Sida Evaluation 96/28

Strategic Business Alliances in Costa Rica

Mats Helander

Department for
Infrastructure and
Economic Cooperation

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Contents

Appendix:
1. Project Review
2. Objective Analysis for 1994, 3 pages
3. Project Profile Draft for 1995

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1 Summary

The results presented in this evaluation report show that three active Strategic Business Alliances have been established, with a fourth alliance very close to being realised. This number of SBAs should be compared to the number of expected SBAs set at seven (although it is not really clear as to how many alliances were expected). The programme also consists of some activities not directly oriented towards the establishment of alliances. The results from these activities are considered satisfactory.

The concept of Strategic Business Alliances is considered acceptable and appropriate even though the programme has not quite reached its target. It is recommended that by making the concept broader, important effects could thus be taken into account.

There is no evidence that contradicts the programme's cost-efficiency, but if the results is satisfactory or not is a political issue.

To get a more definite appraisal of the impact of the programme, an evaluation in two to three years is recommended.

2 Objectives and methodology of the evaluation

The objectives of the evaluation are formulated in the Terms of Reference for the Evaluations of Sida's Programme for Business Alliances.

The evaluation is based on interviews, reports and other documents from Sida, intermediaries and other sources. Altogether 29 persons have been interviewed. All except two of these are face-to-face interviews. The names of the respondents are mentioned in the report as well as in the appendix.

The interviews focused on the qualitative parts of the programme, while the quantitative facts were gathered mostly from written sources. The results of the interviews are reported quite thoroughly in order to make it possible for the reader to judge the accuracy of the conclusions.

The time spent on the evaluation was 20 days: 3 days of preparation and reading, 3 days of visits and interviews with Sida representatives, Swedish intermediaries and Swedish companies, 5 days of interviews with intermediaries, companies and other representatives in Costa Rica, 2 days of travels (altogether 9 days abroad), and finally 7 days of elaborating the report.

3 Organisation of the report

In the following chapter some basic figures about the Costa Rican industry are presented. One chapter gives a description of the SBA-programme.

The chapter "Results of the SBA-programme" includes the empirical part of this evaluation report in which the qualitative goals are compared with the results and the findings from the interviews are presented thereafter.

In the chapter "Analysis" the findings from the interviews and documents are discussed and related to general knowledge of the field. In this chapter the principle conclusions from the evaluation are also presented.

In the chapter "Final conclusions and lessons to be learned" the most important points of the "Analysis" chapter are summarised.

In the report the two words consultant and intermediaries are used synonymously for the consultants in both Costa Rica and Sweden who have managed the programme.

4 Some basic figures about the Costa Rican industry

Agriculture and the fishing industry represents 16% of GNI and 21% of the employment in Costa Rica. The industrial production and mining represents 19% of the GNI and 18% of the employment in 1994, according to The Central Bank of Costa Rica and The Ministry of Labour.

The food, beverage and tobacco industry represents 46% of the industrial production with 1 159 companies of a total of 4 816 companies registered at the Costa Rican Social Security in 1994. Of the total industrial production of food, beverage and tobacco, 18% is export, corresponding to 326 million USD (1993), according to The General Direction for Statistics.

According to the Costa Rican Social Security, the distribution of companies in the industrial sector according to size is the following:

Less than 20 employees	3876	companies
20 to 49 employees	451	companies
50 to 99 employees	195	companies
100 or more employees	294	companies
Total	4816	companies

5 The SBA-programme - Costa Rica

Prior to this SBA-programme a fact-finding mission was made in late 1991. The fact-finding mission came across three main options for cooperation with Costa Rica in the field of economic cooperation: Strategic Business Alliances, market information centre for Costa Rican exporters, and partnership in a national development bank. The first option was chosen.

The basic idea of the Strategic Business Alliances concept is: to use the market forces in order to promote development by facilitating companies to find business opportunities and by making the partners more capable of entering into new businesses. The action undertaken by SwedeCorp and its intermediaries should help companies find appropriate partners, thus resulting in increased business opportunities and also promoting increased competitiveness in the Costa Rican food industry.

Quoting the Terms of Reference:
"A basic idea is, thus, that the alliances formed eventually will be sustainable for pure commercial reasons. When stimulating the formation of alliances, the consultants have to appraise the company's potential for reaching such a "self-sustained" state. Another point of departure when trying to match companies is that they would have difficulties in forming this type of venture by themselves, for lack of experiences or for other reasons. The target group therefore consists of small and medium sized enterprises."

The overall objective of the programme has been to develop the Costa Rican food industry conditions for international competitiveness in existing and new markets. (Although the formulation of the overall objective varies in different documents, the idea is of course the same.)

During phase I, 1992/1993, the programme was established and the first business ideas were envisaged. During the progress of the programme, the focus shifted directly onto the food-related industry.

In phase II, during 1994 and 1995 (with prolongation to august 1996), the focus on the food-related industry included areas such as food processing industry packaging, recycling and quality issues.

In a document from December 9, 1993, SwedeCorp presented the proposal for phase II of the programme. On page 6 of the proposal the following is stated (the evaluators translation):
...To reinforce the technological base there must be an upgrading of competence within the service sector when it comes to working with packaging, process technology, logistics, quality control etc. This in turn effectively transfers new technology and system to the food sector.

Considering the technological level and the business opportunities, this upgrading within the service sector should be reached through alliances between Swedish and

Costa Rican service companies. Alliances within the food industry itself will primarily be business and market development oriented within the distribution chain and less likely to be directly between two food producing companies in the two respective countries.

Within the service sector the totality will be favoured by cooperation between the Swedish and Costa Rican companies in specific projects within food production. As the Costa Rican companies are not very familiar with this kind of cooperation, the Costa Rican intermediaries should promote the creation of an informal network in order to stimulate collaboration.

This SBA-programme has been managed by CEGESTI in Costa Rica and Chalmers Industriteknik, CIT, in Sweden.

CEGESTI is an independent organisation that originated from the Costa Rican UNDP office. CEGESTI is financed by the selling of services, of which developmental cooperation is a major part, although the dependency upon these developmental agencies is notably diminishing. The organisation has been operating independently for about 4 years. It's personnel are qualified professionals with university degrees, many of them with master's degrees from Europe or the USA. The person responsible for the SBA-programme on behalf of CEGESTI has been Mrs. Daira Gómez. CEGESTI has subcontracted the independent organisation CINDE for the work with food producers.

CIT is a consolatory entity of Chalmers University of Technology in Gothenburg, Sweden. The person responsible for the programme at CIT has been Mr. Rolf Rising, who has used the services of the independent consultant Mr. Per Hellström.

The main task for the intermediaries has been to connect companies in Costa Rica and Sweden together in order to form business alliances. This has been realised through a number of company profiles in Costa Rica and seminars announcing the possibility of SBAs and other activities. The intermediaries have formulated business ideas and looked for presumptive Swedish partners. The intermediaries have also initiated a number of supporting activities such as special studies, reviews and seminars.

The intermediaries have used two strategies for finding and creating alliances: Push and Pull. The Push strategy has been to increase the competitiveness of the Costa Rican company through technology transfer. The Pull strategy has been used to force the Costa Rican company to meet the demands of importers in Sweden or Europe. (See appendix 1.)

In the project plan for phase II presented by Chalmers Industriteknik 1993-11-30, page 4, the general activities are presented as follows:

Improving the service sector could be done in a systemetic way by establishing SBAs between Swedish and Costa Rican service companies in such a way that these SBAs, *together with various Costa Rican companies, cover the market needs. This is also one of the main goals of this project. During 1994 there should be a phase of technology transfer to the Costa Rican counterparts. If this could be accomplished, these SBAs would hopefully become involved in joint business activities during 1995.*

...CINDE will soon start mapping the food industry and provide information which should be valuable as a base for new SBAs with Swedish food distributors...

Since this project will concentrate its efforts on establishing SBAs, no special Swedish activities are planned during the interfacing of the service companies with the food producers. However, CEGESTI and CINDE are planning to organise some kind of virtual cooperation called FoodNet. Within this network the cooperation between the service companies and the food industry should be aimed towards improved quality and new concepts.

In addition to the signed SBAs, there has been an allocation for training programmes to be carried out by the Swedish partner.

Objective analysis as presented in programme plans

The objective for 1994 (Diary Journal No. 35/261-92 dated 1994-02-23) is shown in the following table. (See appendix 2.)

Development objective	Verifiable indicators	Target level	Means of verification
1. Develop the Costa Rican food industry conditions for international competitiveness in existing and new markets.	1.1 Access to new technology and services in the food industry.	1.1 Notable changes after the first year and experienced improvement after the second year.	1.1 Register experienced deficiencies before and after the first project year by interviewing food industry spokesmen and executives in bigger CR companies (CEGESTI).
	1.2 Export opportunities	1.2 Notable increase in export opportunities after the first year and notable improved sales after the second year.	1.2. Register new export opportunities and noted sales after each year (CINDE).

The immediate objectives presented in the same document are:
1. Transfer of knowledge and technology through Strategic Business Alliances between Costa Rican and Swedish service companies.
2. Create new export opportunities through Strategic Business Alliances between Costa Rican food industry and Swedish or European importers.
3. Stimulate the cooperation between the service companies and the food industry.

The Project Profile for 1995 (Diary Journal No. 35/261-92 dated 1995-01-19) is shown in the table below. (See appendix 3.)

	Intervention logic	Indicators of achievement	Source of verification
Overall objective	The food industry in Costa Rica improves its production in terms of economic and environmental efficiency.	1. Increase in domestic sales TL: Y2 15%, Y3 20% 2. Increase in export sales TL: Y2 15%, Y3 15% 3. No. of food industries introducing environmentally friendly products or processes. TL: Y2>10, Y3>10	Annual reports from intermediaries. Profit and loss account from participating firms.

Note: It is not defined as to which year the target level refers to, year zero?
TL: Target level, Y2 and Y3: Year 2 and Year 3.

6 Results of the SBA-programme

6.1 Comparing quantitative goals with achieved results according to presented reports

Achievements in terms of number of SBAs and number of business ideas

The programme started in 1992/1993 with a preparatory phase and phase I. There are no reports (presented to the evaluator) that clearly show when the preparatory phase transitioned to phase I. The corresponding time period for phase I was 1993. Phase II of the programme was run from January 1994 to December 1995. During the progress of the programme, phase II was prolonged to August 1996.

According to a memorandum from SwedeCorp, dated 1993-12-09, there existed four SBA agreements and two more that were expected at the end of phase I, while the target for phase I was three alliances. Apparently two of these four SBA:s are still active, while the remaining two, as well as the two expected, have not been successful. Today there are six SBAs presented by CIT and CEGESTI. This corresponds to the established target level of seven SBAs set up for phase I and II together. Six training programmes have also been established compared to the target level of two for phase II.

Comparing strictly the number of alliances, the SBA-programme in Costa Rica has thus far not reached the target level with respect to the number of SBA agreements signed. Only three of these SBAs are still active, while three have been discontinued. In addition to the agreed SBAs, there are five more relations that might lead to agreements, and of these five there are two that will most probably be signed in the coming months.

