

# Operation of Business Development Services (BDS) Providers for Small and Medium Scale Enterprises (SMEs) in Indonesia

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## *Abstract*

BDS provider is a private institution which works and has business closely related to Small and Medium Scale Enterprises (SMEs). As nature of its name, BDS provider provides services to improve business performance and competitiveness of SMEs. It is an institutional instrument to foster and promote SMEs, not only in least developed or developing countries but also in the industrialized countries. Ideally and conceptually, BDS provider should be one of the most suitable private institutions which can offer and deliver services in strengthening SMEs' institutional capabilities to face the business world around them, especially the world of competition. As it's known, SMEs need to be assisted considering their limitations and these can be done either by public or private sectors or cooperation between them. Despite its status as a private institution, an initiative to assist SMEs should be a motive in establishing BDS provider.

There are evidence and best practice on how BDS providers in industrialized countries offering and delivering their services to SMEs in effective ways. Unfortunately, evidence and facts have also given overviews that most of BDS providers in least developed and developed countries are actually un-effective for the interest of SMEs' business performance. In Indonesia particularly, effectivity of BDS providers to the business performance of SMEs remains questionable and doubtful.

The aim of this paper is to overview and compare concept of BDS providers, facts and the real condition of BDS providers in Indonesia in offering and delivering services to SMEs. It is prepared based on the research and observation to the practice of Indonesian BDS providers for Batik (Indonesian traditional garment) SMEs in Central Java and responses-opinion from the Batik's entrepreneurs about the existence of BDS providers. The paper will consider BDS providers as a means of the concept of New Institutional Economics (NIE), in which the theory said that institutions (either in form of the regulatory frameworks or organizations-public or private) are needed to support economic activities and to fill the theories of economy.

The concept of BDS and BDS providers will be exposed to get a clear overview for the ideal practice that should be done. Practice of BDS providers in Indonesia is exposed as a case study on how the developing countries implementing concept of BDS providers.

**Keyword** : *SMEs, BDS providers, participation of private sector, cluster of SMEs,*

## **1. Introduction**

Business Development Services (BDS) provider is an example of the needs for the existence of institution in economic activities as suggested by New Institutional Economics (NIE) theory as a response to the arguments of the neo classical economists who emphasized their overview and opinion basically on the importance of the economic theory to lead the economic activities, with just small attention/less consideration to the importance of institution in economic activities. On the other hand, the institutional economists have very different point of view regarding the economic activities. Institutional economists give more attention to the economics in practice/economic activities which emphasize less in the theory. This, however, is the point of departure of the New Institutional Economists who have an idea to `bridge` opinion of the neo classical economists and the opinion of

the institutional economists. NIE has its own point of view and argument that economic activities need a bridge to combine economic in theory and in practice. NIE argues that economic activities need institutional framework to support theory in economics. This institution can be in the form of supporting regulation for economic activities and the availability of the organization to support it. Combination of the theory and practice in economy is tried to linkage by the NIE with the needs for the existence of institutions. Though there are still debated that the existence of institutional framework will bring impact to the higher costs in economic activities, but the needs for the existence of institutions in economic activities can not be avoided.

In the field of SMEs research, papers and research outputs can be divided into two big categories. The first is about practice of SMEs in the real business world and the second is about SMEs from the theory point of view. Following opinion and perspectives of NIEs, research about supporting institution for the development of SMEs can not be left behind and should also get the same consideration. These can be research about regulatory frameworks for supporting SME development and organization to assist the development of SMEs. Regulatory frameworks can be in the form of government policies, laws/acts etc. for SMEs and organization are in the form of public or private organization assisting SMEs.

This paper puts its emphasis in exposing the existence of private organizations, particularly Business Development Services (BDS) providers in assisting development of SMEs. BDS providers as an institution is one of the answers for the needs of Small and Medium Scale Enterprises (SMEs) to the existence of institution in economic activities which can be in a position to bridge the theory of economics and practice of economies. The concept of BDS provider is developed and introduced because SMEs need assistance to improve their business performance. It is aimed that BDS providers should assist SMEs in strengthening their capabilities and abilities by offering and delivering the useful business services to face competition in the real economic world.

Though interested parties for SMEs development and empowerment such as government, NGOs, parastatal, international institutions etc. realize importance of the BDS in the real world of SMEs, implementation of the BDS' concept especially in developing countries remains questionable. Most of the interested parties know what the BDS is but unfortunately they do not know what should be the best things to do to implement concept and principle of BDS providers. Many of them operate and distribute concept of the BDS only by based on their interpretation with a small attention to the real concept of the BDS.

