

**“BUSINESS EXTENSION” PROGRAM: UNION OF EFFORTS FOR THE
MAINTENANCE OF SMALL BUSINESSES**

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Abstract: The pressure for different and innovative products, allied with an environment that gets more complex and dynamic each day, places businesses, especially the small ones, in a position where they need more and more assistance and support from universities and government for maintenance, development and the growth of their activities. Thus, with the goal of emphasizing the relationship between universities, businesses and government, characteristic to the aforementioned situation, the present work aims to present the Business Extension Program, of the government of the State of RS, as an instrument of cooperation, a characteristic of Etzkowitz’s enterprising-university stage, as well as its ‘*Triple Helix*’ model. By analyzing the Business Extension management case, of the central region of RS, using Etzkowitz’s perspective, through the documental analysis and direct observation, both of which are qualitative research, the conclusion reached was that the referred program fits in the referred author’s model. Not only it is an important agent of integration between the referred agents, it is

also an important instrument of assistance and support for small businesses of RS. The evolution of the concept of university, actually seen as the ‘enterprising university’, is also realized, since the studied program is managed and sustained by a university of the region.

Keywords: Interaction, small businesses, management, university, government.

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Introduction

In these last years, the growth of competition leaded businesses to seek out more and more support from universities. The pressure to have innovative and different high quality products and services, geared towards a strict public, turned new businesses to an organism much more complex, dynamic and dependent of knowledge and management. In order for a business to be competitive and reside in the market, with good results, it needs much more than just the determination and creativity of its owner: it needs professional management, a quality that sometimes the business owner does not have. He knows how to work, but he needs the capacity to manage it. Thus, it is the main objective of the Business Extension Program: to be an instrument in the creation of competition among the businesses of the state. According to Ferraz *et al* (1997, p. 3), who presupposed that the competition is “the ability the business has to formulate and introduce competitive strategies, that allows it to reach and keep, a supportable condition on the market”, the Program is obtaining good results among the state’s businesses.

The Business Extension Program that will be dealt with through the next pages, stands as more than a simple inductor of competitiveness. It is part of a tripod, called by Etzkowitz (1995) the ‘*Triple Helix*,’ where the universities, the businesses and the government actuate together in a mutual influence. This article aims to make a description and an analysis of the Business Extension Program, using Etzkowitz’s perspective, on the Business Extension Management of the central region of RS, in the Federal University of Santa Maria (UFSM).

1. The relationship of university, business and government

Universities and businesses are two kinds of institutions with differenced goals and functions, and therefore have been kept distant from each other during the last decades. The alliances between these two institutions are difficult for many reasons, among them, according to Mazzali and Silva (2003) exist three elements: a) the cultural differences between the

involved entities; b) the nature of their objectives or products aimed for the relationship and c) their vision of effectiveness.

First, on cultural differences are pointed out the differences on planning horizons, being the businesses vision of short term; also the professional reference group, which, identifies the public that values the researchers, constitutes an important measure of the strength that guides the interests of the involved. Referring to the objectives or product's nature, it is observed that the majority of businesses are searching concrete applications joining the relation to acquire innovative products, contrary to the university, that aims to contribute for the knowledge. When the subject is the effectiveness, the measures used for the universities is the number of registered patents, the number of publications and trained students; however many times it is not interest of the businesses.

When the government joins the relation, it is also realized a difference of roles, that generate conflicts. To the government, according to Souza and Nascimento (2003), the main reason to join the cooperation is the social and economic viability of the regions and nations, in the new economic paradigm, which many times leads the businesses to not be involved with the subject, for it is not their role.

