

## **“SMEs and the importance of the provision of shared support services”**

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**September 2013**

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## ***“SMEs and the importance of the provision of shared support services”***

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**Abstract:** This paper investigates the potential importance of shared support services versus customized traditional one-to-one services for SMEs. A questionnaire survey has been undertaken between January and February 2013 in the companies hosted by the Bioindustry Park Silvano Fumero and/or member of the cluster BioPmed. The results of the survey highlighted interesting insights for future policy strategy improvements. In particular, the role of actors like science parks-incubators and clusters like BioPmed emerged as pivotal, but the key word is “quality”. This means that shared support services are expected to be of very high quality and in particular a “ratio between quality and price” has to be strictly respected. This seems to be the only way for overcoming the traditional attention and importance given to customized one-to-one services.

**Keywords:** science park; incubator; innovation pole; cluster; shared support services; SMEs

**Acknowledgements:** all the questionnaire respondents are gratefully acknowledged for the time devoted to the present survey. They provided useful information for policy improvement.

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## 1. Introduction

The present paper aims at gaining a deeper insight about the potential importance of shared support services, including entrepreneurship education programs, for SMEs “*after*” their creation: are these services perceived useful by the companies? Which kind of services they would like to have? Who should provide these services? Are the SMEs available to pay a fee for these services or not? Are the companies willing to attend an entrepreneurship education program?

The importance of these topics has to be interpreted not only in relation to the role of services and training as elements of competitiveness for a single company but also as a key element of the “ecosystem” or cluster where the companies are operating.

This investigation has been undertaken through a questionnaire sent to all the companies of the network of the Bioindustry Park Silvano Fumero in the context of BioPmed cluster members, between January and February 2013. BioPmed is an innovative cluster focused on health care<sup>1</sup>. The results coming from this survey will be useful for implementing new and *ad hoc* services for the SMEs hosted by the Bioindustry Park and/or members of the cluster BioPmed.

The paper is structured as follows. The introduction is followed by the theoretical framework: a brief overlook at the role and importance of shared support services is provided. The methodology is illustrated in section 3, while the results are described in section 4. Discussion with policy recommendations and some concluding remarks follow.

## 2. The theoretical framework: the emerging role of shared services

Shared services<sup>2</sup> is a tool for organizing administrative functions in order to optimize the delivery of services to all the customers (i.e. SMEs in our survey). These services should be the most as possible cost-effective, flexible and reliable.

Both Science Parks and Clusters managing organizations have the goal to support the growth of local actors and tenants. In the case of science parks, physical proximity (Boschma, 2005) is affecting the way the science park<sup>3</sup> managing organization is used to structure, offer and manage

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<sup>1</sup> [www.biopmed.eu](http://www.biopmed.eu)

<sup>2</sup> “Shared services is a new model for delivering corporate support, combining and consolidating of services from headquarters and business units into a distinct, market-efficient entity”, Booz-Allen&Hamilton (1998: 3).

“A shared services operating model is a method of ordering work so that business processes and the people who do those processes are brought together in a new and more efficient and effective way. It’s relying on economies of scale and allowing workers to specialize in processing those transactions quickly and effectively. This drives down cost and enables the organization to transfer costs from back office business processes to programs that really impact constituents and the individual citizen”, (Leadership for a networked world, 2009: 7).

<sup>3</sup> “The 21st century science park once again regards the built environment as vital, not as an end in itself but as an aid to the process of creativity, interaction and innovation”, Allen (2007: 12).

both shared services, (i.e. services that have been conceived as common platforms) and customized services (i.e. services that have been personalized). In the case of a cluster environment, or of a “third generation” (Allen, 2007) science parks environment, the role of the community not linked necessarily by a strong proximity is affecting the way the single actors are perceiving the service provider.

“When done correctly, shared services enables major multi-function transformation for private and public sector organizations” (Accenture, 2011: 2).