## 2. Conceptual Framework

In this part, framework of Business Development Services (BDS) and BDS providers will be exposed to get a clear overview from conceptual overview about BDS and BDS providers. It starts from definition, characteristic, scope and type of services, providers of services, actors involved, core principles, important points of services provided by BDS and impact goals of BDS and BDS providers.

What is Business Development Services exactly? To answer this, *definitions* made by several international organizations or institutions can be used as guidance or reference to understand about Business Development Services. Several organizations and institutions are using different terminology (like business support services, business services) to define what the business development service for small and medium scale enterprises is. However, main substance and points of the definition are relatively the same.

According to The International Labour Organization (ILO, 2001):

*Business Development Services are services that improve performance of the enterprises, its access to markets and its ability to compete. This includes a wide array of **business services**, both strategic and operational such as training, consultancy and advisory services, marketing assistance, information, technology development and transfer and business linkage promotion or can be in forms of technical and management assistance in the fields of finance, advice and information, technology and training.*

The European Union defines business services *as a group of different activities* (The United Nations Economic Commission for Europe, 2002) in which the different functional characteristics of enterprises will explain the number of these activities. It can include highly advanced consultancy services, professional services, marketing

services, labour intensive services, as well as human resources development and innovation policy focused on technology oriented small and medium scale enterprises.

Other **definition** of Business Development Services is *all of the non financial services which can increase performance and competitiveness of the business, usually in the short term or temporarily* (SwissContact-Indonesia and Business Development Baden-Württemberg Indonesia, 2004). Business Development Services providers normally have **characteristics** similar to the following:

- a. Small scale business and specialized in one field
- b. Market and profit oriented business
- c. Independence
- d. Have a mission and can be success or fail

From various definitions of business development services as mentioned above, it can be summarized that the business development services are *all activities (in form of services) to improve performance of the businesses in SMEs*.

In **scope** of Business Development Services, a distinction is sometimes made by each organization and institution between 'operational' and 'strategic' business services.

**Operational services** in business development services mean *services that are needed/required for day-to-day company operations, such as information and communications, management of accounting and tax records, compliance with labour laws and other regulations etc.*

**Strategic services**, on the other hand, *are used by the enterprises to address medium and long term issues in order to improve their sustainable business performance, access to markets and ability to compete.*

Levitsky, 1995 gave his opinion that roles of service providers to small and medium scale enterprises can be in the fields of finance (e.g. export insurance, banking, factoring, credit rating etc), advice and information (e.g. legal and accounting, specific market data, consultancy and personnel recruitment), technology (e.g. licensing and contract of research and development) and training (e.g. basic education and specific commercial and export management skills etc). Furthermore, Levitsky has also explained about derivatives/related services from each service. From this argument we can see that Business Development Services providers can also provide services in other fields and not only provide service in classical and generic fields of services (production and technology, human resources development, marketing, general management etc).

Interesting is that Levitsky also involves **services in finance** as services that can be offered by Business Development Services providers. Some experts and scholars of Business Development Services, development cooperation institutions, agencies and organizations argue and state that services in finance *can not/shall not* be involved in services offered by services providers (see definition of Business Development Services made by SwissContact and by Lara Goldmark-2000). The issue whether services in finance can be offered by Business Development Services providers or not always becomes a debate and is discussed by many experts, organizations and institutions until now. Services in finance based on overview from SwissContact actually means that service providers can not involve themselves as the source of financing or funding for small and medium scale enterprises, like function of microfinance institutions. If we look at the specific services offered in finance described by Levitsky, then we clearly know that services providers are only in the position of **giving assistance** and not as an alternative institution for financing or funding of small and medium scale enterprises. Function and role to give services and assistance of course is very different with function and role in providing financing or funding, like microfinance institution does.

Broader **type of services** provided by Business Development Services providers that has been overviewed by Miehlabradt and McVay in The Fourth Business Development Services Seminar held in Turin, Italy in September 2003 by Small Enterprises Development Programme of The International Labour Organization can be used as a

comparison with arguments from Levitsky to get deeper overviews about services that can be provided by Business Development Services providers. Miehlabradt and McVay exposed type of services from Business Development Services providers in various fields concretely, detailed and specific. These are shown in the table below.

