

# **Strategic Options to Improve the Effectiveness of Investment Promotion Agencies (IPAs)**

**Bjoern Vogler, Robert Kirchner**  
German Economic Team Belarus

Minsk, February 2018

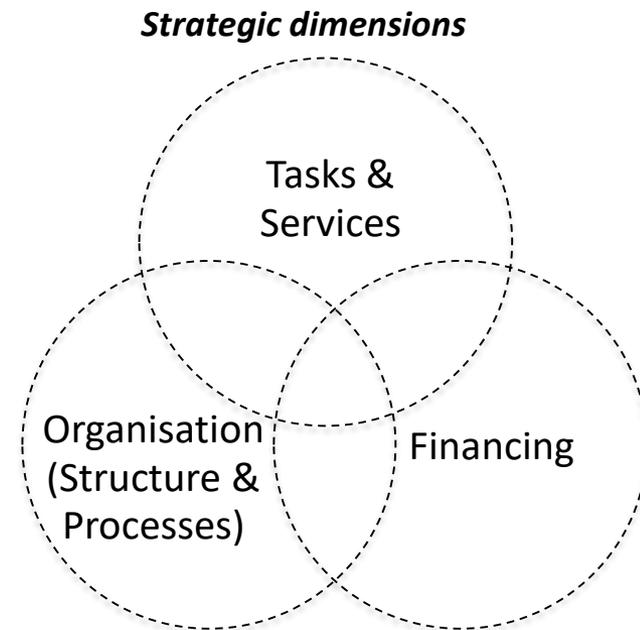
## Outline

1. Introduction
  2. Tasks and services
  3. Organisational structure
  4. Processes
  5. Financing model
  6. Conclusions – Dos and Don'ts
- Contacts

# 1. Introduction

**Not only competition between locations, but also between IPAs has significantly increased in the recent past. Taking into account international best practice, this policy study assesses strategic options to increase the effectiveness of IPAs in a competitive landscape.**

- Key focus is on the strategic dimensions tasks and services, organisation and financing as well as the interdependencies between those.
- For each dimension, the policy study identifies key success factors and outlines the process and relevant criteria for selecting the adequate strategic option.
- To illustrate the options and decision making process, good-practice examples from European IPAs are integrated drawing from previous project experience as well as online research carried out among selected Eastern European IPAs for this policy study.



## 2. Tasks and services – Overview

The experience of Eastern European IPAs shows a wide scope of tasks. The main focus is on investment and trade promotion. Further tasks include the management of funding programmes and development projects as well as specialised advisory and support services.

Selected IPAs in Eastern Europe	Main tasks (selection)							
	Investment promotion and facilitation	Trade promotion	Management of funding programmes / development projects	Start-up support	Innovation support / cluster development	Tourism marketing and development	Regional development and cooperation	Talent attraction and skills development
Latvia	x	x	x	x	x	x		
Estonia	x	x	x			x		x
Lithuania	x		x					
Slovakia	x	x			x			
Czech Republic	x		x	x				
Hungary	x							
Poland	x	x					x	

## 2. Tasks and services – Overview

The spectrum of target groups of the IPAs reflects the core tasks identified. Obviously, foreign investors play a strong role. Depending on the scope of tasks as well as the country-specific opportunities and challenges, additional target groups such as domestic SMEs and start-ups are covered.

Selected IPAs in Eastern Europe	Main target groups						
	Foreign Investors	Domestic companies/SMEs	Start-ups	Academia and innovation support providers	Tourists and providers of tourist services	Foreign talent	Further
Latvia	x	x	x	x	x		
Estonia	x	x	x	x	x	x	
Lithuania	x						
Slovakia	x	x		x			
Czech Republic	x	x	x				
Hungary	x						
Poland	x	x					x

## 2. Tasks and services – Success factors

**All activities of an IPA should be focused on core tasks and target groups with a service portfolio strictly aligned to customer needs. The following success factors should be applied as guiding principles:**

- Regularly adapt tasks and services: Changes in external factors and customer as well as the policy framework needs should be taken into account and the service portfolio should be adapted accordingly.
- Align portfolio to competences / capacities within organisation: Core competences of an IPA differ with the mandate and the available resources. This should be reflected in the service portfolio.
- Utilise synergies and develop integrated service packages: To market services and increase the added value for the customers, IPAs often choose to develop service packages combining different competences within the organisation.
- Coordinate with service partners and build up differentiating positioning: IPAs often overlap with other institutions (e.g. chambers of commerce) necessitating coordination and differentiation in order to develop complementary rather than competing services.

## 2. Tasks and services – Selecting strategic options

### Overview of steps to select strategic options:

1.

Identify relevant services, target groups and innovations based on benchmark analysis

2.

Assess existing and needed capacities as well as synergies with respect to tasks, services and target groups

3.