Yet in 1998 Booz-Allen&Hamilton identified six principles for the transition to a shared services model: “key to a successful implementation is distinguishing between the types of services to share, developing service contracts, choosing shared services staff carefully, benchmarking the service against outside vendors, establishing a governance board and designing an implementation approach unique to your specific company needs” (Booz-Allen&Hamilton, 1998: 1).

The use of ICT technologies and the role of cluster managing organizations as trustable hub instead as direct provider of services, are only two of the elements that have to be taken into account. According to the research report undertaken by Accenture (2011: 4), “Cloud computing and social media are top technologies on the minds of shared services executives”. At the same time the role of cluster managing organisations in activating/delivering services, particularly in high-tech sectors, has been outlined as a key element of competitiveness of companies<sup>4</sup>.

Such elements have been revisited in recent years in order to increase the efficiency and efficacy of services. The concept of service platforms or bundled services, typical of incubator environments, has been the starting point for the development of innovative services offered to companies, particularly SMEs.

Shared services in such perspective have been of particular interest in order to increase the efficacy and the appealing of the services offered. The cost element (i.e. the fact that following a sharing approach, the unitary cost for the use of a specific service is usually lower than in the case of the same customized service), seems not to be from a theoretical point of view the only driver.

It is possible to identify some key variables that have to be taken into account:

- Increased efficiency / reduced costs: the centralization of fragmented operations/know-how enables to gain economies of scale/economies of knowledge with advantages in operational and efficiency aspects;

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<sup>4</sup> Cfr AA.VV “Challenges for EU support to innovation in services”, PRO INNO Europa paper n° 12, European communities 2009, p. 22.

- The standardization of processes behind the services that are shared and the centralized control on quality and performances analysis, enables in general to offer highest quality services. Obviously, with some compromises (e.g. in the capability to fulfill exactly a specific need of a specific SME). But the capability to adopt standardized practices enables to develop best practices that could be the basis of more efficiency and better services in general.
- The centralization of the delivery and the sharing service approach enables a better professionalization of dedicated teams. It is clear that in such way it will be possible to develop sustainability approaches based on unique skills.
- The previous elements could enable the delivery of improved levels of services able to adapt them to changes in the environment following a continuous improvement approach.
- The capability to reach economies of scale justifies and permits the adoption of better technological/managerial solutions.
- The capability to offer service platforms is not only an element of the offer of science parks and clusters but it is also a key variable to manage in order to develop a sustainability approach.

In order to test the reliability of these assumptions and in order to improve our understanding of the perception of shared services versus customized services, we undertook a questionnaire survey. The respondents have been SMEs hosted by the Bioindustry Park Silvano Fumero<sup>5</sup> and/or member of the Cluster BioPmed<sup>6</sup> (Conicella, Salvador, 2012; Conicella, Baldi, 2011, 2012; Conicella, 2010, 2011).

The following sections describe in details the methodology applied as well as the results of the survey.

### **3. The methodology**

A questionnaire has been chosen as a method of analysis for investigating the potential importance of shared support services for the SMEs hosted by the Bioindustry Park Silvano Fumero and/or members of the Cluster BioPmed. The questionnaire included multiple-choice questions sometimes with the use of the Likert scale and some open questions for collecting ideas and suggestions from respondents. The questionnaire has been divided in the following four sections:

Section 1: general information

Section 2: business and management competencies

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<sup>5</sup> [www.bioindustrypark.eu](http://www.bioindustrypark.eu)

<sup>6</sup> For further information, see the websites [www.BioPmed.eu](http://www.BioPmed.eu) ; [www.piemontebiosciences.org](http://www.piemontebiosciences.org)

Section 3: perception of the importance of shared support services

Section 4: shared support services versus customized support services.

The questionnaire has been sent through e-mail to the network of companies of the Bioindustry Park and BioPmed between January and February 2013. The sample of company respondents has been 26. Descriptive statistics from the questionnaire answers are provided in the following section.