Oftentimes the distance between universities and businesses was evident, especially in the beginning of 20th century, as noted by Kaplan and Johnson (1996). Commenting about the development of the theory of administration and accountancy in the beginning of that period, the authors stated that the majority of works on the managing accounting area, since 1920, came from academics, and not from businesses, as it was before. Little excellent ideas, when applied in the businesses area wouldn't generate the expected results. Thus, in the beginning the technologies and tools of administration and accountancy came from the practice in the businesses ground, only passing to theory later, as did Taylor in his classic work *Principles of Scientific Management*, of 1911, whose theory later originated the modern theory of administration. Therefore those tools were well adapted for the enterprise use, they were made to measure. When the knowledge began to come from the academy, it gives start to the discrepancies, causing the two sides, business and university, to be seen of separated manner, since the administrators lost the contact with the production *in loco*.

Kaplan and Johnson (1996, p.12), commenting the discrepancies between theory and practice, place:

... the academic literature has concentrated in more sophisticated and elegant approaches for the analysis of costs, for businesses of only one product and one process, while the real organizations were trying to

work with old systems, in environments less related with the simplified model adopted by the researchers, because of its analytical and pedagogical convenience.

Perhaps, one of the possible reasons for the distance between organizational theory and practice lays on the separation between speculative thought, the philosophy, the theoretical thought, and the practical thought of natural sciences and of the technological revolutions which occurred when they were united, in the modern age, as exposed by Whiteland (1985). Thus,

(...) the greater validity of the speculative fly lays in its contribution for the establishment of a practice for proven ends, and in the fact the speculative system stands as the understanding of this same technique. This way, there is the progress from the thought to the practice, and the regret from the practice to the same thought. That interaction between thought and practice is the supreme authority. It is the test through which the charlatanism is restrained. (Whitehead, 1985, p.39).

The distance between theory and practice stills persist in present days, as affirmed by Ford *et al.*(1992). To the authors, the researchers are very worried because many of their researches have not practical applications. On the other hand, many of the executives are searching for knowledge that will help them in their organizational performance, but not among the university works. While the executives have a pragmatic vision, of short term, the researchers have a more theoretical vision, of long term, lacking interest for the real vision.

Notwithstanding, in these last years the reality is changing. The importance of science and technology for the world development is growing each day. In this context, the cooperation between university-business becomes an important arrangement, for the researches bring closer the laboratories of universities and businesses (MENDES E SBRAGLIA, 2002). Thus, the subject of the university-business relationship is becoming more frequent as much in Brazil as in the whole world, because the university has full conditions to answer the enterprises necessities of knowledge, of innovation, of research and of development.

1.1 The university and the development

The university is among the oldest social institutions of the world which preserves its original mission: to cultivate and share the intelligence and to generate knowledge. According

to Velho (1996), the relative stability of its original mission through the centuries is compared only to that of Catholic Church.

However, the profound social, economic and cultural changes that marked - and still marking - all human activities in this beginning of 21st century, did not spare this so old institution. Since the Industrial Revolution in the 19th century, and especially in the years that followed the World War II, knowledge and science started to be seen as a key factor of economic development.

This change in the nature of scientific activity deeply altered the relations between university (and superior education) and society, in this beginning of 21st century. Again, according to Velho (1999), the university should not only transmit culture and generate knowledge, but it should be integrated to the new emergent society. In this optic, Velho (1999, p.48, apud Etzkowits) states that:

In the new model of society, locked up by capitalism, the university needs to be involved with the economic growing, becoming an economic development agent, gathering technological value to the knowledge it manages.

The last decade's technological innovations also conceived a new profile of labor, where the qualification and specialization became essential requirements in the market. For this reason, university becomes - for it gathers a group of intellectuals and scientists necessary to the specialized vocational training mission - an appropriated place to serve professional profiles required for the new productive structure.

The most strategically competitive advantage of a contemporary economy is the intellectual capability of its work force, in other words, its social intelligence. It is the advantage that ensures the strength of a valued insertion of the nation in the international division of the work market.