Develop a differentiating positioning based upon stakeholder consultations

4.

Identify needs and priorities from the perspective of customers

5.

Define core tasks and target groups and develop corresponding capacity development strategy

6.

Monitor regularly performance/results and refine the definition of tasks and target groups

## 2. Tasks and services – Selecting strategic options

1. **A benchmark analysis can serve as a starting point to identify relevant services, target groups and trends.**
  - The previous overview of IPA core tasks and services already provides a basic overview and could be expanded on.
2. **Based on the results of the benchmark analysis, existing/needed capacities as well as synergies with respect to tasks and target groups should be assessed.**
  - An assessment of synergies between services, as shown on the right, can give important insights on where to focus efforts and activities and how to structure the service portfolio.
3. **Once a basic understanding of relevant tasks and services has been developed, stakeholder consultations can serve to develop a differentiating positioning regarding which activities are most promising in the country-specific context.**

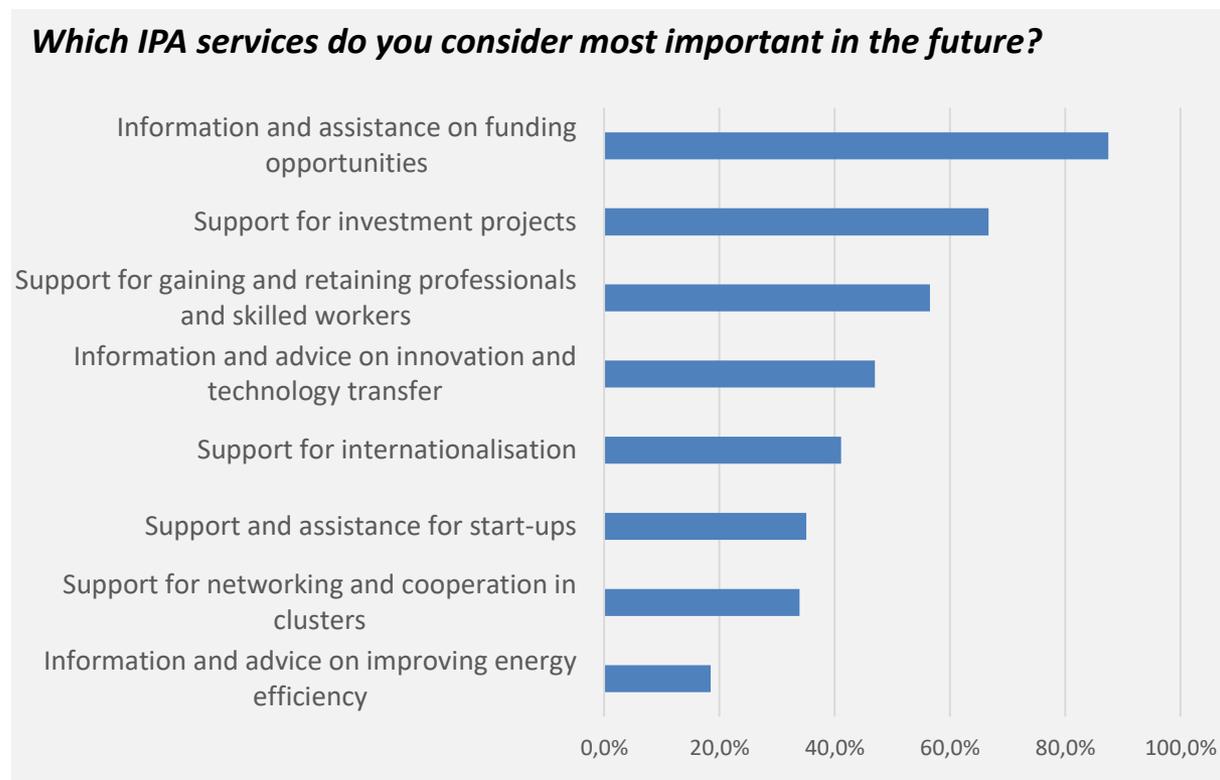
Relevant criteria may include:

- Potential to develop innovative services
- Development impact
- IPAs level of influence and competitive position
- Availability of necessary resources.

## 2. Tasks and services – Selecting strategic options

### 4. A customer survey is an effective tool to assess customer needs and interests directly.

- Successful companies and IPAs both regularly align their services to the needs of their customers.
- In the long-term, a survey should be conducted every other year to monitor customer satisfaction and changes in needs.