#### 4. Results

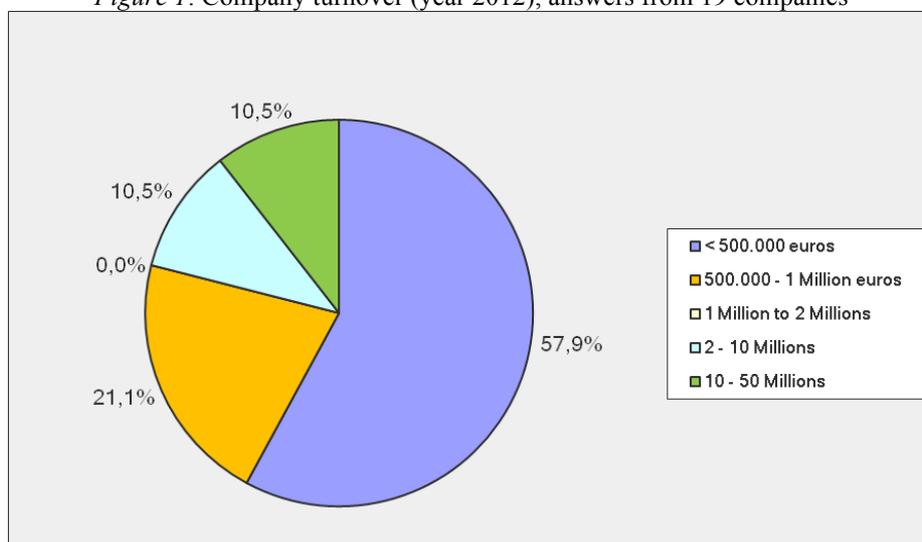
The questionnaire has been compiled by the CEO, R&D director or the project manager of the company, that in most of cases have a PhD or at least a Master degree. 56% of respondents have undertaken experiences abroad for education and/or for work. These respondents provided interesting answers that can be considered a useful starting point for future research and policy strategy improvement about the provision of shared support services.

According to *Section 1* (general information about the company respondent), the questionnaire respondents are small (76%) rather than medium companies, they deal most of all on international markets (62%) and they are limited liability companies (srl).

About the sector of activity, 38% are active in the human health and social work activities, 27% in the manufacturing sector, 15% in professional, scientific and technical activities, 12% in ICT, and the remaining 8% are active in other service activities.

The question about the level of turnover of the company in 2012 revealed that most of the companies registered a level of turnover under 500.000 euro (Figure 1).

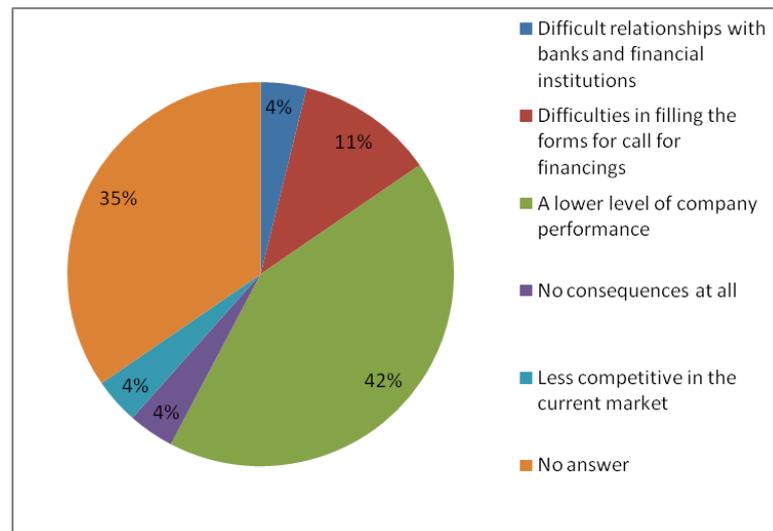
Figure 1: Company turnover (year 2012), answers from 19 companies



According to *Section 2* (business and management competencies), nearly all the respondents underlined the usefulness of having business and managerial competencies for managing the company. Interestingly, 62% of respondents affirmed to have suffered from a lack of business and managerial competencies when the company was founded. The answers to the solutions adopted for filling this gap have been most of all missing answers: the few companies that provided an answer to this question highlighted the importance of self-training (5 companies), aid from the industrial partner (3 companies) and aid from the incubator-science park (2 companies).

