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IMPROVING THE ENVIRONMENTAL AND ECONOMIC PERFORMANCE OF PLAYERS IN MARKETS: AN EGYPTIAN FABLE

Evidence from research across a number of developing countries suggests that where small firms exist in clusters, positive interaction does emerge over time. As part of this co-existence many of these firms grow at a higher rate than those working in isolation do. The theory is that by working together, firms benefit from the joint learning experience, which leads many of them to successfully access national and international markets. It is apparent that many of the examples cited have emerged largely by chance (Schmitz, 1997). However recent research suggests that governments can intervene to the benefit of small firms. Success, in such circumstances, is based on a collectivist approach to problem solution and a concerted effort (on behalf of the interventionist) to direct assistance into the supply chain, as opposed to the more widely accepted package of measures available to individual firms. This is important as traditional economic solutions are not concerned with the fact that small firms have neither the means nor experience (or sometimes the will) to recognise the problems that their activities may and do have on the environment.

It would appear that whilst many developing nations governments introduced direct and indirect assistance policies targeted at the small firm, most did not recognise that small firms do not simply start, expand, consolidate and then expand again. Small firms start up (some die and are resurrected) they expand, contract, consolidate, expand, consolidate are taken over or take over other firms. Their owners compete and co-operate with other small firms (Best, 1990; Bennett & Robson, 1998). One possible answer is that governments failed to understand that open and dynamic systems include groups of interrelated elements and relationships (Emery and Trist, 1965). Elements are the components of the system, and relationships are those things that tie the elements of the system. The behaviour of the system is affected by the condition of its components, and the system components are affected by environmental conditions.

In this paper, the author reflects on his experiences (1999) within the Governate of Damietta, the historical home of the furniture industry in Egypt. He then goes on to demonstrate the mechanism for ensuring that the growing concerns associated with the dual pursuit of economic and ecological efficiencies are brought sensitively to bear in this market.

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Introduction

It is generally recognised that the *free market* school of economic thought became the dominant force in the USA and UK economies after the Second World War (Friedman, 1979). Markets were largely freed from government interference, entrepreneurs were encouraged to seize new opportunities through self-employment and business leaders in small and medium sized firms exploited profitable niches created by the opening of, previously highly regulated markets to expand, and in time, to become major players on the global stage. Business and science parks would form and develop into the successful industrial clusters of the 20th century. Within numerous western governments, the role of the policy maker was effectively consigned to establishing the legal framework of property rights; to set the economic agenda that actively encouraged and enabled enterprises to start-up, grow, develop and become world leaders in their chosen fields. And, finally, with his work complete, the policy maker retreated into the background and let the market determine the future of the competing enterprises. This approach was foisted upon governments in many developing nations as they grappled with the need to redesign existing economic models in an effort to improve industrial performance in their own country. Egypt was drawn into this play and by the mid 1990s had its fair share of industrial and science parks, incubators and free ports.

Recent evidence however suggests that this approach has actually failed to answer major contemporary policy issues such as economic reform in affluent but dysfunctional economies, the transformation of the failed socialist command economies and the governance problems of the new industrial economies (Hodgson, 1998; Hollingsworth & Boyer, 1998). The alternative argument runs that rule systems matter greatly in explaining industrial problems and that institutional innovation is central to finding sustainable solutions. However, little attention has been focused on how environmental, as well as economic goals can be met through such an approach. This paper focuses on marketing and the environment, the logical basis of institutions and why institutions matter, the relationship between and among institutions, players behaviour and economic performance. The authors argue that players can co-operate and compete at the same time in order to be more effective in the marketplace by embracing an institutional relationship perspective.

In this paper the author will show, with the support of a live (and on-going) case study, how this collectivist approach (Humphrey and Schmitz, 1996) to problem solving has started to impact positively on existing tensions created through a dual pursuit of sustainable economic and environmental efficiencies in an Egyptian producer industry; one where we can see a city as cluster but which exhibits very few of the benefits associated with industrial clusters.

