

# Specialised Development Organisations Facing New Challenges: Business and Cluster Development Services under the Spotlight

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## **Abstract**

In this paper, the challenges of specialised development organisations are discussed. Such organisations are established to take care of certain development tasks (e.g. business incubation) or to develop certain sectors of the region (e.g. cluster development) and many of them can be considered as knowledge-intensive business service (KIBS) companies. The services provided by the specialised development organisations can be roughly divided into two categories: (1) support services for companies and (2) boundary-spanning services for many kinds of actors. Firstly, support service for companies are usually aimed at people (e.g. university researchers) with a business idea, newly established companies, or more mature companies that have some problems or that are seeking for new avenues for the business (e.g. internationalisation, major investments in production capacity, crucial R&D project). Secondly, the basic challenge of the boundary-spanning services is to get actors with versatile needs and motives to collaborate together (e.g. cluster activities). The specialised development organisations are facing new challenges: For instance, the requirements related to their competences and to the quality of their activities, processes and networks have increased along with the changes in the customer needs. This study seeks to increase our understanding of specialised development organisations. The empirical cases under analysis are entities referred to as eAccelerator and Neogames, both located in Tampere, Finland.

## **Keywords**

specialised development organisation, business development, cluster development, local innovation environment

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## **Introduction**

Improving competitiveness and creating innovations are common challenges to companies and regions alike. This common challenge culminates in companies' local operational environment. It can be argued, on one hand, that a good local innovation environment can have a positive effect on the innovation potential of firms. On the other hand, a good local innovation environment increases the external competitiveness of a locality. It has to be emphasised that a region or a city itself is not an actor, but the regional competitiveness is

based on the competitiveness of the real actors (e.g. companies, universities, development organisations etc.) locating in a certain region or city. Additionally it has to be noticed that the ways in which local operational environment can promote innovation are very complex and intricate. The local innovation environment consists of many interrelated elements ranging from the institutional setting to the behaviour of individuals. Consequently, the local innovation environment can be divided into three levels: 1. *the structural and institutional level*, 2. *the level of organisational relationships* and 3. *the level of individuals*. There are certain characteristics on each of these levels that are necessary for the local innovation environment to really set the scene for the innovation activities companies. (Kolehmainen 2003.)

From the policy perspective, the regional competitiveness can be developed by creating conditions that enable the development of competitiveness of individual actors. Due to the importance of innovation and learning, it is only natural that local authorities are taking actions that aim to enhance local companies' and other organisations' possibilities to innovate. Increasing attention has been paid to this particular dimension in the ensemble of the local business development policy. This dimension can be shortly called regional or local innovation policy.

Specialised development organisations are an integral part of the local or regional innovation support infrastructure and thus also the local innovation environment. They are also key 'tools' when implementing local and regional economic development and innovation policy. Consequently, the scope and quality of their activities have influence on their customer companies' innovation activities and development in more general terms. This very simple notion leads us to pay attention to the development of specialised development organisations' own activities. This study seeks to increase our understanding of specialised development organisations. The development is usually driven by changes and challenges in their own external operational environment, such as new customer needs, new technological and market opportunities or new funding patterns. In this paper, those challenges and responses to them are discussed along with introduction to the basic activities of the specialised development organisation.

The paper is organised as follows: First the concept of specialised development organisations is introduced and their general activities are analysed. Some new ways to conceptualise the field of business and cluster development services are sought. After the theoretical part of the paper, the empirical cases of *eAccelerator* business development programme and *Neogames* cluster development programme are dealt with. The empirical part of the paper is based on an international research project called "*City-Regions as Intelligent Territories*" (CRITICAL), which is funded by the European Commission's 5th Framework Programme for Research and Development. Standard case methodology is applied and the cases are based mainly on qualitative data collected in 21 face-to-face interviews with the key actors of *eAccelerator* and *Neogames*. The duration of interviews ranges from 1½ to 2½ hours. In addition to the interviews, other written and electronic material is used. In the end some concluding remarks are presented.

## Basics of specialised development organisations

### General and specialised development organisations

Development organisations are organisations whose mission is to facilitate the development of the whole region or locality or the development of certain remarkable sector of that region or locality. These organisations may have this mission “by definition” (e.g. many regional state agencies or agencies established by the local government) or they may have this kind of mission because they want to contribute to the development because of their internal aspirations and motives (e.g. many universities and educational institutes). In general, different kinds of development organisations have activities and offer services that can be described as ‘boundary-crossing’ or ‘boundary-spanning’ activities. It can be argued that the dimension is not as important for all the development organisations but for those which can be characterised as specialised development organisation.