The answers provided to the question about the consequences of the lack of managerial and business competencies (Figure 2), highlighted as main consequences “a lower level of company performance” (42%).

Figure 2: Which consequences the lack of managerial competencies had on the company?



According to *Section 3* (perception of the importance of shared support services), all the respondents argued that shared support services could be useful for improving the competencies and the performance of the company.

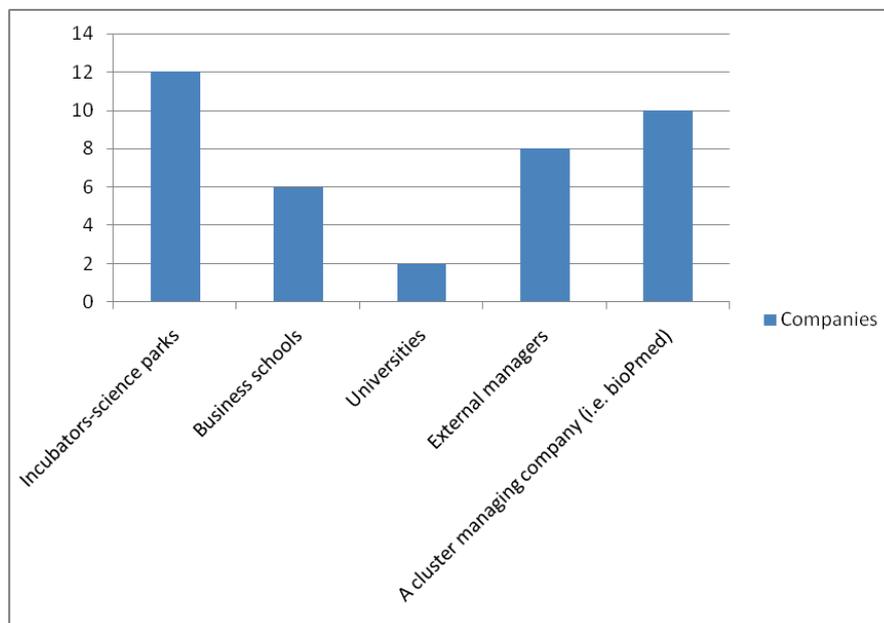
The consequent open question about the kind of shared support services that the company would like to have in the case a science park-incubator or a cluster managing company provides these services, highlighted the following answers (Table 1).

Table 1: Which kind of shared support services you'd like to have?

- Training courses on new managing methods, in-depth sights on extra-EU markets and cultures, courses on new business models
- Education programs
- A purchase center and possibility to have access to common platforms for education and managing competencies
- Business development, market expansion and strategies courses
- Entrepreneurship and advertising method courses
- Courses for filling forms for call for financings. Assistance in looking for calls and finding international partners
- Information sharing, marketing courses, how to approach other types of markets
- Assistance in registration of products in abroad markets
- Courses about managing operative direction, managing commercial strategies
- Patent attorney-like services, preparation of business plans