What Do We Mean By Markets?

The terms industrial policy and strategy, competitiveness, competitive advantage, deindustrialisation and industrial organisation appear in any number of economics texts and their meaning is often taken as read. It is acknowledged that different writers have developed their own definitions (or interpretations) for these terms. In recognition of this the authors will provide definitions that will inform the rest of the paper.

Industrial policy and strategy appear frequently to mean different things to different writers. Any government policy, which affects industry, could arguably be referred to as industrial policy. Here the definition refers to government policy grounded in the theory of industrial organisation and specifically intended to direct industry towards a predefined objective. As a subset of industrial policy, competition policy is concerned exclusively with the degree of competition in industries. Industrial strategy is taken to be the existence (or otherwise) of a well thought out and consistent set of industrial policies aiming at the realisation of a long-term objective, concerning industry. Deindustrialisation, is defined as an erosion in the manufacturing base of a country (e.g. employment or output) which is over and above the degree of erosion that one could predict on the basis of a maturing process of an economy. The very idea of industrial policies and strategies presupposes the existence of an actor (the government) which is presumed to be the agent responsible for such strategies. We can define an interventionist government (thus interventionist industrial policies) as one that takes an active role in the economy, which namely goes beyond the simple definition and delineation of property rights. An interventional government can be reactive if it simply reacts to 'market failures' an active or developmental government is one that is characterized by a focus in shaping the market environment within which firms operate, even in the absence of 'market failures'.

How Does Your Market Grow?

Whilst it has been argued that interventionist governments have a poor track record (their pre-occupation with creating large firms and picking winners), the free market approach heralded in by Reagan, Thatcher et al and transferred into developing country government thinking is in no better shape (Hutton, 1996). As the free market dictate grapples with contemporary policy problems such as economic reform in wealthy but heterogeneous economies, the transformation of eastern bloc systems and the governance problems of so-called, new industrial economies it is equally left wanting. Part of the problem for the interventionist has been their underlying dependence on mainstream economic thinking, which leaves little or no room for environmental considerations.

The industrial organisation theory (focusing on the private vs. state debate and the relative advantages / disadvantages of large size on economic performance) has shaped much government thinking towards industry since 1945. We are informed that this theory is based on the ideal of perfectly competitive markets, characterised by large numbers of companies producing homogenous goods, and due to the free access to the market, this invariably will lead to the efficient allocation of resources (Hodgson, 1998). As such, there is no need for intervention by government other than at the property rights level.

However, an opportunity for market failure does exist in the form of a concentration of power (e.g. oligopolies) which could lead to the setting of price above marginal costs of production and a condition for efficient resource allocation. In this case, unless the market can right itself, the government will react by intervening when markets fail and, as a result, are seen as incapable of maximising the interests of the consumer.

Best (1990) recognised that the policies of the 1970s and 80s support this argument in that, on balance, the benefits of large enterprises outweigh its disadvantages. This attitude also helped explain the EECs approach to industrial policy in the 1970s, in that the key to competing with 'American giants' was through the promotion of European giants. The recognition by some governments that what was required was a different form of enterprise

culture, reflects the realisation that there exists some serious limitations to this approach, namely a move towards the view that large size may not be good for consumers, competition or the environment. Concerning the degree of intervention in most western markets, moreover, the privatisation policies of the 1980s and 90s can be seen, in part at least, as a response to the ideas that market failure may be self-correcting (the transaction costs view), that monopoly may not imply prices above marginal costs (the contestable markets view) and that in any case, 'government failure' is more of a problem than market failure (Pitelis, 1993).