***Extract from a customer survey conducted by a German IPA***

## 2. Tasks and services – Selecting strategic options

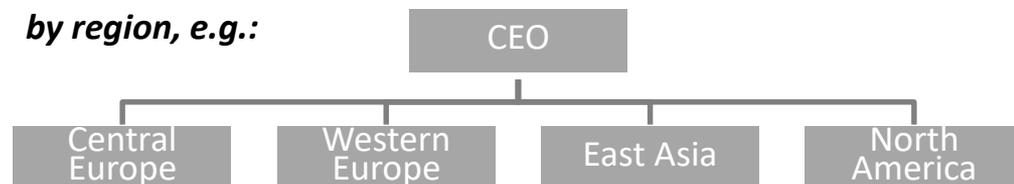
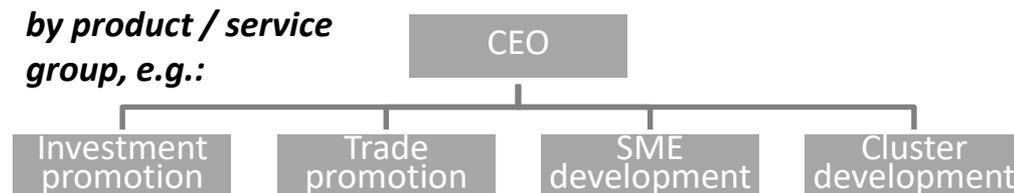
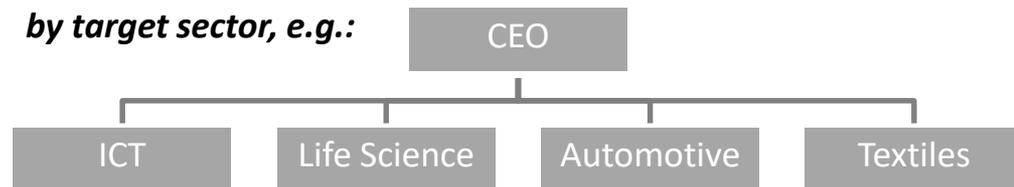
5. **Based on the previous analytical steps, core tasks and target groups should be defined and a corresponding capacity development strategy should be devised.**
  - Tasks and target groups should be defined and assessed in combination.
  - The skills needed for the core tasks and target groups should be reflected in a capacity development strategy.
6. **Results and performance should be monitored on a regular basis.**
  - Defining tasks and target groups is a dynamic process which should be refined based on the monitoring results.

### 3. Organisational structure – Overview

The organisational structure of an IPA – such as the number of units and how they are divided – can take various forms.

- Common among IPAs is the **divisional structure** where the focus is on specialisation by target group, region, sector or products and services as shown on the right.
- Another option is a **functional structure** focusing on specialisation by task or function (e.g. project development, sector research, marketing).
- As a **matrix structure** combines two hierarchies (e.g. a functional and a divisional), employees have dual reporting relationships.

#### *Types of divisional structures*



### 3. Organisational structure – Overview

The majority of Eastern European IPAs reviewed shows characteristics of divisional structures and a focus on product / service groups. Functional and target group oriented divisional structures can be found in IPAs with a narrower range of tasks.

Selected IPAs in Eastern Europe	Divisional			Functional	Matrix
	Product/ Service groups	Target groups	Regions		
Latvia	x				
Estonia	x				
Lithuania				x	
Slovakia	x				
Czech Republic	x				
Hungary		x			
Poland	x				

### 3. Organisational structure – Success factors

#### Key success factors and guidelines for the development of an effective and efficient organisational structure include:

- Select and adhere to guiding organisational principles (e.g. functional or divisional): The structure should be clear and transparent to customers, stakeholders and staff alike.
- Support the use of synergies between tasks and competences: The organisational structure should use synergies rather than artificially separate tasks that go hand-in-hand (e.g. cluster development and internationalisation).
- Integrate key stakeholders, e.g. by means of an advisory board or committee: IPAs usually serve multiple interest groups – from the public and private sector – necessitating a high level of coordination as well as mutual trust and support.
- Ensure cross-organisational coordination and efficient division of tasks with relevant institutions: IPAs are part of a broad landscape of institutions supporting investment and economic development with activities that should complement each other rather than compete.

### 3. Organisational structure – Selecting strategic options

#### Overview of steps to select strategic options:

1.

Analyse the existing organisational structure in the light of the identified core tasks and target groups

2.

Consider the perception of the structure by employees

3.

Review the interests and competences of key partners and stakeholders within and outside of government to determine appropriate modes of cooperation

4.

Assess the need for regional structures / offices to service clients

5.

Define and document the future configuration (e.g. division, number/size and tasks of departments and units)

6.