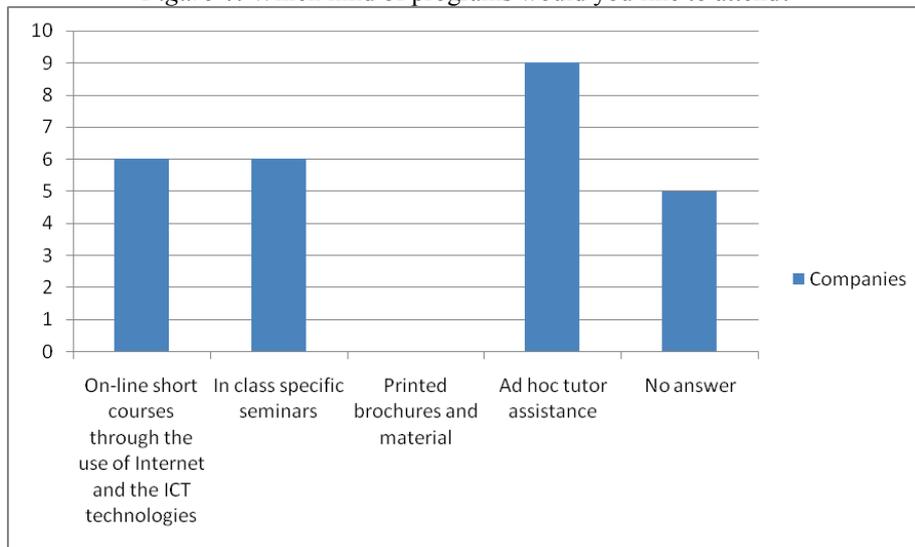
If these services include also an entrepreneurship education program, quite all the respondents are willing to attend them. The company respondents chose incubators-science parks, a cluster like BioPmed or an external manager as main actors for providing these programs (Figure 3).

Figure 3: Who would be expected to provide this program? (Multiple answers)



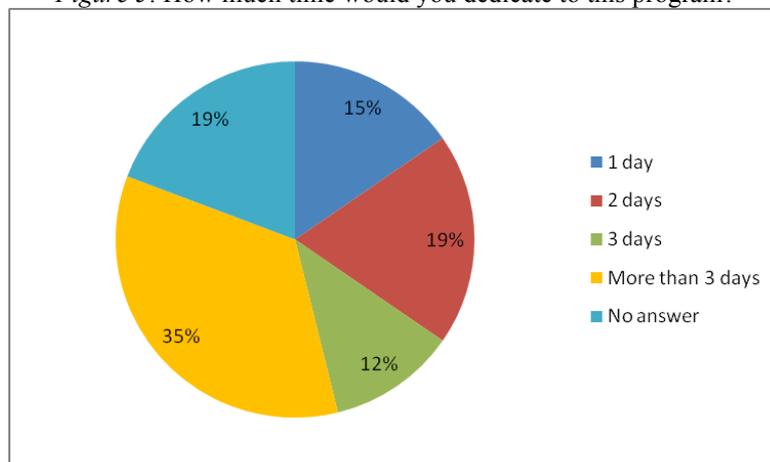
The question about which kind of programs the companies would like to attend, revealed the importance of ad hoc tutor assistance, in class specific seminars, on-line short courses through the use of the Internet and the ICT technologies (Figure 4).

Figure 4: Which kind of programs would you like to attend?



And about how much time the companies would be available to dedicate to these activities (Figure 5), it emerged that they may attend education programs for more than three days (35%) or at least two days (19%).