Providing a succinct definition to the term, competitiveness is somewhat taxing. In his seminal work on international competitiveness, Porter (1990) suggested that as there are a number of ways of expressing and interpreting competitiveness it was more useful to produce a definition at an industrial or sector level. This is helpful in the context of this work as it focuses on the internal markets of a developing country. We have already suggested that, as a subset of industrial policy, competition policy is concerned exclusively with the degree of competition in industries. However, if we look for a definition in the neoclassical theory of the firm we find that there is only one answer. Markets are opposed to institutions that can be shaped by strategic actions as business leaders respond spontaneously to falling market prices by shifting toward those products that utilise the comparatively abundant resource. Government interference in free markets would lead the country away from income-maximising allocation of resources. As such, competitiveness is ignored and this is major limitation of industrial policy based on mainstream economic thinking and why we need to look to recent developments to find an explanation. Michael Best argued his reason for writing *The New Competition* was that;

The starting point is the presumption that industrial policy has no chance of success unless it is anchored by an understanding of the underlying principles of production and business organization, principle that cannot be found in either conventional economics or the business press (Best, 1990)

Such recent developments in institutional economics have gone some way towards providing, in an environmental context, a better understanding of the notion of competitiveness through the dual pursuit of economic and ecological efficiencies. Institutional economics attests that rule systems and market representation are critical in helping to understand these problems and increasingly, institutional innovation is central to

finding solutions which are sustainable in the medium term. Institutional economists have also helped to map the functions of government and the relative merits of private and public choice, as well as solutions to controlling the opportunistic use of political power. Equally, institutions should underpin the increasingly complex webs of human interaction as interaction and co-ordination depend on tenuous links of trust (Komesar, 1994).

We have already noted that for organisations in developing countries to develop long-term relationships, in highly competitive markets, they need to be aware of how environmental forces affect their marketing activities, relationships, networks, alliances, and customer attitudes and behaviour. It is equally important they understand customers' and collaborators' needs and then shape their marketing activities to manage those relationships in order to satisfy those needs. This views economic performance as a dynamic interaction between institutions. According to North (1993):

Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies.

The institutional school views economic order as an organic whole comprised of a great many economic structures, whose functioning is coordinated not only by prices and profit margins, but by management using authoritarian and persuasive techniques, by government regulation, and by social convention and custom. It is therefore logical to assume that managers responsible for marketing activities must be sensitive to environmental influences as well as economic and societal forces. As a result we can see how institutional economic systems and conditions as well as competitive market structures and trends influence marketing activity at the level of the firm.

Understanding Some New Forms of Competition

It took the many governments supporting the free market dogma most of the 1980s and early 1990s to recognise the limitations of this approach. However, Best had already

identified the emergence of a 'new competition' in his study of American and Japanese approaches to industrial organisation (Best, 1990). He argued that the 'new competition' consisted of the entrepreneurial firm, organised from top to bottom to pursue continuous improvements in products, methods and processes. This production-based strategy renders entrepreneurial activity a collectivist concept, by demanding organisational flexibility, which in turn requires organisational commitment to problem solving, persistence in detail and integration of thinking and doing. Best argued that the new competition differed markedly from the traditional in terms of:

- ❖ Organisation of the firm; The main distinguishing features between organisation in the new and the old competition include: a strategic orientation; aiming at gaining strategic advantage through continuous improvement in products and process not just short run profit maximization; organizational flexibility and continuous learning.
- ❖ Types of coordination across phases in the production chain; Coming to the production chain, the old competition is said to be based on the market-hierarchy dichotomy; i.e.- consecutive micro unit production phases are coordinated either through hierarchy or through the price mechanism.
- ❖ Sector organisation; the 'new competition' is based on consultative coordination or cooperation among interdependent firms, each of which specializes in distinct phases of the same production chain. Buyers, suppliers, sellers of inputs and buyers of outputs are all seen as sources of new ideas.
- ❖ Industrial policy. Coming to the sector, firms both compete and cooperate to provide common services, so as to shape the rules of the market game and devise complementary investment strategies (Schumpeter, 1934).

