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Article

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European Journal of Management and Business Economics (EJM&BE)

Provided in Cooperation with:

European Academy of Management and Business Economics (AEDEM), Vigo (Pontevedra)

Suggested Citation: Marques, Gastão de Jesus; Guerra, Cristina Gama (2020) : Local Development Platforms (LDP): an operational framework for business development, European Journal of Management and Business Economics (EJM&BE), ISSN 2444-8451, Emerald, Bingley, Vol. 29, Iss. 1, pp. 97-109,
<https://doi.org/10.1108/EJM&BE-06-2019-0110>

This Version is available at:

<https://hdl.handle.net/10419/254188>

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Local Development Platforms (LDP): an operational framework for business development

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Local
Development
Platforms

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Received 27 June 2019
Revised 21 September 2019
27 September 2019
22 October 2019
Accepted 28 October 2019

Abstract

Purpose – The purpose of this paper is to present a conceptual model of business development that provides operational ways to increase the competitive presence of more micro and small ventures (both actual and new) in enlarged markets, including international ones.

Design/methodology/approach – The paper develops a conceptual model starting from the identification of the most usual constraints limiting the SMEs and entrepreneurship development and success. After this stage, the model was built with the help of selected concepts, which represent a theoretical framework of support.

Findings – Regarding the universe of SME and entrepreneurship, the authors usually find some weaknesses: markets mainly local/regional, absence of growth, cooperative networks and/or international operations, because of several usual constraints: limited competences and resources, absence of critical mass on buying/selling and difficulty to cooperate. These shortcomings represent an economic waste when there are competitive offers and/or endogenous resources.

Research limitations/implications – The model will be applied in a Portuguese county, in this way the authors expect to make an empirical research in the near future.

Practical implications – The model surpasses the, usual, limited skills of people and organisations betting in their competitive specialisation, with the assumptions that few people can be successful entrepreneurs/managers, but quite everyone can perform something competitively. The organisation/structure – Local Development Platform (LDP) – has the responsibility to assure the competitiveness of value chains built over networks of these agents. Additionally, the LDP should provide collective resources to lower the investments and operational needs of the agents involved, provide the added value services necessary for offers and agents' competitiveness, achieve critical mass on buying and selling and enlarge/open new markets. These resources are organised in up to five specialised platforms, to service a strategy structured along five axes of development.

Social implications – With this model, it is possible to increase the levels of employment and welfare.

Originality/value – A practical/operational integrated model able to be applied in different contexts will help private and public agents to define and implement strategies of development to enable the growth and success of SMEs and entrepreneurial initiatives in the international markets context.

Keywords Business development, Strategy, Networks, Resources, Value chains

Paper type Conceptual paper

1. Introduction

Micro and small businesses, in general, are usually confronted with several constraints: limited capabilities in terms of scale, resources and management skills; weak or non-existent cooperation in products, services and processes development, in buying and/or selling as well as in other operational processes; weak or non-existent use of endogenous resources and potentialities, among other situations. As a result of these constraints, these businesses usually focus on local/regional markets, making it difficult for them to grow and achieve greater output volumes, income, profits, employment and/or enter national and international



JEL Classification — M, M1, M19

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markets (Hessels and Parker, 2013). This is an unfortunate reality, because they represent at least 98 per cent of all businesses, with the main consequence being that the economy is not as strong as it could be.

In the face of the opportunities generated by globalisation, the spread of solutions for the virtualisation of processes and markets and the growing emergence of new needs and aspirations, a solution for that unfortunate reality would be welcomed especially but not only by underdeveloped villages, cities, counties, regions and/or countries.

With this challenge in mind, a path was held to find solutions for the above-mentioned constraints, enabling the development of a new model called Local Development Platforms (LDP), because development initiatives ultimately should emerge at a local level and build cooperative and sharing platforms in order to be successful.

In this way, the LDP framework aims to provide effective ways to take advantage of the potentialities and possibilities in presence with the support of specialised platforms addressing the above-mentioned constraints and enabling innovative initiatives and businesses, both on the part of existing agents and new ventures.

The paper is organised as follows: the theoretical framework includes the concepts of micro and small organisations, cooperation, networks and value chains, value creation and strategy. Although it is a theoretical model, the applied methodological guidelines are explained in the Methodology section. In the following section, the strategic integrated development model for LDP is presented. The paper ends with its conclusion and the references used.