PHASE/PART	Targets	Results
Phase I	3 alliances	4 alliances established[1]
Phase II service sector	2 SBAs 1 Training Programme	5 SBAs est., 1 more expected 5 Training Programmes
Phase II export sector	1 SBA 1 Training Programme	1 SBA est., 1 more expected 1 Training Programme
Phase II non-specified sector	1 SBA	SBA ALENTA (se) and CEGESTI[2] (cr.). Showed a higher consciousness about quality issues among the interviewed companies.

1) Two of these four alliances are still active and thus included in the results from phase II presented in this table.
2) This alliance is not formally a part of the SBA-programme and therfore not included in the number of six signed SBA agreements.

Figure 1: Summary of target levels of SBAs according to memorandum 1993-12-09 and results of signed SBAs and training programmes.

In trying to predict the situation at the end of 1996, one can expect the number of active SBAs to be five, which should be compared with the target of seven to twelve SBA agreements.

In addition to the goals set up in the memorandum dated 1993-12-09, there are specifications of the goal for 1994 established in the Diary Journal No 35/261-92 dated 1994-02-23, and the goal for 1995 in Diary Journal No. 35/261-93 dated 1995-01-19 as previously mentioned,(see appendix 2 and 3). In total there are three different documents presenting the objectives as per number of SBA:s. What is not clear is whether or not the goal presented in the latter document is additional to the previous goals.

If the target levels of agreed SBAs are added for phase I and phase II (year 1 and year 2), the goal should be 12 signed SBA agreements. If they are not added together, the goal should be seven signed SBA agreements. This number highly depends on how existing programme documents are interpreted. In the plans for the last year of the programme, 1995, the target as number of SBA:s is set to five!!. Was this to be accomplished during the last year of the programme or was this a reduction of the number of SBA:s expected?

The programme officer at Sida responsible for Costa Rica was not clear about the interpretation. In this evaluation the target of established SBAs is consequently interpreted to be seven.

The target level for activities at phase II included the development of 10 business ideas to which should be linked 10 Swedish and 20 Costa Rican companies. These targets have indeed been met and some 20 business ideas have been presented. CEGESTI reports that they have made 130 company cooperation profiles.

The written report from Chalmers Industriteknik and CEGESTI, together with information gathered from the interviews, is summarised in the table on the next page (p. 11). The results from the interviews are presented in the sections following the table (6.2 and 6.3).

Participating firms (CR. & Sw)	Business Idea/Activity:	Status:		
1 Microtec & DiffChamb	Food Quality Analysis	SBA 93	T.P.	Active
2 Sylvana & LJ Plast	Electric Light Products	nothing		
3 CEGESTI & ALENTA	Production Quality Support	Not part of the SBA-programme		
4 Dos Pinos & BioGaia Biologics	BRA-Milk	nothing		
5 ICE & BECO	Electrical Distribution Planning	nothing		
6 VET & Pronatura	Organic Tropical Produce	SBA 94	T.P.	Active
7 Norditek	Consortium of 4 C.R. Companies			
8 Norditek & Food Tech	Food Tech	SBA 94	T.P.	discontinued
9 Norditek & Q-Transport	Q-Transport	SBA 94	T.P.	rejected tender, discontinued
10 Norditek & IJ Engineering	I J Engineering	SBA 94	T.P.	discontinued
11 DIGINET & UBI International	Bar Code System	nothing		
12 ARCOM & Pac Design	Graphical Packaging Design	SBA 95	T.P.	Active
13 CINDE & Analycen	Food Quality Analysis 2	nothing		
14 Scan Farmek & 4 C.R. partners	Genetic Improvements in Pig Farming	SBA expected	T.P. expected	
15 El Arreo & West Feed	Converting Slaughter Waste into Pig Feed	SBA in negotiation		
16 Unicom & Indufa	Packaging Magazine	SBA expected		
17 Recyco & HA Industry	Banana Plastic Recycling	nothing		
18 Proagress, Florida Prod & LAMEX	Tropical Food Export to Scandinavia	SBA will be considered		1 delivery
19 PMT & Björk & Magnusson	Fish Export to Scandinavia	SBA will be considered		1 delivery
20 Special Reviews		Positive impacts		
21 Other Resulting Activities		Positive impacts		

Note: T.P.: Training Programmes

The remark "1 delivery" means that one batch has been delivered and that the continuation of relations depends on how the clients will value the delivered product.

6.2 Findings from interviews with company representatives and thorough examination of documents

1. Microtec & DiffChamb
Interview with José Gené, director of Microtec, and telephone interview with Jan-Olof Lundin.

Both of the companies work with microbiological analyses for the food processing industry. Microtec employs six persons and has a yearly turnover of approximately 100 000 USD. The laboratory has been in operation for 15 years and was established by the actual owners who also manage the company themselves. DiffChamb is the European leader in bioindicators for microbiological control within the food processing industry. They have a staff of about 30 persons distributed between seven companies in Europe. The turnover is approximately 4.4 million USD per year.

In this SBA, Microtec sells the fast-responding test kit of DiffChamb primarily in the Central American area. Microtec uses the fast-responding test kit themselves for selling tests. Furthermore there are expectations that DiffChamb will sell a fast-responding test kit developed by Microtec for identifying cholera. Up to now, DiffChamb has not found any market for the product due to poor legislation in countries suffering from cholera. The SBA has been continuously active since 1993. Both companies consider it strategically important to be ahead of competitors as the quality control within the food processing industry is expected to increase in Latin America.

Both Microtec and DiffChamb consider that the alliance has not been profitable up to now, but they do expect it to become better in the future. DiffChamb has had increased costs of technological training and managerial/sales support due to Microtec's exceeding sales, while Microtec has invested time in training and travel that has exceeded their earnings from the selling of DiffChamb's test kits. DiffChamb is of the opinion that Microtec most of all needs support in sales, as they are not used to active selling, and support in presenting rational arguments for the quick test to the clients. One problem of the Central American market as concerns these products, as well as the SBA, is the insufficient legislation and the lacking capacity of the authorities responsible for the quality certification in this and other areas.

The two counterparts are very pleased with the support recived from CEGESTI and CIT.

2 *Sylvana & LJ Plast*
No interview with any part.

After some activities the Costa Rican counterpart withdrew from the cooperation without giving any explanation.

3 CEGESTI & ALENTA
Interview with Guillermo Velásquez de CEGESTI.

The Production Quality Support activity, which is formally not a part of the SBA-programme, has been financed according to a separate decision. In order to upgrade the competence in quality and ISO 9000 issues at CEGESTI, SwedeCorp allocated 2.4 MSEK for a training programme. ALENTA was contracted to realise the training programme.

Although the activity is not considered as an SBA in the analysis, it is reported in the following interview.

ALENTA is a management consultant company within the field of quality control, material handling and production control. The company is based in Gothenburg, Sweden. CEGESTI (Centre for Technological Management and Industrial Informatics) is an independent organisation selling professional services. CEGESTI is also the local intermediary of the SBA-programme.

CEGESTI and ALENTA are now active in quality system education among Costa Rican and Central American companies. CEGESTI has employed four new staff members with experience in quality control issues, as they formally worked at the Costa Rican Institute for Technical Standards (INTECO).

There is no signed SBA agreement between CEGESTI and ALENTA. This could be interpreted as that it has not been necessary between the two counterparts. The alliance has thus far functioned on the basis of good cooperation. With support from ALENTA, the quality control training programmes that CEGESTI has offered to Costa Rican companies have been paid by SwedeCorp and the companies themselves.

In Costa Rica there are activities aiming at increasing the competence and consciousness of quality and certification for international quality standards. INTECO is organising themselves in order to get international recognition of the ISO 9000. The alliance between CEGESTI and ALENTA has been highly useful in this connection. CEGESTI has participated in "The Commission for a National Quality Programme" and has been capable of giving some important inputs/knowledge to the work of the commission as a result of the alliance with ALENTA. It is expected that by 1996 INTECO will receive international recognition of the ISO 9000 for certification of quality control systems and accrediting consultants.

In the field of quality control and quality system education, CEGESTI receives incomes from selling services to Costa Rican companies representing 40% of the turnover in this specific field. This means that CEGESTI is almost half-way to becoming self-sustaining in the field quality control support. They have worked with 12 companies during 1-1 1/2 years for each company. According to Mr. Velázquez, there has been a complete transfer of technology from ALENTA to CEGESTI in the sense that CEGESTI now has all the necessary knowledge for working with quality control system and education. In Costa Rica there are two more consultant groups selling services for ISO 9000 implementation. Their clientele consists mostly of big companies and transnationals, while CEGESTI mainly works with SMEs.

4 Dos Pinos & BioGaia Biologics

Interview with Jan Annwall, BioGaia biologics, and Per Hellström, SBA sub-consultant, and previously connected to the BioGaia Biologics product, BRA milk. No interview with Dos Pinos.

In Central America the consumption of antibiotics is on such a high level that many people suffer from stomach problems due to decreased levels of normal intestinal bacteria. Drinking BRA milk could replace this loss of bacteria.

After several meetings during 1993 the partners could not come to an agreement and relations were discontinued.

In contacts between the counterparts, BioGaia Biologics has been represented by Per Hellström instead of someone employed by BioGaia Biologics. This means that the negotiations have not been directly between the counterparts and that Per Hellström has had two functions in this case. There is no indication however that this should have any negative influences on the development of relations.

Mr. Annwall thinks that Dos Pinos has a faulty price policy by giving the products a "too high" consumer price. Annwall states that Dos Pinos practises a "too short" perspective when calculating the price, which results in a high price and a very low sales volume.

5 ICE & BECO

No interviews with any of the two counterparts.

During 1994 ICE and BECO were near an agreement but no deal was closed.

6 VET & Pronatura

Interviews with Bernardo Rojas VET (Vida en la Tierra) and Jan Annwall, BioGaia.

BioGaia has had close relations with PRONATURA in France, and the contact between VET and PRONATURA was established through BioGaia, as they were the major shareholder of PRONATURA.

VET and BioGaia agreed in September 1994 to cooperate in the area of exporting organically grown produce from Costa Rica and Central America to Europe. VET will organise the local organic production in Costa Rica and

Central America for export to highly qualified markets. PRONATURA will organise the import and selling process of the products in Europe.

VET supports local producers of organically grown products by training them in quality management, inspection, certification and monitoring. VET has to buy the produce paying cash due to the producers very limited working capital.

There have been some severe difficulties in meeting the cost of certification and securing the fulfilment of the quality requirements of the production. The lack of interest and support from the government has also been a problem. However, the big efforts of the two counterparts have yielded some positive results; one dispatch of certified frozen mango was done in April 1995. There has also been exportation of frozen blackberries for approximately 1 million USD. For 1997 the goal has been set to export 1.5 million USD.

In order to meet the costs of certification, a revolving fund of 125 000 USD has been created. Sida has contributed to this fund with 1 MSEK, money that is not included in the programme budget.

During the process of developing the SBA, there have been some problems within VET, and it seems as if APROCAM (Association of Berries Producers) will be the future Costa Rican counterpart in the SBA with PRONATURA.

Bernardo Rojas stresses the importance of the new experiences gained by this SBA. The producers and VET, as well as other organisations related to the project, have learnt quite a lot through their participation in the project. Bernardo Rojas himself says that he learned more through the work with this SBA than during his 8 years of university studies.