This research casts doubt on the appropriateness of a government's adherence to an industrial policy based on free market-free trade especially as it relates to the small firm sector. Knowing who can provide a physical input or skill is useful. One sense of social network is something which lowers the cost of information. Many conceptions of human relationships that affect economic and social development social networks are a productive asset. Another conception is trust as social capital (Fukuyama 1995). It is a substitute for

assurance of performance as agreed to between parties. It may substitute economically for formal contract enforcement. In previous work we argue that the Damietta cluster did not lead to any form of vertical intergration, nor was there any evidence of trust among producers (Culkin, 1999).

Is Competition Bad for the Environment?

In addition to the impact that institutional thinking had on marketing, the organisational dynamics school which gained prominence during the 1960s sought to examine and explain the relationships, goals and needs of distribution channel members, such as manufacturers, wholesalers, and retailers using a behavioural orientation. However, neither school addressed, to the satisfaction of marketing thinkers, the importance of psychological (e.g. motivation, satisfaction), sociological and ethical and environmental variables, as well as the mutual interdependence and integrated relationships inherent between the suppliers and the buyers in market transactions (Smith, 1997). For example;

all activities, strategies, and forces that influence the relationship between suppliers and buyers have to be viewed and analyzed from a multi-disciplinary perspective.....organisms, as well as human organizations, are open systems because they consist of a number of interrelated and interdependent components which are connected by feedback links to their environments. Marketing....(has).....to be viewed in an open, dynamic and behavioural system context, that interacts with its environment, receives inputs from the environment, processes these inputs and exports outputs to the environment
(Zineldin, 1998)

This view that markets are organisms and that human organisations are open systems is due, in part, to the fact that they consist of components and subsystems that are interrelated and interdependent on each other. As Emery and Trist (1965) argued, organisations are open because they are connected by feedback links to their environments. The organisation must have adaptive mechanisms that promote change so as to keep them in dynamic equilibrium with the environment. Imperative to organisations, according to the theory general systems,

is their ability to adapt to changes in their environment and that successful organisations are able to sustain a stable balance between the maintenance and the adaptive.

The marketer views the building of deep and mutually beneficial relationships between people and institutions as a social and economic process - influenced by the environment, which is why it relies on both the behavioural sciences, or non-economic sciences (e.g. psychology, sociology, anthropology), and the economic sciences including political economy. In order to build a successful relationship there must be high evidence of (mutual) trust, respect, interdependence, innovation, cooperation, competition, common values, sharing and exchanging of object-related (resources) and process-related values and meanings, (e.g. knowledge, symbols and opinions). Therefore, most organisations have to anticipate and respond to opportunities and threats in their environment yet forces and changes in today's marketplace can influence both large and small organisations. Thus procedures are needed for the speedy identification of fresh market opportunities resulting from environmental change on an institutional stage.

In many developing nations the World Bank, amongst others, has supported measures targeted at the promotion of small enterprises. This is hardly a recent phenomenon, many developed countries have invested a great deal of time and effort to the importance of small firms to the economy (Stanworth and Gray, 1991; Rainnie, 1991); and in the late nineteenth century Marshall (1890) had recognised the importance of clustering on small firm development.

However, over the past twenty years three key inter-related respects have influenced development policies towards small firm promotion. First, there has been an acknowledgement of the importance of the small firm in stimulating economic growth both directly and through their employment effects. Second, the parallel concern with the extent to which such enterprises can contribute towards the strengthening of endogenous agents and local capacity in that economic growth. Third, issues arising from the impact of structural adjustment policies and the implication this has for state-funded small firm programmes facing resource constraint.

Frequently, the approach reflects the diversity of the small enterprise sector and the differing needs of entrepreneurs within it; although increasingly there has been a tendency

to favour market-led solutions to the problem (Tendler and Amorim, 1996). However, helping small firms develop is not an easy task, given the constraints that they face. According to Schmitz (1997) many of these are due to lack of access to raw materials and components, product markets, finance, technology and last but no least, government.