Table 1. Types of Services Provided By Business Development Services Providers

No	Types of Service	Detailed Types of Service	
1	Market Access	<ul style="list-style-type: none"> <li>• Marketing Business</li> <li>• Market linkages</li> <li>• Trade fairs &amp; product exhibitions</li> <li>• Development of samples for buyers</li> <li>• Market information</li> <li>• Subcontracting and outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing trips and meetings</li> <li>• Market research</li> <li>• Market space development</li> <li>• Showrooms</li> <li>• Packaging</li> <li>• Advertising</li> </ul>
2	Infrastructures	<ul style="list-style-type: none"> <li>• Storage and warehousing</li> <li>• Transport and delivery</li> <li>• Business incubators</li> <li>• Telecommunications</li> <li>• Courier</li> </ul>	<ul style="list-style-type: none"> <li>• Money transfer</li> <li>• Information through print, radio, TV etc.</li> <li>• Internet access</li> <li>• Computer services</li> <li>• Secretarial services</li> </ul>
3	Policy / Advocacy	<ul style="list-style-type: none"> <li>• Training in policy advocacy</li> <li>• Analysis and communications of policy constraints and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Direct advocacy on behalf of SME</li> <li>• Sponsorship of conference</li> <li>• Policy studies</li> </ul>
4	Input supply	<ul style="list-style-type: none"> <li>• Linking SME to input suppliers</li> <li>• Improving suppliers capacity to provide regular supply of quality inputs</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating the establishment of bulk buying groups</li> <li>• Information on input supply resources</li> </ul>
5	Training & technical assistance	<ul style="list-style-type: none"> <li>• Mentoring</li> <li>• Feasibility studies and business plans</li> <li>• Exchange visits and business tours</li> <li>• Franchising</li> <li>• Management training</li> </ul>	<ul style="list-style-type: none"> <li>• Technical training</li> <li>• Counselling/advisory services</li> <li>• Legal services</li> <li>• Financial &amp; taxation services</li> <li>• Accountancy</li> <li>• Bookkeeping</li> </ul>
6	Technology and product development	<ul style="list-style-type: none"> <li>• Technology transfer/commercialization</li> <li>• Linking SME and technology suppliers</li> <li>• Facilitating technology procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Quality assurance programme</li> <li>• Equipment leasing and rental</li> <li>• Design service</li> </ul>
7	Alternative financing mechanisms	<ul style="list-style-type: none"> <li>• Factoring companies that provide working capital for confirmed orders</li> <li>• Equity financing</li> <li>• Facilitating supplier credit</li> </ul>	

From table above, we can see that services provided by Business Development Service providers are very wide in range and type and very specific. Market information, legal system advice-services, processes of market entrance and export handling are also some of services that can be provided by the Business Development Services providers. These are the specific services provided in the types of market access services, training and technical assistance services. We can also see from the table, Miehlabradt and McVay viewed that services in finance can also be involved in the services provided by Business Development Service providers. Again, this service is not to be mentioned that Business Development Service providers would be regarded as the financial institution or financial resource but only as an institution that provide assistance or services in financial matters, for example preparing application for a credit to the bank.

The Business Development Services as mentioned above are *provided by* Business Development Service/BDS providers, which can be in the *forms* of private for-profit firms, Non Government Organisation/NGO, parastatal, national or sub national government agency, institution, industry association or individual that provides services

directly to small and medium scale enterprises. This provider can be small and medium scale enterprises themselves based on their expertises and business specialisations.

According to Asian Development Bank, 2001:

***Business Development Services providers** are companies, institutions or individuals who provide business development services directly to small and medium scale enterprises. It can be in the forms of private/for-profit organizations, public/non profit organizations, NGO, government institutions or industrial associations which are giving services directly to small and medium scale enterprises.*

As the other institutions, BDS providers can not release themselves from actors or parties that will influence their day-to-day operation, policies and strategies of development. Each actor or party has their own functions, roles and interest that can directly or indirectly influence and determine affectivity of the Business Development Services providers. **Actors** involved in the day-to-day operation of Business Development Services providers are identified as follow:

1. **Small and Medium Scale Enterprises.** They are the actual or most potential clients of Business Development Services providers.
2. **BDS providers** themselves.
3. **BDS facilitators.** They are in position for supporting BDS providers, for example by developing new service products, promoting good practice and building provider capacity.
4. **Donor agencies,** in providing funding for BDS projects and programmes.
5. **Governments,** that should be provide enabling policies, legal and regulatory environment for small and medium scale enterprises and BDS providers and providing the public goods such as basic infrastructure, education and information services.

According to United Nations Conference on Trade and Development (UNCTAD), one of the most important tasks for developing small and medium scale enterprises is creating effective Business Development Service providers, which have number of **core principles** that shall be used to achieve good or best practice in the implementation. These core principles are the ideal condition that should be achieved by each BDS provider and is exposed as follow:

1. Demand side orientation and adaptation to user's needs.  
Business Development Services providers shall know services that needed by small and medium scale enterprises. It is extremely important to instigate a dialogue with small and medium scale enterprises, help and assist them identify and evaluate their own needs and to strengthen their links with local services providers and support institutions.
2. Sustainability  
Services should be sustainable and can be assessed at two levels, the level of impact and the level of business development provider.
3. Tailoring : relevance through focus  
Business development services should precisely and specifically known what kind of services that they can offer to small and medium scale enterprises.
4. Participatory approach  
Programmes and services offered should allow some flexibility in their design.
5. Building in demonstrated initiative  
Initiative in Business Development Services should be considered as the factor to improve performance.
6. Focus in delivery  
Business development services should allow a simpler and more effective relationship with the clients and they shall recognize their capacity limitations.
7. System approaches and programme integration