2. Theoretical framework

Organisations like SMEs, cooperatives, handcrafters, local producers, designers and artists usually have a common characteristic: nearly all are micro (less than 10 persons) or small organisations (between 10 and 49 persons). Despite their size, they have to perform, almost, the same jobs the bigger ones have to. This situation implies the need for versatile and polyvalent people to perform the myriad tasks economic organisations require, i.e. development of products and services, provisioning, logistics, production, commercialisation, after-sales services, financing, human resources management, general and/or functional management, etc. Together with their size, micro and small organisations usually have limited resources and limited management/technical skills, at least in some areas and, as a result of these key constraints, it is normal for these entities to operate solely in local/regional (limited) markets, with a limited number and type of distribution channels, reflecting scarce incoming financial resources restraining their growth (Hessels and Parker, 2013).

A path to growth, analysed by these authors, combines internationalisation strategies with (international) networks, with subtle findings both in imports and exports activities, involving cooperative strategies and initiatives.

In fact, in the context of economic globalisation, the growing use of different kinds of cooperation is evident: cooperation between firms (Edwards-Schachter *et al.*, 2011; Xia *et al.*, 2011) and even between direct competitors with coopetition (Gnyawali *et al.*, 2016; Leick, 2011; Rusco, 2014). Cooperation is also evident between firms and other types of actors, like scientific and technological entities (Rõigas *et al.*, 2014) or local authorities (Malmberg, 2007), for instance.

The main objective underlying these cooperative efforts is the search for increased competitiveness through operating synergies and complementarities on resources (tangible and intangible) through various forms, ranging from strategic alliances and joint ventures to subcontracting and outsourcing.

Accordingly, the importance of specialisation arises in the context of networks (Emiliano *et al.*, 2014), or rather, how firms and other actors focus on core competencies (Edgar and Lockwood, 2008, 2012; Prahalad and Hamel, 1990) and core businesses, in addition to the

competitiveness of activities performed by external entities, through cooperative agreements built over networks (Leick, 2011; Patel *et al.*, 2014; Porter, 1990). The main guideline for building the network is the sectorial value chain in which the business operates, i.e. the network created amongst different firms supplying, producing, handling and/or distributing a specific offering, with the support of supply chain management strategies (Kim, 2009).

Businesses employ supply chain management strategies to enhance their competitiveness through effective integration between internal and external operations, contributing to lower costs, faster operations, better quality, flexibility and/or other advantages. In this way, the author argues that their competitive strategies should pursue a high level of consistency with their supply chain management strategies. Farahani *et al.* (2014) go further, concluding that whole supply chains compete (or will compete) against each other.

When businesses focus on core competences and core business in the context of networks, they are specialising in the value they can create/provide competitively in the marketplace. In regard to value creation there is the concept of the business model, perhaps the most popular being the CANVAS model conceptualised by Osterwalder (2008), which describes the concept as the logic of creation, delivery and capture of value by an organisation. Some concepts enlarge the perspective of value creation, namely, integrated value creation (a methodology), which combines sustainability, corporate social responsibility and creating shared value (Visser and Kymal, 2015).

These concerns about value creation within networks built over the sectorial value chain lead the top management to the field of strategy, where the firm's objectives and the paths to achieve them are drawn.

In his 5Ps for strategy, Mintzberg (1995) shows, in a glance, the strategic concept's richness: perspective, plan, position, pattern and ploy. This richness remains concerning strategic theories, which arises from different perspectives. For Chandler (cited by Mintzberg, 1978), organisations and individuals use strategy to define orientation by means of setting objectives and the path and the resources to attain them, in a process where strategic implementation is regularly scrutinised to deal with environmental changes and challenges, frequently involving strategic changes or the outbreak of emergent strategies (Mintzberg, 1978). From another perspective, strategy has been defined as "the match an organisation makes between its internal resources and skills [...] and the opportunities and risks created by its external environment" (Grant, 1991, p. 114).

