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REPORT ON THE WORKSHOP

THE PROMOTION AND SUPPORT OF COLLABORATIVE VENTURES

BETWEEN SMALL- AND MEDIUM-SIZE

U.S. AND DEVELOPING COUNTRY ENTERPRISES

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The following report highlights the comments and perceived conclusions developed at a workshop sponsored by the U.S. Agency for International Development (AID) held at the U.S. Department of State on August 31, 1982. The seminar's objective was to help identify information and concepts regarding cooperative ventures between U.S. and developing country smaller enterprises. Specifically, the meeting was organized in three parts as follows:

- A. Background presentations were solicited to help identify current research on the prospects of promoting increased collaboration between small- and medium-size U.S. and LDC firms. In addition, initial papers helped identify the factors that affect both developing country and U.S. firms in their evolution toward collaborative ventures. Additionally, some emphasis was given to discussing opportunities for coproduction and production sharing in developing countries. Overall, the initial discussion attempted to qualify the nature, extent, and impact of current involvement by small- and medium-size U.S. firms in developing countries.
- B. During the second part of the program, non-profit organizations were asked to make brief presentations regarding their own organizations and their current involvements with small- and medium-size industries. These discussions elicited comments on their approach, present activities, costs of facilitating

collaborative interests and what opportunities and constraints they saw that might affect the possible expansion of collaborative interests.

- C. The third part of the program focused on for-profit organizations. Small and large consulting firms and multinational corporations made brief presentations on their involvement, approaches toward small business development, and what opportunities they perceived for increased collaborative activity among small- and medium-size businesses.
- D. The final session of the day was devoted to a review of three AID projects. Projects in Malaysia, Thailand, and Latin America were presented to the overall group. In turn, the group provided certain comments and suggestions regarding the evolution of the AID programs presently under consideration.

To prepare for the meeting, AID commissioned one paper and selected three other documents for circulation to the participants. (Background working papers are located in Attachments B, C, E, and F of this report.) In addition, participants were asked to prepare short, written presentations on their current activities, examples of activities that they believe are suitable for enhancing small business development, and other comments regarding the factors and issues that affect possible collaboration between developing country and U.S. enterprises. (Questions for participating firms are located in Attachment A.) During the second and third part of the program, the for-profit and not-for-profit firms made brief presentations similar to the materials assembled in their written outlines. Written presentations presently in hand can be found in Appendix G of this report. The following summary report attempts to avoid repeating the material more thoroughly developed in the advanced written presentations. Rather, the

report attempts to focus on the general trends of the discussions, important questions raised, and major conclusions that seemed to emerge from the discussions. It should be noted that the identified conclusions represent the interpretation by the report writer since no attempt was made to poll the workshop regarding conclusions and recommendations.

SUMMARY OF THE DISCUSSION

For some time, private and public sector experts have been interested in finding ways to involve businesses in both developed and developing countries. This interest has evolved from a number of needs. First, many of the developing country institutions developed during the last decade have failed to effectively deliver programs that stimulate employment and overall economic development. Second, a great deal of information has emerged indicating that technology and management skills are a critical resource for organizational development. Third, it's believed that there is a greater similarity and compatibility of resources between smaller firms in developing and developed countries. The possible collaboration between these size firms should be complimentary to the existing activity of the larger multinational corporations.

Some discussions have suggested that the smaller firms' operating styles might be more flexible and compatible with regard to direct assistance for smaller developing country firms. In addition, the scale of technology is naturally more appropriate and represents a better fit regarding the needs of the smaller developing country enterprises. Finally, any mechanism involving a larger community of developed country smaller enterprises would make available to the developing countries a broader system of innovation and specific assistance activities.

Unfortunately, there is little knowledge to date on exactly how smaller firms develop collaborative relationships. Some of the developed countries, such as Japan and Sweden, have shown significant interest in this area and have begun experimental programs to stimulate collaboration between their small industries and firms in developing countries. Clearly, one of the initial objectives of the workshop at AID in September of '82 is to identify what we know about collaborative ventures between smaller enterprises and to develop ideas and characteristics of potential new programs that might stimulate more extensive collaboration.