8. **Renewed focus on costs analysis**  
Business Development Services shall have good financial analysis as a tool to improve its management.
9. **Continued importance of impact assessment and evaluation**  
Business development services should always have an idea on how they shall make an impact assessment and evaluation of their services continuously.
10. **Subsidiary**  
Means responsibility is delegated to the lowest possible level of those who are closest geographically and socially to small and medium scale enterprises themselves.
11. **Maximizing outreach**  
To solve problem of difficulty of replication, business development services can try these three approaches to increase their outreach, named sub sectors approach, supporting indigenous and private system of learning and macro-level approach

Three important points that could be taken from the core principles of Business Development Service providers above and should be recognized as the considerations in implementing Best Practice of BDS providers are:

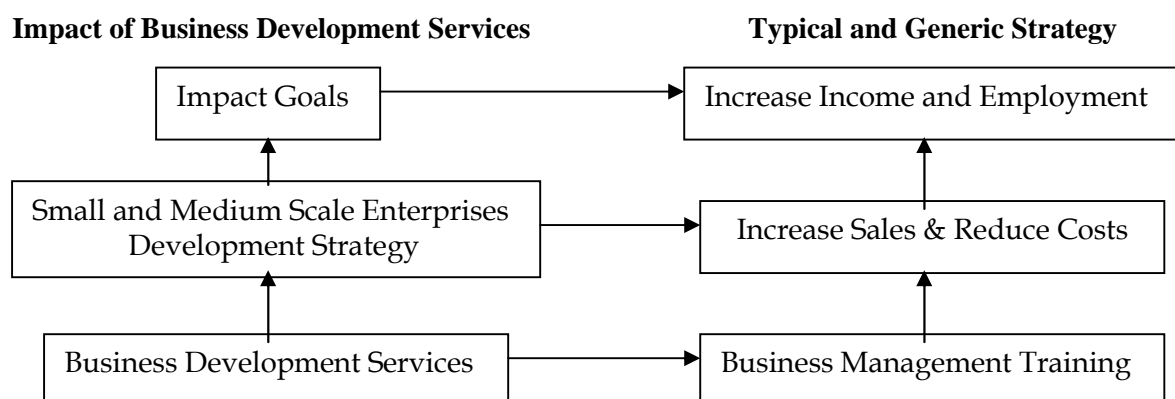
1. **Sensitivity for demand of services and assistances** needed by small and medium scale enterprises.
2. **Focus on services** offered by Business Development Services providers.
3. **Sustainability of the services** that given to small and medium scale enterprises.

Therefore, focus of each BDS provider should be addressed on how to provide services which are fit and can fill the needs and demand of small and medium scale enterprises. At the same time, they should also strengthening their own capabilities on type of the services that they provide by maintaining and improving skills and knowledge they have and pay an attention on the sustainability of the services either in the form of *availability* or *frequency* or *quality* of the services.

If core principles of BDS and BDS providers can be implemented and achieved, then they would be effective and create *positive impacts*, either to the small and medium scale enterprises as the costumers of the services or to the society/community development or government or other social institutions as stakeholders of BDS and BDS providers. These positive impacts are shown in a figure developed by Miehlabradt and McVay, 2003.

Figure 1

The Relationship between Business Development Services and Impact Goals



Based on the figure developed by Miehlabradt and McVay above, it can be said that impact of BDS is divided into three levels; an *implementation level* (creation of BDS providers), *strategic level* (development of small and medium scale enterprises) and above all, *policy level* (impacts goals that would like to be reached).

From figure 1 we can see that the positive impact goal of BDS in the end is to increase income and employment which is closely linked to poverty alleviation. Income here means as the income of *owner* of small and medium scale enterprises, income of the *employees* working in small and medium scale enterprises and income of the *community* or parties around the small and medium scale enterprises and or anyone who have interests with the existence of small and medium scale enterprises (*stakeholders*).

### 3. Institutional Support for Indonesian SMEs

Institutional support for SMEs in Indonesia has been done by either public or private institutions. Each of the institution delivering support based on its role and its main domain. The public institutions consist of government institutions (national and provincial), universities etc, whilst the private consist of microfinance institution, banks, business association, incubators etc. Though there are many institutions in supporting SMEs, their affectivity remains questionable. The study of Weaver and Wallace, 1999 shows that mean response to the usefulness of the institutional support for Indonesian SMEs is very low. Most of the SMEs considered that there are no uses for the role of support organization. We can see response of SMEs about the role of institutions from the table below.