There will be an increasing of the business's competitiveness when it uses the university not only as a simple supplier of qualified laborers. When the interaction with the university is intensified, the business has a privileged link to the technologies and sciences; it has access to excellent technical support, to the university dependencies and to governmental resources; it increases the business image and prestige; it increases its relations with the community (a practice which is becoming popular) and uses available economical resources. A good relationship with the universities is essential, especially for those businesses that work with

high technologies.

But the business is not the only benefited in the process. The university grows when interacting with the productive sector, especially in resources, providing a better formation to the students (which have more contact with the real environment), as well as the increasing of its credibility and the student’s access to the market. That interaction stands as a two way road: the business grows, and the university grows too.

1.2 The Etzkovitz’s university model: the enterprising university

Because of the globalization and the competitiveness, the businesses of the entire world suffered a great pressure to develop innovative products with high technologies. According to Levitt (1990), the innovation is vital to any business. Porter (1999) stated that the differentiation is obtained with innovative, different and creative products.

The businesses realized that the university is an important source for the development of innovative products and services. It would be very expensive to keep a P&D department. Thus the businesses sought an interaction with the universities, which were qualified to deal properly with that question.

The university, which was seen just as a source of laborers (the teaching role), which the only concern was the basic research (the research role), have now a need to take the control of the economic development, bringing the research activity into economic activity (WOLFENBUTTEL, 2001), assuming the third role, the extension role. Thus, Etzkovitz (2004), states that the university has suffered changes across the time, which changes are called ‘Academic Revolutions’.

According to Etzkovitz (2004), the first academic revolution took place in the end of 19th century and the middle of 20th century, when the university started to institutionalize and legitimize the research, instead of just sharing and keeping the knowledge. From that point, second the Humboldt’s model, the university starts to integrate teaching and research, being part of a greater state’s project.

When the scientific research became more complex and capitalized, turning into commercial products, the second academic revolution happened in the middle of 20th century. The necessities of industry and agriculture stimulated that process, while the distinction between basic academic research and market gradually disappeared. However, according to Velho (1999), the Brazilian universities still keep a cultural barrier.

Technology’s transference offices were created. As well as enterprise’s incubators, specialized assessorships, joint investments and other modalities, that turned the university into

a new form. The basic research is not forgotten, nor the education, but it is pressured to act for the society's development because the economic development, through products and techniques to increase the harvests and the industrial productivity. Developing new products, machines, and tools to help processes lower costs and increase the efficiency.

2. Interaction mechanisms

It is necessary to exist an infrastructure to sustain the businesses and the enterprising spirit, for the first years of a business are critical to its survival, as pointed by Sebrae studies (2004), which shows that 49.4% of businesses end their activities during their first two years (study referred to businesses registered in the year 2002).

The small businesses when starting and even those already established need special care, attention and support. They need someone to guide them, so that they are able to face the competitive and aggressive market.

The new and small businesses are essential to a country's economy for they bring innovation and vitality (EUROPEAN COMITEE 2000). Such businesses bring new products and services to the market, many of them developed and created by the business owner's imagination. They also offer job opportunities for those which would not be able to find job in greater businesses because of their high exigencies.

Thus, in its starting stage, such businesses need adequate conditions to prosper (EUROPEAN COMITEE, 2000). It is also common they search external guidance and assistance. The business owner knows his product/service, but he knows not how to administer them appropriately. That is the reason to exist a structure and environment, and also a professional management culture, to stimulate the development and the growth of the new and small businesses. Here enters the Businesses Extension Program.

Allied with the university's knowledge and support structure, the governmental initiative creates a proper system and environment that stimulates the growth, development of small business, and, a support system that is able to give the business owners the know-how necessary to a high performance business. That system is the Business Extension Program.

Using the taxonomy of the interaction between business-university established by Bonaccorsi and Piccaluga (apud Lima and Teixeira, 2001), which uses as category criteria the commitment of resources and the formal agreements. It is possible to realize the importance of the program to that interaction. The Business Extension Program, seen as an interaction mechanism between university and business, stands in an intermediary scale of the relation, assuming the D degree, in the category of formal agreements with specific goals, in a scale from

A to F, according to the authors. This because it involves a partnership with the government and the university, established by a contract, where the first makes the financial resources available and the second makes available the human resources.