The following material is organized according to the general questions analyzed during the meeting:

1. What Is the Role of Coproduction Activities in Smaller Enterprise Collaboration?

One new form of cooperation involving smaller industry is associated with coproduction activities. Obviously, many of these situations have emerged from the growing economic pressures of international competition and the continuous search for areas where unique local resources exist, such as cheaper labor. Offshore assembly involving U.S. firms has risen dramatically in the last few years. Of present imports, somewhere between 6% and 7% are directly related to offshore assembly activities. In short, U.S. firms are providing subcomponents and technology to special assembly zones in developing countries and then reimporting the goods and services after value has been added in the developing country area.

Smaller firms have been involved in coproduction activities in a number of countries. Looking specifically at Mexico, we can note that of the 630 firms

involved in coproduction activities, over 75% qualify as small and medium U.S. companies. Many of these firms are involved in this activity because of unique production zone opportunities that allow the firm to utilize Mexican labor, but without having to involve themselves under the normal commercial legislation of the country. In Mexico, the firms are not asked to Mexicanize and import and export transactions are duty free as long as the producer complies with certain "in bond" manufacturing guidelines.

In some of the situations, the long-term economic development is not as great as it could be. This limited impact is a result of the limitation on the utilization of the goods which cannot be sold in Mexico but are available only for reexport back in the United States. This type of constraint reduces the linkage that could have a more dramatic effect on the Mexican economy. (For further information see paper prepared by Joseph Gruanwald, Appendix D).

2. What Is the Scope of Present Collaborative Business Activities Between Smaller Enterprises?

The conference generally concurred that there is not a significant amount of direct collaborative activities between smaller U.S. and developing country enterprises. However, there are a number of examples where certain kinds of programs have stimulated collaboration and might be enhanced in the future.

Coproduction in offshore assembly operations provides a very specific opportunity for smaller U.S. firms to participate in developing country environments. These activities tend to be stimulated by a unique set of local laws that allow a U.S. manufacturer to export subcomponents that are then

further assembled or manufactured ultimately to be exported back to the United States. A program of this nature presently operating along the Mexican border involves approximately 630 U.S. firms, of which about 75% qualify as small and medium U.S. businesses.

There are various examples of collaborative ventures, but in general, the smaller U.S. firm is not extensively involved in the developing countries. The Small Business Association of New England surveyed its membership recently to determine exactly what part was actively involved in overseas operations. Their studies indicated that about 3.5% of their firms were engaged in international activities, but primarily through exporting programs. The study did not identify any significant presence of joint ventures or collaborative interests between U.S. firms and developing country enterprises.

The Center for Entrepreneurial Management indicated that of their membership about 12% to 14% were involved in importing and exporting. Again, this organization indicated that few of their smaller companies were actually involved in any collaborative ventures overseas, much less in developing countries. The studies carried out by Arthur D. Little and Burkholder Wallander International also confirm that smaller U.S. firms did not have the resources or orientation toward collaborative ventures in developing countries, though under certain circumstances it is felt that they could be stimulated into different types of collaboration.

3. Why Aren't U. S. Smaller Enterprises Involved in Developing Countries More Extensively?

Studies by a number of organizations suggest a number of reasons why

: smaller firms are not involved in collaborative ventures in developing countries. Specifically, the smaller U.S. firm is not involved because it lacks critical management and financial resources and faces more attractive opportunities in the U.S. domestic market. Another important factor is their lack of management skills and experience which would help them identify specific opportunities. This lack of opportunity identification capability discourages any aggressive search or exploration of collaborative ventures.

The participants agreed that their experience suggested a fundamental lack of positive attitude among smaller U.S. enterprises toward international activities. Again, the group strongly concurred that the initial and most critical problem was the lack of the smaller firm's ability to plan and therefore could not identify or qualify specific opportunities. (See attached reports by Arthur D. Little and Burkholder Wallender International for greater detail in Appendices B and C.)

In summary, the work group generally commented on the following factors as the most important affecting U.S. smaller enterprises:

- . Generally negative attitudes about international activities, specifically toward developing countries.
- . Inability to identify or qualify specific opportunities.
- . Impact of regulation and perceptions of unreasonable regulations in developing countries.
- . Incompatibility of operating styles with foreign firms and other barriers, such as language.
- . Confidence about their capability to carry out international business operations.

The Fowler McCracken Report from the International Management Development Institute (IMDI) supports the workshop's conclusions regarding the weak attitude and managerial capability of small U.S. Businesses. The report also goes on to point out that banks, business associations, and other business related organizations do very little to assist the small business organizations develop appropriate attitudes and capabilities for international operations. Overall, the Fowler McCracken Report argues that there is a basic lack of knowledge in the small business community about opportunities that exist and how to go about organizing an international business program.

