

Chapter 7

Government Tools and Assistive Tools

ABSTRACT

The understanding of the difficulties in overcoming the gap, with the importance of maturing TSUs into complete firms, makes the involvement of the government in assisting the transition important. General aspects of the conditions and restraints on government support are presented followed by the reasons for government involvement. The main need for government support, to overcome market failure, is presented and explained as is the importance of the TSU economically and socially. The requirements in terms of learning and developing capabilities as well as the difference between the needs of internal actions and out-sourcing is clarified. The difference between financial and non-financial support is explained, as are the differences between general support (e.g., standardization) and firm specific support. Some of the specific tools (e.g., beta-site support, marketing entry support tools) are presented. Their types and purposes are described in general, with a reference to other sources for those interested in reading more.

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INTRODUCTION

The importance of the TSU for the economy as an engine for growth or at least stability in the economic system is fairly clear. It is therefore important for those in charge of developing the economy that the TSUs have a smooth transition to the next stage or risk the collapse of the entire sector of TSU due to lack of continuance. The special conditions of the TSU have found expression in the development of special tools to assist the TSU. There are private tools in which the market is filling the gaps in order to enjoy the economic benefits resulting from the TSU¹. However, there are also cases where the free or private market fails to get involved. Due to high risks, or other reasons. In these cases, there is ground for government or public intervention to compensate for the market failure and assist the TSUs in the transition. That is the rationale behind the non-private tools. In this chapter, after discussing the reasons for public support tools and their characteristics as well as risks, some examples are given of such tools, not all of them are financial aid. It is also important to distinguish between the specific aid (financial or not) given to a specific firm, and general aid to support TSUs as a sector, or type of enterprise.

General Aspects of Government Support

When discussing government support, one has to keep in mind that there are several basic assumptions driving Government support activities.

Assumptions:

- Government support is based on public funding, and thus the same care and impartiality have to be used when employing measures using public funding;
- Government support should be aimed at the general public good and not favor specific individuals;
- Government support should be based on transparent procedures with pre-published criteria for award of support decision making;

Therefore, government support requires the creation of publicly known criteria for awarding the support, transparent procedures, and financial control over the utilization of the support. Further, as the special care required for public funding and the general good, would require that the support be given

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