials from the fast growing Chinese economy. The largest identified opportunities for the machinery manufacturer are the momentarily fast growing economy and the producer confidence, which ensures that companies are investing in machinery at the moment.

■ SWOT Analysis

From the SWOT Analysis the same threats and opportunities were identified as from the PEST Analysis, which confirms the outcome of both tools. With regard to the strengths and weaknesses of the machinery manufacturer; the pilot company's strengths are its high reputation and its dedicated skilled personnel, as well as its flexibility and its high commitment towards maintaining a reputation of high-quality. Weaknesses stem from the fact that the SMicE has no established structure/procedures, owns no patents or own products, and has little experience in cooperating in research projects.

■ Product Portfolio Analysis

The pilot company does not have an invoicing system from which it can obtain figures on sales per product group. Analyses of company invoices showed that 80% of turnover lies in the sale of machinery, but it was not possible to determine a difference between second-hand and new machinery, and the ones build by the company itself. According to the product portfolio analysis using the General Electric/McKinsey Matrix, the SMicE has a strong business position in an unattractive market, in particular with its strongest and most important product group: machinery. Maintenance is situated in a very attractive market, and also in this product group the company has a strong business position.

■ Financial Analysis

From the analysis of the SMicE's financial statements can be concluded that the pilot company is financially a healthy firm. It is profitable, not too highly leveraged, able to solve its short-term commitments, and its activity ratios are normal for a machinery manufacturer. However, the SMicE did suffer from the economic downturn, but this is also normal for this type of company.

■ Industry Analysis

The trends that were identified from the industry analysis of the Dutch machinery industry confirm with the external

forces influencing the pilot company that were identified from the PEST analysis. External forces influencing the company are creating a highly competitive market. First of all, competition is very high due to Asian companies competing in the European market, where they sell lower-quality machines for a lower price. In the mean time, customers are sensitive to these low-priced offers and use the Internet to shop around, which makes them less loyal to a brand or company. Since a machine is not a commodity product, but can be seen as a long-term investment for a firm, customers cannot buy another machine once they have realised that the low-priced products represent a far lower quality. Next to this, the fast growth of the Asian economy, especially China's, has been leading to an increased demand for raw materials, thus a scarcity of resources.

■ Competitor Analysis

In the Competitor Analysis, the pilot company scores very well compared to its competitors on dimensions like speed of service, maintenance speed and skills, flexibility/adaptiveness, focus on quality, warranty services, technology, and employee commitment. The company score worse compared to its competitors on aspects like price, size and brand familiarity.

■ Website Analysis

The Website Analysis showed that the pilot company ranks very well compared to its competitors on keywords that customers will use on their search for a woodworking machinery company. However, when conducting a keyword ranking analysis based on manufacturers' names, the results show that the competitors score better on quite a few names. Finally, a website speed test shows that the speed of the SMicE's website is excellent.

■ Innovation Assessment

From the Innovation Assessment can be concluded that the pilot company is a highly innovative company, with a very healthy internal climate for innovation, but also with a high need for innovation through external forces. However, several mechanisms for innovation are not present in the company, like partnerships and research projects.

Results of the Anticipation

From the results obtained in analysing the pilot company using the MIC toolbox, a number of recommendations could be formulated, which are discussed in this section. These recommendations have been brought to the pilot company using the advisor approach – the advisor helped the SMicE owner to use the results from the analysis to formulate

concretely its needs for action. This advice was brought informally, in a personal context, and provided in a way that the owner felt that the advisor had every reason to personally take responsibility for the advice provided. In order for the SMicE to obtain the results of the analysis, it was presented to the owner in a non-standardized way, with the owner's time constraints in mind. A presentation was used, which gives the option to visualise the results and to provide clear examples. The advice was brought from the SMicE owner's perspective and the advice was to the point and based on practical solutions.

The pilot company is a healthy innovative company operating in a difficult market. This market is highly competitive, with customers being very price-sensitive. Since the SMicE is focusing on quality rather than price, improving the company's brand familiarity, reputation and creating a large number of loyal customers would be the recommended strategy to undertake. In order to reach these goals the SMicE's marketing strategy ought to be improved. The company is advised to focus its marketing strategy on this image of high-quality. It would be ideal if the company could have a product of its own, this would reinforce this image. It gives the company continuity, a better brand familiarity and a good reputation among the customer. To stress the SMicE's core competence in building specialty machinery, it

could describe a case on its website, in which it has found a tailor-made solution for a customer. Next to this, the website's keywords should be adjusted according to the results found in the Website Analysis, to ensure that customers will be able to find the company on the web.

From the product portfolio analysis it was conducted that the SMicE has a strong business position in an unattractive market, in particular with its strongest and most important product group: machinery. It could be a solution for the pilot company to search for new market opportunities: for example: using its machinery building skills for other types of machinery, compared to only woodworking machinery, since substitute products for wood are nowadays continuously more often used. Also, focusing on new technological developments could bring the SMicE new market opportunities, by for example exploiting its knowledge on safety installations more intensively, hereby positively influencing its reputation. Maintenance is situated in an attractive market, and it would therefore be interesting to expand this business. Making use of servicing contracts could therefore be an interesting option, since it will reinforce the company's brand familiarity with respect to quality and service. Also, it will create a more closer relationship with repetitive contacts, which is of critical importance to the SMicE in this volatile market.

Machinery takes account for almost 80% of the company's sales. It is very important to discover the exact division between second-hand and new machines, and how much revenue is generated from selling the machines the SMicE builds itself. Therefore, it would be advisable to make such a division within the company's invoicing system.

Finally, from the SWOT Analysis and the Innovation Assessment it was conducted that the company owns no patents or own products, and has little experience in cooperating in research projects. It is advised that the company changes this in order to stay an innovative, high-quality machinery manufacturer.