In the Business Extension Program the agreement is established between the program managers and the businesses owners, through the fulfilling of an enrollment form as it will be dealt later, providing a formal contract that will last for a determined period of time and with the commitment of resources from each of the involved parts. Thus, the business extension program assumes the characteristic of an interaction mechanism.

Moreover, when the government is inserted in the university-business model, it is turned into the Etzkovitz’s *‘Triple Helix’* model. Such model has the purpose of integrating science, technology and economic development, contrasting to the traditional model where the knowledge flow from the basic research to the innovation. Rather, the new model brings the knowledge from the business to the academy, when the academy researches the business, increasing the basic research performance. (WOLFFEMBÜTEL, 2001).

3. The Business Extension Project

The government of the state of RS, through the SEDAI (International Subjects and Development Department) has instituted an important program to the maintenance and development of small businesses, called the Business Extension Program. The program is maintained by state’s financial resources. It is developed in many affiliated universities through the state, which supplies with laborers, teachers and students who serve as advisors and trainers to many business owners.

The Business Extension Program is a system developed to resolve technical, management and technological problems, especially for the small and medium businesses of the state of RS. The SEDAI, through the technical cooperation with universities from different regions of the state, provides technical support to those businesses, promoting modernization, and rationalization, lower of costs, optimization of products and processes and the qualification of human resources. Moreover, it provides a systematic and permanent follow up to the businesses. (SEDAI, 2004; SEDAI, 2004a; SEDAI, 2004b).

Thus, the program’s main objective is to provide to the businesses owners of RS, the access and the knowledge to modern administrative management processes, to increase the quality and the growth of productivity.

Moreover, the program has the following goals:

1. To increase the productivity and the system’s competence in the productive chain;

2. To make the state's economy sectors more competitive both to the internal market as to the external market;
3. To reduce the businesses mortality rate;
4. To introduce technical management and technological improvements to the businesses;
5. To elevate the levels of jobs and incomes.

The program's methodology is to provide support essentially to small businesses. The program has helped 15 thousand businesses between 1999 and 2002, being 82.2% very small businesses; 12.6% small businesses and just 1.2% medium businesses. This occurs because, according to Sebrae, 49.9% of businesses die with up to 2 years of existence; 56.4% die with up to 3 years of existence, and 59.9% die with up to 4 years of existence. That information proves that the greater mortality rates occur in the first years of life, when the business is struggling to consolidate in the market.

Still according to SEBRAE (2004), the south region of Brazil has the greater mortality rate of businesses with up to 2 and 3 years of existence, 60.1% of the cases.

Thus, the government intervene to reduce the mortality rates and to strengthen new small businesses. As affirms Levitt (1990), in a market where competition and quality exigencies are growing, such businesses need support to keep sufficiently competitive and up to date that they may properly act in the market.

Among the references that marked the business extension program beginning are the Home Technopole (SEDAI, 2004b), from Porto Alegre's Technopole project and the Rafaela's city hall of Santa Fe's Province in Argentina. The Home Technopole objective was the business-university interaction, through Technological Extensionists action. The original program partners were Porto Alegre's City Hall, RS Government, SEBRAE and CUT. Rafaela's city in Argentina, have great success with its extension program to the local businesses.

3.1 Acting Methodology

Currently, Business Extension Program is designed to small and medium businesses of industry, commerce and services. To get more operational, the program will implement a Business Extension Management in each one of the 24 RS state's regions, thus involving all regions since metropolitan to interior regions.

The partnership with entities of different state's regions is the fundamental engine of the process. Thus:

Program will become operational through accordance with each

region’s universities. They have constitutional function to exercise extension. Also they are seen as the more enabled institutions to transfer technology to businesses (SEDAI, 2004, p.05).