In the resource-based approach (Barney, 1991, 2001; Barney *et al.*, 2001; Grant, 1991; Hoopes *et al.*, 2003; Wernerfelt, 1984), there are two main concepts: resources and capabilities, intending to achieve efficient activities (capabilities) towards performance, i.e. competitiveness, accordingly with available resources. In this context, the critical question is how effectively a business uses and combines resources to achieve competitive advantages, where heterogeneous and immobile resources play a central role.

In this regard, the CANVAS model (Osterwalder, 2008) can help to configure and refine an efficient integration of resources to achieve competitive capabilities because this model considers the interdependency and consistency between different factors: key partners, key activities, key resources, value propositions, customer relationships, customer segments, channels, cost structure and revenue streams, with some of them being external to the firm. To enable the building of strengths and the overcoming of weaknesses, Harrison (2009) advises this perspective of an interdependent system of resources available internally and externally through cooperative processes intentionally built by firms.

In the context of local/regional or sectorial networks, it can be fruitful to integrate the resource-based strategic view with the management of supply chains, as noted by Narasimhan and Carter (1998) and Hunt and Davis (2012) for businesses, through cooperative networks to take advantage of potential territorial or sectorial synergies and complementarities. Concretely,

the heterogeneity of resources available in different territories or sectors, and the immobility of, at minimum, most of them, can enable different competitive activities (capabilities, as pointed by Barney, 1991), organised and implemented under the prescriptions of supply chain management strategies in order to achieve market differentiation.

In this way, the ones able to sustain competitive advantage have to meet the following requirements: valuable in exploiting opportunities and/or neutralising threats, rare in between the competitors, both as stand alone or in bundles, imperfectly imitable (if so), have no equivalent substitutes (Barney, 1991), and under the control of the firm's strategic management, in order to achieve a competitive advantage.

Alberto and Ferreira (2008), after a literature review, concluded, among other considerations, that territorial/regional competitiveness is linked to the presence of regional resources, qualified people, support services for businesses, cooperative networks between regional actors and innovative dynamics. These requirements can be implemented with the help of the CANVAS model presented above.

Accordingly, with the concepts listed above, it is possible to draw the main guidelines selected to build the intended model.

To overcome the lack of resources and other constraints, micro and small businesses can focus their activity (specialise) in the areas where they have competitive core competencies in the markets. To access the other necessary resources and activities, they can rely on networks built on the basis of value chain management strategies. These networks and the value chain strategy would be organised and oriented to international markets to assure adequate efforts towards high levels of competitiveness. Because difficulties are usually posed by cooperation, especially by smaller organisations, the advised perspective is the sharing of resources and capabilities through specialised platforms, promoted by the businesses themselves and/or other public and private entities (as well as the overall strategy in question). The resource-based strategic approach and the CANVAS model can be suitable to frame these initiatives. This framework is shown in Figure 1.

3. Methodology

This theoretical methodology's aim is to create a model primarily to develop micro and small businesses, albeit devised under the prescriptions of certain qualitative methodologies. In this way, a review of literature was undertaken with the two main objectives of identifying: the main constraints faced by micro and small businesses, and which solutions seem to be more suitable for these constraints.

With the first review of literature, a table of constraints was created. The second review involved a search for suitable solutions. The third step was to search for consistency

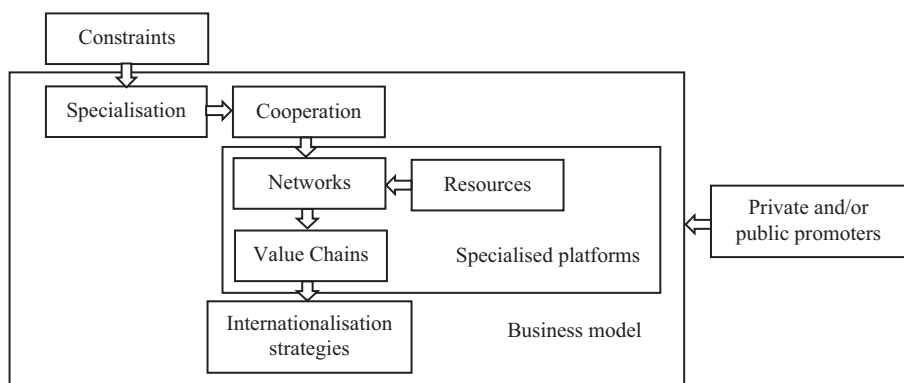


Figure 1.
Concepts selected
for building the
LDP model

between the solutions listed, i.e. to determine if they could work well together by means of operating complementarities and synergies. Some of the listed solutions were discarded within this step. The final step was to define and refine the LDP model in the context of the findings of the previous phases.