Implementation of Solutions

The pilot company was highly enthusiastic about the results of the analysis. The company owner believed the analysis to provide a comprehensive and very extensive overview of the firm and found the tools to be insightful. Especially the large number of graphical overviews were appealing to him, since he, as a technically oriented person, preferred a picture over a large text. He liked the General Electric/McKinsey Matrix, since he believed it proved a gut feeling he already had, about the importance of the maintenance activities for the company. He was also especially interested in the re-

sults of the Innovation Assessment, and those of the Website Analysis, since both tools provide concrete, hands-on advice, that can be followed up without much difficulties. The Competitor Analysis was least appealing to him, since it was the only tool that did not provide any new information to the company director.

With regard to the advice on the SMicE's marketing strategy, the company has decided to increase its marketing efforts. Plans have been made to talk to a customer in order to be able to put a successful case study on the company website. Also, the website will be adapted according to the results found in the Website Analysis. The SMicE will also develop its own newsletter, with quarterly news items directed at its customers.

Next to this, the pilot company has taken successive steps in order to obtain a product of its own. This would reinforce its image, it gives the company continuity, a better brand familiarity and a good reputation among the customer. The pilot company has engaged in a partnership, and together they market a product to which the SMicE's name is attached. This will give a large number of new marketing opportunities. For example, it will be possible to give interviews to professional industry-specific magazines.

The SMicE was also advised to search for new market opportunities, since the market in which it is operating is very unattractive. The company director has engaged in several partnerships in order to search for new market opportunities and to differentiate its activities.

The SMicE was advised to engage in servicing contracts, in order to reinforce the relationship with its customers. However, the pilot company is not very keen to this idea, because it fears that it involves too much risk. When the customers do not bear the risk themselves when a machine breaks down, they might be less careful with their machines.

From the SWOT Analysis it was concluded that the SMicE owns no established structures and procedures. The company director acknowledged this problem and expressed his intention to change the company culture and create more structure in the company. The SMicE was also advised to analyse its sales figures, in order to obtain information on sales per product group. The company owner recognised the importance of obtaining figures of sales per product group, and has compared several software programmes in order to invest in an invoicing system. The company is considering buying a software programme that will be able to give sales

figures for each customer relationship separately. This will be a large investment, but a valuable one.

With regard to the Competitor Analysis, it was concluded that there was not a lot of new information to be extracted by the company. In order to get new information, a Competitor Analysis requires an extensive research with for example a questionnaire for customers of these competitors. The pilot company is considering to hire an intern to do this analysis, since the MIC project has made them aware of the importance of information.

Finally, from the SWOT Analysis and the Innovation Assessment it was conducted that the company owns no patents or own products, and has little experience in cooperating in research projects. As was explained above, the SMicE has started several partnerships, and now owns its own product. This shows that the company has acknowledged the importance of these innovation mechanisms.

Transferability

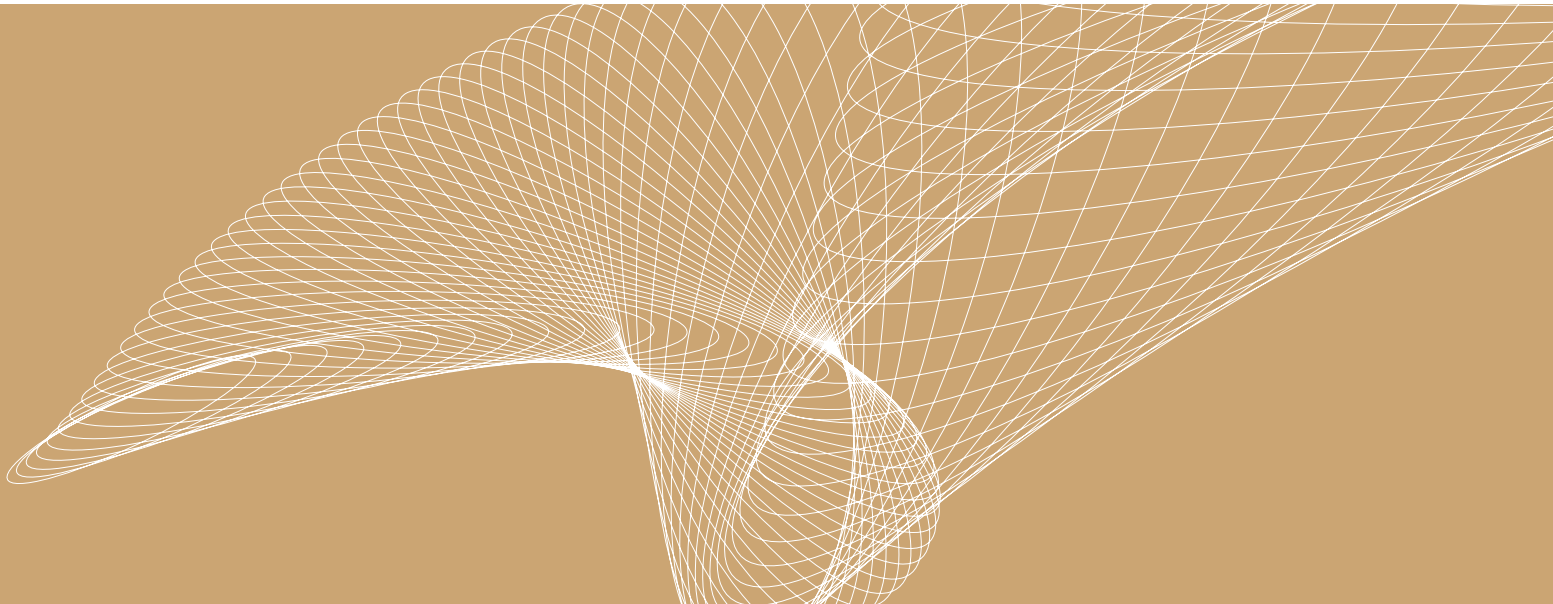
The measures that the SMicE has now implemented form structural changes in the company's viewpoints and orientation. Since most SMicEs consider marketing a large prob-

lem, several points of the advice given to this pilot company, will be relevant to other small companies as well. This will be especially true for other machinery manufacturers in Europe, since they all face the same problems as the pilot company is facing: the sector is increasingly competitive and they are forced to focus more on high-tech, highly qualitative products for which innovative capacity is essential, and differentiate through specialization.