That a University be chosen to participate in the program it is evaluated by its technical, potential and structural capacities, as well as the community’s acknowledge of its services given. It is also evaluated its interactions with local productive sectors. In the RS state’s central region, an accord was made with UFSM (Santa Maria’s Federal University), because of its high capacity staff, its tradition in interacting with productive sector and its experience actuating in the program, what occurs since year 2000.

After choosing a university in each one of state’s regions it is formed an extension team, which is constituted by a Manager (usually a university teacher), Extensionists (university teachers with business and advisory experience, and technically qualified to act with local businesses) and Trainees, which are economy, administration and engineering undergraduate and graduate students.

3.2 Acting Stages in Businesses

The working methodology’s general structure will be systematically and generic focused, that the business extensionists may understand the various program stages. There are a couple of logical sequences with 5 different stages, which are:

1. Capitation Stage
2. First Visit Stage
3. Diagnosis Stage
4. Implementation Stage
5. Evaluating Stage

Seven businesses functional areas have to be considered by the program team: a) organizational administration (strategy and structure); b) people’s management; c) finances and costs; d) marketing and selling; e) product and manufacture; f) service development and execution, and g) commercial process. Such demands take care of all business areas aiming to attend all its necessities.

Capitation stage begins when the program is presented, and efforts are made that the business owner gets involved with. Usually the presentation is a talk given by the Business Extension Manager, with support of city business entities, such as commercial associations. Interested businesses formally join the program after fulfilling an enrollment form.

First visit stage involves an interview with business owner, *in loco*. This stage is always developed by the program's teacher. It is important for it makes possible to find necessary information to create an adequate feedback and propose management solutions. A good intermeshing and true information exchange between teacher and business owner is essential. Such contact is a remarkable example of university-business interaction and it strengthens both of the entities. Following a check-list with questions about the many business areas, the teacher interviewer will have a complete and deep diagnosis of that business situation.

The next stage is diagnosis stage. The researcher agent (teacher) will need caution, sensitivity and talent to create an open environment to obtain true information. Another important phase of diagnosis process is direct observation which involves direct following up the business extensionists to the principal business productive processes. It makes possible to compare the business owner speech and the real business situation, avoiding distortions. After diagnosis it is elaborated the diagnosis report, based on check-list information. This report is delivered to the business owner before implementing the program making possible he knows all of the conscious problems, thus helping to improve implementations.

Implementation stage consists of introducing solutions for all businesses demands. The diagnosis report casts all areas that extensionists have to work with. All teachers involved in the program discuss adequate improvements and solutions for each business, exchanging knowledge on different organizational areas. The program also offers courses to business owners to level up their knowledge before improvements are implemented. It is important to point out there are three business acting levels from the check-list: 1) awareness: low concept, where awareness trainings will be applied, 5S's and visual management; b) execution: medium concept, where technological qualification for manufacture comprehension, strategic planning and electronic costs sheets will be applied; and 3) consolidation: high concept, where a manufacture's system consolidation, processes standardization, production management, quality warranty etc. will be applied.

Last stage is evaluating stage. There are two kinds of evaluation: the business owner evaluates Business Extension Program by a score system evaluation, a) business extensionists; b) diagnosis stage; c) implementation stage, and d) satisfaction with the program. Also, the Business Extension Management is evaluated by program's coordination, emphasizing methodology adequacy, in other words, whether program management is working according to adopted methodology and work forms.

4. Methodology

This work is a study of a case that was carried out with the Business Extension Program Managers of the central region of the state of RS. The research took place during the month of September 2004. The Business Extension Program and its influence to the interaction between university-business were analyzed using the Etzkovitz's '*Triple Helix*' model and his enterprise-university vision.