Determine need to adapt legal form / governance model

### **3. Organisational structure – Selecting strategic options**

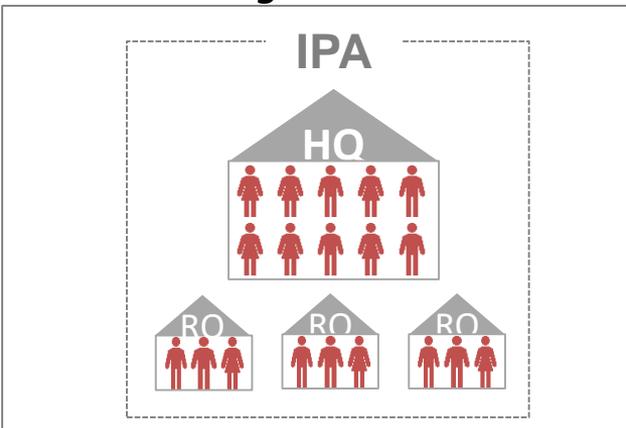
- 1. An analysis of the existing organisational structure should form the starting point.**
  - The analysis should take into account how the structure is aligned to the strategic focus and in particular to core tasks and target groups.
- 2. As part of the process, the employee perspective should be taken into account.**
  - Employees can give important insights on how well an organizational structure is aligned to the tasks and processes they carry out.
- 3. An assessment of the interests and competences of key partners and stakeholders within and outside of government serves to determine appropriate modes of cooperation.**
  - Typically, there are multiple organisations involved in promoting investment and supporting private sector development, such as development banks, chambers of commerce, business associations and FEZ management organisations.
  - In order to develop complementary services and activities rather than competing ones, mechanisms for cooperation should be identified.
  - When developing the organisational structure, the need for interfaces should be considered. For example, activities that need to be coordinated with a specific partner institution should be located in the same unit or division under the same point person.

## 2. Organisational structure – Selecting strategic options

### 4. The assessment of whether there is a need for regional structures or offices constitutes another important stage of analysis.

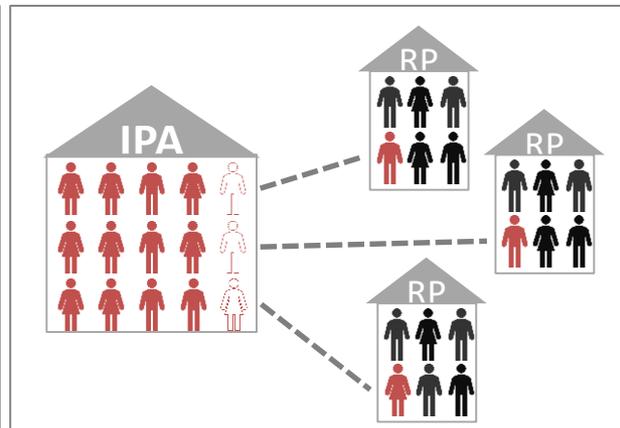
- Depending on the tasks and existence / efficiency of relevant local and regional bodies, the national IPA may choose to:
  - establish and operate regional offices (integrated model)
  - develop a joint model placing IPA staff in partner organisations (e.g. municipalities, FEZs)
  - develop a cooperative model – for example based on MoUs – with regional partners.
- 5 of the 7 IPAs in the review of Eastern European IPAs have opted to establish regional offices.