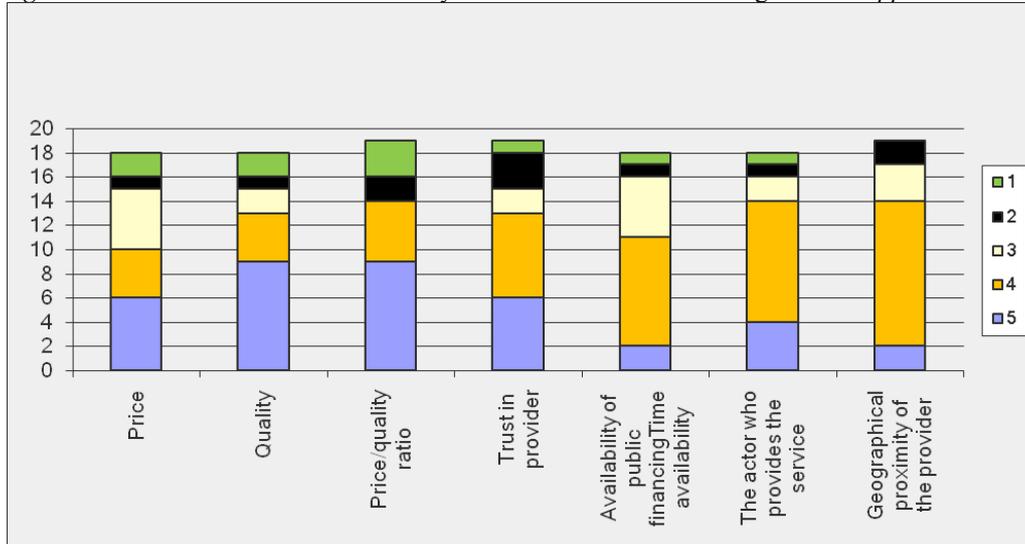
Figure 5: How much time would you dedicate to this program?



Interestingly, most of the companies would be available to pay for these activities (50%), while 31% is not willing to pay these services and 19% provided no answer.

Finally, *Section 4* (shared support services versus customized support services) investigated which main characteristics the company has in mind for choosing shared support services *versus* traditional customized services. The answers provided by the respondents for “shared support services” highlighted the importance of quality as well as the ratio between price and quality, of the actor who provides the service and of the geographical proximity of the provider (Figure 6).

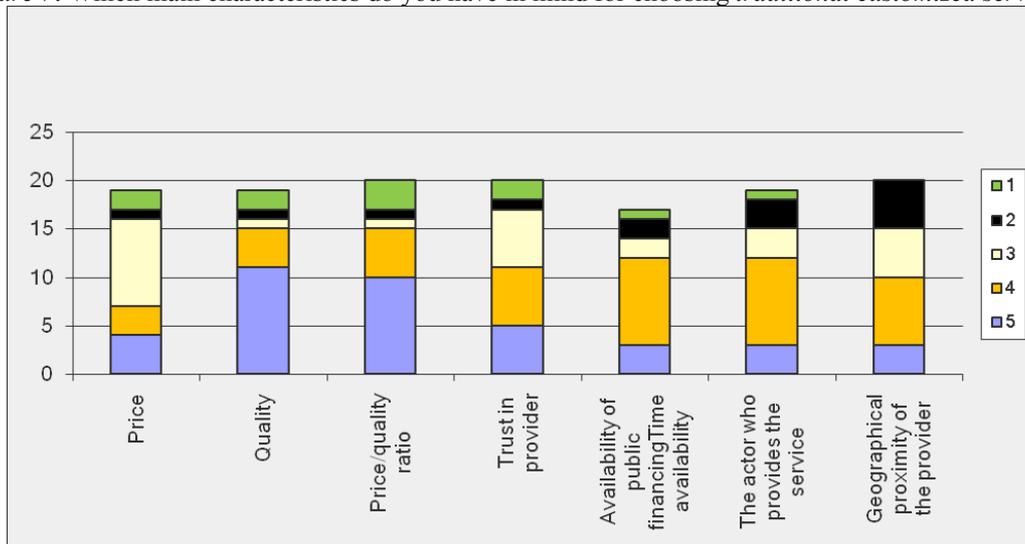
Figure 6: Which main characteristics do you have in mind for choosing *shared support services*?



Rank 1-5: Please mark for each item 1 (Not at all), 2, 3, 4, or 5 (Very high importance)

Regarding “traditional customized services”, it emerged that the respondents provided again importance to quality as well as the ratio between price and quality, availability of public financing and of time (Figure 7).

Figure 7: Which main characteristics do you have in mind for choosing *traditional customized services*?