4. What Factors Inhibit the Developing Country Enterprises From Seeking More Collaborative Ventures?

Several members of the workshop indicated that the developing country firms appeared to have a much more aggressive interest for establishing business relationships with U.S. firms. The developing country firm perceives more opportunity and benefit from such a relationship. It was noted that a recent study carried out for the Department of State in Chile showed that the entrepreneurs and executives of the Chilean firms were extremely interested in finding mechanisms that would help them link to the U.S. business organizations

Similar to the U.S. firm, the developing country firm lacks management resources and financial resources to carry out long-range planning and opportunity analysis. Without these resources, it cannot explicitly identify possible options and therefore does not engage in further search of communication activities. The workshop, and especially the representatives of Appropriate Technology International and the International Executive Service Corps, argued that management development and training should precede any

serious effort at collaborative venture development. Trained and experienced management is the first key to planning a long-term program evolution. Overall, the group discussed a number of factors which they felt influenced or inhibited the developing country in its ability to find and develop collaborative venture associations.

- Management capability to plan and analyze options.
- Identification of clear-cut opportunities.
- Weak local assistance in brokering and search for all kinds of partners.
- Cost of travel and internal and international communications.
- Lack of effective local business associations' information systems, etc.
- Impact of local government legislation and turbulent political environment.
- Size of local market is often too small to justify risks of change.
- Limited financial resources.
- Poor local professional services such as local packaging, legal services, financing, and marketing organizations.

5. What Services Are Needed To Stimulate More Effective Linkages Between Enterprises?

In reviewing the discussion, the workshp identified three fundamental activities that had to be completed in order to stimulate linkage activities:

- Planning and opportunity identification.
- Search for alternatives in brokering.
- Post-linkage facilitating services (services to help start up projects once partners have been put together and plans laid).

As stated earlier, many groups felt that training and manpower development was a critical activity necessary to help build the management capability of both the U.S. and developing country enterprises. Comments were made that present training programs are valuable, but often too general and did not help the smaller firms deal with their particular industry problems. Neither the U.S. or developing country firm has access to information that is particularly useful in helping identify opportunities and evaluate options regarding collaborative ventures in the developing world.

Though the workgroup discussed collaboration between private enterprises, it was felt that another type of collaboration is needed. There are many types of professional associations, private volunteer organizations and governmental agencies that could develop complimentary collaborative programming. In this sense, it was argued that collaboration between assistance organizations could help rationalize and make more effective a set of programs designed to take smaller firms through the planning, search, and facilitating stages of venture development.

6. How Should We Characterize Different Types of Organizations Involved In Stimulating Collaborative Ventures?

Though the conference brought out many examples of organizations involved in different aspects of collaborative venture development, it was felt that more cooperation among organizations was needed and many groups needed to

add new functions in order to play a significant role in enterprise collaboration. The Burkholder Wallender report suggested that the major mechanism for analysis should be based on the resources utilized by each type of organization or the normal target of their programming. Groups using volunteer resources tended to be more focused on community development and infrastructure creation. Groups using permanent experts and consultants had a greater focus on enterprise management and skills development. Organizations with networks in the United States had little orientation or capability for delivering programs in the developing countries. Conversely, organizations with established networks in developing countries had less capability to engage U.S. business resources. (See Appendix B for further details.) Obviously, cooperation and joint programming could lead to widely expanded capability among a variety of organizations.

An analysis prepared by Appropriate Technology International (ATI) organized their comparison by functional types of organizations and whether they acted upon critical linking functions. The critical functions identified included the following:

- LDC enterprise opportunity identification
- U.S. small business location
- Technology location/feasibility
- Business plan development
- Proposal packaging
- Market location/feasibility
- Site visit planning
- Small "bridging" loans
- Deal negotiating/brokering

- Risk aversion partners
- Start-up financing
- Country/industry specific background
- LDC to U.S. linkage
- Public to private sector resource linkage
- LDC monitoring of relationships
- Finance sourcing
- Technical assistance

The ATII analysis broke down organizations into eleven different types of private and public sector groups including international consulting firms, smaller U.S. based firms, commercial brokers, financial institutions, large corporations, trade associations, government agencies, business organizations, business service groups, development corporations, and technology institutes. (See Appendix E for further detail.)