This process of building a new model took advantage of the first three steps advised by Soft Systems Methodology (Checkland and Scholes, 1990): rich pictures, root definitions and conceptual models.

4. Local development platforms

The LDP model intends to promote integrated conditions for the successful development and growth of micro and small businesses in order to achieve a diversified set of benefits: at the micro level: competitiveness, sustainability and growth, including in international markets; at the macro level: economic development and employment.

Bearing in mind the considerations made in Section 2, the LDP framework was built considering the following questions:

- (1) How to take relevant advantage of micro- and small-sized agents considering their limitations of resources and skills?

Betting in their specialisation and qualifications in terms of what they “do well”: we mean differentiated and/or quality core competencies and activities, with the support of other (specialised) agents in the remaining phases of the value chain (exploring complementarities and synergies). In other words, looking more strategically to value chains and less to individual agents in order to achieve/increase the competitiveness of value chains, enabling, consequently, the success and growth of individual agents. When it is not possible to have local/regional agents performing competitively in any phase of the value chain, it is necessary to arrange for someone from outside the territory or sector to perform the needed phase(s) so as to assure the competitiveness of the entire value chain. When a cooperative agreement cannot be obtained from any agent, the transaction way (buying) remains to get or access to the product or service intended.

State point no. 1.1: in this way, we promote the businesses’ specialisation framed and supported by networks built on value chain strategies, which provide the resources necessary for the overall success of the strategy to be implemented.

Aligning competitiveness by international markets references, we mean considering internationalisation strategies both in the beginning and/or in subsequent phase(s) of the development process, in order to compel actualised and/or innovative solutions in structures, processes and offerings.

Relying on added value services to achieve/increase the competitiveness of value chains, agents involved (participants and partners) and internationalisation strategies, which may involve consultancy, engineering, IT, quality control, design, accounting, auditing, law, arts, training, etc. These added value services can be provided by businesses, independent professionals, scientific and academic institutions or new ventures (including the ones launched to leverage the opportunities created with the LDP model, e.g. with the development of value chains and internationalisation initiatives). The access to these services can (should) be provided jointly.

State point no. 1.2: in this way, the necessary qualified and differentiated resources enabling competitiveness are provided and framed by the requirements that international markets impose.

Lowering the involved agent’s investments and operational financing needs and reinforcing efficiency: the LDP model considers five main ways to achieve these goals: creation of common infrastructures (platforms), intangible assets and inputs, and the promotion of joint initiatives and applications to support programmes.

The common infrastructures can be organised in five specialised platforms corresponding to spaces: business incubators, coworking spaces, land banks, industrial parks and the like; logistics: storage, freezing, transportation, loading and unloading, etc.; production: kitchens, stove ovens, production lines, assembling lines, packing and bottling lines, workshops, etc.; commercial: shops (fixed and/or itinerant), markets, vending machines, advertising, promotional events, etc.; and value-added services: fab labs, artistic/creative residences, labs, offices, ateliers, etc., using available (in use, inactive and underused) installations, structures, equipment, furniture and tools under different conditions: free lending, renting, leasing, buying or sharing and making new investments when necessary.

The common intangible assets can be brands, distinctive labels, patents, studies, projects, etc., in terms of the competitiveness of agents, value chains and territories or sectors (in the context of international markets).

The common inputs can be raw materials, subsidiary materials, packages, advertising materials, fuels and other items, purchased jointly (see joint initiatives) or produced by the participants, partners or the LDP itself, especially when consisting of endogenous resources.

The joint initiatives intend to create critical mass (both on buying and selling) to create/increase competitiveness by means of lower prices, better conditions and quality (on buying) and larger volumes, diversity and lower costs (on selling).

The application to support programmes is intended both for common initiatives and investments (through LDP) and agents' ones (with LDP support).

State point no. 1.3: in this way, a wide range of resources (both tangible and intangible) is provided for the agents involved and for the LDP structure as well. The strategic development of value chains (actual and intended) and the requirements of the internationalisation component should be the driving orientations for the measures listed above.