What Really Matters in the Buyer-Seller Relationship

We would be wrong to suggest that price is not important in the buyer-supplier relationship. However, improved quality, reliability and speed of response are all now regularly cited as being of equal importance to price in many global product markets. The Egyptian furniture project (Culkin, 1999) is concerned with production capabilities but it cannot ignore upgrading outside production, primarily in design and marketing. Schmitz (1999) demonstrates there is a consensus in the literature that clustering facilitates the upgrading of production and related activities. Much of the literature (including Krugman 1991; 1995) assumes that it is a spontaneous process of deepening specialisation, of spilling over of know-how and of synergies – a view which can be traced to Alfred Marshall's discussion of local external economies in industrial districts. Recent literature stresses that there is also a deliberate force at work, namely consciously pursued private co-operation and public support. This came out most clearly in the work on industrial districts in advanced countries (e.g. Pyke 1994) but also in research on developing countries (Humphrey and Schmitz, 1998). However, as we have already stated, this phenomenon was not evident in the Egyptian furniture project.

The pinpointing of success or failure is usually highlighted at particular turning points in a sector's development - moments when new opportunities occur or problems appear. In the case of clusters, responding to opportunities and crises requires a shift in gear from passive to active collective efficiency). Relying on the incidental economies of agglomeration is not sufficient, consciously pursued institutional collaboration is required. A successful response requires 'shifting gear' from passive to active collective efficiency (Schmitz, 1999). External economies are important to growth but are not sufficient to uplift product or factor

markets. In this final section we describe the mechanism chosen to achieve some form of institutional collaboration.

The Furniture Technology Centre (FTC)

The belated attention giving to the environment is a core element of globalisation. Global policy agendas to address environmental problems are set in a context of international conventions, treaties and action plans, ranging from Agenda 21 (negotiated at UNCED) to initiatives that address climate change and industrial standards. National governments along with donor agencies, are agreeing their commitment to these.

Yet growing evidence suggests alarming gaps between the views of environmental problems contained in these global agendas, and local realities. While global agendas appear to be based on scientific consensus, in some key areas - such as deforestation and desertification - this is more apparent than real: it ignores the knowledge of local natural resource users, and of many of the researchers who have worked on such problems (Leach et al, 1996; Batterbury et al, 1997; Adams, 1995). Reliance on stereotyped diagnoses, questionable assumptions and outdated scientific knowledge has a range of practical consequences. It has sometimes led policies and programmes to contribute to impoverishment by removing resource control from local users, for example - while failing to benefit the environment. It has compromised the success even of the growing, and important, set of 'community-based' approaches to sustainable development (IDS, 1999). Armed with these concerns we set about building our vision of institutional collaboration in the Damietta furniture industry.

Damietta, the historical home of the Egyptian furniture industry, boasts a wealth of skills and expertise. It is a city as cluster; where most of the (large) population are involved in, or dependent upon, some part of the furniture industry. However, as a result of a lack of market awareness and vision combined with an insular approach to management the industry has stagnated. Without immediate technical assistance, upgrading, training and implementation it is apparent that the industry will continue to lose market share to ever increasing imports; but more worryingly to the emerging furniture factories in the new Egyptian industrial zones, such as 10th Ramadan City and 6th October City. Based on case studies from other parts of the world and data collected in Damietta a solution began to

emerge. It is reasonable to conclude that the scale of the problem, faced by the Damietta furniture industry is so great that traditional forms of intervention - a package of measures available to individual firms - whilst still important would neither halt nor reverse the decline.

To make an impact that is both sustainable and appropriate to the needs of the cluster, the Centre had to gain the support of the major actors in the governorate. In Damietta this included, the Governor, the SFD¹ and the private sector (producers, industrial developers and trade associations). During the early phase of the project, a total of twelve meetings took place in the Governorate's office in Damietta (or at SFD offices) with the various actors on the stage. The quality of co-operation between the players was dependent upon the presence of norms, conventions and other institutional arrangements, which foster 'trust', particularly by controlling the process of future competition through education and shared experience. Whilst this paper is not concerned in describing the process, additional hard sponsorship was offered from the Chamber of Commerce, Arab Contractors the largest construction company in Egypt and the Governorate, in recognition of the need both to build and demonstrate this trust in the proposed development.