For further examples of good practice within the Dutch approach see the MIC-website: www.mic-project.org

II. Different Approaches to Anticipation and Management of Change

Spanish Approach: Multiplier (Networking) Approach



The overall objectives of the Spanish approach were to foster the culture of innovation and management of change in the SMicEs of the Metal sector in Biscay, to evaluate the needs of these companies, to promote cooperation in order to enhance their innovation capacity and to involve companies, experts in technology, local innovation agencies and other local actors in this project in order to assure the



Actors of the Spanish Approach

sustainability of the initiative. The participation of agencies as multipliers, and also experts like technology centres and consultants, assures that MIC outcomes reach as many

SMicEs as possible to initiate and support a management of change in the companies. If they all see a benefit in this cooperation they will continue working together after the end of the MIC project.

This approach assures that MIC outcomes reach as many SMicEs as possible. The components of the network have a close relation with the companies so the actions of the Spanish approach can be better accepted by the companies. However this relation between intermediaries and companies is complex, because sometimes the companies get a direct benefit (advice, financial help, training, young workers in practice programs, etc.) but on the other hand they are sometimes reluctant to cooperate. This has to do with the introvert culture of many SMicEs, which are not open to cooperation opportunities. These kinds of activities in the MIC project helped to overcome those obstacles, promoting a collaborative culture.

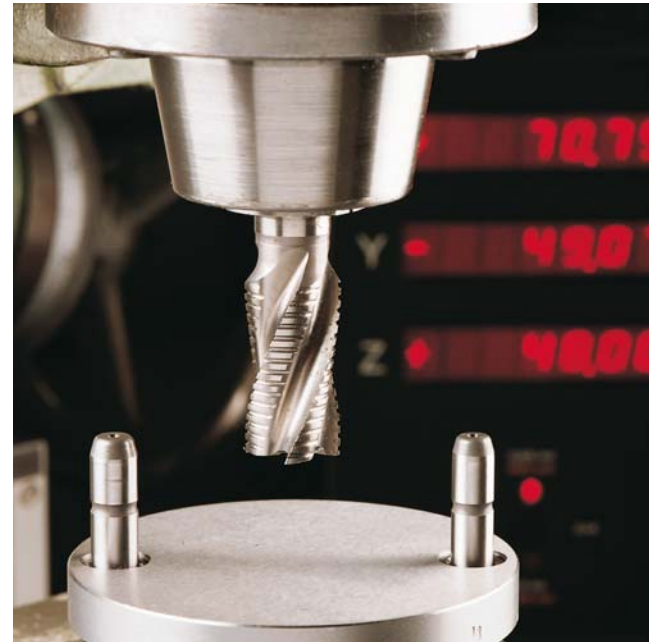
The Department of Innovation and Economic Promotion of the Biscay County Council (DIPE) and CEBEK, Confederation of Businesses of Biscay, and partner of MIC signed in 2004 a framework agreement of collaboration for the promotion of innovation in the industrial sector of Biscay. The objective was to develop joint initiatives to foster the culture of innovation and the technological developments to a set

of SMicEs of an specific industrial sector, from the conviction of the fact that a very important number of them has not acceded or assumed yet the above mentioned culture, due to reasons or difficulties inherent in their own nature, whereas others have not developed their innovative potential sufficiently.

The situation in these companies demanded awareness actions. They are not prepared for direct consultancy projects or self help tools as they need to understand, first of all, the new competitive situation in the global markets, the need of innovation and the permanent adaptation to change. Awareness seminars and a sectoral analysis (supported by innovation assessments) specific to the Metal sector has been developed to deploy this approach. Also the promotion and dissemination of newsletters and technology watching services (developed by DIPE) has helped in reaching the objectives.

Metalworking Sector as Target Group

The target group of the Spanish approach are the SMicEs of the Metal sector in Biscay. The Basque Country has a long industrial tradition, which began at the dawn of iron and steel industry, and continued with the shipbuilding industry evolving towards the most advance technology sectors. The remarkable business nature of the Basque people has given



Insight into a Metal Working Centre

rise to a dense network of specialized small and medium-sized companies, which provide an industrial environment with broad subcontracting possibilities.

The Metal industry is one of the most important industries in the Basque Country, mainly located in Biscay. Despite the fact that it is a mature and traditional sector in the industrial production of Biscay, this sector is a driving force in the economical activity of the region, linked to other activities that create jobs and wealth, like automotive, machinery and capital goods, household appliances, with important presence in consolidated markets like Spain, France, Germany, etc..

The Metal sector represents 31,8% of the Gross Added Value of the industry of Biscay, the highest in the industrial activity of the province, and regarding the Gross Domestic Product (GDP), this sector represents 8,1% of GDP of Biscay, with 8,3% of the employment. This sector in Biscay and its SMicEs in particular face important threats and opportunities in the near future, as a consequence of the new competitive context of globalisation. The immediate consequence of this new economical context is the higher demands of competitiveness of small firms due to the emergence of the Metal industry in Asian countries and the EU-25 new member states. In this new context many new competitors are located in countries closer to the main European markets, with a dense infrastructure and qualitative good network and also with an important industrial tradition in the Metal sector, and cheap labour costs and experienced workforce. The new competitive conditions force SMicEs to

modernize its productive facilities by incorporating technological improvements, process improvements and also to assume more advanced management systems and restructuring processes in the company.

Procedure

The sector-oriented concept of anticipation in the multiplier approach is based on awareness and analysis tools to help SMicEs to anticipate to constant changes (in technology, markets, manufacturing processes, etc.). Three partners of the Spanish approach are intermediaries, so the main concept of MIC in Biscay dealt with the definition of tools for multipliers (innovation agencies, local institutions, associations of SMicEs, clusters, etc) in order to reach as many metal companies as possible and raise awareness of the importance of change management and adaptation to new competitive circumstances.

The Metal sector was selected because of the importance and weight on the economy of the region. Then the agreement with DIPE (Biscay County Council) has promoted the integration of regional innovation agents and sector experts in a network, building a particular Innovation System in the Metal sector of Biscay. This work procedure has allowed to detect the lacks and needs of the sector

when they need to incorporate the culture of innovation into their business.