Namely, according to Sotarauta (2000), development organisations can be divided into two groups: 1. *general development organisations* and 2. *specialised development organisations*. The general development organisations are responsible for the development of a region in its entirety and they should be able analyse the forces affecting the region and to allocate the development resources to the most important targets. Cities, municipalities and regional councils are typically this kind of general development organisations on the regional or local level. The general development organisations can direct the activities of specialised development organisations by financing and goal setting. On the other hand, the specialised development organisations can direct to some extent the regional development work as whole by their own actions. (Sotarauta 2000)

Correspondingly, the main task of the specialised development organisations is to develop a certain sector or cluster of the region, or to take care of some other particular task. Usually they act as an intermediary between and amongst companies, educational and research institutions and general development organisations. For instance, they channel information and knowledge, skills and financial resources. To be capable of acting as an intermediary, the specialised development organisations have to have a very good understanding of their own field, both in terms of the nuanced substance and from the more general point of view. In other words, they are network weavers that try to combine the resources and competences of different actors for the benefit of the particular field they are responsible for. (Sotarauta 2000.) Many specialised development organisations can be labelled as intermediary organisations due to their intermediary role.

### The services of specialised development organisations

The activities or services provided by the specialised development can be roughly divided into two categories: 1. *support services for companies* and 2. *boundary-spanning activities for many kinds of actors*. Firstly, the internal support services are usually aimed at people (e.g. university researchers) with a business idea, newly established companies or more mature companies that have some problem or that are seeking for a new mode for the business. The two first-mentioned customer groups usually need the so-called incubation services. In practise, the typical support services include evaluation of business plans, technologies and patents, support for commercialisation of existing technologies and business ideas, support for

technology projects, project planning and management and in-depth consultancy (e.g. strategy, legal issues, finance), just to name few.

Secondly, the other field of activities of the specialised development organisations can be named as boundary-spanning activities. They could also be named networking activities, but the term boundary-spanning describes quite well the challenge of getting actors with many kinds of needs and motives to collaborate together. Specialised development organisations can be mediators between or even amongst...

- companies within the same branch (e.g. personnel training)
- subcontractors and main suppliers (e.g. development of subcontracting networks and “mini-clusters”)
- suppliers and end customers (e.g. marketing, sales promotion)
- companies that have complementary competences (e.g. technological partnership, development of “mini-clusters”)
- universities, research institutions and polytechnics and companies (e.g. licensing, technology transfer, collaborative projects)
- companies and financiers (e.g. finance of R&D activities, “V2C activities”)
- universities, research institutions and polytechnics (e.g. joint teaching activities, collaborative research projects).

The list mentioned above is not even exhaustive, but the field of the specialised development organisations can be very vast. General networking activities and projects are usually financed mainly by public funding. The specialised development organisations provide also boundary-spanning services that are company-specific and consequently also chargeable.

Some of the specialised development organisations can be described distinctively as ‘cluster organisations’, whose main aim and responsibility is to develop certain regional cluster or agglomeration. The cluster policies can be divided roughly into three classes: 1) *support for existing clusters*, 2) *support for businesses that already collaborate* and 3) *establishing new collaborations between non-co-operating businesses*. (Benneworth et al. 2003.) Cluster development includes usually both support services for individual companies and boundary-spanning activities for several companies and other organisations at the same time. As an example of the latter mentioned activities, the specialised development organisations organise so-called cluster activities, for example by removing barriers to collaboration and arranging meetings (cf. Lagendijk 2000). Cluster activities are specific events in which clustering, especially collaboration in innovation, can take place.

The support services for companies can be considered as typical knowledge-intensive business services in the sense that they are delivered in close collaboration between the service provider and the customer. In many cases, active participation and openness is needed from both sides. This holds true largely also for the boundary-spanning activities. It can be argued that the services provided by the specialised development services are becoming increasingly knowledge-intensive due to many reasons. For example, the regional and local innovation policy measures are in many cases targeted to new growth sectors, which are usually today based on the utilisation and production of new knowledge and technology. In addition, the development of companies in the so-called traditional sectors is increasingly

based on the more efficient use of knowledge and technology both in products (and services) and in the production processes.