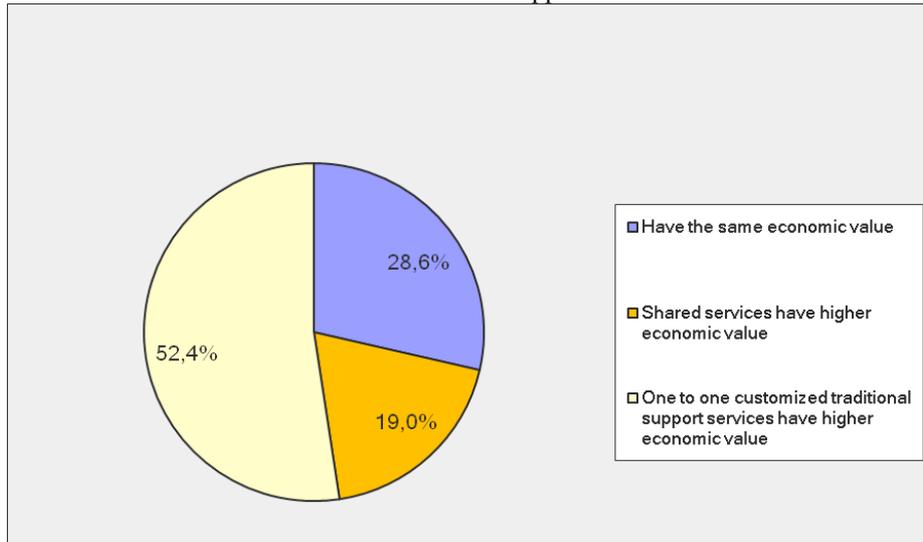


Rank 1-5: Please mark for each item 1 (Not at all), 2, 3, 4, or 5 (Very high importance)

To the question “Do you think that a specific shared service is less useful for you than the same specific "one to one" traditional support service?”, most of the respondents (62%) gave a negative answer.

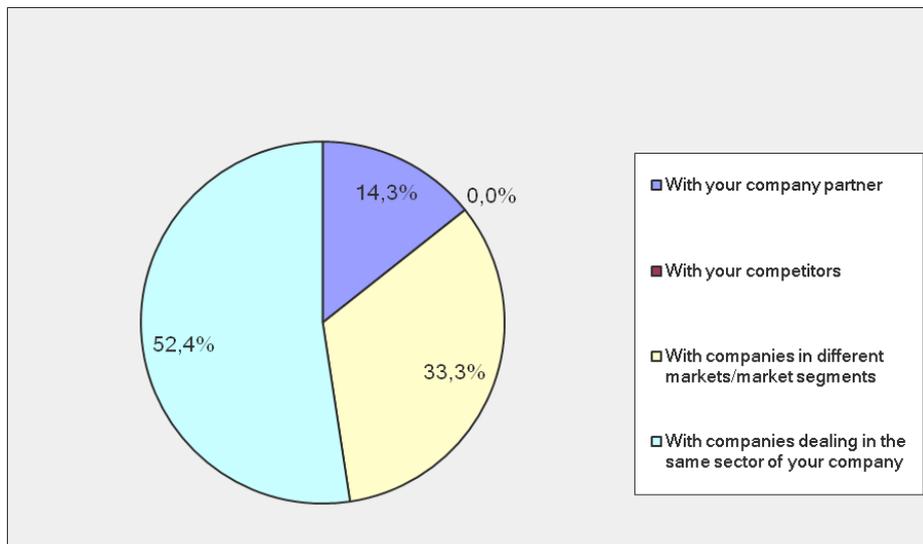
And about the question investigating the economic value in a cluster environment (i.e. bioPmed) of specific shared services and "one to one" customized traditional support services, the companies provided the following answers (Figure 8).

Figure 8: Do you think that in a cluster environment (i.e. bioPmed) a specific shared service and a "one to one" customized traditional support service:



Lastly, to the question investigating the possibility to share added value services in a cluster environment (i.e. bioPmed), the companies affirmed that it is possible to share these services most of all with companies dealing in the same sector of their company (Figure 9).