7. Is There a Need for New Forms of Collaboration?

The group clearly argues that there is a major opportunity for development impact if smaller firms can find ways to develop collaborative ventures. The U.S., having over 500,000 smaller firms not involved in international business, has a significant new resource it can engage if it can identify a mechanism to stimulate firms toward international cooperative ventures. On the other hand, the developing country has a critical need for the type of technology and assistance that could be provided from a smaller firm. Apparently, the critical need is helping find ways to bring these partners together directly and then to organize services that will help assist them in developing their venture, taking into account the fundamental constraints of limited management financial resources and experience regarding international operations.

Developing and communicating new types of collaboration will prove critical to increasing business collaboration. The workshop agreed that there are any number of areas in which programs could be more effectively developed and assisted if there were stronger collaboration between the profit and non-profit sectors. On one hand, the business communities have significant technology and manpower that could be of great use to the developing countries, but have little experience or orientation toward participating in the Third World. Complimentary to this, the private volunteer organizations have extensive experience and manpower with the appropriate attitudes and resources necessary to help deliver the business capability to the developing country environment. A strong argument by the workshop was that AID should look toward ways of stimulating better collaboration between the business community, the business associations, private volunteer organizations, and other non-profit organizations.

8. What Are the Major Problems That Must Be Dealt With For Improved Business Collaboration?

Throughout the meeting, a number of themes recurred highlighting different types of problems. Although no survey or direct voting took place, it's clear that there was strong consensus regarding identification of the major types of problems between U.S. and developing country small enterprises.

In terms of apparent importance, those problems can be stated as follows:

1. Lack of management resources suitable to carry out opportunity analysis and identification.
2. Lack of information on specific opportunities or potential programs in developing countries.
3. Confused attitudes on the part of the U.S. smaller enterprises regarding opportunities and business environment in the Third World.

4. Lack of cooperation between business, government agencies, and private volunteer organizations regarding opportunities and follow-up assistance for developing country smaller enterprise activities.
5. Lack of financial resources.
6. Lack of brokering systems or institutions that can help directly link users and suppliers.

9. What Are Examples of Programs Presently Developing Collaborative Business Ventures?

Appropriate Technology International (ATI) has a wide variety of programs working with small businesses, i.e. companies with sales of \$5,000,000 or less. The organization has developed an extensive field outreach capacity that now is involved in thirty different countries. ATI professional staff travels to these countries and help identify specific opportunities. In addition, ATI engages and involves local organizations to help develop opportunity analysis plus follow-up with technical assistance and other guidance for project development. At present, ATI provides a variety of services to help stimulate direct linkage between enterprises. Those services include the following:

- Provision of technology services
- Providing assistance in marketing
- Technology and program concepts
- Trip scheduling for entrepreneurs and executives
- Facilitation efforts to help aid in the planning and start-up programming
- Development of cooperative programs with such organizations as UNIDO to help link different business communities to developing country opportunities.

The Ohio Technology Transfer Organization is involved with over 1,000 U.S. firms. The organization draws technical volunteers and experts from these firms as well as from different colleges and universities. These experts are supplied as needed to certain developing countries through local advisory committees, banks, and other in-place institutions. The organization also uses supporting data banks such as the Oak Ridge Energy System, the National Technology Information System, and other technology information services.

One of the best mechanisms for developing commitment to change is the use of trusted agents. This organization feels that using academic faculty supported by university facilities creates an atmosphere of trust and confidence that allows open and frank discussions of problems and opportunities. Also, these kinds of individuals are especially useful in helping the client firm define problems more clearly. Similar to other comments made, apparently the lack of management capability to plan and identify problems is a major problem affecting the Ohio group's client firms. (For further information, see Appendix G.)

The U.S. Feed Grains Council is principally involved with transferring agricultural systems. The organization involves a wide number of companies who volunteer experts for survey and development assistance programs in developing countries. Technical teams visit firms where they help evolve working programs that lead to a regional demonstration model. It is felt that the third party cooperating organization, like a local farmer, is important because he tries the technique first and then demonstrates to other local organizations how effective the new technology can be. For example, the organization's activities in new sheep raising for Syria has now led to a wide variety of new kinds of sheep growing in Jordan. This result is because of the demonstration effect from the initial test project in Syria.

-Data bases and an information center, including opportunity identification of consultants, technical assistance sources, and other critical resources necessary to the smaller business firm.