Download versions are available on the MIC-website:
www.mic-project.org

The existing information about the sector was the base of the sector analysis. This analysis has been completed with the results of innovation assessments performed by experts. These innovation assessments have been done in 90 metal companies and the results are included in the sector analysis. In some cases deeper assessments have been carried out in the companies regarding their productive processes and the degree of maturity and vulnerability of their products.

Also awareness seminars on the importance of innovation and management of change have been organized. This, together with the promotion of a sector newsletter (delivered every 2 months) and of a service of technological watching, has introduced the need of permanent adaptation to change and the culture of innovation in the companies of the sector:

The anticipation tools and instruments/concepts developed are:

- Sectoral Analysis
- Awareness Raising Seminars
- A Guide with Recommendations for Agencies
- Business Cooperation Strategies

Case Study: a Boiler making Company

Starting point

The following study describes the journey embarked upon by Guineplast boilermakers to modify certain management issues of the company, in regard to their relationship with other suppliers and with their customers.

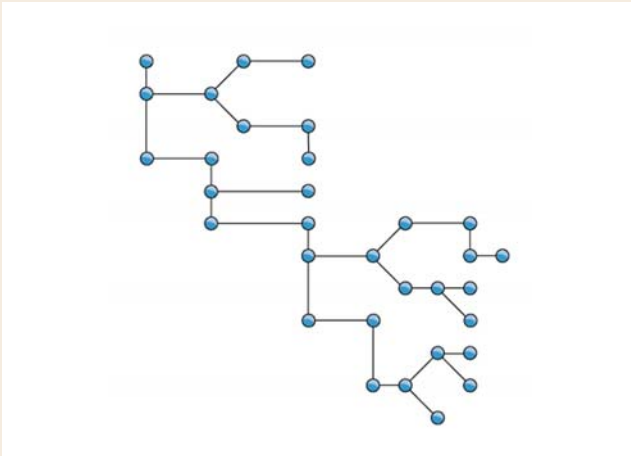
Guineplast is a boiler making company with over 30 years of experience, located in the town of Ortuella. It specializes in the manufacture of parts according to drawings. The products manufactured are thermoplastics for the chemical industry in general and for any other sectors purifying water or gas.

Iñaki Guinea, managing director of Guineplast, had noticed for some time that the relationship based on subcontracting, which links the boilermakers and the other suppliers to the engineers, was having a negative impact on the competitiveness of the end product and reducing sales. In this relationship, the customer hires the engineering function who, in turn, subcontract the suppliers, who in turn may again subcontract other suppliers. In this way, commissions pile up and increase the end product price.

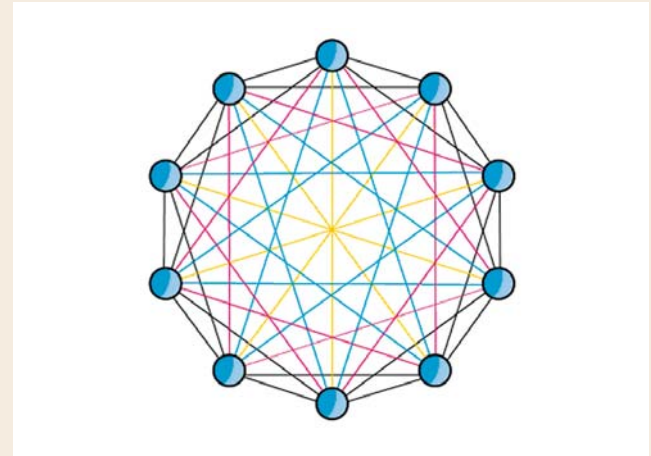
In short, Iñaki realised that these conditions were detrimental both to suppliers and engineering companies, as well as for their customers, who ended up looking for alternatives through direct hiring or seeking suppliers in countries with cheaper labour costs. Throughout his professional career, Iñaki Guinea had worked with Fermín Posadas, a professional engineer with a wide experience in this field. Fermín, just as Iñaki, was also aware of the disadvantages and repercussions of the subcontracting system and had worked out a new model based on cooperation philosophy: the Supplier Network. He transmitted this philosophy to Iñaki and they got to work together.

Several reasons led them to devise a new way of working together: a personal relationship based on trust and on the know-how they both brought to the table, the underestimating of the suppliers in the traditional working system, and the feeling that subcontracting increased costs. In relation to the latter, Fermín reflected: *"the middle-men multiply the end price three or four times (...)"*

In addition to this, they were both aware of the fact that in companies where real risks are taken: *"it is not the workers, who normally oppose at the first drawback, or the shareholders, who get scared when the first problem arises, neither the organizations or the institutions who face the risks...the only one who really suffers the consequences, the only one who heavily bears the business risk, is the supplier"*.



Hierarchical organisational System



Network organisational Model

Supplier Network Model

As mentioned earlier, Fermín and Iñaki started a new path together to develop a new organizational model, the Suppliers Network, based on the participation philosophy, but what is this model?

The Supplier Network, as defined by Fermín Posadas is a group *"in which the partners are fully integrated without giving up their own business, with the aim to join efforts, rewarding the highest contributor"*. A network of such characteristics

aims to *"encourage the improvement and orientation towards a different type of parameters, not only price"*.

The Supplier Network model is based on this vision and its main innovation is that all its partners are interested in the supply of products to the network, and these products must be of the highest quality and quantity.

According to Iñaki and Fermín, several features define this cooperation philosophy. This new organization fosters

team work and cooperation between the various companies which make up the network; operation costs are reduced, technical and human resources are shared, and market opportunities and the specific value of each company are maximised.

Implementation

Once Fermín and Iñaki analyzed the new system and agreed to start it up, they took a number of steps to make this theoretical proposal become a real working system.

Fermin took the main lead. He held meetings with several companies involved in different activities with whom they had previously worked and proposed the new system to them. After several meetings, ten companies agreed to embark on this new journey. Once the partners in the future network were identified, the time to devise the organization arrived.

Firstly, they established the network objectives. This was the easiest part; all the partners agreed that the main objective would be innovation. Innovation, from the point of view of the product itself and also from the production point of view, as it was produced by a company network organized in an innovative way.