## **eAccelerator business development programme**

### **Introduction**

In year 2001 City of Tampere launched a highly ambient eTampere programme lasting for five years. Its aim was to develop Tampere into the leading information society city in the world. eAccelerator was one of six subprograms of eTampere and its purpose is to facilitate the development and innovation of growth companies which are aiming to internationalise. Hermia Business Development Ltd. had the responsibility for the practical implementation of eAccelerator programme. Hermia Business Development Ltd. is one of the key specialised development organisations in Tampere city-region. Initially it was established in 1992 and its name was Pekka Jussila Ltd., but it has that it has faced considerable changes in terms of ownership and strategy during the eAccelerator programme (see below). Currently it is a privately–publicly owned business development company. Hermia Business Development Ltd. focuses on different kinds of commercialisation and business development activities, such as licensing, business plan evaluation, business incubation and acceleration. It provides services or existing technology based companies and beginning companies (e.g. inventors, students, researchers) alike.

The initial objective of eAccelerator was to ‘accelerate’ 20 companies into globally successful technology companies that are publicly listed by the year 2005. The basic idea was to connect the customer companies with venture capitalists, make an investment and then a successful exit when possible. The idea was that every year five or six new companies would have been chosen into eAccelerator through national search program or competition. The quantitative objectives were very demanding: the aim was that in the end of the project accelerated companies would have personnel of 1500 employees and turnover of 250 million euros. According to the initial plan the attaining of this kind of rapid growth requires 50 million euros of risk finance.

### **Development path of eAccelerator**

The initial objectives of eAccelerator were set in 2000 and early 2001, when IT boom was still going strong. At that time the targets were very ambitious, but in retrospect they can be considered to be almost impossible. Consequently, fairly soon it was noticed that it is not possible to attain those objectives due to the slump in the ICT and the risk financing sector. Quite soon the qualitative objectives were changed so that the emphasis on raising venture capital became less evident. It became more important to guarantee the basic funding for the companies and to facilitate their growth and development in other ways as well. The quantitative objectives have remained almost the same: Anymore the object is not to produce only publicly listed companies, because public listing is not even the best solution for all the companies. Correspondingly, the amount of investments (50 million euros) includes now all the seed finance the companies, not only the venture capital.

More general objective of eAccelerator was to conduct business incubation and business development in a way that takes into account the requirements of the new business environment and the more challenging customer needs. It was seen that the traditional business incubation principals and methods did not meet the requirements of the new technology-based growth companies anymore. Therefore, new principles were developed. Those principles accentuated the role of innovativeness, rapidity, scalability of the processes and entrepreneurship, just to name few key issues (see Niemi 2005).

The actual work of eAccelerator started in 2001 by selecting the first companies into eAccelerator. This started very well because over 80 companies or business ideas took part in the competition. All of these proposals were examined carefully by the advisor board of eAccelerator and finally the six most promising companies or ideas were selected. During the first selection process the financiers, and especially venture capitalists, played the key role, because it was expected that they would be able and willing to do financing decision concerning the selected companies in a rapid manner. Consequently, the selection criteria was very much like those of typical venture capitalists, such as growth potential (e.g. global product), innovativeness and uniqueness of the technology, management team and commitment to rapid growth.

However, fairly soon after the selection of the first eAccelerator companies it became obvious for everybody that channelling venture capital is not that easy and that the venture capitalists involved in the process were not ready to make any real commitments in relations to the chosen eAccelerator companies. This was due to the rapid changes in the financial market which made the venture capitalists very conservative with their investment decisions. This resulted in the fact that many preliminary agreements remained unclosed for ever and many investment negotiations failed.

All these reasons lead to a situation in which eAccelerator had to reshape its strategy. The basic challenge was to reconfigure its finance, because the public money channelled to eAccelerator was insufficient and private venture capital was not available almost at all. At that point strategic decisions were made on the city-council level. The key policy-makers decided to privatise the business development activities to large extent and to channel private capital to the business development. The key idea was to increase the possibilities of eAccelerator to take real market risks. Risk-taking was not naturally the ultimate aim, but a consequence from the lack of other type of financing. Consequently, Hermia Business Development Ltd. was established on the basis of Pekka Jussila Ltd.