The Center for Entrepreneurial Management has a large-, small-, and medium-size business community participation. The main interest of the Center is providing information and training to a wide variety of business executives and entrepreneurs. This broad-based exchange of written, audio-taped, and seminar programming helps the entrepreneur share information and develop new planning and operating approaches.

The International Executive Service Corps (IESC) organizes retired business executives and provides them to different enterprises in the Third World for technical assistance and management development. In most of the developing countries, the IESC has a resident country director and also uses a local advisory committee to help identify projects and assist in volunteer programming. Although the specific objective of the IESC is to provide a two to three month industry-specific assistance program, in many cases this activity leads to longer-term linkages. In some cases, coproduction and other collaborative ventures have evolved from the initial, IESC assistance program.

Of the 6,000 projects completed, about 50% involve smaller companies with \$3,000,000 sales or less. IESC believes a critical step in helping these companies expand and grow is the provision of experienced business assistance to help them plan, organize, and control their activities. Overall, much of their success derives from the fact that they can use a highly experienced businessman to help the local firm organize and have confidence in long-term growth and change programs.

Sometimes the organization acts as a broker and then it will help organize individuals or companies to transfer a full system such as a swine breeding activity that was established in the Philippines. Later, the organization facilitated the Philippine user to a program where they further transferred the technology into China. In short, the successful operation in the Philippines helped develop a new kind of technology collaboration between developing countries even though it derived initially from a U.S. agricultural technology capability. The organization operates 14 overseas offices that help identify client needs, arrange studies, and coordinate technical assistance from the United States' agricultural companies.

Volunteers in Technical Assistance (VITA) has been in operation for over 20 years. Originally it was established with a group of General Electric scientists who wanted to provide a unique form of technical assistance and analysis. Fundamentally, the VITA program allowed developing country organizations to send questions to VITA on any particular technical issue, problem, or opportunity. The VITA network would then analyze a request and prepare a reply. Over 40,000 such inquiries and responses have been processed by VITA and it now averages about 3,000 of these requests per year.

VITA is also providing technical manpower which goes to countries to involve themselves directly in smaller enterprises. Last year VITA sent over 200 such consultants into the field. The organization not only provides technical assistance, but also information, seed money, training programs, and supporting documentation. At present, the organization has established an extensive computer-based information center which helps support its technical assistance and information services.

Partners for Productivity (PPF) strives to link the concerns of private corporations with private volunteers' organizations. This organization uses active businessmen with volunteers to organize special study and technical assistance programs in the Third World. In many cases, PPF helped develop community and village activities that are complementary to nearby large operating companies. An example of this activity was developed in Liberia where PPF developed a wide variety of assistance to small businesses that sprung up around a large mining activity.

PPF believes that the key to developing good collaborative ventures is to link people. They presently have a rural extension service which is operating in several countries including Kenya. In addition, they have developed rural credit programs that help provide credit to micro and small businesses. It is felt it is not so much the provision of information and proposals that develops projects, but the bringing together of entrepreneurs who have complementary interests. While the participating companies provide the bottom line orientation and the operating technology, the private volunteer organization brings a sensitivity to the local environment and the development needs. In the long run, the community development programs assure a more viable general environment that can help continue the development activity once the larger business activity has terminated or stabilized itself.

The Fund For Multinational Management Education (FMME) is a policy research and technical assistance organization whose supporters include both public and private institutions. The FMME carries out a wide variety of research and analysis programs on different mechanisms for a stimulating private and public cooperation in the development effort. The FMME also sets up contact and study groups to stimulate project collaboration in developing countries.

Recent examples come from Jamaica and the Dominican Republic where the FMME set up workshops that identified specific opportunities by bringing together local entrepreneurs and U.S. businessmen. The FMME then provides follow-up services to help take the initial ideas into further feasibility and development stages. The FMME thoroughly agrees that the developing country firm has a significant problem with needs analysis and opportunity clarification. The organization feels that the developing country firm is well prepared to pay for services and invest in collaborative interests once the initial opportunity has been identified and clarified. The FMME is helping to activate the initial contact and analysis programs and hopes to stimulate a wide variety of collaborative ventures between different size operations.