Table 2. Role of Support Organization to Indonesian SMEs

No	Agency	Mean response to usefulness (5=no use)
1	Klinik konsultan (Consulting clinics)	4.34
2	Departemen Koperasi	4.52
3	PERINDAG (Department of Industry and Trade)	3.07
4	Inkubator	3.38
5	Pelayanan universitas (university services)	3.36
6	Lembaga Swadaya Masyarakat	4.13
7	KADIN (Chambers of Commerce and Industry)	4.10
8	Modal ventura (Venture capital)	4.59
9	Pelayanan Pemda (provincial government services)	4.00
10	PUSKON	4.21
11	Business Association	4.51

Source: Weaver & Wallace, 1999 – *Strategic Alliance and Public Policy Developments in Indonesia*

We can see from the table that the most useful institution in supporting Indonesian SMEs is the Department of Industry and Trade and university. Unfortunately, if we look it better and try to summarize it, we can conclude that there are no institutions getting the response smaller than 3. This shows that affectivity of those above mentioned institutions is low and SMEs think that their roles are not too significant in supporting and improving their business performance.

Interesting to see that there is no BDS providers considered as an agency in supporting SMEs in Weaver and Wallace's research. My first assumption lies on the overview that Klinik Konsultan, PUSKON, university services and business association are positioned as the BDS providers. If so, then they should be categorized as BDS providers. But, can performance of those four agencies also represent the performance of BDS providers?

From the research of Rahman, 2004 about *what institutions* can provide better service in export promotion to Indonesian small and medium scale batik enterprises, one can see the answers from batik companies (82 samples) as in the table below.

Table 3. Institutions Assisting Export Promotion of Batik Products

No	Type of Institutions	Chosen by .... SMEs	
		In Number	In %
1	Government institutions	29	35.37
2	KADIN (Chambers of Commerce and Industry)	16	19.51
3	Non Government Organizations and Associations	13	15.85
4	Business Development/Support Services providers	11	13.41
5	Banking sector	9	10.97
6	Intermediaries	2	2.44
7	International institutions/organizations	2	2.44

Source: Questionnaire distributed to Indonesian small and medium scale batik companies (Rahman, 2004)

Similar with the result from Weaver & Wallace, 1999, Rahman, 2004 found that most of SMEs believe that government institutions are the most suitable institution in providing business services for them. The BDS providers are positioned in the fourth from several service providers chosen by Indonesian batik's SMEs. In the linkage with Weaver and Wallace's result, is this a sign that BDS providers are actually not effective for SMEs businesses?

To answer this question, we can have a look at the following facts about operation of BDS and BDS providers in Indonesia.

#### 4. BDS and BDS Providers' Operation in Indonesia

Compare to other institutions that provide services and assistance to support small and medium scale enterprises, BDS providers in Indonesia should be in a better position to deliver business services because of these main following reasons:

1. Their business location which is mainly in the cluster of SMEs, has made them *directly involve* in the day-to-day operation of the SMEs and therefore they know precisely what the actual/crucial problems, demand of services and assistance needed by small and medium scale enterprises are. This also has made close linkage between SMEs and BDS providers.
2. They are also *more flexible* to response the dynamic changes that happened in small and medium scale enterprises because of their simple management structure.
3. BDS providers are functioned *as the centres* and *as foster parents* for small and medium scale enterprises. This is also benefits that can be offered and given by BDS providers to small and medium scale enterprises in Indonesia, a specific thing that can not be offered by other institutions in Indonesia.

Each BDS provider becomes as the centre of development for one or more specific commodities and products that produced by SMEs in their region. In the same time, BDS providers also functioning themselves or are appointed by Indonesian government through the Ministry of Cooperative and Empowerment of Small and Medium Enterprises and Department of Industry and Trade as the '*Foster Parents*' for small and medium scale enterprises and cooperatives around their region. Normally and mostly, BDS providers spread and run their business over the centres and concentrations of small and medium scale enterprises.



From observation and survey that had been done in several BDS providers for Batik's (Indonesian traditional garment) SMEs/producers in Central Java-Indonesia (Rahman, 2004) as well documentation about operation of BDS providers in Indonesia, there are facts related to BDS providers in Indonesia.

1. Vision and mission of BDS providers

In Indonesia, BDS providers are encouraged to support SMEs, emphasizing more on the *social mission and vision* rather than *business or profit oriented*. Many BDS providers are just delivering services to assist SMEs without expecting fees from the delivered services. This is different with the concept of BDS providers which is positioned BDS providers more as the private small consulting firm assisting SMEs. As a private institution, BDS providers are demanded to have sustainable business and having good response to the world of competition with other consulting firms. This can only be realized if they have good and unique quality of services and getting profit from operation that they have done.