In the context of building supply chains and efficiency, Kim (2009) states "[...] alliance partners must have a shared vision. Infrastructure across these networks, including computer systems, distribution centres, factories and support organisations, might have to be built or reconfigured" (p. 328). Norman and Ramirez point to the shift/evolution from former value chains processes (unidirectional sequential actions adding costs) to value constellations (considering discontinuities like synchronisations, parallel, concurrent, distributed, co-processed and co-produced), which constitute some of the LDP roles, as can be understood by the analysis of this issue.

To promote and manage these initiatives (and the others presented below), it is necessary to create an LDP with an adequate organisational structure and an IT-dedicated coordination platform. These measures are presented in Figure 2:

- (2) How to take relevant advantage of endogenous resources (both leveraged and unleveraged)?

Committing to the leveraged and unleveraged endogenous resources available, with the support of added value services to create/increase their competitive leverage, increases volumes, helps agents' competitiveness (working with these resources) and enables new ventures leveraging them, considering resources as diverse as raw materials (geological, agricultural, forestry and livestock), events, patrimony, culture, nature, qualified people, territorial/sectorial economic specialisations, infrastructures (mobility, urban, scientific/technological, productive, logistic, commercial, etc.), etc.

State point no. 2: in this way, the specialisation of agents in the framework of building networks with the help of specialised value-added resources is promoted. This strategy of leveraging endogenous resources should be built in the framework of the development of value chains and internationalisation strategies, as analysed in Question No. 1, and provide

LDP and agent's investments where necessary, with applications (if possible) to support programmes (Figure 3):

(3) How to enhance the possibilities of success for LDP and their participants and partners?

Building an ecosystem facilitating different issues normally faced by businesses, e.g. investors, financing, support programmes, sectorial public bodies, sectorial and professional associations, specialised services, promoters, etc., increases, also, the lobbying capabilities towards regional and national governmental entities in favour of LDP and their respective participants' and partners' development and competitiveness.

State point no. 3: in this way, relevant resources are provided involving other entities, both public and private, and considered necessary to contribute to the intended development and improve the likelihood of success. Also, the attraction of LDP promoters is addressed (Figure 4):

(4) Which developmental components can be implemented by LDP?

The concrete industries, phases of value chains, markets and the like depend entirely on each location or sector. However, the LDP model calls for five main components of

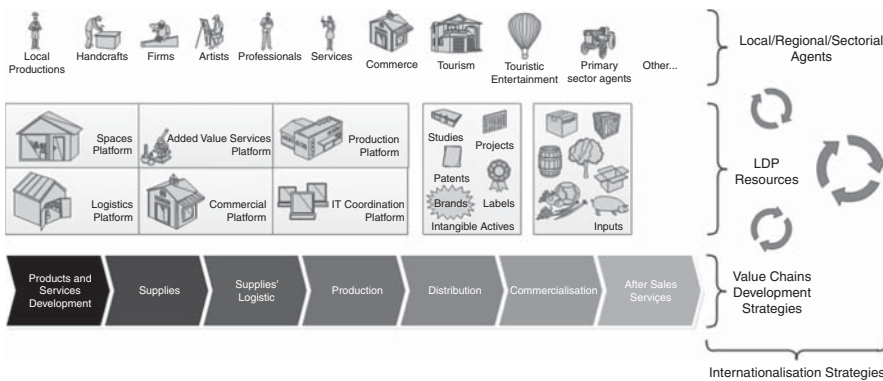


Figure 2. LDP as competitive resource for local/ regional or sectorial agents' development and growth in the frame of value chains and internationalisation strategies