Arthur Young and Company (AY) is one of the largest professional service firms providing accounting, financial and consulting services worldwide. The firm is involved in supporting the development of collaborative ventures between small- and medium-size enterprises through at least three forms: (1) direct consulting services to enterprises, (2) consulting services to government or quasi-government entities in connection with the institutionalization of activities which promote enterprise collaboration, and (3) referral and brokerage services provided to clients in the U.S. and in developing countries. AY is a partnership of firms operating in over 80 countries.

The broad experience of AY supports the workshop's concern with the ability of the participating firms to identify and value collaborative ventures. It was also noted that AY believes that many U.S. smaller firms do not understand the value or capabilities of their firm's technology and resources as they relate to developing country needs. Front end financing to help bring companies together and also to pay for critical professional assistance in the early stages can often be repaid as projects begin to develop new

profitability. Arthur Young, collaborating with Burkholder Wallender International, has launched a technology audit program to help user and supplier firms identify and quantify technology change opportunities. This approach has had success in bringing together smaller U.S. enterprises with developing country firms through the vehicle of technology transfer and collaboration.

Arthur D. Little (ADL) is one of the largest international management and technical consulting firms. In its long history, the firm has organized vastly different types of studies and special projects that serve the needs of both private and public institutions. The firm has extensive experience with developing country enterprises and government institutions, and has been involved in the establishment of many programs that strive directly to improve the technological and administrative capabilities of smaller enterprises. The company has operating offices throughout the world, many of which are located in developing countries. Additionally, ADL runs a degree granting program that trains many developing country professionals in the managerial and technical skills required to organize and plan small and large industry programs. ADL laboratories and technical research programs are also available to help in developing new products and procedures for smaller enterprises.

The firm was responsible for one particular study that dealt with the problems and opportunities of small firm collaboration. This study found that developing country and U.S. smaller enterprises had many areas of potential collaboration but lacked understanding of opportunities, managerial resources, and appropriate networks and institutions which could help bring them together and assist in the evolution of joint programs. (See Attachment C).

Burkholder Wallender International (BWI) is a small consulting firm specializing in technology transfer and installation programs. Through the development of certain technology search and auditing systems, the company is able to offer services to developing country enterprises. These activities help the client identify and qualify its needs, analyze alternative sources of technology, and also manage the transfer process. The company places great emphasis on helping the client not only plan and secure technology needs, but to help the firm actually install and start up the technology acquired. In many cases, BWI argues that the client suffers the greatest problems in installing and adapting technology for its particular situation. (See report in Appendix F).

At present, the firm is involved in technology audit, search, and brokering in Venezuela, Chile, Mexico, the Philippines, Taiwan, and Spain. Successful projects indicate that there are many U.S. smaller firms that are prepared to participate in collaborative ventures if there is an intermediary organization, such as a qualified consulting firm, who will manage the packaging and actual transfer of the technology. The experience of this firm suggests that some mechanisms need to be established that can help both the supplier and user firm collaborate in project planning and start-up. BWI is also involved with several developing country institutions engaged in small business support for technology and productivity improvement:

Technology Guidance and Associates specializes in developing technology transfer programs between developed countries. At present, the private organization specializes in helping small and large Swedish industries identify and gain access to different types of U.S. technology. The organization felt that the Swedish government played a critical role in helping to finance the initial brokerage operation. The government also played a very

effective role in stimulating their local companies to use the search and brokerage system. In many cases, the Swedish government will pay up to one third of the fee required for the search of new products, procedures, marketing techniques, or identification of cooperative venture partners.

This private consulting firm has had success because it is able to take the identified need of the Swedish industry and then communicate this to the appropriate supplying firms. In many cases, it is felt that one of the most important capabilities is to sell the U.S. firm on the benefits of organizing and transferring its technology into Sweden. The easiest way to limit the program is to involve too many third parties—in short, what is important is to get direct business transaction and communication. This kind of direct linkage has led to successful brokering rather than relying on local consulting firms or other intermediates to help bring together the parties. Again, it is important to note that the Swedish government played a critical role in priming the pump and sponsoring the first stage of brokerage activities.

Washington International (WI) is another private consulting firm presently involved in developing technology and other business linkages between The People's Republic of China and the United States. They concur with the rest of the group that both the user and supplier firm are weak in their ability to identify business opportunities. This consulting firm helps both the Chinese and U.S. firm develop appropriate marketing strategy, clarify the product and services to be transferred, and help specify and organize the mechanisms for transferring information and technology.