The next issue which needed to be addressed was how to compensate the companies which initially had to assume higher risks in order to start operating and guarantee the project. To this end, it was agreed that 50% of the grants awarded would be allocated to this purpose.

Thirdly, Fermín, Iñaki and the other members of this group of companies had to define the role played by each one within the network. This task was not completed but certain functions were defined, such as coordination and engineering, which was assigned to three partner companies; or the project responsibility, which would be assigned to the most specialized company in each case. Regarding management, it was decided it should not be carried out by the directors, but no decision was made as to whether it would be undertaken by an external company or by a network partner.

The problem arose when trying to define a suitable legal model, since a network does not fit a standard legal model. As Fermín explains: *"I initially thought that we did not need to set up a company, I believed that it could be an almost virtual company; but afterwards, I realized that if we wanted to receive grants from the Public Administration, or represent the company anywhere, or even for business card printing purposes, and avoid people asking your name from the mo-*

ment you step through the door... then, we would have to set up a company”.

Some interesting partners to the network, who were prepared to participate until that time, walked away once they realized it was necessary to set up a limited company. Out of the ten original companies who embarked on this journey together, only four remained which currently form Bengolako.

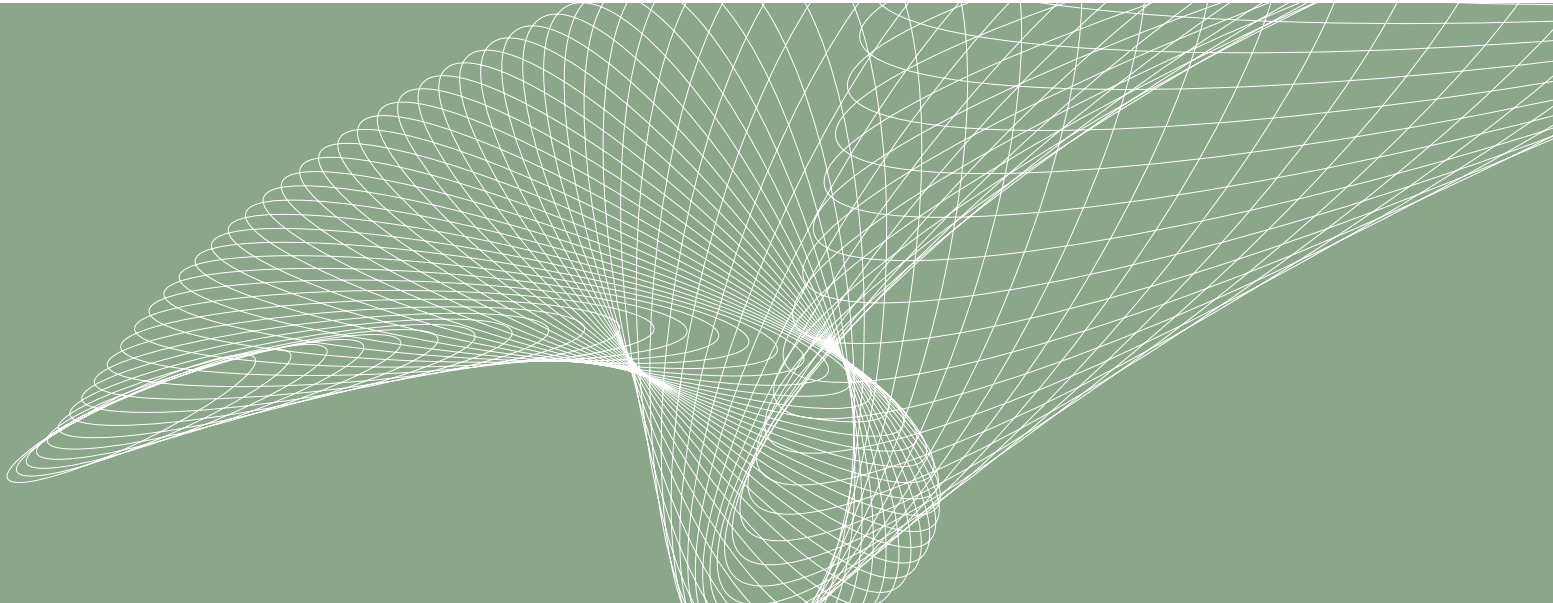
Results

Bengolako was created as a result of this experience. This Limited Company was established in July 2007, and is formed by four supplier companies, who had been working together for quite some time. Bengolako, which in many respects is still ruled by the cooperation philosophy of the Suppliers Network, has designed diverse innovative products and it is currently manufacturing them.

Moreover, the companies which form part of this group currently enjoy the opportunity to discover new sectors, as Iñaki mentioned with excitement: *“just today I visited a timber company for the first time in my life!”*

II. Different Approaches to Anticipation and Management of Change

Italian Approach: Mixed Approach of Consultant, Multiplier and Initiative of SMicEs Owners



The Italian approach can be described as a mixed approach integrating the activities of a consultant, the activities of the LVH as a multiplier, research-activities by the EURAC and at least the owners of carpenteries.

LVH – Landesverband der Handwerker – is an association for all craftsmen in South Tyrol. LVH attends the interests of 8.000 members, which are mostly SMicEs. EURAC – European Academy Bolzano – is the leading research institution in South Tyrol. The EURAC occupies more than 170 scientists in 11 research departments. Additionally, Seibstock Consulting cared for the project realisation.

Aim of the approach was to improve the competitiveness of the carpentry sector in South Tyrol, which is dominated by SMicEs. The process can be drafted as follows: EURAC implemented all necessary research activities concerning the market situation and the future challenges of the carpentry sector. LVH used its close relationship to its members, to choose 10 representative SMicEs and to attend these companies during the process of change. In this phase, LVH was supported by a regional consultancy.

The reason for choosing the mixed approach was the aim to combine the complementary core competencies (research, multiplication, mentoring) of each project partner within the

Italian approach. The mentoring is necessary, because the SMicEs are frequently not able to implement tools of change by their own due to lack of resources (time, know-how, staff, etc.). To empower all other members of LVH to use the tools, a case study of this project is published.