Figure 9: Do you think that in a cluster environment (i.e. bioPmed) it is possible to share added value services?



## 5. Discussion and concluding remarks

The role and importance of the provision of “shared services” is emerging in recent years as an effective solution for company problems (Accenture, 2011; Leadership for a networked world, 2009).

Our questionnaire survey undertaken between January and February 2013 revealed interesting insights for further improvement in the strategy for the provision of shared support services to SMEs in a cluster environment.

Section 2 of the questionnaire was about “business and management competencies”: it clearly emerged that SMEs usually suffer from a gap of managerial and business competencies and the consequence is a lower performance. Surprisingly, the solution adopted for this gap did not reveal a high choice of the science park-incubator aid.

And Section 3 (perception of the importance of shared support services), highlighted that “*all*” the respondents underlined the importance of shared support services for improving both their business and managerial competencies and the company performance.

Then, the company respondents chose most of all various courses, included an entrepreneurship education program, for the provision of shared support services. And science parks-incubators or clusters like BioPmed have been indicated as suitable actors for providing these services.

The questionnaire results confirmed the importance of the role of the Internet and ICT technologies for providing on-line courses and, surprisingly, “time and money” seemed not to be the main problem for these SMEs. In fact, they affirmed to be available to attend courses for more than one day and also to pay for the provision of these services. Notwithstanding, according to Section 4 (shared support services versus customized support services), the main importance has been given by the SME respondents to “quality” as well as to “the ratio between price and quality”.

So, “quality” seems to be the key word.

Even if 62% of the respondents provided a negative answer to the question “Do you think that a specific shared service is less useful for you than the same specific “one to one” traditional support service?”, the companies also affirmed that in a cluster like BioPmed “one to one customized traditional support services have higher economic value” (52%) compared to specific shared services. Nonetheless, the same percentage of SMEs argued that it is possible to share added

value services in a cluster environment (i.e. bioPmed), most of all with companies dealing in the same sector of their company.

To sum up, our survey highlighted a positive willingness of the SMEs respondents to benefit from shared support services, specifically in the form of courses, like entrepreneurship education programs. The Internet and the ICT technologies are specifically appreciated as useful tools for the provision of on-line courses and particular attention is provided to the ratio between quality and price. The role of science parks-incubators and clusters like BioPmed is emerging as a pivotal role for the provision of these services. But it is also necessary to foster a culture of the real benefits of shared services compared to customized ones in order to overcome some prejudices about the effectiveness of “shared services” compared to “one-to-one services”.

As highlighted by the research report undertaken by Accenture (2011: 3), in recent years “the shared services model increasingly has been applied to higher-order services-those services requiring more skill and/or a need to be closer to the end customer”.

Third generation science parks are evolving towards a focus on the needs of the tenants: the recognition of the importance not only of the physical environment, but also of the creation of an attitude of “trust” with the tenants is a key recent step in the science park evolution (Allen, 2007). In this context, some parks are able to play a more proactive role in the economic and technological development of their local territory. This particular attitude generates a science park’s behavior with “a more individual style”: this is what distinguishes a science park from another one. Several changes may underline this individualistic and specific behavior: examples are given by moving to multi-site operation, by works in collaboration with universities and research centers, by an increased involvement in providing management services in order to foster tenants growth (Allen, 2007).

As a consequence, also the provision of shared services may be considered an example of this “individual style”. But in order to be successful, the provision of shared services need to be accompanied by a promotion campaign of the real major benefits of these services. In other words, third generation science parks-incubators and structures like BioPmed need to gain the trust of their tenant companies towards the provision of shared support services. And in order to gain this trust, they have to pay attention to “quality” and, in particular, to the “ratio between quality and price”. This will be the first key step and the winning strategy in the provision of shared support services

that, in this way, will be able to substitute and not only to complement, one-to-one traditional customized services.

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