The new company needed to develop new resources and new ways to conduct business. New resources were acquired by widening the ownership of the company. Capital was sought from Finnish and international sources alike. It is quite considerable that Stanford University (US) and Zernike Group BV (Netherlands) invested in Hermia Business Development Ltd. In addition, the key employees were bound more tightly to the company through ownership. Also new ways to conduct the business were developed. For example, the earning logics were diversified. In some cases, the revenues of Hermia Business Development Ltd. are tied tightly to the actual success of its customers companies in order to increase the incentives. It is also seeking for long-term business relationships, more like partnerships with its customer companies. The changes described above meant that eAccelerator was not anymore mere project, but it became an essential part of Hermia Business Development Ltd.'s way to

conduct its business. eAccelerator itself is now pure business and the actual development impact on eAccelerator companies is purely in private or market domain.

The strategic changes had naturally effects on the processes and procedures within eAccelerator and Hermia Business Development Ltd.. For example, the new customer companies were not chosen into the development programme anymore through open competition. New companies are now chosen on the basis of their own willingness and there are not any specific application periods anymore. So, the eAccelerators customer companies are 'recruited' from different sources. New customers companies are selected now by using different, more cautious criteria and also the control over the customer companies is intensified. The concept of eAccelerator has evolved all the time, also after the reconfiguration of the basic concept. For example, in 2003 a new idea emerged. The idea was to search for 'locomotive companies' for certain sectors and branches and to facilitate the formation of so-called mini-cluster around them.

Despite the changes in the strategy of eAccelerator and Hermia Business Development Ltd., the basic aim to facilitate the growth and development of (newly established) companies is still valid. The lack of seed funding is still a problem in Finland. New solutions for that problem were sought during the year 2004. Consequently, a new seed fund called Hermia Ventures was established. It started in the beginning of the year 2005. Although the roots of Hermia Ventures are strongly in Tampere, its operational scope is national. It does not have branch restrictions in its investment policy, but it focuses on technology companies which are in the early stage or seeking for considerable growth. In Finnish context it is quite unique that a business development company, i.e. Hermia Business Development Ltd., has its own seed fund. However, this arrangement will probably make the business development process more effective.

### **Work with the customer companies**

The range of actual activities and services provided by eAccelerator is quite wide. The basic challenge for many of eAccelerator companies is to accumulate a basic funding package with which they can develop their business. This holds true especially for the newly established companies during the first year(s). Usually this funding package consists of many elements, and in many cases mostly from public funding sources (e.g. R&D project funding). eAccelerator helps companies in accumulation of the funding by using its knowledge about different funding sources and the special requirements of different financiers. In practise this means filling in application forms with companies, arranging meetings with financiers and preparing companies for these meetings, revising companies' business plans and other plans (e.g. marketing and product development plans) which are needed when applying for funding, just to name some typical activities. The information about financiers' preferences and decision making procedures provided by eAccelerator is very valuable for the customer companies, because it helps them to reduce gratuitous work as the time of the key people in the newly established companies is very critical asset.

Although eAccelerator is not focusing anymore on the channelling venture capital to its customer companies, the so-called venture-to-capital approach has not been abandoned: The basic idea is still to develop customer companies into 'investable' companies, i.e. companies attractive to investors. In the current venture capital market situation the companies need to be

much readier than in the end of 1990s. Venture capitalists and other investors have become more conservative and cautious. These changes have lead into a situation in which the business development work has to be more extensive and intensive at the same time. Companies need more attention.

Consequently, consultation on the strategic level and collaboration with management group is not enough anymore, but the actual work has become more practical and it contains a lot of 'hands-on work'. Strategy consultancy and work with the management team is naturally still an important part of eAccelerator's activities. Getting funding requires evidence of capabilities of conducting business successfully, i.e. existing customer relationships, reference projects and functional organisation. Therefore eAccelerator is involved in building their customer companies as a whole. It assists in developing the organisation (e.g. recruiting) and processes (e.g. management, R&D), in marketing (e.g. market research, concept planning), in planning R&D projects, in commercialisation and in negotiations with customers, suppliers and partners, just to name few areas. However, eAccelerator cannot conduct business on the behalf of its customers, but its role has to be defined clearly and planned well.

Hermia Business Development Ltd. needs also to think quite carefully about the use of its own (time) resources which are naturally scarce. It has to focus on those customer companies with which it can use its resources in the most effective way. It has to be remembered that Hermia Business Development Ltd. is a private company which seeks to make profit. In that sense the point of departure differs from business development services provided by public authorities: public authorities have a kind of ethical code to treat all customers equitably, whereas private company has not that kind of obligation.