Carpenteries of the Wood Industry as Target Group

A sample of 10 carpenters has been chosen, who are evenly spread on South Tyrol. This selection represents the carpentry sector in South Tyrol very well. All the participating companies are SMicEs. The carpentry sector in South Tyrol is under a high pressure of competition. Carpenters from Austria and other neighbour countries enter the market of South Tyrol. The foreign companies are often bigger (and can make use of economies of scale) and have further advantages due to the better taxation situation in their home countries. Further on, the market changed negatively for the carpenters of South Tyrol, as many customers prefer to buy furniture in stores like IKEA. The target group, which is willing to pay a higher price for good handcraft, is shrinking. The carpenters need support for managing the process of change to raise the competitiveness of their companies. The appraisal of this situation by the LVH was approved by a project-related research conducted by the EURAC. As LVH has chosen

representative companies all over South Tyrol, the transferability of the results is guaranteed. Because of the extreme pressure of competition in this sector in South Tyrol, the results are transferable to other countries in Europe.

Procedure

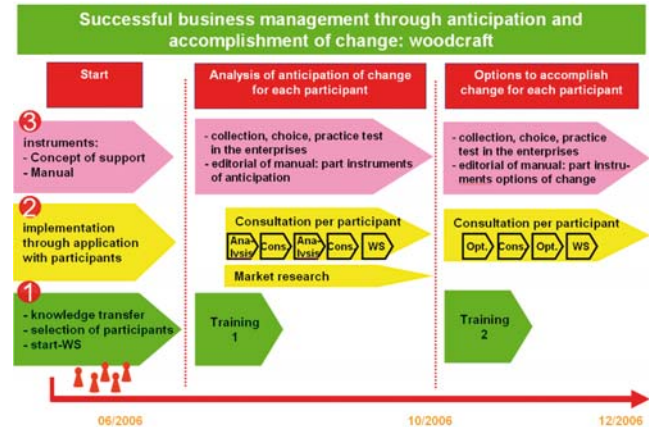
A concept for anticipation that contains a procedure and a training how to use and build up suitable strategies was developed.

The following diagram shows schematically the process of the Italian approach:



Process of the Italian Approach in an Overview

The diagram below shows the process of implementing a management of change in detail (mix of knowledge-transfer and consultancy):



Implementation of the Change Management Process

The shown training and consulting-process presented guarantees the successful implementation of management of change-processes within the carpenteries.

Every step was coupled with a feedback-session. At the beginning and at the end of the trainings, the EURAC interviewed the participants concerning their expectations

and satisfaction with the project. EURAC also evaluated the process of management of change within the carpenters' companies. LVH is in continuous contact with the carpenters for further feedback.

The following tools and instruments were developed within the Italian approach:

- Analysis of the Business Area
- Environmental Analysis
- Enterprise Analysis
- SWOT-Analysis (strengths, weaknesses, opportunities, threats)



Example of Good Practice: A Carpentry

Situation of the Enterprise

The carpentry described on the following pages is a family business, established by the father of the today's owners. Because of the early death of his father 25 years ago, the 15 years old son took over the responsibility for the company. A few years later, his young sister joined the company as a shareholder. By then the company was managed by the brother and sister. Since the company's establishment, the finances are managed by their mother. Today, the mother is retiring step by step, facing the brother and sister with the problem to find a replacement for their mother, who did a very good job all years long.

The carpentry is located in the valley of Ulten. The family is very well integrated in the social life of the village. In the last years the carpentry has been expanded little by little. Today, their workshop provides quite huge capacity which may force the company to grow further within the next years. The brother and sister employ six carpenters, five full-time and one part-time.

As a result of good mouth-to mouth propaganda and its excellent reputation in the village, the enterprise is market leader in Ulten with its 13.600 inhabitants. The company's core business is windows and doors – in new and old buildings. Their main customers are private households (30%), the village of Ulten (18 %) and private companies (e.g. hotels). The main competitors of the company are local carpenters, furniture shops and door factories. The carpenter-density and the stress of competition in the village of Ulten are very high. However, the village is growing and income and buying power are high.

Use of the Anticipation Tools

Assisted by a consultancy, the brother and sister achieved clear anticipation information. First of all, the company has been divided into several strategic business segments.

For each segment a SWOT-analysis has been conducted and the most challenging tasks have been identified.

Results of the Anticipation

Within the phase "anticipation of change" the following focuses have been identified:

- The carpentry of the family is a long-established company. It is working in the construction and in the furnishing sector

- Most constructors prefer to order standardised windows and doors, which are cheaper to buy from bigger and specialized companies
- The profit generated by the construction sector is quite low
- The company earns its money in the furnishing sector

Brother and sister have been involved in the process and have been coached by a consultant. The brother and sister did very well in presenting the company's situation. The most important future tasks and challenges have been identified. Assisted by the consultant they identified their own strengths and opportunities.

The implementation into the daily management often occurred directly after the training-sessions. Afterwards, the brother and sister analysed the changes and impacts.

The following needs for action have been identified:

- Synergies between the construction- and the furnishing sector have to build up to a competitive advance. The fact to be first at the construction set has to be used to get in contact with the constructors and the architects to raise the chances to get a lucrative furnishing job
- Therefore, the construction sector has to be professionalised

- Friction losses, caused by the leading of two managers, have to be avoided in the future. Therefore the roles of the two within the company have to be redefined clearly

Implementation of Solutions

Based on the identified needs for action, strategies and tasks have been developed for challenging the process of change:

- Strengthening of the construction sector
- Establishment of co-operations with architects for positioning as a reliable partner in the construction sector
- Construction jobs as a calling card of the company in meeting delivery dates etc.
- To deliver excellent work in the construction area, the working process with the supplier for windows and doors has to be improved concerning delivery dates and price agreements
- Active selling has to be practised
- Lucrative business segments as the furniture repair have to be built up
- Prices have to be measured by the customers' price sensitivity for each business segment
- Optimisation of cooperation and communication between the brother and sister

The brother and sister started to conduct all defined strategies and tasks. Some of them are already conducted; others are still in the implementation phase. Some impacts can already be measured, like the new pricing strategy in the furniture repair segment, which leads to a noticeable raise of profit in the running business year. Actually, the brother and sister are testing new communication methods. When having their communication improved, they want to discuss their roll allocation within the company, which shall raise the efficiency of the work of the entire company.