A vulnerable point of the Costa Rican side of the programme could possibly be the fact that Mr. Rojas, the prime mover of the project, is doing a lot of work voluntarily. This may be seen as a weakness in the business idea, although at the same time, it does show seriousness and interest.

7 Norditek, Consortium of 4 C.R. companies
Interviews with Dirk Haase, ELVATRON, and Gerardo Villalobos, TERMOMECANICA.

The consortium Norditek was established by four Costa Rican companies in order to make the competition with large companies in complex equipment for the food processing industry possible. The idea was that Norditek should be supported and complemented by alliances with a group of Swedish firms. The contents and result of the individual SBA is reported in the following three cases.

Norditek consists of the following companies: ENYAL, ELVATRON (Automation division with 15 employees and 3 million USD yearly turnover), TERMOPANEL (about 50 employees), TERMOMECANICA (17 employees and

275 000 USD yearly turnover). According to the interviewees, ENYAL has never participated in the activities of the consortium, and therefore it was wrong to involve them.

There have been serious problems in making Norditek function and any concrete business has not come up. One tender for equipment of a refrigerator manufacturer "Atlas" was given by Q-transport, Sweden, together with ELVATRON, but the tender was not competitive. (See number 9, Norditek & Q-Transport.)

The idea of establishing Norditek is rather complicated but can be broken down into these general concepts:
1. It was innovative on a conceptual basis due to the fact that companies in Costa Rica are not quite familiar with this form of consortia.
2. It was new in the technological sense by the more advanced technology that was offered by the Swedish partners.
3. For the people involved it was a new way of marketing.

Comments from Dirk Haase and Gerardo Villalobos:
- It would have been necessary to organise an office for Norditek. This corresponded to 3000-4000 USD per month, and that is too much money to invest in a very risky business.
- There did not exist any really unifying idea and interest among the seven companies involved.
- Norditek did not have any clear strategy from the beginning and no one wanted to invest in the idea.
- An office should have been established with Swedish representation.
- The tender for "Atlas" was rejected but gave a lot of experience to ELVATRON. ELVATRON was later asked by Atlas to become the local counterpart for the Mexican company leaving the selected tender. (See number 9.)
- There was no coordination between the Swedish companies and neither was there any between the Costa Rican companies.
- We have certainly learnt a lot from the SBA; it has shortened the learning curve. We learned about alliances and subcontracting.
- Norditek is not dead but sleeping, and when the right project appears there is an interest and capacity to enter into it, especially with the experience of the activities that have taken place.
- Why was the training money transferred to the Swedish companies and not to the Costa Rican?
- Culture, language and the distance have had some impact, but it has not been determining. Mexico on the other hand is closer, in the same time zone and has the same language.
- The problem was not the persons involved but the concept i.e. too complicated.

Maybe it would have been better if alliances had been formed directly between Swedish and Costa Rican companies. Norditek could have functioned as an informal group for exchange of information. If this had worked out well, the cooperation could have become much closer.

The two persons interviewed stated that they were completely satisfied with the actions of CEGESTI and CIT.

8 Norditek & FoodTech
Interview with Kjell-Erik Johansson, FoodTech.

FoodTech designs and manufactures processing equipment for the food industry and the pharmaceutical industry. The company employs about 30 persons and has a yearly turnover of 48 MSEK.

The relations between FoodTech and Norditek were established as a result of a visit to Costa Rica in November 1994. Dirk Haase from ELVATRON showed special interest in the cooperation. Mr. Johansson states that there is an obvious need for developing the know-how in the field of processing food, as raw material is handled in Costa Rica in a quite brutal and uneconomic way.

FoodTech offered some smaller equipment to ELVATRON and TERMOMECANICA. FoodTech considers the SBA to be discontinued.
Comments from Mr. Johansson:
-There is a lack of confidence within the group of four companies forming Norditek. One is waiting for the other and no one dares to take the initiative.
- FoodTech did not find anyone with the sufficient knowledge to speak with.
- There must be someone employed by Norditek to make it work. Apparently Dirk Haase had that interest but did not get the sufficient response.
- The idea and the visions were not the same among the companies forming the Norditek.
- The Costa Rican companies seem to be very afraid of costs and investments in the future. They work on a very short time perspective.
- Although the relation did not function, the idea is better then I first thought. But Sida can not count upon participation from Swedish companies if they do not find any business in the activities. Maybe Sida should pay for a person located in Costa Rica representing the Swedish companies.
- There should have been a company with knowledge about food industry related to Norditek.
- It is no surprise that there have been difficulties in the relations with Norditek. It took FoodTech three attempts to find a local dealer in Norway to sell the products.

Mr. Johansson states that Norditek owes 40 000 SEK to Food Tech as payment for the consulting travel that FoodTech realised. He also thinks that the Swedish consultants and CEGESTI should have forced Norditek to be more active.

The contacts with the Swedish consultant have functioned without any difficulties. Rolf Rising promoted the creation of Norditek and participated when the SBA was signed. The contacts have mostly been with Per Hellström.

9 Norditek & Q-Transport
Interview with Lars Björkholm, Q-transport.

Q-transport has 15 persons employed and a yearly turnover of 25 MSEK. Q-transport designs and produces roller conveyors and storage equipment for manufacturing facilities.

As concerns the SBA, Q-transport in 1995 put a lot of effort into offering equipment for the new production line at Atlas, a Costa Rican plant used for the assembling of refrigerators. Atlas turned down the offer, selecting a tender from a Dutch subsidiary in Mexico due to a more favourable price. There are different explanations for why the Mexican equipment was cheaper. According to Lars Björkholm, the Mexican firm did not have to pay any customs when introducing the equipment into Costa Rica, while the equipment from Q-transport had to carry a 25% import tax. Norditek and ELVATRON argue that the Swedish equipment was better, but Atlas found the Mexican equipment to be more suitable. The price for the Swedish equipment was 190 000 USD F.O.B. Gothenburg (excluding the customs), while the Mexican equipment was offered for 110 000 USD delivered in Costa Rica, according to Dirk Haase.

Q-transport themselves feels they were fooled since they had presented a good offer that was later rejected. Lars Björkholm regrets that they let themselves into this business. Björkholm states that the Mexican government offered subsidies aimed at making the first business run for the Mexican firm. During the discussions with Norditek, Mr Björkholm felt that they were seeking for subsidies. He asked Swedecorp for the same support that he knew was offered to Balticum, but got no response. Lars Björkholm says that Q-transport would have been successful under fair conditions.

Other comments from Lars Björkholm:
- The idea of SBAs is good, but more professional people need to be involved in the business at an early stage. It would be cost-efficient to place two persons with special competence in one narrow area in Costa Rica. I mentioned this to Rolf Rising, but it seems that he did not to get any support from Swedecorp.
- CEGESTI paid the tickets for the Costa Rican company's visit to Sweden, but the company should have paid some of the cost themselves.
- It is very important to have business people involved from the very beginning in the establishment of an SBA in order to minimise the number of failures.

10 Norditek & I J Engineering
Interview with Ingemar Johansson, I J Engineering.

I J Engineering is a consultant company specialised in the field of heavy industrial cooling and media supply such as heating, cooling, air, oil and water. They employ 5 persons and have a yearly turnover of 3.4 MSEK.

Comments from Ingemar Johansson:
- There is no action within Norditek; nothing happens there. Eduardo Vargas from TERMOPANEL was the most central person in Norditek, while Carlos Loría, the representative of ENYAL, was a strange figure. Nobody understood why he was participating.
- It is a pity that the effort did not yield any results. We did not even come out onto the playground.
- The main obstacles are the costs for the Costa Rican companies. They are very afraid of costs and do not calculate with acquisition costs. The first steps should not include any costs for the Costa Rican companies in order for them to get involved.

Mr. Johansson sees a lot of areas in which his firm could do a lot to improve the situation in Costa Rica, for example within water consumption.

According to Ingemar Johansson, CEGESTI has offered a very complete service. They are actually the only ones replying to Costa Rica. He also confirms that CIT has worked with enthusiasm and creativity.

11 DIGINET & UBI International
No interviews with any part.

After a promising visit to Costa Rica by UBI International which resulted in the establishment of contacts between the two companies, DIGINET withdrew from further discussions.

12 ARCOM & Pac Design
Interview with Arturo Ulloa and Eduardo García at ARCOM.

Both ARCOM and Pac Design do graphical and package designing of food products, which is the area of the SBA. ARCOM employs 9 persons and has a turnover of 500 000 USD per year. Pac Design is a small company but notably one of the leading companies in Sweden in this area.

The cooperation started when Pac Design in 1994 presented some seminars about food package design at CINDE and made various visits to different package design companies in order to form an alliance. Pac Design found ARCOM to be an interested partner.

The SBA between ARCOM and Pac Design has advanced smoothly and a training programme has been developed. To ARCOM, the agreement means an increase in technology transfer, and for Pac Design, it is a chance to enter the Central American market through cooperation with ARCOM. ARCOM will promote the services from Pac Design. The price for a package design made by Pac Design is about three times higher than the market price in Central America, which makes it difficult for ARCOM to sell the services of Pac Design.

ARCOM has started to make use of the alliance in their own promotion by mentioning their relations with the Swedish company. During May 1996 they will visit Dos Pinos, Central America's largest diary, in order to discuss a new package design. ARCOM promotes the alliance without any financial support as they want to contribute to the positive development of the alliance.

Comments from Arturo Ulloa and Eduardo García:
- It has been very fruitful to meet with Pac Design. We have learnt a lot about design and the surrounding infrastructure for producing the packages. We have also learnt very much about management. For example we now have a less hierarchical organisation and not so many secretaries as before.
- Pac Design made a very strong impression at the seminar they gave. One of the companies attending the seminar changed their packaging design just from listening to Pac Design.
- CEGESTI, Per Hellström and Agne Olsson at Pac Design have done an excellent work in supporting them.
- The SBA between UNICOM and INDUFA (case 16) with the packaging Magazine will be very complementary to the work of ARCOM, if they make it work.

13 CINDE & Analycen
Interview with Alvaro Valverde at CINDE.

As part of the infrastructure surrounding the food industry, the initiative was taken to improve the capacity of microbiological and chemical analysis in Central America in order to facilitate exportation. In the first month of 1996 CINDE and Analycen drafted an SBA agreement as well as a training programme.

However, CINDE discovered that the newly established laboratory did not fit in very well to their activity idea. Besides this, it also turned out to result in a serious deficit. This led to the recent decision to sell the laboratory.

Although the aim of the project is to look for another Costa Rican partner for Analycen, there will most probably not be any future SBA in this field.

14 Scan Farmek & 4 C.R. partners
Interview with José Luis Fernández, Grupo Zaragoza and Billy Strid, Scan Farmek.

Grupo Zaragoza is one of four Costa Rican companies involved in the project of Genetic Improvement in Pig Farming. The other three Costa Rican pig farmers are Granja Los Tres Cochinitos, Granja Arsenio Quesada and Granja Victor Fernández.

The idea of genetic improvement came up when representatives from Costa Rican pig farmers and slaughterhouses visited Sweden for the feeding project (case 15). The result was positive, as they found the quality of the Swedish pig meat to be very good.