### **Learning of Hermia Business Development Ltd.**

As briefly described, eAccelerator was initially an attempt to conduct business development in a new way. However, the changes in the business environment lead to a situation in which those ideas were not totally applicable anymore. So, Hermia Business Development Ltd. has faced challenges continuously when implementing the programme. These changes have required learning from Hermia Business Development Ltd. Consequently, a new way to conduct business incubation and business development business is after all the major learning result concerning the eAccelerator and Hermia Business Development Ltd.. The initial concept was based on new types of ideas, but these have been refined during the existence of eAccelerator. The result is a new kind of public-private partnership model. The business incubation and development in Finland has largely been dominated by public authorities and publicly owned companies. eAccelerator is a model which is based more on private entrepreneurship and market risk. There has been some resistance for this change among the public authorities both on local and national level. According to the interviews, some of the customer companies have not realised eAccelerator's point of departure either, but they have expected 'altruistic', public service.

However, the end result is a new kind of business development business model, which is a mixture of business angel, advisor and seed venture capital. Hermia Business Development Ltd. sells its services, invests its own money (currently through the seed fund), invests its time and expertise to the customer companies with which it tries to build partner relationships. The method of compensation is also a mixture of straight money, success fees and equities in

order to create market based incentives and to keep the risk level manageable. It can be anticipated that this kind of business models will come more common in the future in the business development business. The next big challenge for Hermia Business Development Ltd. is to become more international actor. It has already now foreign owners and partners, such previously mentioned Zernike Group BV. and Stanford University.

Hermia Business Development Ltd. has also learnt to plan its businesses differently. The rapid changes in the operational environment (e.g. slowdown of venture capital market and the burst of IT bubble) have showed the importance of alternative plans. In other words, Hermia Business Development Ltd. needs to be aware of different future scenarios related to the issues which are important from the point of view of its customer companies. The needs of the customer companies are ultimately the key drivers of the business development companies. Additionally, there are many external factors in the business development organisations' own operational environment that have to be taken into account, such as changes in the national and local public funding related to business development.

## **Neogames: cluster development programme for the Finnish digital game industry**

### **Introduction**

Neogames aims to develop the Finnish digital game industry and the whole cluster. The digital game industry is now in a very interesting phase: On the one hand it is growing acutely and new game companies emerge constantly. On the other hand, there are some indications of the consolidation of business structure and the convergence of the content and technological platforms of the games. (see more about the digital game industry in Brazell et. al 2004; Berry 2004 and Kalhama 2003.) The digital game industry in Finland is still in its infancy, but there is potential due to the strong ICT sector in general. Most of the companies are very small and they have usually very scarce financial resources and quite limited managerial capabilities. That is clearly a problem within the digital game industry, because the business environment is very challenging. The contract negotiations, management of immaterial property and coordination of the production process require a lot of managerial skills. Companies need support and they have to find appropriate partners in order to be able to break through into the international market. These international and national economic and technological factors mentioned above contextualise the birth of Neogames cluster development programme.

Neogames was formally established in November 2003 and it is coordinated by Technology Centre Hermia Ltd., which was established in 2004 when, the business activities of Tampere Technology Centre Ltd were divided between two companies. Technology Centre Hermia Ltd takes care of its successor's – Tampere Technology Centre Ltd's – project and development activities. It was established already in 1990 and, in the beginning, its main aim was to develop the Hermia Science Park, which had been founded four years earlier. Later on, the tasks of promoting the development of high-tech companies and implementing the Regional Centre of Expertise Programme became also significant. In any case, Technology Centre Hermia Ltd. is one of the key specialised development organisations in Tampere city-region.

The digital gaming cluster is defined quite broadly within Neogames. Consequently, there are many kinds of member organisations in Neogames ranging from university units and public research institutes to large-scale companies (e.g. Nokia) and micro companies specialising in the development of digital games. The borders of Neogames are quite clear, because membership fee is required. The fee is split-level and is dependent on the number of employees of the organisation. Although the membership fee is very low, especially for the small companies, it is important, because it is an extra incentive to make good use of the membership, in other words to be actively involved in the pursuit of Neogames. Paying the fee is also a sign of commitment to other members. Neogames covers already now a considerable proportion of the actors of the Finnish digital game field. In 2004, Neogames had approximately 40 member organisations (firms and public agencies). The coordination unit has figured out that there are altogether about 150 organisations in Finland that could easily fit in the community. All the most significant game development companies are members of Neogames. This is an important factor in respect of the credibility of Neogames community, because the initial idea of Neogames was to build a comprehensive and therefore also versatile membership.