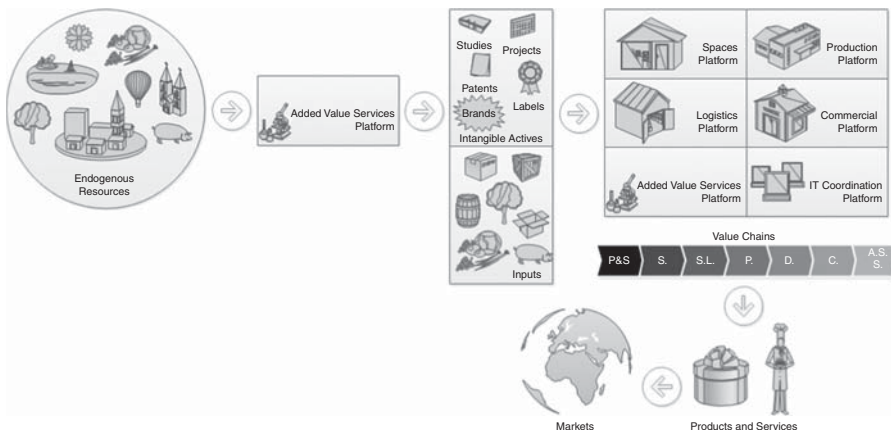


Figure 3. Leverage of endogenous resources

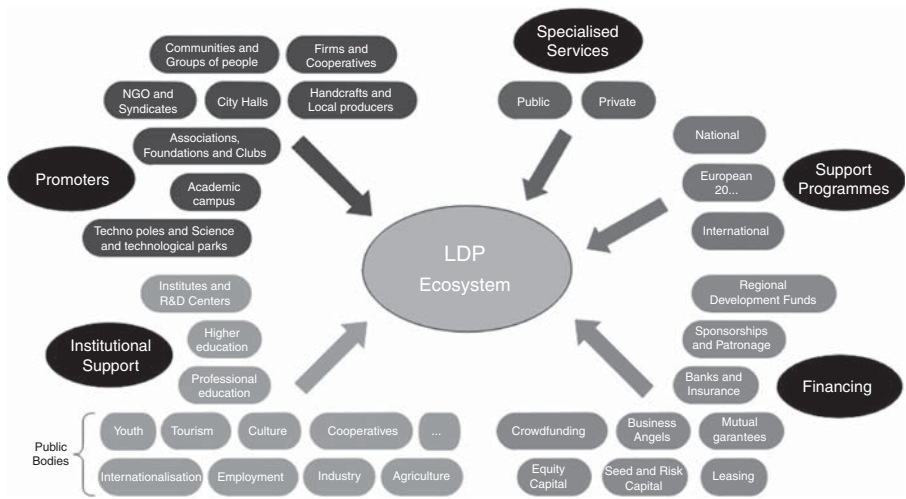


Figure 4.
LDP's ecosystems

development: products and services; tourism, patrimony, culture and nature; real estate; social; and entrepreneurship.

The products and services component enables the leverage of physical and valuable endogenous resources, exports and the substitution of imports and the development of new offerings, aiding in the development of primary and secondary sectors and most tertiary sectors.

The tourism, patrimony, culture and natural component takes advantage of several endogenous resources usually not leveraged or insufficiently leveraged (at least during certain months of the year), contributing to the competitiveness of tourism ventures and to commercial, transportation and other complementary industries.

The real estate component intends to take advantage of the remaining components (agents' growth, new ventures, employment, qualification of touristic and cultural equipment, etc.) to contribute to the given property's dynamism (through rebuilding, expansions, adaptations, new buildings, etc.), and the global development with its own offers and initiatives.

The social component intends to develop initiatives like volunteering (from people) and corporate social responsibility (from organisations) to help in any kind of situation (new ventures, agent's competitiveness, events, etc.).

The entrepreneurship component intends to help new ventures to take advantage of endogenous resources, opportunities created with LDP's dynamics and develop new ideas and initiatives. In all these components, the LDP (jointly with their participants, partners and ecosystem's entities) has the responsibility to apply the measures presented in this section according to with each existing concrete situation.

State point no. 4: in this way, the value chains and international markets considered worth value can be adequately selected, helping the LDP to adequately and systematically frame this analysis and selection process (Figure 5):

(5) How can LDP be structured?

Within the context (territory and local/regional or sectorial networks) in question, the LDP may have all or only some of the platforms presented above and the coordination structure may differ from LDP to LDP based on this reality. In turn, the number and "quality" of participants and partners involved implies a bigger or smaller and more or less diversified structure, e.g.