The SBA consists of technology transfer in genetic improvement including the transfer of livestock to Costa Rica. This will enable the Costa Rican pig farmers to improve their meat quality, increase their exports and give Scan Farmek an opening into the Latin American world.

The SBA agreement, as well as the training programme, is now being negotiated. There is still some hesitation from the Costa Rican group.

15 El Arreo & West Feed
Interview with Jonas Carlander, West Feed. An interview with El Arreo was not possible as the ongoing negotiations make the situation somewhat delicate, according to CEGESTI.

The project is entitled "Converting Slaughter Waste into Pig Feed". Originally the SBA was intended to be between the Costa Rican Slaughterhouse ECCSA and West Feed. ECCSA however merged with another slaughterhouse and they found themselves not able to proceed with the activities of the project. The slaughterhouse El Arreo was invited to replace ECCSA. Negotiations of an SBA between El Arreo and West Feed are currently taking place.

At present, it is not possible to predict the outcome of the negotiations.

The business idea should however be considered as very interesting and seems to be very profitable for the slaughterhouse and for the pig farmers according to a study made by CEGESTI. It is a rather complicated idea though, as it includes new markets and new products. One crucial point is convincing some of the pig farmers to invest in new equipment for liquid feeding instead of solid feeding of the pigs.

16 Unicom & Indufa
Interview with Luciano Cisnero at Unicom.

The idea is to start a packaging magazine directed towards most service sectors dealing with market communication, packaging design, material handling, transportation, packaging base material production, packaging production, recycling, waste management etc. The idea is to distribute the magazine freely and to finance it by advertisements.

Unicom is a magazine editor with some 10 different magazines. They employ 50 persons plus consultants and have a yearly turnover of 2 million USD.

Luciano Cisnero has great expectations of the SBA with Indufa. Both parties have taken the alliance very seriously, and the agreement has been managed at the top level of the two companies. Even though the agreement has still not been signed, a market study has been realised. The cost of this study, 8 000 USD, has been paid by Sida (50%) and the corresponding companies (25% each).

The relations have developed in a very positive way, and the magazine is expected to be launched during 1996.

17 Recyco & HA Industri
No interviews with any of the counterparts.

The business idea is to recycle plastic bags from the banana plantations. The difficulty lies in finding a market for the recycled PE. There are interesting ideas about how to make use of the recycled PE, but the Swedish partner has not fulfiled its obligations.

No further advances in the project are expected.

18 Proagress, Florida Products & LAMEX
No interviews with any of the counterparts.

The idea is to "Export Tropical Fruit to Scandinavia". The contact between the parties was started in the beginning of 1996. LAMEX has ordered one container of pineapple rings from PROAGRESS and one container of bananapuré from FLORIDA PRODUCTS in order to test the quality of these products. If LAMEX is satisfied with the ordered products, it could result in an closer cooperation.

19 PMT & Björk & Magnusson
No interviews with any of the counterparts.

The project is entitled "Fish Export to Scandinavia". In 1996 Björk & Magnusson visited Costa Rica, and after returning to Sweden they ordered some samples. If Björk & Magnusson are satisfied with the ordered samples, it could result in a furthering of relations.

20 Special Reviews

In September 1994 Mr. Karl Bynke made a review of the Costa Rican Slaughterhouse and also held a seminar during the visit. Mr. Bynke made the review without remuneration. According to the intermediaries this review contributes to the development of the strategy of the programme.

One review of SBA options in El Salvador was made by the intermediaries. The outcome was positive, as it resulted in a cooperation between a Salvadorian and Swedish company in the field of maintenance software.

During February 1995 Mrs. Ingrid Flory held some seminars and also made a review of the Costa Rican packaging industry. Many of the interviewees have given very positive comments about the review and seminars. This study was financed separately, and therefore it is not included in the budget for the programme.

21 Other Resulting Activities

One business idea of glass recycling did not result in an SBA. Mr. Pablo Solis, representing the glass producer VICESA, was interviewed during this evaluation when he visited Svensk Glasåtervinning in Sweden. Even though the two companies did not enter into an alliance, there have been some other positive effects of the visit; VICESA learned about glass recycling and is now involved in recycling activities in Costa Rica.

A tunafish feasibility study has been undertaken. The study showed great opportunities for developing the Costa Rican tunafish industry. However, as no Swedish suitable industry was found, the idea was transferred to the Danish aid agency DANIDA.

6.3 Interviews with other persons

Carlos Campos,
Board member of National Chamber of Farmers and Agroindustry (Camara Nacional de Agricultores y Agroindustria) and Chamber of Pig Farmers (Camara de Porcicultores). (Interview not arranged by CEGESTI.)

Carlos Campos is well informed about the two of projects, Genetic Improvements in Pig Farming and Converting Slaughter Waste into Pig Feed, as some of the participating companies are also represented in the Chamber of Pig Farmers.

Comments from Carlos Campos:
- The concept of an SBA for international cooperation is good as it focuses on business. It does not foster a faulty behaviour in the Costa Rican company, which is often the case when it comes to financial support.
- One question that can be asked is how the Costa Rican companies were selected? This will be an economic advantage for the participating companies and make it difficult for others to compete. I asked my colleagues at the board of Chamber for Pig Farmers if I could participate in the Project for Genetic Improvement but they rejected my request. Why did they then lift up the issue to the board, presenting it as an activity of the Chamber?

Ronney Zamora,
Camara de Industrias de Costa Rica

Mr. Zamora thinks that the idea of an SBA is very good. It is necessary to change the attitudes among the Costa Rican companies as they generally are very conservative i.e. closely linked to the family and demonstrating a notable aversion to taking risks.

There is some collaboration taking place between the Chamber and CEGESTI. For example they are jointly issuing a monthly bulletin dealing with company developmental issues.

Comments from Mr Zamora:
- The visits from the Swedes have made a notable impact. For example, Ingrid Flory's review and seminars made a strong impression.
- CEGESTI has been a pioneer in the field of Strategic Business Alliances, opening the minds of many other institutions and companies. The project has adopted an integrated approach which is especially important in our culture. As we usually see different issues as being completely separate from each other, we have a tendency to hesitate when it comes to collaboration. The experiences from CEGESTI and Chalmers should be very useful for future activities in this field both in Costa Rica as well as in other countries. It would be of interest to form alliances between institutions as well.
- CEGESTI could have made more use of the services at the Chamber, as we had a lot of statistics and directories covering most of the companies in the country.

Juan Diego Pacheco and Alejandro de Sarraga,
Regional Director for Central America and Director for Strategic Planing at the International Co-operative Alliance. (Interview not arranged by CEGESTI.)

Mr. Pacheco and de Sarraga are generally well informed about developmental cooperation in Central America. They had some information about the pre-activities of the programme, mentioning Mr. Eduardo Alonso as one of the persons establishing the contacts between Swedecorp and CEGESTI at the time when Peter Bosco worked for SwedeCorp in the preparation of this project.

Pacheco and de Sarraga did not have any special comments about the concept of the programme, but they did bring up one problem, as they see it, of the Costa Rican economy: As a result of the opening of the markets, there are a lot of Mexican companies buying prosperous Costa Rican companies, and therefore, in this sense, the programme is promoting the sell-out of the Costa Rican industry. They insist that in addition to the activities of the programme, plans should be developed to keep the ownership of the companies inside the country.

Alfredo Calderon,
Costa Rican representative of the Bolivar Programme.

The Bolivar Programme is an initiative of the Government of Venezuela and the Interamerican Development Bank. By promoting alliances between Latin American companies they intend to develop the economy. The programme has even adopted the political position of attempting to unify Latin America by more economic collaboration within the continent.

The outcome of this programme so far is very limited. They have been working for two years, but there has not been any alliance formed as a result of the programme. Actually, they will abandon the parties after signing a Letter of Intent.

Milena Robert, CINDE
Rolf Rising and Per Hellström, Chalmers Indstriteknik
Daira Gómez, Roberto López and Javier Rodríguez, CEGESTI
As these persons have acted as intermediaries in the programme, most of their comments are implicitly included in this report.

Some short comment should be mentioned:
- *CEGESTI has been very careful in keeping the accounting in a very proper manner including a regular auditing, as they expected that someone from Sida would ask for them.*
- *The intermediaries have experienced the reorganisation of SwedeCorp and Sida to be rather disturbing, as there have been interruptions due to the fact that since its start,*

responsibility for the programme has been in the hands of three different persons at SwedeCorp/Sida.

7 Analysis

Before analysing the findings presented in the previous section and the formulation of the concept, it is good to repeat the objectives mentioned in the previous section. (See also appendix.)

Developmental objectives:
Develop the Costa Rican food industry conditions for international competitiveness in existing and new markets.

Immediate objectives:
1. Transfer of knowledge and technology through Strategic Business Alliances between Costa Rican and Swedish service companies.
2. Create new export opportunities through Strategic Business Alliances between the Costa Rican food industry and Swedish or European importers.
3. Stimulate the cooperation between the service companies and the food industry.

According to objective analysis, number 1 and 2 of the immediate objectives should be verified by a specified number of established SBAs and training programmes and also reported by the intermediaries. For immediate objective number 3, the verifiable indicator is *"Awareness of industrial competitive factors for long term survival"*. The target level is "Knowledge of the importance of improved quality, logistics and ecology during the first year", which should be verified by interviews with the companies by the intermediary.

This detailed formulation of the objectives and how to verify them differs somewhat between different documents. It is important to mention that the final report from the intermediaries is still not written as the project runs until August 1996.

It is possible to identify three different views of the SBA-programme presented in the different documents:

- The Terms of Reference for this evaluation focus very clearly on the SBA idea of the programme that the SBA should be sustainable for pure commercial reasons.
- According to the project plans, the way to verify the programme is to a large extent by the number of SBAs (without stressing the sustainability).
- There are immediate objectives presented that not are SBAs, and there are several activities decided and financed that are not directly oriented towards the formation of SBAs.

Because of these different views of the programme, the analysis must take into consideration all of them. The results may therefore be analysed according to the various perspectives.

7.1 Strategic Business Alliances - strictly speaking

To analyse the programme very strictly as a Strategic Business Alliance, it is appropriate to give a definition of what characterizes this form of cooperation between enterprises. The definition will be used in an attempt at evaluating to what extent the SBA projects in the report meet the general qualifications for strategic alliances. Empirical evaluations of SBAs reported in literature reveal some important factors and conditions that characterise successful alliances. In comparison with these more general factors and conditions, it has been possible to draw some formal conclusions about the projects.

What distinguishes a mere traditional cooperation between enterprises from a strategic alliance? Yoshino and Rangan (1995) present three criteria that qualify a cooperation as a strategic alliance:

- the participating enterprises striving towards a common goal must be independent when the cooperation starts
- the participating enterprises share benefits coming from the cooperation and control of the activities
- the participating enterprises contribute continually with strategically important inputs such as products, technology, training etc.

By entering into a strategic alliance, the enterprise expects to increase its added value in current activities as well as adopting strategic know-how by learning from the strategic business partner. If, however, an enterprise depends too much on know-how and skill of the other partner, the result may be reduced competitiveness and weaker strategic strength. Strategic alliances may thus result in conflicting situations for the participating enterprises. The degree of interaction between partners and the risk for conflict because of interdependence are thus two important dimensions that characterise alliances. Based on these dimensions, Yoshino and Rangan have identified four types of alliances: low risk for conflict and low degree of interaction, low risk for conflict and high degree of interaction, high risk for conflict and low degree of interaction, high risk for conflict and high degree of interaction.