Neogames is meant to be an exponent or a representative of the whole digital game field. This aim results also in challenges: Different member organisations have different expectations and needs that have to be served satisfactorily so that they would stay as members and pay their membership fee. Different expectations of members lead also to different reasons for joining the community. On the one hand, the belonging to Neogames can be motivated by the expected benefits welling directly or indirectly from the activities of Neogames. For example, the small and newly established companies benefit from the business consultation and legal services. However, these services may not be the most important reason for joining Neogames, but its role as an arena or a forum for the actors within in digital game field is seen very important. That refers to the networking task of Neogames that will be dealt with later. In any case, a very central reason in common for all the members is the aspiration to make useful contacts with other players of the digital game field. Small companies are seeking for partners and customers, big companies for subcontractors and research institutions for company partners and research financiers, just to name few possible linkages. In addition to seeking partners for concrete projects and business activities, Neogames serves as an arena for enhancement of cognisance of the whole game industry. This is an important issue especially for the small companies.

The main activities of Neogames community are: 1) *the creation of a comprehensive network of players in the games field*, 2) *the development of games-related business*, 3) *the support and co-ordination of research related to and supporting the games field*, and 4) *the improvement of the image of the games field and making the field better known*. Although the core activities are pronounced quite clearly, the concrete ways in which they are conducted are still partly under development and they will be kept flexible. The business development activity of Neogames crystallises itself in services that are provided for the member organisations. These services include business consultancy (e.g. financing and legal matters) and other support for the development of future entertainment applications and games (e.g. technology and concept design, testing). These services are produced partly by the co-ordination unit and partly by the external partners. Neogames provides also market information to the members and acts as an intermediary of marketing channels.

### **Cluster and boundary-spanning activities of Neogames**

The networking task of Neogames is quite large, because it aims to gather companies that are somehow involved in digital game industry and research institutes and other organisations that operate in the fields of technology, business, concepts and content production for games. In practise networking refers to arranging different events (e.g. seminars, partnering events) and establishing special interest groups, just to name few. Accordingly, this networking is not very active in nature, but it is more about bringing people together. The coordination unit has naturally quite good conception of the skills, competences and needs of the member organisations, and therefore it can do more accurate match-making to some extent. Neogames seems to have many roles in respect of networking, especially from the small companies' point of view. Firstly, companies are looking for possible business partners that are related to their core activities. For example, a small mobile game developer may be interested to collaborate with some other mobile game company that has been able to establish more extensive distribution channel. The last mentioned company may be interested in the games developed by the first mentioned company because they could augment its product portfolio. Correspondingly, the collaboration can be based on complementary technological competences. Neogames is a good forum for seeking this kind of synergetic relationships.

Secondly, especially the small companies seem to have an aspiration to find customers that are not directly linked to their core business. For example, the small companies have usually to provide subcontracting and other additional services based on its expertise in order to finance the development of their own games. Neogames may also be a forum for this kind of matching which is not very innovative, but in every case important both to the service providers and to the customers. Thirdly, at least some companies see Neogames as a possible forum to create horizontal collaboration relationships among companies that may be related to issues, such as marketing and internationalisation. Meeting representatives of other organisations seems to be important for all kind of actors, but presumably the networking activity is the most important for the SMEs. The representatives of educational and research institutes know each other quite well even before hand. So, for them the networking activity is not that important, but the Neogames still serves them as a forum to meet each other and as a mean to intensify the collaboration.

### **The spatial dimensions of Neogames**

Neogames is one of the leading projects of the Technology Centre Hermia Ltd. that is focusing strongly on ICT and cumulating specialised expertise in that area. Neogames can be seen as a good example of this path of development. Neogames is quite ambitious national development project and in this respect it also represents modern thinking on regional development. About one third of the member organisations are located in Tampere Region and a half in the capital-city region. Other member organisations originate mainly from other major cities in Finland (e.g. Oulu, Turku and Jyväskylä). Neogames is very strongly rooted in Tampere, although nearly a half of its member organisations locate in the capital region: The basic idea of gathering the actors within in digital game industry was conceived by policy makers and other actors in Tampere, the basic preparation work was done mainly by these same people and the coordination unit is located in Tampere.