We recognised that in this project we had an opportunity to take an overview of an entire industry and its core activity (that of furniture manufacture) and to be instrumental in upgrading throughout the whole supply chain. The development of the FTC needed to establish a sense of community and common purpose within what is, a disparate and chaotic industry, as this is one cluster which did appear capable of 'shifting gear' through its own efforts. During the meetings with the institutional actors the concept appeared to inspire the possibility of genuine collaboration that would possibly lead to the rebirth of a design culture that is, recognisably Egyptian; this will provide one of the missing links on the output side. The setting up of an accreditation laboratory that can issue internationally recognised certification will go a long way to providing one the missing links on the input side.

The building of the FTC is even now *sucking-in* external worldwide investment and support. It embraces many of the ideals of Hussian Fathy (1900-1989) a leading Egyptian architect who gained a reputation in the 1940's for modern and humane architecture that has grown to *cult* status in recent years. A growing number of architects, worldwide, recognise his study and revival of ancient natural technologies and building techniques as well as his pioneering

work on the sustainable environment. Already we have the commitment of a number of major European suppliers and manufacturers, who recognise that such a 'co-operative' agency for the supply of materials, components and equipment that meet international standards is likely to be sustainable in the medium term.

The Building Itself

Arab architecture begins with the interior and goes to the exterior. The function of the space is primary. The outer form must express the forces on the inside (Fathy, 1974). Very much committed to Fathy's philosophy both from the Bioclimatic beliefs and principles and the respect of an 'Egyptian ethos' borne out of tradition and a simplicity that allows modern technologies to be 'tempered with faith and social values'. The design deliberately looks to the future, whilst anchored firmly in the precepts of past traditions. The exterior of the building deliberately uses references to traditional building techniques. Visitors will enter through a three metre high double doorway under a 'Mashrabiya' into a colonnaded lobby. The lobby links to an open 'cool' courtyard with fountain and pool. The colonnaded lobby is full of references to Damietta's carving tradition when viewed from the entrance. Access to the 1st floor is by a stairway that steps out over water and brings the visitor to an uncompromising modern atrium. From here you are very much in a 20th Century functional environment. The transition is deliberate, reminding us of the importance of past traditions in the development of new ones. Bioclimatic building design requires an almost religious adherence to its environment gospel. We can only seek to mitigate the impact that our buildings have upon the environment.

We have attempted, in the design philosophy of the FTC to embody as many of the tenants of Bioclimatic design as is practical within the given constraints of the brief and site location. As with the majority of current Bioclimatic buildings the primary area to benefit is that of operating energy and it is our intention during the project, to carry out as detailed an 'energy audit' as is practicable. The conservation of 'operational energy' is most effectively achieved by designing the building to exploit natural forces - sunlight, wind and daylight - to best effect; harnessing the beneficial attributes of the climate, without recourse to mechanical systems. In essence 'Passive Solar design' Bioclimatic design is nothing new to Egypt. The design of cool ventilated structures built from natural materials in the desert can

be traced back many thousands of years. The Nubians had developed a form of air conditioning over 5000 years ago. The use of malkafs (air scoops) is essential to take advantage of the natural cooling effect of moving air. The Nubians directed the prevailing wind down through the vertical vents, past a series of baffles that accelerated the air. Fathy himself designed an agricultural settlement in the Central desert at the village of Baris. He was posed a challenge: how to store fresh perishable produce in the desert with no electricity. He built the market below the ground and using natural methods of ventilation he achieved temperature reductions of as much as 15 degrees centigrade.

We, uniquely, intend to use photovoltaic panels in such a way as to maximise their potential as an integral contributor to the building efficiency. We intend to bond the PV sheets to a new, environmentally friendly, woven cloth of polypropylene and glass fibre. This is a thermoset that will enable us to create 'Solar sails'. The function of these sails is threefold: To shield the first floor accommodation pods from solar radiation. To create acceleration, by their shape, of the natural airflow across the pods thus cooling them further. To generate 8/9 Kw/hr of DC current. This energy will be converted to AC at a loss of only 5% efficiency and will provide most of the buildings direct power needs. We are currently negotiating with the appropriate authorities to give surplus energy to the local electricity supplier through the normal electricity supply network (a new procedure in Damietta).