The US-based consulting firm McKinsey has identified some important factors common to strategic business alliances:

- strategic business alliances are effective when edging into related business or new geographic markets
- strategic business alliances between strong and weak companies rarely work
- successful strategic business alliances are distinguished by their ability to evolve beyond initial expectations and objectives
- strategic business alliances with an even split of financial ownership are more likely to succeed than those in which one partner holds a majority interest. What matters is clear management control, not financial ownership.

Classification of the SBA Projects
Based on the SBA criteria suggested by Yoshino and Rangan, the cooperation projects reported here may be grouped into true strategic business alliances and others. The last group can be further expanded into traditional seller-buyer relations, projects that have never become active, and projects that were active for a period or about to become active but have been terminated. The 18 projects can thus be grouped accordingly:

True Strategic Business Alliance - active:	True Strategic Business Alliances - potential
Microtec & DiffChamb	Unicom & Indufa
ARCOM & Pac Design	
VET & Pronatura	

Traditional Seller - Buyer relation:
Proagress, Florida Prod & LAMEX
PMT & Björk & Magnusson

Projects terminated	Inactive projects:
Norditek	Remaining projects (8 projects)
Norditek & Food Tech	
Norditek & Q-transport	
Norditek & IJ Engineering	

This means that out of the 18 projects referred to as Strategic Business Alliances, not more than 3 (17%) can be regarded as active SBA projects, whereas 1 has the potential of becoming an active SBA project, 2 other projects do not qualify as SBA projects, 4 (22%) have been terminated, and 8 (44%) have not resulted in any particular activities. As the situations stands, 4 projects (22%) may ultimately result in successful SBA projects.

A model for analysis
In the analysis of the respective projects it will be assumed that the initial conditions of a SBA (before SBA) as well as the interaction between partners during the SBA are critical factors for success. This assumption has support from the characteristics and features presented above. By the initial conditions in this context, this refers to how well prepared and articulated the business environment was. The initial business environment is characterised by the following features:

- mutual articulation of business goals and objectives
- agreement about sharing of responsibilities, benefits and duties
- joint business/activity plan
- jointly agreed evaluation scheme

A well prepared business environment, i.e. jointly worked upon by both participating enterprises, is thus characterised by clear goals and objectives of the alliance, a realistic and mutually agreed business plan, well defined responsibilities and a jointly developed activity plan with pre-set check points and pre-defined references for achievement assessment.

Interaction between the parties is characterised by the following features:
- shared control of joint operations
- jointly organised strategic activities (e.g. training, product development, marketing)
- management commitment

A high degree of interaction between the participating enterprises is crucial, at least during the start-up of the alliance. In this first phase, different cultural traditions and value systems as well as different organisational structures and working routines must be understood and accepted (or altered) by the two parties. Failure to do so may otherwise jeopardise the alliance. The primary difference between traditional supplier-customer relations and strategic alliances is the inevitable exposure to different value systems. On the other hand, this is also the primary potential for successful business alliances between remote markets.

A possible method of assessing the reported projects is to find out to what extent the initial business environment has been prepared by the two parties and what degree of interaction there exists between the two once the alliance has become active. There are four possible situations: well prepared business environment and low degree of interaction, well prepared business environment and high degree of interaction, insufficiently prepared business environment and low degree of interaction, insufficiently prepared business environment and high degree of interaction. Potential alliances that are still in the start-up phase are considered to have a low degree of interaction as long as operational results have not been evaluated. Training in this context is a preparatory activity and should not be looked upon as an operational result.

<u>A well prepared business environment and a high degree of interaction</u>

Microtec & DiffChamb

The two companies seem to have a clear strategy about marketing and sales as well as what products to market. Both companies have made investments in training etc. which means they are both committed to explore any potentials that may result in increased sales.

VET & Pronatura

The business idea is quite clear and simple, and a good structure seems to have been developed for further export sales. There is close interaction between the participating enterprises.

ARCOM & Pac Design

The business idea is based on mutual benefits (training versus access to markets) and the companies seem to have clear goals and objectives. There is close interaction between the participating enterprises.

A well prepared business environment and a low degree of interaction

CINDE & Analycen:
SBA agreement drafted. Interaction stopped as the Costa Rican partner discontinued cooperation.
Scan Farmek & 4 C.R. partners
SBA agreement drafted. Scarce management commitment on the Costa Rican side.
Unicom & Indufa
High management attention and a serious project. Investment in market research. As the project is still in its planning phase there is no interaction during operations.

Insufficiently prepared business environment and a low degree of interaction

Recyco & H A Industry
Lack of attention and committment from the Swedish partner.
Sylvan & LJ Plast
As one partner has withdrawn there is no further interaction.
Dos Pinos & BioGaia
No agreement between parties and different views on pricing. After 1993 no interaction.
ICE & BECO
No agreement between parties.
Norditek
Long-term business goals seem to be missing as well as joint business ideas and plans. Present interaction is at a low level.
Norditek & FoodTech
Lack of organisational competence on the Costa Rican side. Lack of confidence. Interaction terminated.
Norditek & Q-Transport
Lack of organizational competence initially. Lack of confidence. Interaction terminated.
Norditek & IJ Engineering
Lack of organizational competence and different business attitudes. Interaction terminated.
DIGINET & UBI
The Costa Rican enterprise withdrew.
El Arreo & West Feed
Organisational changes have resulted in discontinuation (temporarily?) in the interaction between the parties.

Insufficiently prepared business environment and a high degree of interaction

No projects fall into this category.

Conclusions as pure SBAs

From the attempt above at classifying the projects according to initial business conditions and to the degree of cooperation between the participating enterprises, the following conclusions can be drawn:

A well articulated business plan, jointly developed and agreed by the two parties, is a necessary foundation for a working SBA. A continuous interaction on a regular working basis (not only for strategic discussions) is furthermore vital to ensure continuity. Both of these conditions are necessary (but not necessarily sufficient!) for a successful business alliance.

7.2 Number of SBA agreements

As mentioned this programme is still not finalised, so the number of SBA agreements signed during the programme will not be known until August 1996.

Trying to compare the number of signed SBA agreements to the established target implicates some difficulties:

- The number of SBAs expected is not very clear, as it is not clarified to whether the different targets set in different documents are additional to the previously established target or if they are included. For example the target set for 1995 is five SBA agreements. (See appendix 3.) Is this additional to the previous seven or has the target level been reduced?
- Some of the signed SBAs are not active although the agreement is signed.
- As the programme is still in operation, there is a possibility that more SBA agreements will be signed.

As of May 1996 there are 6 signed SBA agreements:	and 3 under negotiation:
Microtec & DiffChamb	Scan Farmec& 4 CR partners
VET & Pronatura	El Arreo & West Feed
Norditek & FoodTech	Unicom & Indufa
Norditek & Q-transport	
Norditek & IJ Engineering	
ARCOM & Pac Design	

The number of active alliances expected at the end of the programme are four, (or possibly five):

Microtec & DiffChamb
VET & Pronatura
ARCOM & Pac Design
Unicom & Indufa
and maybe Scan Farmec& 4 CR partners

Conclusions regarding the number of SBAs

The difficulties in defining if an SBA is established or not reveal some of the shortcomings of these kind of targets. Instead of setting the target to "Number of signed SBA agreements", it would be more accurate to set the target to "Number of Active or Functioning SBAs", although this would leave some possibilities for different judgements.

The conclusion, however, is that four SBAs have been established. This should be compared with five, seven or 12 SBAs expected, depending on how the targets of the different project plans are interpreted. The programme has thus not reached the target as per number of SBAs

7.3 Objectives, targets and activities not primarily oriented towards the establishment of SBAs

The immediate objective number 3, "Stimulate the cooperation between the service companies and the food industry", is not directly oriented to the establishment of SBAs. The target for this objective is not quantifiable: "Knowledge of the importance of improved quality, logistics and ecology during the first year", which should be verified by interviews with the companies made by the intermediary.

Additional to this objective, there have been several activities of the same character that were originally planned as well as decided during the progress of the programme. Some of these activities have recieved financial support from Sida, additional to the financing of the programme.

- The so-called FoodNet to stimulate interaction between the food industry and the service sector in Costa Rica.
- The Production Quality Support programme with CEGESTI and ALENPA.
- Seminars held by CEGESTI and a bulletin "Perspectivas" in order do disseminate information end experiences of the programme.
- Special seminars on packaging by Pac Design and Mrs. Ingrid Flory and a review of the Costa Rican packaging industry.
- A review of the Costa Rican Slaughterhouses made by Mr. Karl Bynke.

Although these activities have not directly supported the establishing of SBAs, many interviewees claim that these activities have been very positive.

Conclusions of actions not primarily oriented towards the establishment of SBAs

As it is not possible to measure the result of these activities, the conclusion must be based on judgments from the findings among gathered information.

Almost all indicators show that the programme results have been very positive regarding to these activities. Most interviewees confirm that they have learned and experienced a higher conciousness concerning issues mentioned as obejctives and targets: company-company cooperation, quality, logistics, packaging etc.

7.4 Conclusions concerning the observed results from the programme

Cost-efficiency

Total cost for the project is 6 MSEK (May 1996). Eighteen SBA projects have been initiated with an average cost of 300 000 SEK per project. Of the 18 projects, 4 projects can be claimed to have meet the expectations. <u>One</u> way of assessing the result of the programme is therefore to consider the 6 MSEK invested in these 4 successful projects. The average cost per project is 1.5 MSEK. This means a 20% investment yield. Whether this yield is satisfactory or not is primarily a political issue. It is appropriate to question: with what should the result be compared?

Assesing the cost-efficiency of the programme is a rather delicate issue, as all activities of this kind. The question can be separated into whether the activities are the most effective ones and if the actions are efficiently realised.

The concept of SBA should be compared with other concept of industrial development. This comparison can not be done within this evealuation. But, as the concept of SBA is orienteed very directly towards the companies, supporting them to develop their business, the concept should be considered as appropirate if the company is suffiently developed to enter into an alliance.

If the activities initiated by the intermediaries are the most effective ones and if they are efficiently realised is very difficult to judge. It seem as the intermediaries have not managed the case of Norditek in the most appropriate way. But there are no other indicators showing that the activities have not been the right ones and that they have not been efficiently managed. On the other hand, the results from the actions of the intermediaries are not very impressive considering the time spent on the programme.

The economic support to the companies for the travels to Sweden and Costa Rica respectively, have most probably been necessary.

Discussion concerning the results

Judging from the number of stricly Strategic Alliances and the number of SBA agreements, the results are rather poor. This number has consequently not reached the established target.

Some factors that seem to be determining for the outcome of the alliance:

- SBAs with low complexity are more successful than advanced concepts with many changes of parameters such as market, product, technology and the way of organising the alliance.
- The managerial level of both the Costa Rican and the Swedish company. A well developed management in the companies involved makes the alliance more successful.