At first, Neogames was meant to be a regional initiative or cluster development programme based on the existing policy programmes and structures (e.g. Centre of Expertise

Programme). However, after a rapid planning procedure it was obvious for the key actors in Tampere that Neogames should be national initiative due to many reasons. For example, the challenge facing the digital game industry is national or international and only the local actors would not have formed 'critical mass' in order to respond to this challenge. That is the case for all the Finnish regions. Despite the national nature of Neogames the funding was applied from the regional Economic and Employment Development Centre (EEDC Pirkanmaa). So, Neogames became national cluster development programme and Technology Centre Hermia Ltd. was willing and capable of taking the leading role within it.

There are many reasons why regional actors – mainly the specialised development organisations – were able to collaborate on this matter. Probably the main reason is the specificity and narrowness of the digital game field that does not allow sensible or effective regional policy programmes. The specificity results also in competence needs; it is really hard to find people who understand the logic, challenges and dynamics of digital game industry well enough. However, key actors in different regions perceived that this field is definitely worth developing. Also the rapidity and decisiveness of the process through which Neogames was established supported the collective acceptance of its current form. Currently, Neogames is positively seen as a 'cap' of the Finnish digital game industry. Although the business itself is international, having a national forum for the collaboration was seen important due to the fact that common language, culture and basic trust facilitate domestic collaboration. In addition to these advantages, one could argue for the practical convenience related to the geographical proximity.

### **The learning of Technology Centre Hermia Ltd.**

Technology Centre Hermia Ltd. gains a lot of visibility and new business contacts by coordinating and managing Neogames, but it is a momentous project for it also from the learning perspective. The learning of Technology Centre Hermia Ltd. takes place on two levels. Firstly, the learning takes place through daily activities and it is even more embedded in activities than the learning of companies because the cluster development work is very much craftsman like. It is about solving emerging problems and planning and carrying out activities suggested by companies and other organisations. All suggested initiatives and activities are not successful, but it can not be known in advance. So, the learning in development work is kind of 'learning by doing' in nature.

As it was presented, the digital game industry is very challenging business environment and the companies might have quite special needs. Technology Centre Hermia Ltd. has experience in the field of information and communication technology in broader sense, but the field of digital gaming is quite new to it. Accordingly, Neogames offers learning opportunities also in this sense. By managing Neogames Technology Centre Hermia Ltd. accumulates information, knowledge and expertise on digital game industry. However, the basic needs of new technology-based companies are usually quite similar and in this sense Technology Centre Hermia Ltd. is not too far from its traditional core of activities. On the contrary, the digital game industry is natural direction of the enlargement or focusing of the development activities. Specialising and focusing on certain fields is important for the specialised development organisations.

Secondly, the learning takes place on more strategic level. Technology Centre Hermia Ltd. has taken care of different kinds of development projects and programmes, such as the coordination of the Centre of Expertise Programme. Usually these projects and programmes have been local and usually also quite small. In this respect, it was argued that Neogames is a new kind of initiative in nature and it has been put together in different manner than most of the earlier projects and programmes. Neogames is one of the main or leading initiatives of Technology Centre Hermia Ltd., because it is very ambitious and also national (with international aims) in nature. The building of the programme has been very rapid process, more rapid than usually. Different kinds of activities and services have been established simultaneously. This approach has proved to be effective in terms of member recruiting, i.e. selling the idea, and in gaining the public visibility, for example.

Neogames aims to be more than project, more like a community for the actors of the digital game field. It is meant to be at least to some extent permanent, although the activities and organisation may and will alter over time. In the future, Neogames may become a kind of self-sustaining club for the member organisations. This is a somewhat new approach to cluster development, because cluster development is not usually profitable in economic terms, but it subsidised by public financiers. The learning related to Neogames is important for Technology Centre Hermia Ltd.. By creating and testing the new ways to organise and manage development projects and programmes, it can develop its own business. On the one hand, it is about the efficiency and effectiveness of the development activities and on the other hand, it is about the whole image of the company. These results of learning combined with the deepening expertise on digital game industry make Technology Centre Hermia Ltd. more attractive partner for the companies and other organisations within the field of digital gaming.