Yin (2001) classifies the study of a case used in this work as an empiricist questioning to investigate a contemporary phenomenon inside its real life context, when the limits between phenomenon and context are not clearly evident and multiple evidence sources are used. Thus, it is a great contribution to the understanding of individual, organizational and social phenomena.

Since the study of case sought an adequate and profound analysis of a phenomenon, a qualitative research was opted. Minayo et al. (2001) affirm that this approach answers to very particular questions, considering a reality level that can not be quantified. Thus, the qualitative research works with meanings, motivations, aspirations, beliefs, values and attitudes corresponding to a deeper space of the relations and the processes.

According to Godoy (1995) the qualitative research presents the following basic characteristics: a) it has the natural environment as the origin of information and the researcher as fundamental instrument; b) it is descriptive; c) its basic concern is the meaning the people give to things and life; d) it uses an inductive approach to investigate its information and e) it has interest for the process and not only the effects and the product.

To make possible the research were investigated documents such as 'The Business Extension Program Manual' and the 'Businesses Performance Methodology Manual', both serving to collect secondary information. After this stage, the primary information were collected by direct observing the organizational environment, with the advantage that the first author is a trainee of the program and the second one is its manager, thus bringing the Program's real vision and its daily functioning.

By an intensive analysis of the chosen variables the study of case offers a deep analysis of a specific situation. But the conclusions reached should not be extended and generalized to all cases or other organizational realities. However, considering each organization characteristics, it is possible to use the observations resulted of this study to beneficiate other similar organizations.

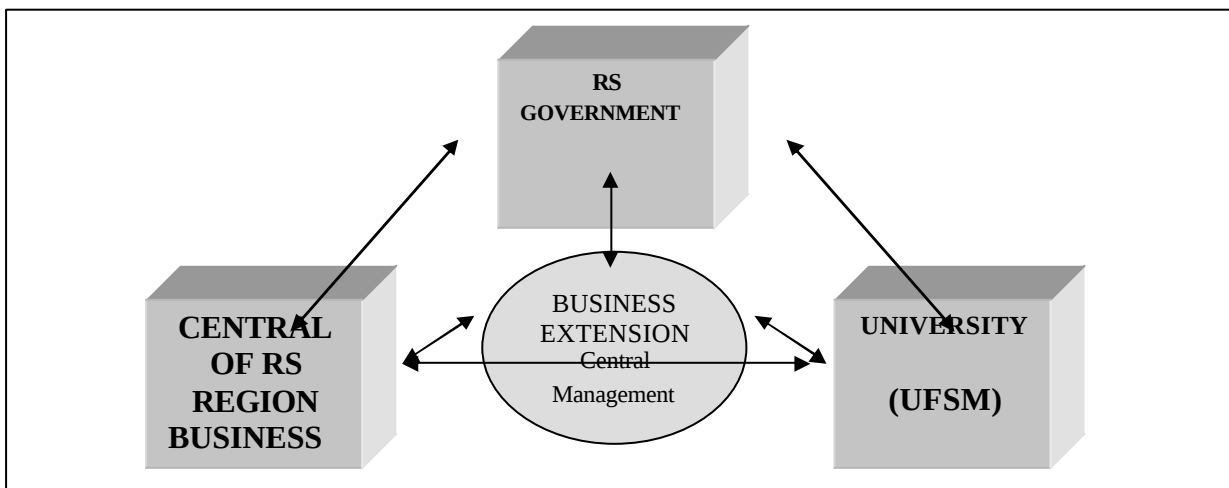
5. Business Extension Program, Enterprise-University and “Triple Helix”

Using Etzkovitz’s perspective to analyze the Business Extension Management of RS’s central region, it was realized that the program has an important role to the interaction between the three agents pointed out by the author, government, university and businesses. Moreover, considering that Etzkovitz sees university as an important agent of economic development, it is drawn the conceptual project described henceforth, as it appears in the figure 1.