**Integrated model**



HQ = Head quarter

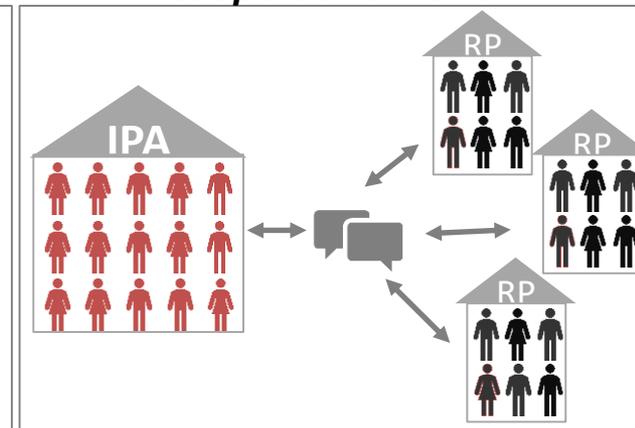
**Joint model**



RO = Regional office

RP = Regional partners

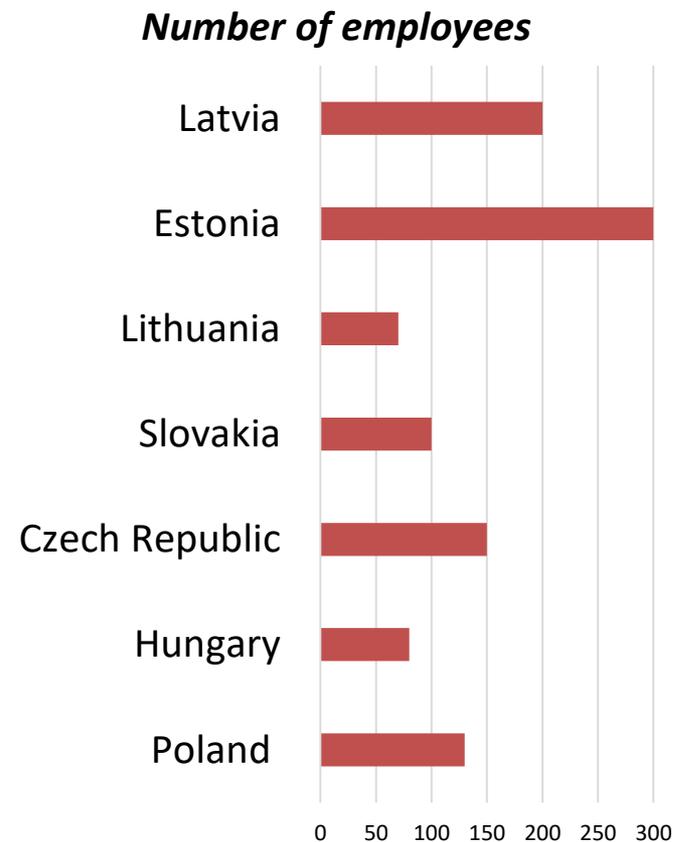
**Cooperative model**



### 3. Organisational structure – Selecting strategic options

#### 5. Once the analysis of existing and needed structures has been completed, the future organisational configuration should be defined and documented.

- This should include:
  - the basic organisational configuration, i.e. divisional, functional or matrix
  - the division of departments and units
  - the size and specific tasks of departments and units.
- The size of IPAs varies with the type and number of tasks they carry out. The number of employees of the IPAs reviewed range from less than a hundred in Hungary to 300 in Estonia.



### 3. Organisational structure – Selecting strategic options

6. **The governance model affects aspects such as access to decision makers in the government or the mandate and status with regard to other agencies or institutions.**
- If the current governance model is restrictive with regard to the necessary mandate, access or standing, alternatives should be assessed considering key stakeholders’ requirements.
  - Most of the Eastern European IPAs follow the model of an agency subordinated to the Ministry of Economy.
  - In Germany private limited companies are quite common – in some cases based on PPP models.

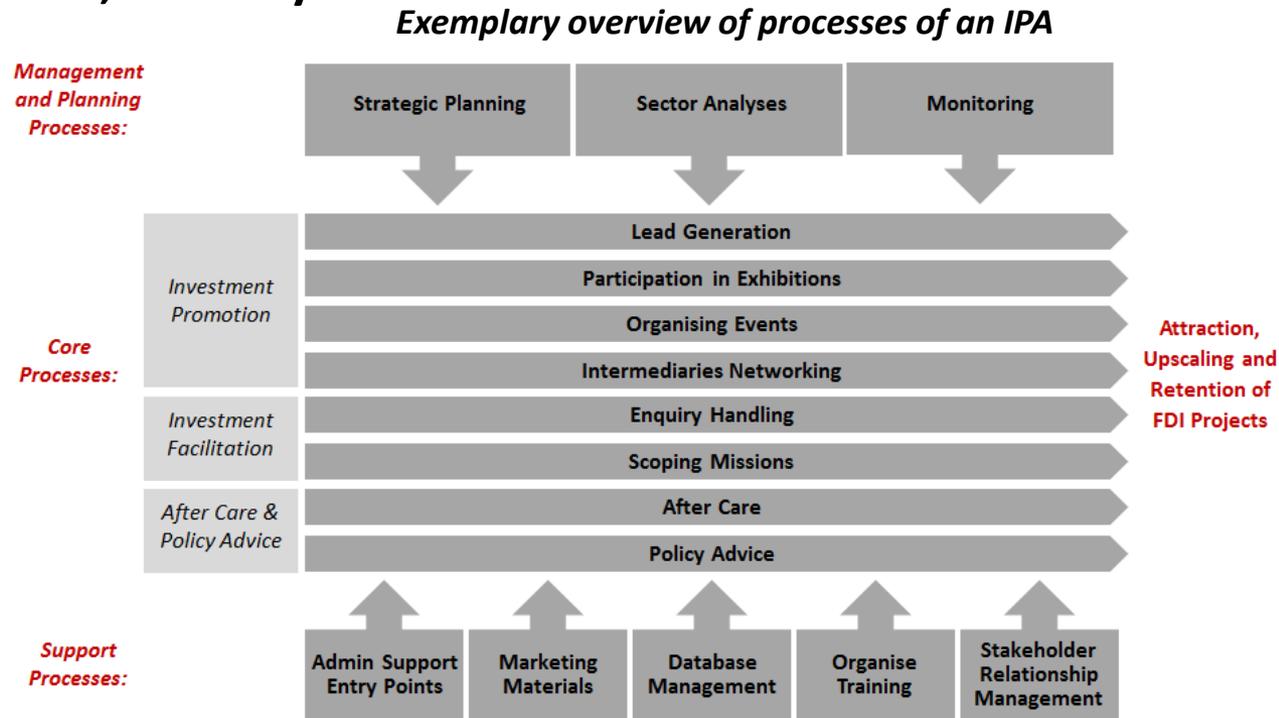
***Governance models of selected IPAs in Eastern Europe***