This private firm feels that one of the major weaknesses in both supplier and users is their inability to understand basic marketing principles. Much of the planning necessary for developing cooperative ventures depends upon an ability to organize proper market analysis and planning which creates the guidelines for further project development. Another major obstacle is associated with the fact that the Chinese are very anxious to assure that their firms are developed while maintaining an appropriate national balance of trade. This means that, in many situations, U.S. companies can provide technology and assistance if they're willing to receive remuneration "in kind". An improved capacity of U.S. firms to enter into such barter agreements would probably stimulate a wider array of collaborative ventures.

Trade and Development International (TDI) is a small firm operating in Massachusetts. This organization provides services directly to smaller firms who are preparing to develop international business operations. Interestingly, this firm has identified that there are a number of U.S. firms that have to go abroad because their products are uniquely designed for foreign markets. Take the example of a solar-powered refrigerator which has a small market here in the United States, but may be of great interest to developing countries with poor electrification but extensively available solar energy. These kinds of firms can oftentimes develop rapidly if they're assisted in their planning, market development, and ultimate venture relationships. It is also noted that some of the smaller companies need the assistance of consultants or other individuals who can provide critical management assistance which is normally a scarce resource for the smaller enterprise. Because of problems of economies of scale, it might be necessary to consider building cooperative programs that help a number of micro industries support a collaborative venture or other networks that help them locate appropriate partners.

Control Data Corporation (CDC) is an example of a large multinational company which is committed to helping develop collaborative interests between smaller enterprises. At present, Control Data has a wide variety of programs that include independent technology search, management of technology transfer, development of cooperative programs between firms, and in some cases, the packaging, transfer, and installation of entire businesses for developing countries. Control Data has a full line of services including a variety of data bases, a consulting firm that can help organize and manage transfer, and other training and support programs. Control Data has been involved in a number of programs helping establish licensing activities, and has an extensive technology transfer experience in East/West and North/South relationships.

Control Data believes there is a significant future for collaborative ventures because of replicability. In short, once a program is developed from one country with proper assistance and guidance, this kind of activity can be replicated in many countries, therefore improving the long-term profitability of the activity. For this and other reasons, Control Data is heavily committed to small enterprise assistance and breaks down its focus into those which are urban ventures and others which are rural ventures. Apparently, this is due to the belief that there's a significant difference between rural, agricultural type projects and others that are, in fact, involved in urban manufacturing and services. Control Data agrees that one of the most important aspects of developing collaborative ventures is the problem of helping specify the opportunity and the costs and benefits of different options. It's important that whatever programs are set up, that they have staying power and the ability to learn from their early mistakes during start-up. Early subsidies would help alleviate or diminish the up-

front risks and would ultimately lead to a wider and broader variety of collaborative ventures.

The National Technology Information Service (NTIS) provides one of the largest public information services for small foreign and U.S. businesses. Specifically, NTIS provides a wide variety of information on available technology as well as information on proposed new projects in different countries. At present, NTIS has improved marketing and assistance to clients in terms of identifying opportunities to help extend the usefulness of their information service. In some cases, NTIS is also helping to organize technical manpower for follow-up activities for clients already using the information services.

Enterprise Development Incorporated (EDI) is an example of a private joint venture where small U.S. entrepreneurs have joined with foreign smaller companies to develop a successful business operation. Specifically, this involves putting together technologies that help convert timber into high grade charcoal suitable for local industrial fuel. A critical aspect of developing such a successful project depends on a strong willingness of some entrepreneurs to spend the monies and time necessary to find partners, establish the program, and hold the collaborative venture together long enough until appropriate revenues are generated. Sometimes this can take a long time and a significant amount of resources. Obviously, monies that would help subsidize these initial start-up and venture development stages help encourage more private sector collaborative ventures in developing countries.

10. What Are Some of the Projects Presently Considered By AID For Developing Country Business Stimulation?

Under the new administration's policies, AID has increased its effort to find programs that involve the private sector and have a unique development impact on smaller developing country enterprises. There are a number of these initiatives presently being evolved. A discussion on two of the program types allowed the group to ask questions and clarify some of the general thinking within U.S. AID. One project discussed is associated with a program that would be developed for four countries in the Pacific Basin. The other project dealt with a different type of program being evolved for Latin America.

A Pacific Basin program, beginning with a pilot project in Indonesia, was designed to help build up local business capability in several directions. First, the program will help facilitate and provide direct linkages between U.S. and Indonesia businesses. Secondly, the program will support the skills enhancement of senior and middle management training so that collaborative ventures have a greater potential of success with improved professional management. Finally, the program would make available certain monies for necessary research and studies to help determine the true capability of potential partnership projects.

