



**The European Union's project for ENP South Countries
EUROPEAID/133918/C/SER/MULTI**

**Enhancement of the Business Environment in the
Southern Mediterranean**

National Seminar for Egypt

**« Technical support and environmental expertise for
Egyptian SMEs »**

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Cairo, 18th December 2014



This project is financed
By the European Union



A project implemented by
GIZ IS and Eurecna

Disclaimer

This report has been prepared with financial assistance from the European Commission. The opinions expressed herein are those of the authors and may not represent the position of the Commission.

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1. Introduction

The first law of ecology is that everything is related to everything else

Barry Commoner

In nature we do not encounter any waste. The natural ecosystem is a circular system which capitalizes on synergies between individual components. For example, the Nile waters the plants, which feed the cattle, which manures the soil, which produces plants again achieving the highest possible level of efficiency. In the business area however, resources and information is usually kept internally and cooperation is rarely sought. Similar to the perfectly aligned natural symbiotic structures, businesses would benefit from creating eco-industrial networks, or a Business Ecosystem (BE), which integrate the work of relevant stakeholders for Sustainable Industrial Development. Thereby, it is important to determine the scale and scope of the BE and to acknowledge its main stakeholders. To incentivize collaboration, a common ground needs to be established where communication and information transfer is facilitated. Especially introducing and integrating expert knowledge on this for Egypt new field of engagement is a key point for its success. This unified approach can help closing the gap of small and medium enterprises (SMEs) in the topic of resource-efficiency and sustainability and can boost the competitiveness of the Egyptian industry. This report therefore discusses the approach for an effective stakeholder engagement and cooperation and the approach towards an effective implementation of resource-efficient measures with the support of experts in this field. It will start with identifying integral stakeholders of the Business Ecosystem, then talks about the methods of implementation to finalize with examples of collaborative partnerships.

2. The Business Ecosystem

Considering businesses and complete industries as ecosystems, changes the perspective of looking at them. It now becomes more of a system with in- and outflows, where everything is connected. This approach also stresses the dynamic nature of the system, with stakeholders constantly exiting and new ones entering it, which also blurs the lines between different entities and sectors. At the same time this can also make it more challenging to define the crucial stakeholders as the type and number of stakeholders to be included can vary depending on the circumstances. In this report we focus on six main stakeholders namely (1) Industry, (2) Ministries, (3) Business Associations, (4) Research & Training Centres, (5) Solution Providers, and (6) Project Partners.

All these stakeholders are also ecosystems themselves and each of them have their main role in the BE. For the industry, e.g. it does not suffice to look at each company individually but rather it is necessary to view the complete value chain from the first supplier up to the customer. Only improving the resource efficiency of one company has a lower net effect than implementing these measures throughout the value chain. Creating a strategic alliance with one's suppliers and customers not only increases the efficiency of each entity, it also positively affects the quality of the products, reduces costs and increases innovation and

organisational learning. Furthermore, it improves value-chain loyalty and creates value for the shareholders. It hence holds environmental, social as well as economic benefits. The success would however not be maximized without the government sector. Here it is important to point out that not one single ministry should be responsible as the business support unit. Since any economic activity has direct environmental and social impact, a high degree of collaboration between ministries ensure a balanced and informed decision making and policy formulation process. It also creates a coherent message and framework for businesses to engage in. For the formulation and the implementation of the policies the collaboration with the Egyptian business associations, the direct representatives of the business sector, helps to understand the challenges of the industry members and to gain the acceptance of decisions made. Without the communication between the public and private sector, the risk of not tackling challenges sufficiently is high. For example, reducing the energy subsidies is a necessary step to establish a Green Economy. However, when no transitional period and alternatives are provided to adapt the business processes, companies, especially SMEs, will suffer from such decisions. Next to a supportive policy framework, companies need to have access to innovations and high quality employees. While large and multinational enterprises (MNEs) often have the capacity to develop in-house R&D and training departments, SMEs usually do not have the financial resources to support such activities. Therefore, a close collaboration with existing Research & Training centres can provide access to these important resources. Simultaneously, these centres will better understand the challenges of the industry and can fine-tune their activities accordingly. For the implementation of process and product innovations, external Solution Providers can bring new perspectives into the company and compliment with their expertise in resource-efficiency the experience of the employees. Finally, to benefit from innovations and lessons learned globally, Project Partners, such as GIZ and UNIDO, can introduce international best-practise models, which then can be adapted to the local needs. The simple examples show the wide range of benefits of collaboration within the Business Ecosystem. Notwithstanding the sustainable impact of this approach, it also requires time and dedication to build up a trusting environment. However, one of the most valuable and limited resources for SMEs is time, which might in the end inhibit the readiness for collaboration and rather could enforce the status-quo.