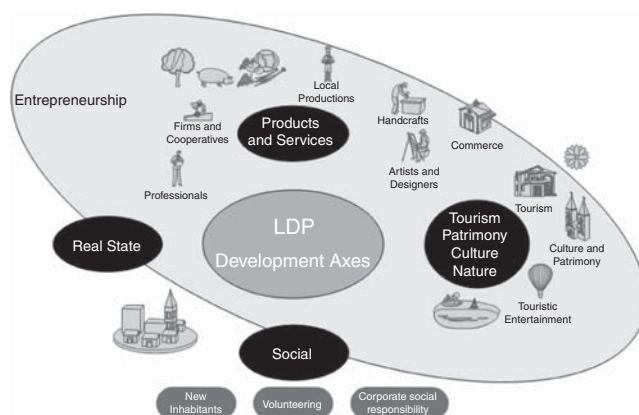


Figure 5.
LDP's
developmental axes

functions, departments, services and sections to deal with logistic centres, factories, shops, labs, fab labs, artistic/creative residences, value-added services, suppliers, logistic operators, distribution channels, costumers, and several other types of entities. Independently of these variables and concerns, any LDP should have a manager and a team dedicated to the design, creation, launching and development of the LDP (see also Question No. 6).

State point no. 5.1: in this way, some of the LDP resources are addressed in order to provide some of the necessary conditions for the overall success of the initiative in question.

Beyond the support of national and international programmes, sponsorships and patronages, LDP activities should be supported by the services provided and, eventually, by the selling of its own products. The payment by participants and partners can range from free of charge (in some fragile situations) to market prices and take the form of a percentage of profits or income, fixed or variable values and payment in kind, both with respect to products and services (to be sold or used).

It is strongly advised to contract with the entities aided by LDP a percentage of their profits to build a fund with several objectives: funding/financing of new ventures, LDP investments, corporate social responsibility and other objectives considered worth value.

State point no. 5.2: in these ways, financial resources are provided to assure the sustainable development of LDP and, consequently, their current and future participants and partners.

Figure 6 shows the “big economic picture” of LDP, summarising the themes discussed in this section:

- (6) How to involve social organisations and the overall regional society in its own development?

There is a wide range of possibilities to be leveraged by social institutions: registration of tacit knowledge (especially among retired) to enable new economic initiatives, training, sharing and free renting of inactive or underused infrastructures, sharing of skilled collaborators, creation of brands and labels of a social nature, volunteering and corporate social responsibility, etc., to help LDP, their participants and partners.

Generally, these entities have a good social reputation, which can be used to promote LDP and convince unemployed people and agents to affiliate with or contribute to them (see also Question No. 7).

State point no. 6: in this way, some resources are provided as well as interesting promoters:

- (7) What kind of entities can promote LDP?