In Etzkovitz’s model (1995), as mentioned before, there is an interaction between 3 agents: government, businesses and universities. When university takes this task to itself, it stands as an important agent for economic development. Etzkovitz’s relationship model abandons linear vision which was adopted until 50’s decade, and composes a spiral model, or business-university interaction, standing as a systemic relation between involved parts. To the author the interaction mechanisms have an important role in this process.

As seen on figure 1, Business Extension Program is in the center of the interaction process, when RS state’s government, region businesses and UFSM agents are observed. There is an exchange among all members, not linear, because the knowledge flows not only from university to business, but it returns to university when is applied and observed in business reality, thus having influence over academic researches.

Figure 1: University-Business-Government interaction and Business Extension Program.



Source: Adapted from Etzkowitz (1995).

Government acts influencing university, providing financial resources and program’s know-how that it works. Information and knowledge exchange is constant, through meetings with government technicians and extension managers; documents exchange; information through web and personal contacts. Government interacts with businesses returning as assistance and advisement, through university, the money received as taxes; businesses contribute with job opportunities and income to state; they also become more competitive and

strong.

Businesses interact with government paying more taxes, generating more incomes and development; and with university, receiving advisement from its teachers and students, and serving as a practical laboratory where they acquire knowledge of business reality and enlarge their knowledge.

University, an important link in the process, interact with state’s government receiving financial resources and technical support for the program; it has relations with businesses through advisors and direct contact between teachers, students and business owners.

Finally, in the process center stands the Business Extension Program’s Central Management. As seen on figure 1, adapted from Etzkovitz’s model, Program’s Central Management is the link of all different involved agents. It links government and businesses, joining teachers and student’s technical knowledge (in this case, UFSM teachers and students), transferring this knowledge to businesses, through business advisement, receiving information to enlarge the knowledge of all involved in business life.

As inducts a major contact between universities and business agents, especially between teachers and business owners/managers, which were restrained to their own particular universes, the Business Extension Program Central Region’s Management affirms itself as an inductor to university-business, for without it, that interaction would be highly restrict.

Using Etzkovitz’s enterprise-university vision it is realized that UFSM is adopting an attitude of concern with local economic development. Through the study of case of its Business Extension Management, sustained by its staff teachers and its undergraduate and graduate students, it is observed a commitment and involvement, which starts with basic research in its laboratories and pure knowledge transmission, to its appliance in favor of community, improving economic conditions of its region.

6. Final Considerations

The relationship between universities and businesses is becoming stricter, because businesses need the high quality and technologic products and innovations developed by education and research institutions, and universities are seeking to extend their relations to the productive sector, searching new financial sources and a way to provide the students a better contact with the enterprise environment, and also turn their researches into something useful and applicable to businesses and society. (FRACASSO, 1993; CUNHA 1998; MELO, 2002).

However, Etzkovitz (1995) goes further, proposing an interaction model which includes government which gets more involved with the economic development of businesses.

Analyzing the role played by the interaction agents in this process and the university's new role in the global and competitive environment – the so called 'enterprise-university' – an effort was made to present the state's central region's Business Extension Program Management as a study of case, explaining how the program works, what is its methodology and how it is an inductor for the interaction between university business and government. Also it is described the program's importance to the development and growth of the region's small businesses.

It was verified that the Business Extension Program is an important inductor to the interaction between university business and government, standing as a center piece in that process, for it congregates the involved agent's efforts linking them to become a tripod where the agents have influence and relations with each other. Through the involved members (teachers, students and managers) the program transfers knowledge from the academy to productive sector, and receives knowledge from this sector, which knowledge is applied to new researches, publications and classes.

Finally, it was observed that Etzkovitz's enterprise university model is a reality in this case, for UFSM participates to the local economic development, not only with laborers, but as an agent, which transfers technology and knowledge to region's businesses. Moreover, the university maintains a businesses technological incubator (BRUTTI, 2002), and many other mechanisms that denote its concern, yet it is recent, with the enterprising subject and alternatives to community development.

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