One case that especially needs to be mentioned is Norditek. More than likely, the concept was too complicated as the consortium was by four Costa Rican companies without experience of company-company collaboration. Apparently the intermediaries promoted the consortium, although the partners did not go together. It would probably have been better to have not even established Norditek, but rather to establish a separate SBA between the Costa Rican and the Swedish companies.

There are no reports showing the results of overall objectives. Thus, it is not possible to quantitatively evaluate the overall objective based on the information available. There are some positive effects that correspond to the development objective and intervention logic that are easy to identify but possibly difficult to quantify. (See table on page 7.)

A notable effect of the alliances and other activities related to the programme are the new experiences that most of the interviewees stress. These experiences have resulted in new knowledge, changed attitudes and spin-offs that have become of importance for their business. Some examples:

- As a result of the tender from Q-transport for the investment at Atlas, ELVATRON was asked by Atlas to become the local partner for the Mexican company. This result is directly related to the SBA between Q-transport and Norditek which has led to new business opportunities for ELVATRON.
- Through the contacts and visits at Swedish Glass Recycling (Svensk Glasåtervinning), VICESA gathered lots of ideas and experiences that have resulted in new activities in the area of recycling. VICESA will participate within a new programme for recycling and waste management managed by CEGESTI.
- ARCOM has succeeded in making use of the alliance with Pac Design. They have also experienced an increased interest for the services they offer.
- The study made by Ingrid Flory about the Costa Rican Packaging Industry and the seminars held by Pac Design have made many companies aware of the importance of the package for selling and recycling. This has been verified by numerous comments from company leaders.
- The representatives from Norditek stress very clearly that their minds have been opened to this concept of alliances and subcontracting. Norditek has become more oriented towards collaborating with other companies, even though they have not entered into any major projects.

Another positive effect is the complementary relations between different activities. There are three fields where complementary effects can be noted:

- The two projects "Converting Slaughter Waste into Pig Feed" and "Genetic Improvement in Pig Farming" are highly complementary and involve to some extent the same companies.
- In the area of packaging and recycling and waste management, the following projects are complementary: The Review of Costa Rican Packaging Industry, the SBA between ARCOM and Pac Design, the seminars held by Pac Design, the packaging magazine and the intent to form an SBA in the field of glass recycling.
- The Production Quality Support project between CEGESTI and ALENTA is complementary to many of the other activities, but it is not as closely linked as the two examples previously mentioned. As mentioned, this project is formally not a part of the SBA programme, but has actually been managed as such.

An important principle of the concept of Strategic Business Alliances is the way to approach the beneficiary. Companies are used to basing their relations on business and not on subsidies and "artificial" support. In international aid as well as when promoting industrial development in Sweden, it is quite common that financial support for investment or training is offered without relating it closely to the core of the company - namely the business. The idea of SBA is to foster the development of the company starting from a business, which means that you enter the organisation the right way. By using this approach it is more likely that the learning that results from the activities relates to the right context and is therefore more applicable and relevant.

There have been six training programmes designed and approved for the six signed SBA agreements. In the cases of the three successful SBAs, the training programmes are reported to have been highly utilised. The training programme for the companies in Norditek on the other hand has not been realised.
Thus, there ought to be some reimbursement of the money that was paid to the Swedish companies. This will, in turn, reduce the costs of the programme by approximately 100 000 SEK.

In spite of the relatively poor result of the programme, there are many interviewees that claim it has been successful. Is this because of very low expectations from the beginning? Or is this more a sign of loyalty with SIDA and other organisations been involved as long as projects (and funding) continue? Summarising the comments from the two intermediaries and the interviewed company representatives, the dominating opinion is that the project has been successful and the SBA idea has been very good. The intermediaries do of course have interest in showing good results. Nevertheless they have also pointed out some of the weak points mentioned.

Within some two or three year from now, it would be of interest to make an evaluation of the impact as formulated in the overall objectives. Measuring the impact within two or three years would include all the changes, positive as well as negative, within the companies, not only those resulting from the SBA. On the other hand, measuring the impact of the programme only on the basis of the "number of SBA agreements" is something that is not of major interest, as it does not accurately reflect the development of the company. What is interesting though is the "international competitiveness" of the Costa Rican food industry which should be studied case-by-case. Therefore, to evaluate this kind of programme it is suggested to make a study of the alliances as strictly SBAs and combine this with a study more related to the overall objective of the programme. Within two or three year, economic results from the SBA can be expected and it is therefore possibly to asses the commercial sustainability of the alliance and to what extend the firms have increased there competitiveness on the international market.

Many of the Costa Rican companies have interpreted the aim of the programme as providing support to Swedish companies. It must clearly be stated that the SBA is a means for developing the competitiveness of the Costa Rican companies and not a goal in itself. So if a Costa Rican company finds, and can show, that it has been good for them even if it has not led to an SBA with a Swedish company, it still corresponds to the overall objective of the programme.

SBAs in developing countries - a comment

The change in management ideologies that we witness today is a process that takes place globally. Within this change process, a variety of concepts have emerged such as World Class Manufacturing, Total Quality Management, Business Re-engineering, Shamrocks, Virtual Organisations, Strategic Business Alliances, Value Chains etc. None of these concepts are entirely new in content but should rather be seen as articulated attempts to meet new challenges in the world economy.

These new ideologies, or organisational paradigms, have emerged within the industrialised countries in the West without specific attention to business and organisational problems and issues in industrialising countries. Applicability, relevance and usefulness of these new paradigms in many of these countries can therefore not be taken for granted.

This process of managerial change happens at the same time as many industrialising countries undergo their "normal" industrialisation process. This is characterised, *inter alia*, by increased added value production, adopting new forms of work organisations, transformation from the production of primary products to manufactured goods etc. While the new management concepts in general are based on a relatively uniform management competence level in the West, the competence levels of managers in the industrialising countries vary considerably, not only between countries but also within countries. If the new business principles fill a gap in the West, and thus are attractive to managers in the West, it is more difficult to tell which of the many gaps in developing countries are filled with the new management paradigms.

Strategic Business Alliances have emerged within these new management paradigms as a model for closer cooperation between enterprises. The concept assumes that the two parties are more or less on equal levels when it comes to basic management skills and organisational efficiency. In focus of the strategic issue are products, markets, technology etc. where the SBA partners expect to complement each other.

As can be seen from this study, a hampering factor in many of the reported projects is the difference in organisational efficiency and capability among managers in the Swedish and Costa Rican enterprises respectively. To be more successful (more than 20%), the SBA programmes would probably benefit from more initial support to managers in business planning and marketing/sales training. Such training would be useful also for the Swedish counterparts. It is therefore recommended that each new SBA starts with a joint training session for the two parties under supervision of an experienced management consultant.

7.5 The intermediaries

No clear indicators have shown that the failure to meet the stipulated objectives depends on the undertaking by the intermediaries. But, most probably the formation of Norditek have been forced too hard by the intermediaries, se page 35.

The Swedish intermediaries have displayed great ability in coming up with good business ideas. With their wide net of contacts, they have been able to find relevant Swedish counterparts to the Costa Rican companies.

CEGESTI has been very active. The comments from the company representatives are very positive and they have had a good reputation among different institutions in Costa Rica.

One weak spot in the work of CEGESTI is the documentation. Reports from CEGESTI are very activity-oriented. Most often they are written as tables that are updated regularly. There is a lack of a descriptive title, date and introduction explaining the content of the report. Therfore the reports do not have as good of a value as they could have.

Some of the interviewees have questioned if CEGESTI has the sufficient net of contacts to get the most appropriate support and information. Even if this net is sufficient or not, the comments should not be given much attention, as the results of CEGESTI's undertaking have been considered satisfactory. CEGESTI is a rather young organisation and does not therefore have the same number of contacts as organisations with more years in operation. CEGESTI seems to compensate for the few years of operation with professionalism, high ambition and seriousness.

Both intermediaries have gained a lot of experiences out of the programme, experiences that should be used in future activities. Therefore it is recommended that Sida invites the intermediaries to present their practical experiences of managing an SBA programme so that the experiences could be of use in future programmes of the same kind. The intermediaries should now be well skilled to manage this kind of programme, more so than they were when the programme started. This means that there ought to be ways to run the programme more efficiently.

To manage this kind of programme without Swedish intermediaries might signify lower costs for the programme but also higher internal costs for Sida. Approximatly 3 MSEK (50%) of the money has been spent by the Swedish intermediaries. Perhaps using a person employed by Sida would be less expensive, although it is difficult to find persons with the right competence and a well-developed contact net. The option of implementing the programme without a Costa Rican intermediary is considered impossible. It is not realistic to manage the contacts with an analysis of Costa Rican companies without being continuously present in Costa Rica.

7.6 Comparison with other SBA initiatives in Costa Rica

Comparing this SBA-programme with the results from , for example, the previously mentioned Bolívar Programme, the results are indeed very favourable. The Bolívar Programme does not show any concrete results in form of SBAs whatsoever. The target for their involvement in forming SBAs is a number of Letters of Intent. The comparison is thus rather inequitable and not so valuable, as the Bolívar Programme is run with very limited resources and has as well a political goal to unify the Latin American world.

8 Final conclusions and lessons to be learned

- The programme "Strategic Business Alliances in Costa Rica" has not reached the target level in terms of active SBAs as stipulated in the project plans.
- There are a number of activities and results not directly oriented towards the establishment of alliances. To some extent these activities have been planned, and in some cases they have been decided during the evolution of the programme. The effects of these activities seem to be rather positive.
- The concept of Strategic Business Alliances as a tool for development should be considered rather appropriate. As this programme is characterised as a pioneer programme, the shortcomings to meet the objectives should be possible to handle with the new experiences. In turn the expected number of SBAs may possibly be reduced. (Some recommendations for changing the approach are given.)
- SBAs with low complexity seem to be more successful than advanced concepts with many changes of parameters such as market, product, technology and the way of organising the alliance. The ability of the management in both the Swedish and the Costa Rican Companies to foresee possibilities and hindrances within the alliance, seem to have been an important precondition for a successful development of the aliance.
- The average cost for the four successful SBAs is 1.5 MSEK.
- A study of the long-term impact of the programme should be undertaken within approximately two or three years in order to relate the results better to the overall objective of the programme.

Lessons to be learned

There are some uncertainties in Sida's programme plans referring to the following: number of SBAs expected from the programme, lack of clarity of either a pure focus on SBAs, or the question of if other objectives and activities should be included in the plans and the evaluation. It is thereby recommended that the concept should be broadened.

It is not wrong to very strictly measure the number of active alliances; on the contrary it is necessary. As this would be too narrow a model for understanding industrial development, it is useful to include complementary activities that indirectly support the business of the companies in the industrialising country. These kind of objectives are stated in the plans for the programme. As showed in this evaluation, these kind of activities do contribute to the development of the industry even though they might not lead to strategic alliances.

When trying to establish SBAs the concept should not be too complicated. This is especially important when the companies have a low managerial level. It is also important not to force the companies into relations they consider inappropriate. It must be kept clear that the interest of the involved parties in an alliance is, and should be, the driving force of collaboration.