The willingness of the brother and sister to analyse and to discuss their situation frankly and to appreciate the external view of the consultant was very helpful in this case. The consultant's advice was not seen as a criticism but as a chance for managing the process of change. The brother and sister see the problem that there might be a lack of time during business to work on the strategies and tasks.

The main factor of success in this case might have been the mutual trust between the brother, the sister and the consultant. This was the basis for talking about unpleasant things and the development and implementation of strategies and tasks.

Transferability

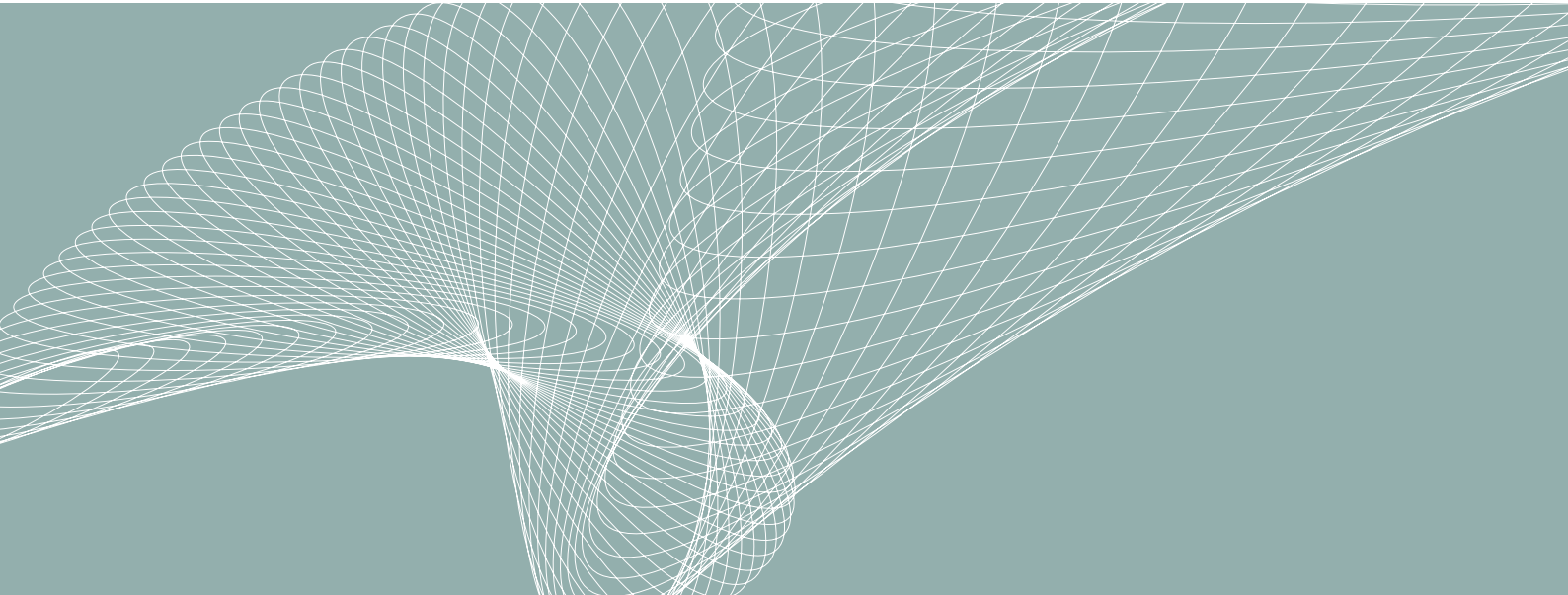
As long as the two entrepreneurs keep on trying to get to the bottom of their problems and have a positive point of

view regarding an ongoing evolution and development of their company, sustainability is assured.

The example of the company shows that some pre-conditions, such as the willingness to face the challenges of change and the ability to talk about the unpleasant things, have to be fulfilled to be successful. The strategies and tasks worked out may also be suitable for other companies, but have been tailored to the company. The project has shown that the situations of the participating companies are quite different, meaning that individual solutions have to be found, but some of them are transferable under certain circumstances.

For further examples of good practice within the Italian approach see the MIC-website: www.mic-project.org

III. Conclusion and Perspective



Transnational Value

The aim and the results of the MIC-project are not only limited to the countries of which institutions and organisations joined the project. Also the sectors and industries that served as target groups within the different approaches should not be considered as sole beneficiaries. The crafts and industries on which the project focussed are rather to be seen as examples that concretely show how anticipation and management of change can be conducted successfully in SMicEs. Concerning the situations in the countries in which the project operated, it can be said that there are similar and comparable conditions in nearly all Western European economies. All SMicEs in these countries have to face the challenges described above and the necessity to manage change. By the tools for anticipation and management of change developed in the project, they are enabled to identify influencing factors that occur, to define concrete need for action and to actively implement future-oriented strategies.

E.g., the situation described in the German approach is typically and transferable to the automotive sector in whole Europe. Nearly all automotive suppliers in particular as well as

metal-working enterprises in general face growing pressure from the big manufacturers. And there are also similarities existing concerning the retail industry, where small- and micro-sized suppliers of big discounters are often in a comparable situation. All of these SMicEs are invited to make use of the self-applicable tools and instruments of the German approach. They also might use the examples of good practice which provide an insight into the application and the results of the anticipation tools. Even if the results may differ from company to company, it is important for enterprises to get active on their own.

Concerning the experience gained in the Dutch approach, it can be said that the Netherlands is an innovative country with a high productivity rate and strong companies in terms of quality. SMicEs in the machinery sector are trying to find the best strategy in the increasing competition: to focus more on high-tech, highly qualitative products for which innovative capacity is essential, and aim to differentiate through specialization. Because these trends are not only limited to companies in the machinery sector, but also present in the whole of the Netherlands, and actually in all

Western European economies, the tools developed in the Dutch approach can be of relevance for all SMicEs in Europe. This is especially true for other machinery manufacturers in Europe, since many of them face the same problems as shown in the example of good practice.