The initial part of the study will try to develop thirty specific project profiles. These profiles will identify certain types of companies that might be involved in further project development. The identified companies will receive loans that will help cover a significant part of education programs in the United States business schools for selected members of their management team. Funds would then be available to help pay for consulting

services that would carry out necessary marketing or other special studies.

This program also helps involve the local business to help publicly promote the program concept as well as to help identify appropriate local consultants for project funding. Additionally, it is hoped that the project will ultimately help stimulate more effective support and participation of local professional and business associations.

A similar program with slight modifications will be developed in Thailand before further activities are considered for Sri Lanka, the Philippines, and Pakistan.

The group commented generally on the project favorably, but talked about the need for more effective collaborative training to help create a sense of cooperation rather than student and pupil exchange situations. It is also noted that careful selection of country and individual firms for participation was a critical aspect of long-term success for the program.

In Latin America, AID is considering a new type of program that would help develop closer collaboration between local Chambers of Commerce and U.S. Chambers. This program is an evolution from an initial project undertaken during the last five years to set up twin Chambers of Commerce, i.e., a Latin American city Chamber of Commerce would be linked directly with a U.S. city Chamber of Commerce. This type of relationship helps allow more intimate and direct exchange of ideas and information between companies and also provides a vehicle for helping developing country businessmen meet and develop personal relationships with a specific U.S. community and its business representatives.

The "Twin City" Chamber Program has already been established. The new project will take this structure and add to it an expanded data bank, a technology clearing service, and other administrative capabilities that assist the U.S. and developing country firms in their feasibility studies, marketing access, and project research needs. The project will be supported by U.S. corporations as well as U.S. Government. In some cases, companies such as Control Data will provide grants and technical assistance to help organize the data base and information search procedures.

Overall, the program is to develop an administrative and technical capability to enhance the linkages already evolving from the "Twin City" Chamber Program. It is felt that the additional availability of research and technical assistance will help foster and extend potential cooperative projects that may have floundered from lack of assistance even though the "Twin City" Chamber Program had developed the initial contacts and communications between business individuals.

APPENDIX

- Appendix A - Issues for AID Seminar on Collaborative Ventures Between Small Enterprises
- Appendix B - Developing Collaborative Programs Between U.S. and Developing Country Small Enterprises, Prepared by Harvey W. Wallender III and supported by a grant from the U.S. Agency for International Development, Office of Science and Technology/Multisectoral Development, Contract Number: SSN-464-62-9009
- Appendix C - Technology Transfer to Latin America From Small- and Medium-Size U.S. Firms: Broadening the Channels, Report of a Study for the Department of State under Contract No. 1722-720077, Prepared by Arthur D. Little, Inc., C-80737, August 1978
- Appendix D - Some Aspects of the Study "The Internationalization of Industry", by Joseph Grunwald and Kenneth Flamm, Preliminary Draft, The Brookings Institution, October 1981
- Appendix E - Operating Assumptions Of An Intermediary Organization and Classifications of Organizations, Prepared by A.T. International
- Appendix F - International Subcontracting: Institutional Promotion and Facilitation, by Dr. Bryant Smith for Office of Multisectoral Development Agency for International Development, Washington, D.C. and U.S.D.A. Graduate School, Washington, D.C., August 1982
- Appendix G - Organizational Statements on Activities:
1. Arthur Young & Company Presentation by Dimitri A. Plionis
 2. U.S. Feed and Grains Council
 3. Center for Entrepreneurial Management
 4. The Ohio Technology Transfer Organization and Its Role In International Joint Business Ventures, Prepared for The Workshop on the Promotion and Support of Collaborative Ventures Between Small and Medium Sized U.S. Business and Developing Country Enterprises, Agency for International Development by Robert E. Bailey and P.B. Herdendorf
 5. International Executive Service Corps (IESC), Commentary for Aug. 31, 1982 Workshop at AID re: U.S. - LDC Small and Medium Sized Enterprise Collaboration

6. Trade & Development International Corp.,
Memorandum: Comprehensive International
Business Development
7. Fund for Multinational Management Corp. (FMME)
Presentation to AID Meeting on Small Enterprise
Development, Prepared by Robert E. Driscoll,
Executive Director, FMME