Referring the practical managing of the programme it should be considered to invest more time (and money) by letting the expected parties of an alliance to develop there business idea and method of implementation more thoroughly, before entering into an agreement. By giving the parties more time to meet they would even have the possibility to know each other better before establishing an SBA. By doing this more money would be spent before signing the SBA agreement but hopefully the shortcomings in each alliance will appear faster and less money will be spent on unsuccessful SBA:s. This alteration of the approach could be accompanied by more initial support to managers in business planing and marketing/sales training.

The sponsor of the programme should be able to learn from the practical experiences of the intermediaries. Therefore it is proposed to invite the consultants to gather and present their experiences of managing the SBA-programme. As the intermediaries have new knowledge and experience of managing the programme, this would enable them to run the same programme again even more efficiently.

Interviewees

Sweden

Jan Annwall, BioGaia Biologics
Lars Björkholm, Q-Transport
Jonas Carlander, West Feed
Per Hellström, Hellström Konsult AB
Ingemar Johansson, I J Ingenjörsbyrå
Kjell-Erik Johansson, FoodTech
Jan-Olof Lundin, DiffChamb
Rolf Rising, Chalmers Industriteknik
Billy Strid, Scan FARMEK
Christina Wedekull, Sida

Costa Rica

Alfredo Calderon, Bolívar Programme
Carlos Campos, National Chamber of Farmers and Agroindustry
Luciano Cisneros, UNICOM
José Luis Fernández, Grupo Zaragoza
Eduardo García, ARCOM
Dirk Haase, ELVATRON
José Gené, Microtec
Daira Gómez, CEGESTI
Roberto López, CEGESTI
Juan Diego Pacheco, International Co-operative Alliance
Milena Robert, CINDE
Javier Rodríguez, CEGESTI
Bernardo Rojas, APROCAM/VET
Alejandro de Sarraga, International Co-operative Alliance
Pablo Solís, VICESA
Arturo Ulloa, ARCOM
Alvaro Valverde, CINDE
Gerardo Villalobos, TERMOMECANICA
Ronney Zamora, Costa Rican Chamber of Industry

Reference

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Rolf Rising: Strategic Business Alliances in Costa Rica: Project Phase II, running 1994-95, 93-11-30

Rolf Rising: Strategic Business Alliances in Costa Rica: Preliminary Results during 1993-1996, 1996-04-24

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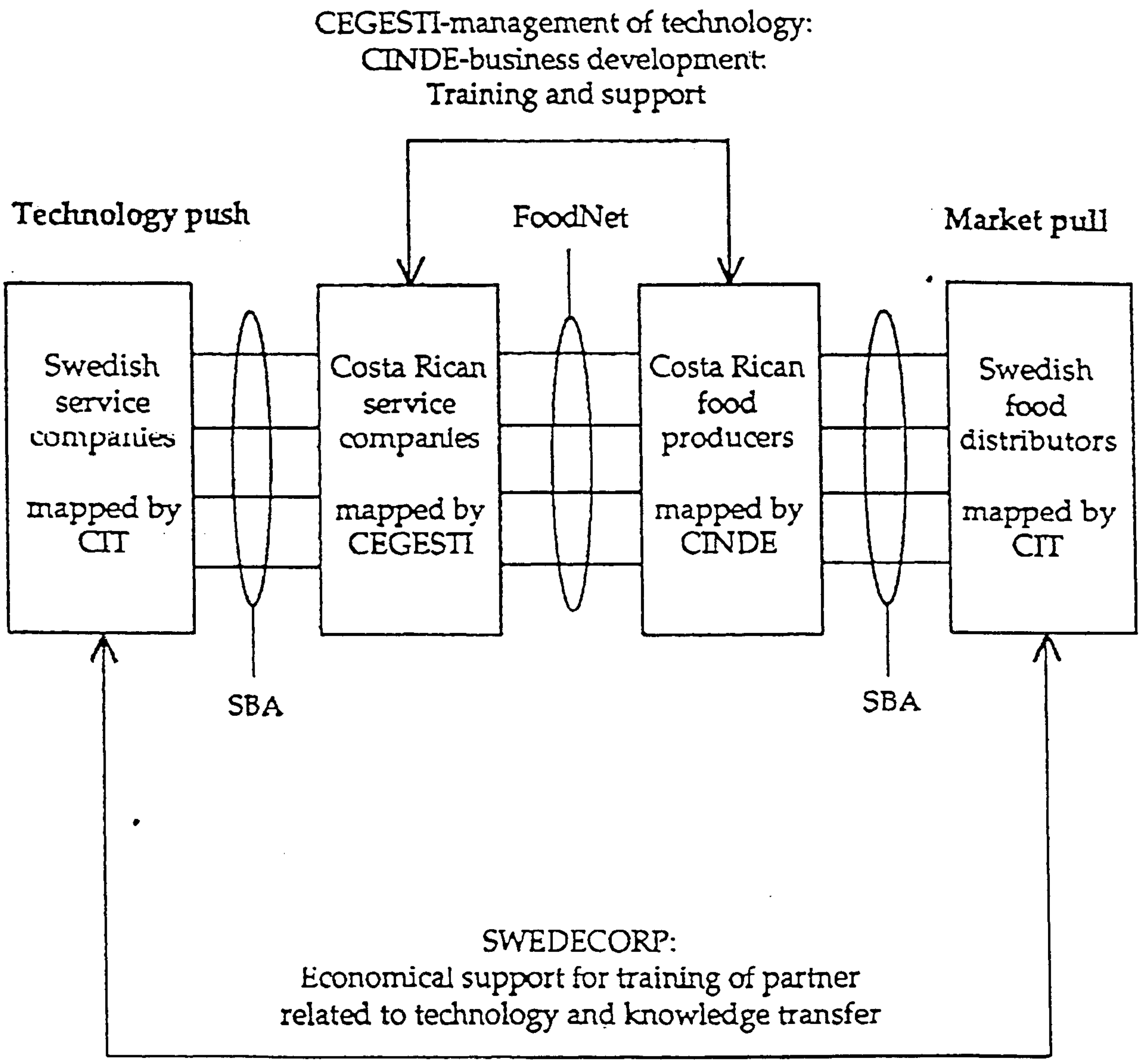
CEGESTI: Costa Rica's SBA Project 1993-1995, Summerized report of the SBA-programme (no real name, no date), approx. April 1996

Yoshino, M.Y., Rangan,U.S.: Strategic Business Alliances: an entrepreneurial approach to globalization. Harvard Business School Press, 1995

Project Review



OBJECTIVE ANALYSIS FOR 1994

PROJECT: STRATEGIC BUSINESS ALLIANCES, PHASE II - COSTA RICA

	Verifiable indicators	Target level	Means of verification
Development Objective			
1. Develope the Costarican food industry conditions for international competitiveness on existing and new markets.	1.1 Access to new technology and service in the food industry	1.1 Notable change after the first year and experienced improvement after the second year.	1.1 Register experienced deficiencies before and after the first project year, by interviewing food industry spokesmen and executives in bigger CR companies (CEGESTI).
	1.2 Export opportunities	1.2 Notable increase in export opportunities after the first year and notable improved sales after the second year.	1.2 Register new export opportunities and noted sales after each year (CINDE)
Immediate objectives	**Verifiable indicators**	**Target level**	**Means of verification**
1. Transfer of knowledge and technology through Strategic Business Alliances between Costa Rican and Swedish service companies.	1.1 Collaboration opportunities	1.1 Three letter of intent (service sector)	1.1 To be recorded and presented on December 1,1994 (CIT/CEGESTI)
	1.2 Established SBA	1.2 Two signed SBA (service sector)	1.2 To be recorded and presented on December 1, 1994 (CIT)
	1.3 Training started	1.3 One training program (service sector)	1.3 To be recorded and presented on December 1, 1994 (CIT)
2. Create new export opportunities through Strategic Business Alliances between Costa Rican food industry and Swedish or European importers.	2.1 Collaboration opportunities	2.1 Two letter of intent (food industry)	2.1 To be recorded and presented on December 1, 1994 (CIT/CINDE)
	2.2 Established SBA	2.2 One signed SBA (food industry)	2.2 To be recorded and presented on December 1, 1994 (CIT)
	2.3 Training started	2.3 One training program (food industry)	2.3 To be recorded and presented on December 1, 1994 (CIT)
3. Stimulate the cooperation between the service companies and the food industry.	3.1 Awareness of industrial competitive factors for long term survival.	3.1 Knowledge of the importance of improved quality, logistic and ecology during the first year.	3.1 Verified by interwievs with the companies (CEGESTI)

Activities		Target level	Responsible
1. Develop business ideas related to needs and opportunities in Costa Rica and Sweden		1. 10 business ideas	1. CIT, CEGESTI
2. Identify suitable companies in Costa Rica and Sweden		2.1 10 swedish 2.2 20 costarican	2.1 CIT (Sweden) 2.2 CEGESTI och CINDE (Costa Rica)
3. Prepare and match companies		3. 10 sets	3.1 CIT, CEGESTI, CINDE
4. Project meetings		4.1 4 in Costa Rica 4.2 1 in Sweden	4.1 CEGESTI 4.2 CIT
5. Company visits		5.1 3 groups to Costa Rica 5.2 1 group and 4 individual missions to Sweden	5.1 CIT/CEGESTI 5.2 CEGESTI/CIT
6. Seminars in quality, logistic and ecology		6.1 2 seminars in Costa Rica	6.1 CEGESTI
7. Advisory service to CR companies		7. 7,5 days/costarican company	7. CEGESTI
8. Monitor established SBAs		8. At least once per quarter the progress shall be discussed with the companies	8. CEGESTI in Costa Rica and CIT in Sweden
9. Costa Rican Open Preparatory Workshop on Strategic Alliances		9. 2 workshops	9. CEGESTI

OBJECTIVE ANALYSIS FOR 1994

PROJECT: STRATEGIC BUSINESS ALLIANCES, CONTINUATION PHASE 1 - COSTA RICA

	Verifiable indicators	Target level	Means of verification
Development Objective			
1. Improve the competitiveness in the technology based industry in Costa Rican	1.1 Access to new technology and methods. 1.2 Sales and investments in Costa Rica	1.1 Notable change after the first year and experienced improvement after the second year. 1.2 Notable increase during 1994.	1.1 Based upon information from involved companies the situation shall be commented on and recorded by CEGESTI. 1.2 To be recorded and presented when the SBA starts and on December 1, 1994 (CEGESTI)
Immediate objective	**Verifiable indicators**	**Taget level**	**Means of verification**
1. Transfer of knowledge and technology through Strategic Business Alliances between Costa Rican and Swedish companies	1.1 Established SBA	1.1 One additional signed SBA	1.1 To be recorded and presented on December 1, 1994 (CEGESTI)
Activities		**Target level**	**Responsibility**
1. Monitor and support already established relations growing into SBAs.		1.1 7,5 days/costarican company 1.2 1 individual mission to Costa Rica and 1 to Sweden.	1.1 CEGESTI 1.2 CEGESTI in Costa Rica and CIT in Sweden
2. Monitor SBAs established in Phase I and during 1994.		2.1 At least once per quarter the progesss shall be discussed with the companies.	2.1 CEGESTI in Costa Rica and CIT in Sweden
3. Dissemination of results from Phase I.		3.1 Results shall be published through relevant channels in Sweden and Costa Rica	3.1 CEGESTI in Costa Rica and CIT and SwedeCorp in Sweden.
4. When needed assess new proposals and relations			4.1 CEGESTI in Costa Rica and CIT in Sweden