3. The One-Stop Shop

During the recent years, SMEs became more aware of the benefits of resource-efficiency for their company performance, especially as they experienced higher energy prices and a shortage of some energy sources and water. At the same time, they indicated that external expertise is demanded for a professional implementation at their facilities (GIZ, 2013). As mentioned above, support can come in different forms and from various sources, which makes it difficult for the company to identify the most qualified experts. To facilitate the identification process, the establishment of a One-stop shop can consolidate all business support services needed by SMEs with the following portfolio: (1) Capacity development and business training of white and blue collar employees for private sector companies; (2) soft-skill and technical training for solution providers for the implementation of resource-efficiency measures; (3) Research and development of technologies and innovations relevant for the Egyptian industry and its geographic and climatic conditions; (4) Development of measuring and IT infrastructure centre to be used within the companies; (5) Development and

maintenance of an accurate industrial database; (6) Development of a CRM system for the professional and customer-oriented service consultancy; (7) Development of a partner portal as an IT business support system for knowledge management and transfer.

For the implementation, the principle of small, clean and competitive should be applied, i.e. success stories for Small and Medium Enterprises can be achieved through small and effective implementation milestones. The service portfolios need to be adapted to the needs of the customers and should cover a complete implementation cycle of analysis, implementation of measures, monitoring and communication of success. For example, the service portfolio 'WAFFAR' is a step-wise implementation module, which aims at achieving quick and measurable reduction of the resource consumed. This is done in collaboration with the company employees to capitalize from their knowledge and experience as well as to guarantee the knowledge transfer from the solution provider to the employees. The joint approach creates ownership for the persons in charge in the company and adds to the sustainability of the implementation. For a high acceptance and reputation of the business services, it is important to institutionalize them and to issue standardized qualification and certification systems along-side the value-chain. As stressed before, collaboration with other stakeholders is motivated, which holds advantages in the social, environmental and economic dimensions of the company and society, creating a so-called triple win situation.

4. Resource-efficiency through Collaboration

It has been stressed throughout the report that collaboration can improve the resource-efficiency of the company and can actually increase the success of the implementation. In fact, successful collaborations have taken place in Egypt already. Through industrial symbiosis, two Egyptian companies have managed to upcycle a hazardous acid waste of one SME into a yellow pigment that can be sold to paint companies. Hence a material that incurred additional costs has been transformed into one with added value. Practical knowledge transfer was achieved between a MNE and a university, when they joined forces to improve the sustainability at the facility and at the same time showed students the application of resource-efficiency on-site. For the institutionalization of solar energy in Egypt, different solar companies, on first sight to be seen as competitors, came together to create the Solar Energy Development Association (SEDA) so they can together lobby for the benefits of renewable energy. Through Public-Private Partnerships (PPP) it was even achieved to join 10 different organizations and companies to collaborate for the standardization and certification of resource-efficiency at the hotel industry. The initiative is called 'Green Star Hotel Initiative' and managed to certify over 50 hotels in the red sea area. In all these examples, different expertise was required, which was not available in one single organization. These initiatives would not have been made possible without collaboration and it is therefore integral to enable the dialogue between various stakeholders to continue creating success stories like these in Egypt.

5. Conclusion

Similar to the natural ecosystem it has been shown that businesses and organizations are also interlinked. Hence the traditional way of looking at a single company as if it was in a vacuum will not lead to the desired results of transforming to Sustainable Industrial Development. It has to be realized still that industrial symbiosis is only possible in an enabling environment, where collaboration is facilitated and even encouraged. There, the government does not only have the role as an actor within the stakeholder system but should also adopt the role of the facilitator. For private sector companies it is not sufficient anymore only to focus on their own processes and to ignore inefficiencies along the value chain as in the long-term this will negatively affect their own business as well. Universities and research center need to closely cooperate with private sector companies to understand their challenges, to base their research on these findings and to prepare their students practically for the work in the private sector. It is obvious that these initiatives require additional resources, especially time, which might hesitate to invest and rather might want to focus on short-term results. However, for each stakeholder, failing to invest now will make the organization more vulnerable to outside threats and opportunities could be missed. Managing to do so will finally lead to an increase in innovation, higher competitiveness and ultimately the growth of the Egyptian industry in a sustainable manner.