## **Discussion and conclusions**

In this study, the activities and challenges of so-called local specialised development organisations are analysed. The cases of eAccelerator business development programme and Neogames cluster development programme provide empirical insights into the issue. It became noticed that the specialised development organisations attempt to provide services that facilitate development of individual companies and innovation activities within them. The eAccelerator case points out some of the concrete activities of that work domain. It shows also clearly that business development is a very challenging sector within the field of service business due to many reasons. The business environment of new-technology-based or other knowledge-intensive companies is usually very complex including considerable technological and financial risks. Most of the new companies aim at a very narrow market that may have very specific characteristics and dynamics. In addition, new-technology-based or other knowledge-intensive (e.g. expertise-based) companies suffer usually from the so-called competence gap, which refers to the lack or the weakness of management capabilities (e.g. sales, marketing and finance).

Due to these features provision of even very basic evaluation and consultancy services requires quite special skills and sensibility to the specificity of the companies and business ideas. This holds true, although many new companies have quite similar basic business processes and challenges related to them. Additionally, the case underlines the fact that

specialised development organisations should be able to reshape their strategies along with changes in their own operational environment. They should also be able to ‘learn by doing’, i.e. to reflect their own activities and practises continuously and alter them if needed.

In addition to working with individual companies, the specialised development organisations have also broader assignments, such as networking different actors (e.g. universities and companies) together for different purposes. These activities can be named as boundary-spanning activities, because the term boundary-spanning describes quite well the challenge of acting as an intermediary between and amongst organisations with versatile motives, interests, financial and knowledge resources, capabilities, practises, et cetera. Furthermore, the institutions mentioned above can be seen as linking organisations also in broader sense. For example, the cluster development activities are usually of that nature. Namely, cluster development is usually about creating open forums and circumstances for emergence of collective innovation processes and other collaborative activities, to mention few examples. At the same time the common view of the cluster and its actors is built and strengthened to facilitate these processes and activities. Cluster development involves usually the building of external relationships and acts of external marketing. Some of these aspects were dealt with in Neogames case.

In general, it can be concluded that the assignments of the specialised development organisations are quite demanding, especially because of information and knowledge requirements related to them. This holds true especially in the case of the high-technology and knowledge-intensive branches, which are usually very challenging business environments due to the rapid development and technological, financial, legal challenges and risks. Consequently, the requirements towards these development organisations are increasing. In addition to the branch-specific knowledge, specialised development organisations need also more general skills, such as expertise in network management, boundary-spanning and development processes and institutional expertise. Due to the challenging nature of the specialised development activities, these organisations should be of high quality. In this respect, especially two issues are of great importance. First, it should be noted that the work done by the specialised development organisations is ‘craftsmanlike’ and highly dependent on the key people, who are actually taking care of the customer companies and development projects. This notion highlights the importance of the recruitment and personnel development within these development organisations. Also in this respect the specialised development organisations are typical KIBS companies. Until recently, too little attention has been paid to these crucial issues.

Second, it can be argued that the specialised development organisations should be even more specialised and more focused to meet the needs of customer organisations better. The precondition for this kind of development is in many cases the broadening of their market focus in geographical terms to ensure a sufficient number of potential customers. This requirement leads to the national or even international focus. It should be noted that this is not in contradiction with the fact that the specialised development organisations are still an important part of the institutional set-up of the local innovation environment of their location (e.g. city-region). Despite the increased specialisation and more national or international scope of activities, they can contribute significantly to the regional and local development in the globalising economy. The idea of specialisation and wider geographical scope includes also the intention to turn the specialised development into ‘real business’. These features

became evident in both empirical cases presented in this paper. However, all the functions, activities and services of the specialised development organisations cannot be delivered totally on the market basis, but public financial support is needed. The precondition for the implementation of the more focused strategy and becoming business that could even export services outside the region is the enhancement of the competences in a very broad sense.

Development of competences refers here to the upgrading of all the activities of these organisations. It refers to the development of personnel's skills, enhancement of internal processes (e.g. knowledge management), broadening of networks (e.g. making new contacts with organisations of good quality), consolidation of the economic basis (e.g. free assets that allows internal R&D and taking some financial risks). These are very challenging tasks, especially taking into account that the internal development of the specialised development organisation is usually gradual in nature due to many factors, such as scarce financial resources. In sum, all these notions of the challenges of the specialised development organisations call for capable and innovative management.

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