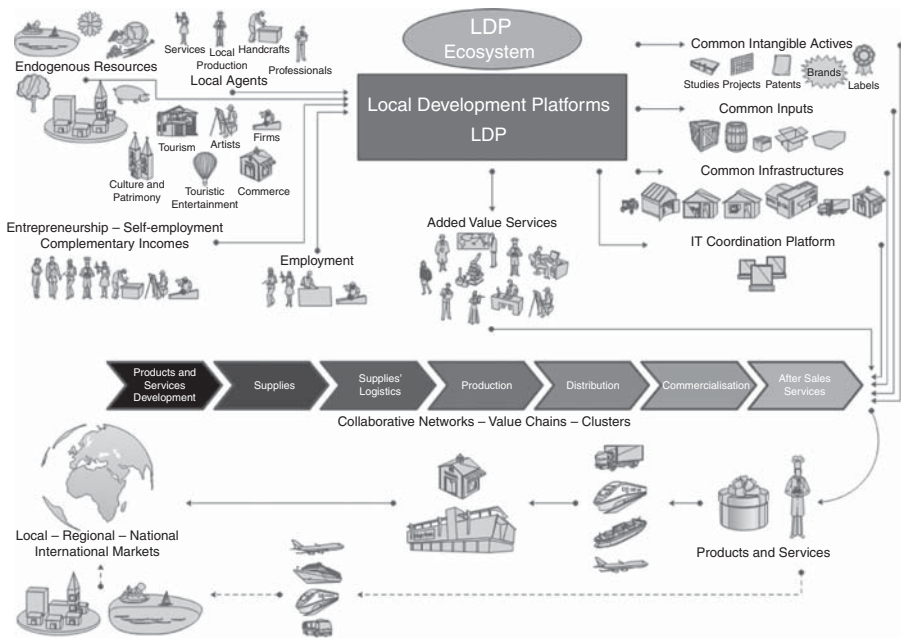


Figure 6.
Global economic
framework of LDP

LDP can be promoted by a wide range of entities: public ones such as city halls and other public bodies, as well as sectorial ones (specialised in industry, agriculture, employment, youth, etc.); local/regional development associations; academic and scientific institutions; private for-profit firms, cooperatives, handcrafters, local producers, designers, artists and respective entrepreneurial and professional associations; private entities operated as social and cultural institutions, associations and foundations, NGO, syndicates and other similar entities; and communities or groups of persons.

Any one of these entities can promote LDP on a stand-alone basis or through cooperation among several entities and/or institutions, which is advised in order to obtain a greater diversity of resources, explore complementarities and synergies among them and achieve a greater lobbying power.

State point no. 7.1: in this way, the subject of raising LDP promoters is addressed.

The LDP promoters can contribute to its creation in several ways: free renting, renting, selling and sharing resources such as installations, structures, equipment, furniture and tools, dispense collaborators (on a temporary or punctual basis), provide services, supplies and networks' contacts, financing, managing LDP, among other possibilities.

State point no. 7.2: in this way, the access to diversified resources is addressed (Figure 7).

5. Conclusion

This paper focusses on conceptualising concrete ways to implement conditions to improve, in particular, the growth and competitive development of micro and small businesses. Several constraints common to most contexts were taken into account, as well as the dynamics inherent to the actual globalisation of different markets. In this way, a framework model was built and called LDP because of the conviction that each place/local or sector needs to define and implement its own strategy of development – even when some factors apply to the context of a wider territory or industry – to assure the best possible fit between local resources, needs and ambitions.

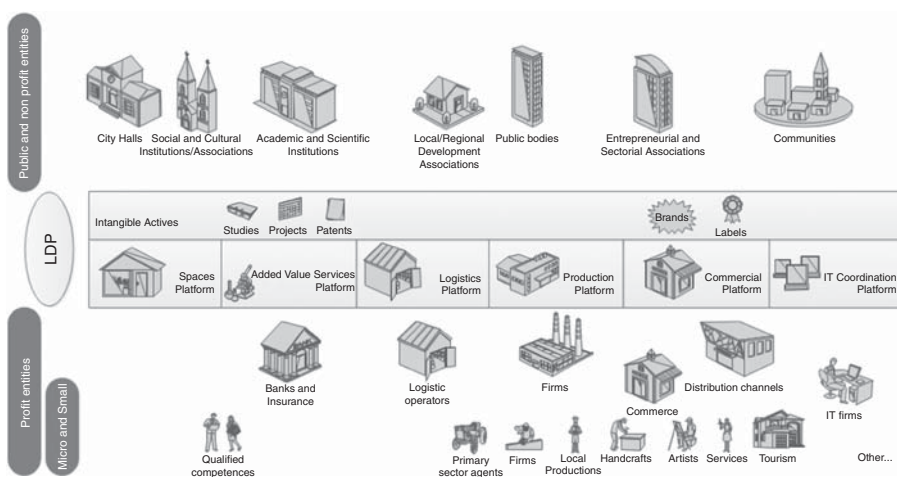


Figure 7.
LDP's potential promoters

As a conceptual model, not yet applied and, consequently, not having undergone empirical research, it is intended to provide a new framework useful to help facilitate the necessary conditions to enhance the economic development of a relevant set of businesses, regardless of whether they are promoted by private and/or public entities.

In this way, a holistic approach was undertaken, trying to do not let anything, considered necessary, forgot taking in attention the objectives pursued. From this perspective, the LDP model may be considered complex, but in a turbulent, complex and fast-changing world, we do not believe in simple and easy solutions. This conviction was reinforced with the reviews conducted with respect to the research, because we found various situations to consider as well as possible solutions, reflecting the complexity of this challenge.

We recently received an order from a county with a diversified economy (rural, industrial and services based) to study the definition and implementation of an LDP. With this opportunity, we expect to conduct empirical research on the LDP model's definition and operations in the near future to help to identify and understand potential virtualities and weaknesses.

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