	Governance Model
Latvia	Agency subordinated to the Ministry of Economy / Economic Affairs / Industry and Trade
Estonia	
Lithuania	
Slovakia	
Czech Republic	
Hungary	Agency subordinated to the Ministry of Foreign Affairs and Trade
Poland	Joint-stock company (Polish Development Fund Group as only shareholder)

## 4. Processes – Overview

Depending on the range of tasks, the configuration and the size of the organisation, the set of processes, which can be divided into management, core and support processes, will vary.

- Management processes are designed to plan, monitor and control the organisations' activities.
- Core processes are the sequences of activities necessary to achieve the organisations' goals (e.g. deliver services).
- Support process are geared towards providing the necessary infrastructure and resources.



## 4. Processes – Success factors

**In order to design effective and efficient processes, the following success factors should be kept in mind:**

- Ensure coherence between structure and processes: The flow of processes should not run counter to the way the organisation is structured.
- Avoid parallel and too complex processes: All processes should have a clear starting and end point with well-defined roles and responsibilities.
- Involve team in the refinement of processes: Processes should be adjusted and refined in light of the day-to-day experience and feedback of those who carry them out.
- Ensure adequate planning and steering processes: Strategic planning and monitoring are essential for an organisation to reach its goals and objectives.
- Don't forget necessary support processes: Without the necessary infrastructure and resources, core processes cannot run efficiently.
- Widen the focus integrating cross-organisational processes: Activities that need to be coordinated with other organisations should be reflected in the processes.

## 4. Processes – Selecting strategic options

### Overview of steps to select strategic options:

1. Determine core processes to carry out the IPAs tasks
2. Analyse the core processes and assess the streamlining potential integrating the feedback from your employees and customers
3. Document the streamlined processes and set procedural and quality standards
4. Identify needed support and management processes and adjust them in line with the future core processes

## 4. Processes – Selecting strategic options

### 1. As a first step all core processes necessary to carry out the IPA's tasks should be identified.

- All key tasks should be broken down into the processes that need to be carried out in order to reach the respective goals and objectives.

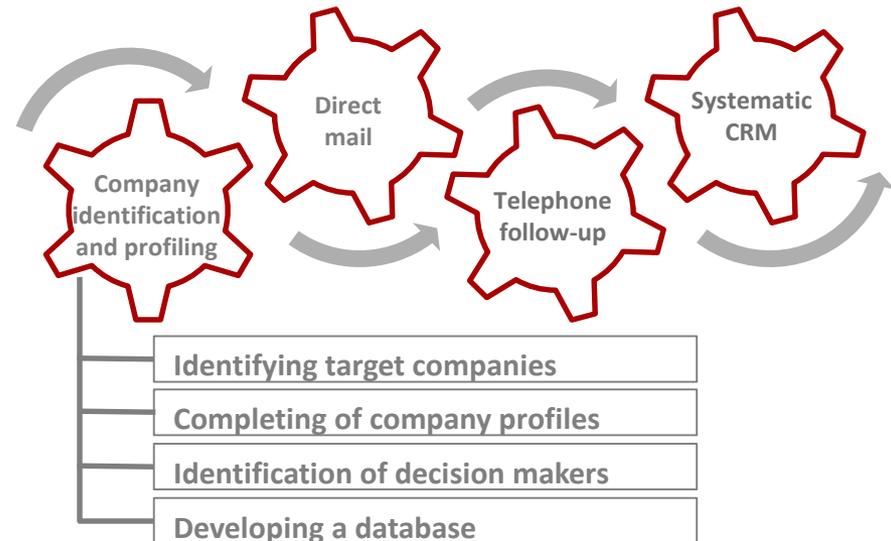
### 2. Taking into account the feedback from customers and employees, the identified core processes should be analysed in detail in order to:

- determine key steps and activities.
- identify key actors (departments, units, managers, team members) and their respective roles in the process
- assess the streamlining potential of core processes.

#### *Exemplary break down of the task "Investment Promotion" into processes:*



#### *Exemplary break down of the lead generation process into steps and activities:*



## 4. Processes – Selecting strategic options

### 3. All processes should be documented in, for example, a “diagram of functions” as shown in the example below.

In addition to the activities as well as roles and responsibilities, standards for the scope, quality and time frame for the deliverables of each activity should be defined.