There is a hesitancy that quality of delivered services will be high if the BDS providers just have social missions in assisting SMEs without focusing themselves to create profit. In fact, most of services provided and delivered by BDS providers in Indonesia are low in quality and the services provided are relatively the same generic services such as bookkeeping, marketing, administration of business etc. This can be seen from responses of Batik's SMEs in the following tables. This condition has made SMEs are reluctant with the existence of BDS providers and services they are provided and delivered. Most of batik's SMEs and producers surveyed in 2003-2004 (Rahman, 2004) had the same opinion that they don't need BDS providers as long as they only offer same generic services. Batik's producers and SMEs will only use services from BDS providers only if the services are unique, based on their needs/demands and they are prepared to pay for the services as long as the services are the high quality services which can be used to improve performance of their business.

2. Location

Most of BDS providers in Indonesia are required to be located inside cluster of SMEs by the government. This is the main condition that should be filled if BDS providers would like to get government's intervention for financial assistance for their establishment, operational etc.

This practice is contending with the conceptual framework of BDS and BDS providers which never state precise location and domicile of the BDS providers. In the conceptual framework, BDS providers are free to have their location, whether inside or far away from the clusters of SME. They can have their business location away from SMEs that they consulted. The most important points are availability and sustainability of services that are required by SMEs and accessibility of BDS providers for SMEs.

3. Function

Many of BDS providers in Indonesia have their function mostly for the social reason, for example to save or to give advice to SMEs in the cluster *free of charge*. In other case, BDS is required by the government to be positioned as *a channel or intermediary institution* for ensuring credit or other financial assistance provided by the government to the SMEs. One thing we should have to know that BDS provider is *an actor of business, it is a business and therefore it should be business and profit oriented*.

4. History of establishment

If we paid an extra attention, history of establishment of BDS in Indonesia are mostly based on the availability of stimulant funding for the establishment of BDS providers from the government. The government provides an amount for capital (Rp 50 million or equivalent with US \$ 5.000) as the establishment funding for BDS providers. This is of course is much different with concept of BDS that requires *'private initiatives'* (including availability of funds and capital for establishment of BDS providers) and not *'initiatives of the public institution'* for the establishment. Government intervention in supplying capital of BDS brings negative result to the BDS. Why? Because founders of BDS providers just have interests to get and secure the capital/fund from the government and after that fund goes to them, there is no guarantee that the BDS can maintain sustainability of their operation and worst; some of BDS providers do not operated or get closed after they got the fund.

5. Ownership

Most BDS providers in Indonesia are established and owned by entrepreneurs who also have businesses *inside* cluster of SMEs. Normally they are the biggest SMEs in the cluster. BDS providers owned by entrepreneurs from outside of the cluster, unfortunately, are seldom. The positive side for this practice lies on the fact that entrepreneurs inside the clusters are well known one with each others. This has made personal approach in delivering business services is much easier. On the other side, there will be a potential conflict between them if they can not manage themselves properly, especially in providing proper and suitable business services to their colleagues in the cluster.

#### 6. Services

As we know, the most important point of the BDS is the availability of the distinguished services that can be offered to SMEs based on the needs of SMEs (principles of sensitivity for demands, focus on services and sustainability of services). In Indonesia, most of BDS providers offer services relatively the same from one to another.

What are they? Generic management services (such as accounting, bookkeeping, general management, marketing, financial management, credit facilitation etc) are the most common services offered by BDS providers to SMEs. It is very seldom to find BDS providers that offer distinguish services like warehousing, logistics, trade fairs, research and development, legal, packaging, quality standard, IT matters, environmental consulting and other very specific services.

In the research of 82 Indonesian batik SMEs/companies (Rahman, 2004) which are exporting and wish to export their products, it is known that services required by SMEs can be identified in the following areas:

Table 4. Assistance Needed in Export Promotion of Batik Products From Indonesian Small & Medium Scale Batik Enterprises

No	Type of Assistance	Needed by .... companies	
		In Number	In %
1	Market information and market research	22	26.8
2	Financial assistance and access to financial resources	17	20.7
3	Legal assistance/advisory, export processes and procedures	16	19.5
4	Standard of production and quality, including packaging	9	11.0
5	Management counselling and advisory services	6	7.3
6	Human resources development to handle export activities	4	4.9
7	Trade fairs and trade promotion arrangement	3	3.7
8	Marketing intermediaries	3	3.7
9	Other assistance or service	2	2.4

Source: Questionnaire distributed to Indonesian small and medium scale batik companies

Most of Indonesian small and medium scale batik enterprises wish and require to get services in *market information and market research* for their export planning and activities. More than 26% of samples (22 companies) choose services in market information and market research as their most required assistances in

exporting. Market information and market research are required as the first step to get into export and is including first contact with the foreign potential buyers (in term of 'who is/will be the buyers and where are they'), market situation and condition, how to get closer and approaching the buyers/which media can be used, information about personal character and financial capability of the buyers. Market research to get details about how big is/will be the potential demand or specifically orders for the products, trend at designating market and customer's response to the similar products.