The construction of the FTC attempts to embody many of the tenants of Bioclimatic design. Wherever practicable we have tried to utilise local materials and elements (grey energy) that are naturally found or use little energy in their production (embodied energy). Finally the construction methods are simple and relatively low tech, keeping the energy requirements to a minimum (induced energy). Mindful of the requirement to develop the centre as rapidly as possible we have sought to minimise wet trades and introduce dry structures that can be produced concurrently off site. Without doubt, the opportunity to transfer environmental products, processes and technology used in the development of the centre was a major feature in winning over many of the institutional actors involved, directly or indirectly, with the project. We expect the FTC to be operational in 2000.

Conclusions

Returning to the issues identified earlier, an objective of this work was to evaluate the nature and the importance of creating and sustaining relationships between key players in Damietta, from a marketing perspective. The institutions involved in the FTC are the product of collective action and to a certain extent they are the result of cooperation, based around the FTC and what it could mean for the (one) business community. Institutions constrain and liberate behaviour, promote cooperation or conflict. These institutions are the formal and informal rules that shape the behaviour of players as they interact in the market. The formal rules include laws and regulations as interpreted and enforced by the Governor. The informal rules are the shared beliefs about behaviour enforced by conscience, a result of socialisation, based upon the actual and expected reactions of other members of Damietta (Shaffer, 1995).

The FTC, a relationship-oriented player is designed to look outward to the environment in which it operates and which has a major impact on its microenvironment actors such as customers, competitors, marketing intermediaries, and suppliers. To develop a long-term relationship, in the local market, it is important for the FTC to first understand how the environmental forces affect its marketing activities, relationships, networks, alliances, and consumer attitudes and behaviour. It must also understand customers' and collaborators' needs and then to adapt marketing techniques and strategies to manage those relationships and to satisfy those needs (Zineldin et al., 1997). This embracing and interactive perspective views economic performance as a dynamic interaction between institutions. Implementation of such collaborative value systems should enable the FTC to make the most of the advantages of the collaborators' skills, move towards a borderless organisation (readers will recall that the ultimate aim is to hand back the centre to its members) and improve the overall competitiveness of the local small firm market. It is important for a successful alliance and relationship between the actors to communicate and cooperate in an atmosphere of openness, trust, and interdependence so that the mutual benefits and interests may be achieved. This mechanism may well enable the FTC to monitor its performance and to adjust its operation to ensure uniform quality of its input-output. In short, it may allow the system to learn, adapt and evolve (Stacey, 1996). We will report on this at a later stage. While many developing nation governments introduced numerous direct and indirect assistance policies targeted at the small firm, most did not recognise that small firms do not simply start, expand, consolidate and then expand again. Small firms start up (some die and are resurrected) they expand, contract, consolidate, expand, consolidate are taken over or

take over other firms. Their owners compete and co-operate with other small firms (Best, 1990; Bennett & Robson, 1998). One possible answer is that such government failed to understand that open and dynamic systems include groups of interrelated elements and relationships. Elements are the components of the system, and relationships are those things that tie the elements of the system. The behaviour of the system is affected by the condition of its components, and the system components are affected by environmental conditions. It is hoped that this approach may well help in this ambitious joint upgrading initiative.

ⁱ The Egyptian Social Fund for Development became operational in 1993, with an initial US\$ 613 million budget from 17 donors. Its objective was to, help reduce poverty through employment generation and community development initiatives and help mitigate the adverse effects of economic reform on selected target population groups. The effectiveness of the SFD in surpassing its original objectives led to a second funding phase (1997-2000) with commitments of up to US\$ 746 million. (SFD, 1998)

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