Diagram of Functions: Participation in Exhibitions (without stand)					
Key Tasks	Time frame	Participants / forms of participation			
		Sector Expert	Sector Assistant	Team Leader	Management Level
Selecting exhibitions (e.g. based on presence of target segments, costs, presence of competitors)	End of each year	Prepare proposal	Research support	Supervision	Decision
Logistical arrangements	2 months before exhibition	Supervision	Arrange		
Identify target companies at exhibition (considering profile, size, growth, location pattern etc.)	8 weeks before	Supervision+ decision	Prepare proposal		
Prepare email for approach (and attachment as needed)	4 weeks before	Prepare email			
Ensure availability of marketing materials (brochures, flyers etc.)	4 weeks before	Supervision	Check / order		
Send out emails and follow up to arrange appointments	3 – 1 week before	Supervision	Send out, follow-up	Information	
Prepare meeting schedule and research on companies	2 – 1 week	Information	Schedule, research		
Carry out meetings and approach additional companies	During exhibition	Contact companies	Support		
Follow-up	1 week after	Follow-up			
Documentation and reporting	2 weeks after	Supervision	Draft report	Information	Information

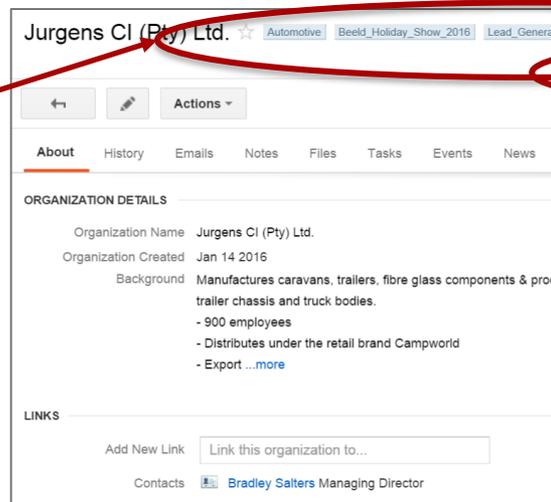
## 4. Processes – Selecting strategic options

### 4. Management and support processes need to be designed and adjusted in line with the future core processes.

- Management processes (e.g. planning, steering, monitoring) and support processes (e.g. communication, human resources services, ICT provision) affect the ability of an organisation to plan and execute core processes effectively.
- An important part of support processes in IPAs that is often overlooked is the provision and management of an effective CRM (Customer Relationship Management) system.

#### Screenshots from a CRM System:

Company tagged by sector, lead generation campaign etc.



Jurgens CI (Pty) Ltd. ☆ Automotive Beekd\_Holiday\_Show\_2016 Lead\_Generat

← Actions ▾

About History Emails Notes Files Tasks Events News

ORGANIZATION DETAILS

Organization Name Jurgens CI (Pty) Ltd.

Organization Created Jan 14 2016

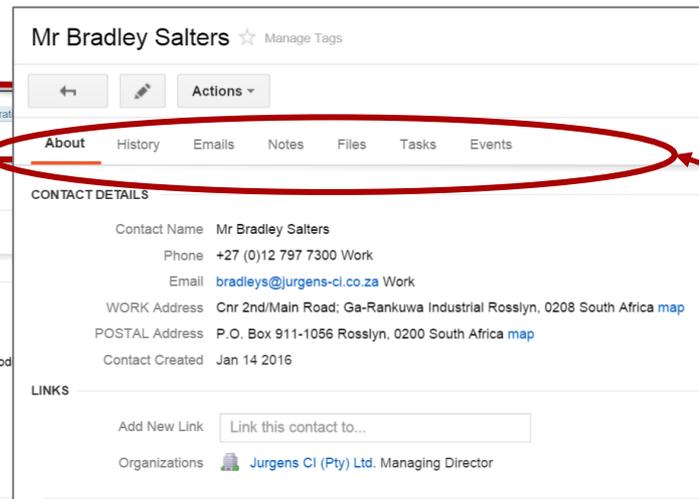
Background Manufactures caravans, trailers, fibre glass components & prod trailer chassis and truck bodies.

- 900 employees
- Distributes under the retail brand Campworld
- Export ...more

LINKS

Add New Link Link this organization to...

Contacts Bradley Salters Managing Director



Mr Bradley Salters ☆ Manage Tags

← Actions ▾

About History Emails Notes Files Tasks Events

CONTACT DETAILS

Contact Name Mr Bradley Salters

Phone +27 (0)12 797 7300 Work

Email [bradleys@jurgens-ci.co.za](mailto:bradleys@jurgens-ci.co.za) Work

WORK Address Cnr 2nd/Main Road; Ga-Rankuwa Industrial Rosslyn, 0208 South Africa [map](#)

POSTAL Address P.O. Box 911-1056 Rosslyn, 0200 South Africa [map](#)

Contact Created Jan 14 2016

LINKS

Add New Link Link this contact to...

Organizations Jurgens CI (Pty) Ltd. Managing Director

Contact history, files, scheduled next steps etc.