The next service needed by Indonesian small scale batik enterprises in export promotion is **financial assistance and access to financial institution**. Specifically, financial assistance in export promotion is required in the form of export credit/export financing, working capital and equity financing and export taxation. Access to financial institution means that small and medium scale batik enterprises wish to get information, knowledge of process for financing of their export plan and which financial institution can help them. About 20% (17 companies) of samples think that financial services and access to financial resources are the most required assistances in order to prepare themselves to enter an export market.

**Legal assistance/advisory, export processes and procedures** are also services needed. Surprisingly, number of companies that chosen this assistance as their most required services are almost the same in number with the companies that choose financial assistance and access to financial resources. This shows that legal requirements are also one of the most important considerations in exporting, even they think that legal matters are one of the burden in the business.

The next service required has relationship with the production, in terms of **standard of production, quality and packaging** for the export objective. In many cases, small and medium scale enterprises are very success to get into Indonesian domestic market but they are failure to send their products to international market because they can not fill standard of quality or standard of packaging in international level required by the costumers.

**Management counselling and advisory service** in export management is also one of the most required assistance by small and medium scale batik enterprises. As many of owners and managers of batik companies have no skills and experience regarding export, then assistance in this service will be required. There are several trainings of export management held by Department of Trade and Industry, Small and Medium Scale Enterprises Development Centre or other institutions, but these can not meet demand of batik companies. They need practical management training in export. Companies that choose this assistance as their most required assistance are 6 companies or 7.3% from samples.

**Human resources development** is also an issue. In many cases, ability, capability, skills and knowledge of owners or managers of batik companies are not followed by the qualified staff to conduct exporting activities or there are no staffs available to follow up the company's export planning. This will be a burden for the implementation of company's export planning. Therefore, some of owners and managers make decision to improve skills and knowledge of their staffs in export management and activities. Mainly, companies categorized as the mature companies did this. There are 4 companies or 4.9% from samples thought that assistance in these fields are the most important.

The other service required is **trade fairs/promotion arrangement and finding marketing intermediaries**. Since most of small and medium scale batik enterprises have an opinion that they prefer to do export by themselves, then companies that choose these assistances are just small in number. Fact that I have found that most of batik companies are not believe with the effectivity of trade fairs or marketing intermediaries. They believe that their export will be very effective and they can take many benefits of it if they can do that by themselves.

## 7. Expertise

Most of BDS providers in Indonesia normally offer very wide range of services without considering limitation of their capabilities/abilities in delivering those services, either in terms of personal or expertise. This has resulted un-effectivity of services that delivered. In the matter of fact, BDS providers should have one or at the most, 2 fields/distinguished expertise so that services that will be delivered are effective and highly qualified in supporting SMEs.

## 8. Government intervention

Government interventions in strengthening BDS in Indonesia are mostly done in the form of direct intervention (capital assistance, strengthening management of BDS etc). I believe, funding/capital assistance as the form of intervention will have and bring negative impact to BDS. This intervention will be a contra productive intervention in strengthening BDS. The most relevant intervention in strengthening BDS provider is to broaden market development of BDS by encouraging SMEs to use services from BDS providers and improving skills of SMEs staffs. This will bring positive impact in the form of sustainability and the steady existence of BDS in delivering services to SMEs.

## 5. SMEs' Overview to the Existence of BDS Providers

It is very important to review the existence of BDS providers from the side of SMEs as the beneficiary of BDS providers. Regarding to this, Rahman, 2004 researched the overview of Indonesian batik SMEs regarding the existence of BDS providers in export promotion service. The overview is done based on the satisfaction of SMEs to the existence of BDS providers. Focus of overview is given to important areas related to the activities of BDS providers as follows:

### 1. Service related overview

Including in this overview are types of services offered, price of services, sustainability of services, the used of infrastructure in services and benefits of services for the business.

### 2. Institutional related overview

Including in this overview are business approaches, quality of personal in BDS providers and relationships with costumers.

### 3. Management related overview

Including in this overview are conditions of BDS providers internal management, ownership and legal status.

Each of the overview from batik companies is exposed as follows.

### 5.1. Service related overview

The summary regarding the services of BDS providers can be seen in the table below. Overview was collected based on research for 82 samples of batik companies in Solo-Surakarta and Yogyakarta.