Appendix 3

Datum: 1995-01-10

PROJECT PROFILE DRAFT (DRAFT)

Business alliances between Swedish and Costa Rican companies, Phase 2

Target group: *Costa Rican food industries and related service industries* *Intermediaries: CEGESTI/CINDE - Chalmers Ind.Teknik, CIT* *Attending to the matter: Agneta Danielsson*

Type of project: Affärsutveckling *Project period: *)* *Project no: 131 003-6*

Break-down of Goals	Intervention logic	Indicators of achievement	Sources of verification	Important assumptions
Overall objective	The food industry in Costa Rica improves its production in terms of economic and environmental efficiency.	1. Increase in domestic sales TL: Y2 15%, Y3 20%. 2. Increase in export sales. TL: Y2 15%, Y3 15%. 3. N:o of food industries introcing environmentally friendly products or processes. TL: Y2 > 10,Y3 > 10	Annual reports from intermediaries. Profit and loss account from participating firms.	
Project purpose	Transfer of knowledge and technology through Strategic Business Alliances.	Signed SBA agreement. Target: 5 agreements.	Final report from intermediaries.	The legal framework in Costa Rica and Sweden facilitates technology sales.
Results	Increased knowledge of commercial opportunities and conditions for competition in the international food industry.	Development of business ideas. Target: 10 business ideas.	Final report from intermediaries.	Firm representatitives have a mandate to take decisions regarding the strategy of their firms.
Activities	1. Identification of suitable firms in Sweden and Costa Rica. 2. Study visits. 3. Seminars and workshops. 4. Consultancy services to existing SBA agreements.	See Workplan.	See Workplan.	The identified firms can assign a staff member for the project.

Inputs:
Consultancy (CIT and CEGESTI).

Cost-sharing Swedish and Costa Rican companies.
2.3 MSEK (1/1 1995 - 31/12 1995).

*) Project period: 1/1 1995 - 31/12 1995
(Total agreement period: 1994 and 1995)

Preconditions:
Participating firms agree to cost-sharing with SwedeCorp.

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TERMS OF REFERENCE FOR THE EVALUATION OF SIDA´S PROGRAM FOR BUSINESS ALLIANCES

1.BACKGROUND

General Background

The Swedish aid agency SwedeCorp (since July 1995 merged with other agencies to form Sida) started 1992 programmes with the main objective of creating business alliances between Swedish companies and companies in developing countries, more specifically in Chile, Costa Rica, and India. The programmes would identify potential partners in bilateral alliances, and support the companies in their effort to cooperate. The alliances would both contribute to the fulfillment of the Swedish development goals through the transfer of knowledge to the productive sector of the countries in question, and be of mutual commercial interest to the two firms of each alliance.

A basic idea is, thus, that the alliances formed eventually will be sustainable for pure commercial reasons. When stimulating to the formation of alliances the consultants have to appraise the companies´ potential for reaching such a "self-sustained" state. Another point of departure when trying to match companies is that they would have difficulties in forming this type of venture by themselves, for lack of experience or for other reasons. The target group is therefore small and medium sized enterprises (SMEs).

SwedeCorp/Sida has financed the Swedish consultants who have been engaged in the search of potential partners for alliances. In the Costarican case, SwedeCorp/Sida has aso financed a selected national consultant. In addition, there there has been an allocation for training in connection with the formation of alliances to be carried out by the Swedish part of the partnership. Reference is made to the enclosed information on alliances (in Swedish).

The three programmes are briefly described below.

The Programme in Chile

The Chilean organisation for the promotion enterprises, CORFO, and SwedeCorp started in 1992 the project for business alliances within the wood-processing industry. The objective is to stimulate business alliances between Swedish and Chilean companies within the sector. A Swedish expert has been stationed Chile working together with the direct counterpart, CORFO, and the Chilean industries involved. She has colleagues working in Sweden together with representatives of the Swedish wood-processing industry.

Approximately SEK 7 million have been invested by Sida as of January 1996. This amount includes both the cost of consultancy services and subsidies to training(Conditional credits). Seven companies have so far applied for this support to training after having formed alliances. Another 5-7 projects are under way.

The Sida-financed part of the programme will end in June 1996 but an extension is being negotiated. This will possibly include the creation of alliances between Chilean and EU-based wood-processing industries, presumably with EU-financing.

More information on the programme can be found in the evaluation-report from June 1995.

The Programme in Costa Rica

The programme started in 1993. So far, around SEK 6 million has been allocated, latest by a contribution of little more than SEK 1 million in connection with the extension of the programme until September 1996.

Approximately 40 per cent of the budget is allocated to the Costarican counterpart, Center for Management Technology and Industrial Informatics - CEGESTI. In 1990 CEGESTI emerged as a result of a cooperation between UNDP/UNIDO and the Costarican government. In 1993 CEGESTI became an independent foundation, and is now working on commercial basis. The general philisophy is to support local companies to achieve transfer of knowledge through profitable business alliances.

The Swedish coordinator is the Chalmers Industri Teknik. The task of the two parties is to encourage companies in the two countries to form alliances according to the overall objective. Three alliances were formed in 1994 and one in 1995. In addition, three letters of intent have been signed.

The prioritised sectors are: food processing, waste-management and recycling, packaging and distribution.

A number of training seminars have been carried out in Costa Rica as part of the programme. Representatives of the Costarican industry have also made study tours to Sweden, and vice versa.

The Programme in India

Two parallel programmes are carried out in India: one in Karnataka, Bangalore; the other in Maharashtra, Pune :

Karnataka

The preliminary steps of the programme were taken in 1993. This initial phase was followed by the operational phase which started in January 1994 with a total budget of SEK 3 650 000: 2 033 000 for consultancy services and 1 400 000 for training. All activities so far have been devoted to the search for possible partners in future alliances. As of 31 January 1996 SEK 1 940 000 had been spent of the amount allocated to the consutancy services, i.e. almost the entire amount, while no part of the training allocation had been spent. No alliance has, however, yet been formed.

Maharashtra

The programme was initiated by an identification mission carried out in late 1993, but it was not until April 1995 when the operational activities started. The programme was allocated SEK 650 000 for consultancy services, of which SEK 382 000 have been disbursed as of January 1996. In addition, SEK 350 000 have up to now been allocated to training activities connected with one of the alliances. (No fixed amount is allocated for training: the decisions regarding the training component are made when the need arises).

Three alliances were formed in February 1996.

2. THE EVALUATION

Sida invites qualified consultants to tender for the evaluations of the three programmes. An evaluation of the Chilean programme was concluded in June 1995 which will be updated as part of this more comprehensive evaluation. No travels to Chile, will, however, be needed.

Scope of Work

Based on the study of material available at Sida, meetings with the major stakeholders in Sweden and in Costa Rica/India - i.e. with companies, consultants, private and public agencies involved, other major donors in the field - the evaluation shall:

a. Describe and make a general assessment of the relevance, impact, and cost-effectiveness of the programme(-s). This includes an analysis of the extent to which the programme objectives have been met, the programme´s contribution to the overall development objectives of Sweden and the developing countries in question, the efficiency of the programme implementation including a discussion on the costs incurred for attaining the objectives and the likely long-term effects of the programmes.

   More specifically this includes an analysis of the the alliances formed, an appraisal of their viability and commercial potential, the cost of forming the alliances in relation to the benefits incurred, analysis of possible failures.
   It also includes the training component in the alliances, partly financed through a conditional credit from Sida.

b. Analyse the possible reasons for high/low goal attainment.

c. Analyse the possible side-effects of the programme (e.g. the effects on the competitors of the companies involved).

d. Briefly discuss alternative ways of accomplishing the objectives of the programmes.

e. Describe the lessons to be learned from the exercise including recommendations on possible ways to to continue the cooperation (or alternatively, appropriate ways to phase out the cooperation).

f. Make an overall assessment of the efficiency of the formation of business alliances as a tool for development and for the internationalisation of Swedish companies.

g. Briefly desrcibe what other major donors are doing in the same field in the countries in question.

h. The evaluation report shall further form the base for a separate resumé of the projects in the country(-ies) in question. The objective is to make the resumé part of a planned publication on business alliances which Sida plans to produce. It will be presented at an international conference on small and medium-sized enterprises which will take place in Stockholm in June 1996 (the ICSB Conference).

The consultant is free to suggest the organisation of the evaluation, its design, methodology, and scope. Sida has envisaged that around four man-weeks for both the two Indian programmes, and for the Costa Rican and Chilean programmes together, would suffice for the carrying out of the evaluation. Around half of the time would be spent in the recipient country (no time in Chile). An extra man-week is envisaged for the elaboration and presentation of the case studies under the heading *h.* above. As stated above, this scope is an indication and not a binding restraint when formulating the proposal.

3.TIME PLAN AND REPORTING

The proposal including a description of concept/methodology, budget and CV´s must be submitted to Sida for registration not later than 9 April 1996 and be valid until 30 April. The project must start not later than two weeks, and present a final draft report to Sida, not later than five weeks after the signing of the contract. The final report must be finalised within one month after receiving Sida´s comments on the draft report.

The report shall be written in English.

4.OTHER

Spanish speaking expertise is necessary for the evaluation of the Costa Rican and Chilean programmes.

The consultant can tender for the Indian programme, or the Costa Rican and Chilean programmes, or all three programmes. Sida can choose to select two different consultants for the evaluation: one for the Indian programme and another for the two programmes in Latin America. Sida will negotiate the contract with the most cost-effective consultant(-s).

Additional information can be supplied by:

Carl Gustaf Svensson (Chile and general questions)	tel 08-698 5039
Christina Wedekull (Costa Rica)	tel 08-698 5027
Eva Berger Smitt (India)	tel 08-698 5042

All can be reached on fax 08-249290

Enclosures:

1. Information "Främjande av företagsallianser"
2. Tillämpningsföreskrifter "Utbildningsstöd i samband med alliansprojekt 1994-02-01"

Sida Evaluations - 1995/96

95/1 Educaçåo Ambiental em Moçambique. Kajsa Pehrsson
Department for Democracy and Social Development

95/2 Agitators, Incubators, Advisers - What Roles for the EPUs? Joel Samoff
Department for Research Cooperation

95/3 Swedish African Museum Programme (SAMP). Leo Kenny, Beata Kasale
Department for Democracy and Social Development

95/4 Evaluation of the Establishing of the Bank of Namibia 1990-1995. Jon A. Solheim, Peter Winai
Department for Democracy and Social Development

96/1 The Beira-Gothenburg Twinning Programme. Arne Heileman, Lennart Peck
The report is also available in Portuguese
Department for Democracy and Social Development

96/2 Debt Management. (Kenya) Kari Nars
Department for Democracy and Social Development

96/3 Telecommunications - A Swedish Contribution to Development. Lars Rylander, Ulf Rundin et al
Department for Infrastructure and Economic Cooperation

96/4 Biotechnology Project: Applied Biocatalysis. Karl Schügerl
Department for Research Cooperation

96/5 Democratic Development and Human Rights in Ethiopia. Christian Åhlund
Department for East and West Africa

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