The Spanish SMicEs are – like nearly all SMicEs in Western Europe – influenced by new companies entering the market due to the EU eastern enlargement. In this new context many new competitors are located in countries closer to the main European markets, with a dense infrastructure and a good network and also with an important industrial tradition in the metal sector, combined with cheap labour costs and an experienced workforce. The new competitive conditions force SMicEs to modernize its productive facilities by incorporating technological improvements, process improvements and also to implement more advanced management systems and restructuring processes in the company. And Why? In order to increase productivity and to reduce costs. The introduction of new capacities and technological improvements in the productive processes of small companies will allow the design and/or manufacture of new products,

more complex products and products with more added value and will produce important gains of productivity.

Especially SMicEs of the metal sector are vulnerable to the new conditions of competitiveness that imposes the globalised market. Also the main problems detected are common to other industrial sectors (like textile, steel, electric and electronic,...): low levels of productivity of the present productive processes, risk of relocation of the production plants of important clients to other regions as well as concurrence of new competitors. So after two years of MIC it can be affirmed that many metal SMicEs need to extend their markets and to look for elements of differentiation in their products, to improve their productive processes, to innovate in products migrating towards new own developments that diminish the vulnerability of the companies, to implement new strategies of cooperation between them and, finally, establishing new business models – all over Europe.

The Italian approach of MIC has chosen representative companies from the carpentry sector, a sector with a long tra-

dition in the wood industry in South Tyrol. Like South Tyrol, many other regions in Europe are as well traditionally dependent on the wood industry, in which often SMicEs operate. The transferable factors of the experiences made in the Italian approach are that small carpentries like described above are in general under pressure of competition, mostly because of the cheaper manufacturers from Eastern Europe and Asia. The example of the company described above shows that some preconditions, such as the willingness to face the challenges of change and the ability to talk about unpleasant situations, have to be fulfilled to be successful. Also a sector analysis showed typical types of companies which referred each to special strategies, e.g. cooperation, expansion or entering niches. This conclusion is globally transferable to carpentries.

In general, the MIC project has been able to make SMicEs aware of the importance of knowledge about change, and of the fact that a few practical changes in the company can make a large positive difference in the company's daily business without too much effort needed. The more SMicEs internalise this fact, the better.

Transnational Dissemination and Mainstreaming

A policy of wide dissemination of the project results has been pursued. The dissemination has in particular been focused on SMicEs, the targeted beneficiaries of the project results. Dissemination activities are not only limited to national borders, they aim to reach SMicEs in all countries of the European Union.

Disclosure of project results and knowledge about change is mainly provided by the project website which is available on www.mic-project.org. This website has already been widely disseminated among customers, project partners, and other interested parties like trade unions and employer associations in order to provide various information related to the project. From the beginning of the project the website has been created and continuously advertised as a main dissemination tool. Owners and executives of SMicEs, advisors, multipliers as well as all other interested parties are thus able to get a concise overview of the main results. There are download versions of the tools for anticipation and management of change available. For each approach there is a summary given as well as contact information.

Compared to the website, the present brochure only serves as a source of concise information for all SMicEs interested in anticipating and managing the change. All partner organisations of MIC distribute the brochure and promote the website. The final official dissemination activity is the MIC Final Conference in the Euskalduna Conference Centre in Bilbao with the title "Anticipation and change in the European SMicEs: Practical Experiences".

On national level, the dissemination activities already started with the development of the anticipation tools. As a result, a lot of SMicEs had been invited to participate in activities that foster an active anticipation and management of change. With press releases and newspaper articles, being present on local and regional trade fairs, workshops, newsletters etc. many SMicEs were reached and sensitized about possibilities to benefit from the MIC outcomes.

As regards mainstreaming, all partners of MIC pursued to convey the results and the lessons learnt during the project phases to relevant decision makers on local, regional, national, transnational or sectoral level. This was ensured

by several evaluation and monitoring activities within the project. By building a solid foundation with the use of these means, the results and the experiences of the project shall foster sustainable and promising conditions for all SMicEs in the European Union.

Publisher

LGH – Organisation for the Economic Development of Skilled Trades SMEs in NRW
Auf`m Tetelberg 7, 40221 Düsseldorf, Germany
phone: +49 211 30108-0
fax: +49 211 30108 500
e-mail: lgh@lgh.de
internet: www.lgh.de,
www.mic-project.org

Managing Director:

Dipl.-Volksw. Reiner Nolten

Text:

DE: Gereon Stock, Dr. Thomas Langhoff, Hans-Josef Walter, Christian Albrecht
NL: Annewieke ten Boer
ES: Javier Mendibil, Nuria Barandalla, Augusto Uriarte, Javier de Miguel
IT: Mathias Brugger, Christina Mühringer, Marcus Herntrei, Udo Seibstock, Ruth Tüchterle

Conception and Layout:

Peter Luttko

Copyright 2007

LGH – Organisation for the Economic Development of Skilled Trades SMEs in NRW (10/2007)

All rights reserved.

The text of this publication or any part thereof may not be reproduced or transmitted in any form or by any means, electronically or mechanically, including photocopying, recording, storage in an information retrieval system, or otherwise, without prior permission in writing of the publisher.

Project part-financed by the European Union



EUROPEAN UNION
European Social Fund
Article 6 Innovative Measures

Project Coordinator

Organisation for the Economic Development
of Skilled Trades SMEs in NRW (LGH)
Roland Smigerski
smigerski@lgh.de



Transnational Research/Monitoring and Evaluation

Prospektiv Gesellschaft für betriebliche
Zukunftsgestaltungen mbH
Gereon Stock
stock@prospektiv-do.de



Germany

Handwerkskammer Südwestfalen
Christian Albrecht
christian.albrecht@hwk-arnsberg.de



Netherlands

Pro Support
Anniewie ten Boer
a.ten.boer@prosupport-nl.com



Spain

Labein – Parque Tecnológico de Bizkaia
Javier Mendibil
jmendibil@labein.es



Italy

LVH – Landesverband der Handwerker
Christina Mühringer
christina.muehringer@lvh.it