Table 5. Overview of Services Provided by Business Development Services Providers

No	Item of analysis	Number of Batik Companies & Their Judgement			
		Very satisfied	Satisfied	Not too Satisfied	Not Satisfied at all
1	Type of services offered	9	43	27	3
2	Price of services	2	21	52	7
3	Sustainability of services	6	52	17	7
4	The use of infrastructures in services	13	36	19	14
5	Benefits of services for the business	11	64	2	5

From the table above, we can see that in overall, main batik companies think that they are satisfy with the existence of BDS providers. However there are also *suggestions* collected. Availability of some services such as legal assistance, export procedures and process, export-import regulation in the designating countries, detailed market and buyer information, warehousing, international quality standard (ISO) and IT for export activities are required by batik companies to distinguish type of services offered by BDS providers.

In *price of services*, most of batik companies are not too satisfy with the price stated by the BDS providers. A reason for this; for along time, batik companies are used to get assistance and business support services from the government and they got it for free through the government programmes for the development small and medium scale businesses. As a result, when BDS service offer their services based on ‘services should be paid’ principle then most of batik companies are not too satisfied with that. Their suggestion is to make prices for the services offered cheaper as it possible.

In *sustainability of services*, most of batik companies are satisfied and number of batik companies that are not satisfied is not so big. Most of batik companies normally get services continuously, because each of the BDS providers in the same time has a function as the foster parents of batik companies. However, as services and assistance that offered by BDS roviders are mostly in *Package of Services and Assistance* with the exact time schedule, then sustainability of the services given can not be guaranteed.

In *the use of infrastructures* in their services, many of batik companies are satisfied with the performance of the BDS providers because they use better business infrastructures in offering their services. Though it is not yet standardized but the use of infrastructures by BDS providers is considered satisfy. There is an *interesting suggestion* from batik companies about this matter. They suggest that Indonesian Association of Business Development Services should make rule and regulation regarding the availability of the suitable business infrastructures that should be provided by each BDS provider.

## 5.2. Institutional related overview

The institutional related overview of Indonesian BDS providers can be seen in the table below.

Table 6. Institutional Overview of Business Development Services Providers

No	Item of analysis	Number of Batik Companies & Their Judgement			
		Excellent	Good	Not too Good	Bad
1	Business approaches	22	42	13	6
2	Quality of personal	3	28	49	2
3	Relationship with costumers	8	66	18	0

From the table we can see that BDS providers can build good *business approaches and relationships* with their costumers but unfortunately most of batik companies think that *quality and qualification of personal* is not good enough to provide services and assistances in export promotion. There also should be human resource development programmes to improve quality of the personal working in BDS providers. Some batik companies had an opinion that in overall, quality of services offered by BDS providers depend on the manager and not by the staffs. They do not believe that staffs working in BDS providers, except the Manager, are qualified to provide and deliver good quality services and assisting them.

## 5.3. Management related overview

In this part, management condition of BDS providers is overviewed based on the opinion of batik companies. Included in this overview are conditions of BDS provider’s internal management, ownership and legal status.

Table 7. Overview of Business Development Services Providers’ Management

No	Item of analysis	Number of Batik Companies & Their Judgement			
		Excellent	Good	Not too Good	Bad
1	Internal management	13	39	26	4

2	Ownership	11	57	12	2
4	Legal status	23	48	9	2

As we can see from the table above, most of batik companies have an opinion that condition in internal management of BDS providers are suitable to run the business smoothly. This shows that jobs, duties and responsibilities and the division of works in BDS providers have clearly stated. Most of batik companies also think that ownership of BDS providers is good, because most of them are owned by foundation, public institution, research institution, university, NGO and private.

As we can see from the table 2, status of Business Development Services providers are vary from foundation, public institution, research institution, university, NGO to private. The difference in legal status will also give benefit to them regarding price of services and type of services that offered. If batik companies wish to get services and assistance with a cheaper price, then they can use services and assistance provided by BDS providers belong to non-profit institution (foundation, public institution, research institution, university and NGO). and if they want to get specified services which are not offered by non-profit institution, then they can use services offered by the private one. As a consequence, price of services that they have to pay will be more expensive.

## 6. Summary

The concept of BDS provider as an instrument and institutional setting in supporting development of SMEs tries to bridge between the need of business services by SMEs and improvement of SMEs performance. In the place where the development system for SMEs has been good and well established, the existence of SMEs is effective in supporting SMEs. Other story can be found in the country like Indonesia where the SMEs development system is not well established and implemented. There is a hesitancy whether the BDS provider is clearly effective to support development of SMEs. The research results from Weaver and Wallace (1999) and Rahman (2004) have clearly stated and signed this hesitancy. Ideally and conceptually, the principles of BDS and BDS providers are good for SMEs. Looking back from Indonesian case, there should be efforts to signifying these efforts with the concept.

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