## 5. Financing model – Overview

**While most IPAs receive some form of institutional funding – at least for part of their activities – the financing model may include other forms and sources of funding.**

- Common funding sources comprise:
  - Institutional funding from public budgets
  - Revenue generated from services offered by the IPA
  - Private capital provided by the partners in a PPP model
  - Project grants from national and international programmes
- The funding sources available to an IPA depend on:
  - The institutional set-up, e.g. private sector involvement
  - The business model, e.g. fee-based services
  - Access to project funding or grant schemes.

## 5. Financing model – Success factors

**While the financing model hinges on various factors, some guidelines should be followed in order to ensure success:**

- Ensure long-term funding for core activities: Tasks such as investment promotion take time and rely on trust and customer relationships which requires continuity.
- Ensure flexibility to respond to changes of external factors: Some forms of funding come with restrictions (e.g. project funding) and should only make up a limited part of overall funding.
- Do not focus only on labour cost: The financing model needs to include an appropriate amount of discretionary funds.
- Unlock the revenue potential of your organisation: IPAs should assess whether there are fee-based services they could offer to clients at market value.
- Build up expertise in raising funding from international programmes and sources: These funding sources can be difficult to access or apply for, but are worth the trouble in many cases – if in line with the requirements of the specific tasks.
- Consider (organisational) implications of different financing models: The type of funding can affect the way an organisation works and who it is accountable to.

## 5. Financing model – Selecting strategic options

### Overview of steps to select strategic options:

1. Determine funding needs based on definition of core tasks
2. Carry out a benchmarking / good-practice analysis to learn from other IPAs
3. Identify and evaluate potential funding sources
4. Develop a business plan including alternative scenarios
5. Define capacity needs and integrate them into capacity development strategy

## 5. Financing model – Selecting strategic options

### 1. The funding needs should be estimated based on the definition of tasks and activities.

- The estimate should include both personnel and non-personnel costs such as funds for:
  - Marketing activities
  - Publications
  - Trade fair visits and international travel
  - External expertise.
- As part of this step also the qualitative requirements related to the funding sources should be determined – e.g. with respect to the necessary flexibility or long term continuity.

### 2. A benchmark or good-practice analysis can serve to learn from other IPAs – operating under comparable conditions – and identify appropriate financing models.

The IPAs reviewed could also be considered appropriate benchmark candidates for a comparison of financing models.

## 5. Financing model – Selecting strategic options

- 3. The next step is a thorough screening and evaluation of potential funding sources. A main focus should be on assessing the revenue potential and opportunities to access project funding from national and international sources.**
- The ability to offer and market fee-based services depends on the specific areas of expertise and capacities an IPA has as well as the potential client base (i.e. willingness to pay for IPA services). Common revenue generating activities include:
    - Organising joint trade fair booths
    - Study trips and delegation visits
    - Consulting services.
  - The assessment of funding opportunities from (inter)national programmes should focus on activities that fit and complement the general profile and range of tasks of the IPA. Suitable projects or programmes may include:
    - Coordinating a national cluster programme
    - Implementing international business cooperation programmes
    - Managing national programmes for staff development.

## 5. Financing model – Selecting strategic options

4. **A business plan detailing alternative scenarios should be developed based on:**
  - Different estimates of staff needed in line with essential activities and those that would be “nice-to-have” if sufficient funding is available.
  - Estimated funding availability in line with likelihood to raise project funding or revenue.
5. **Potential capacity needs should be identified and integrated into the organisations capacity development strategy.**
  - For example, applying for international or even national project and funding schemes can be quite complicated and challenging and may need special expertise.
  - Training programmes or a collaboration with another IPA (e.g. staff exchange) offer opportunities to build up capacities in this area.

## 6. Dos and Don'ts

Don't overload your service and task portfolio.

Don't overlook opportunities to integrate complementary services.

Don't create processes that run counter to the organisational structure.

Don't ignore your stakeholders.

Don't enter a competition with potential service partners.

Don't rely on funding sources that compromise your goals and objectives.

Don't make adjustments without considering the overall effects.

Do align your service portfolio to customer needs and the country-specific potentials.

Do make use of synergies and available competences and create interfaces.

Do ensure a coherent flow of processes with a clear starting and end point.

Do integrate key stakeholders, e.g. in advisory bodies.

Do coordinate and cooperate with the relevant institutions and agencies.

Do explore alternative financing models.

Do ensure the alignment of the strategic dimensions.

## Contacts

**Björn Vogler**

vogler@berlin-economics.com

**Robert Kirchner**

kirchner@berlin-economics.com

German Economic Team Belarus

c/o BE Berlin Economics GmbH

Schillerstr. 59, D-10627 Berlin

Tel: +49 30 / 20 61 34 64 0

Fax: +49 30 / 20 61 34 64 9

www.get-belarus.de

Twitter: @BerlinEconomics

