

Hub 387: Rewiring cooperation in Bosnia's IT sector

Bosnia and Herzegovina has a youth unemployment rate of more than 60 per cent. The information technology sector is poised to grow, but remains held back by overlapping constraints. MarketMakers is enabling technology hubs and business associations to tackle key constraints and help Bosnian firms compete internationally. Through shared workspace and collaborating on larger projects, firms in the sector are providing young people with well paid jobs.

Missing links

A thriving IT sector relies on clusters of companies working in close proximity to each other. This facilitates a flow of people, knowledge and ideas.

Helvetas' MarketMakers project, funded by SDC, was launched in 2012, after it identified two fundamental problems that led to the sector's underperformance: a lack of support services to technology companies and an absence of coordination between them.

One missing service was relevant training and education, especially for new employees. Training programmes, mostly run by public educational institutions, were not aligned to industry needs. The curriculum was outdated and teachers were unaware of the latest technologies. The formal education system also failed to teach critical soft business skills, such as project management and administration.

Local businesses invested in some in-house training, but only for existing employees. This lack of qualified workers contributed to a scarcity mind-set among companies. Afraid that their best people might get poached, they were reluctant to collaborate or work nearby to each other.

There was what economists would call a public goods market failure, as companies did not think they would be able to reap the rewards of any significant investment in staff.

Working together to exploit international opportunities

MarketMakers' vision was for IT companies to collaborate and gain access to higher-value projects as well as advocate on key issues. Using co-locations, companies could work together to access more international business and improve their overall competitiveness. Sharing the costs and benefits of running up-to-date and dynamic training programmes, would also help recruit more qualified workers.

Creating a vibrant IT community

Early on, MarketMakers identified a Bosnian-American businessman with considerable experience in Silicon Valley who brought credibility, knowledge and a shared vision of how collaboration could help the sector to prosper.

MarketMakers helped him refine the concept of an IT Hub in Sarajevo and then bring it to reality. Called HUB387, it aimed to build a vibrant IT community and promote a culture of collaboration among companies.

The Hub aimed to overcome mistrust between companies and in doing so dispel fears that training and developing staff was a wasted investment.

MarketMakers helped the Hub secure office space and promote it to prospective new member companies. The programme also provided staggered rent subsidies to new member companies, starting with six months in year one then three in year two, before disappearing entirely. This lowered the initial barrier to entry, enticing companies to join without creating any long-term dependence on the project.

HUB387 also created a hybrid training model, Academy387, which offered an array of hands-on courses and programmes, including many IT courses run by business specialists. In addition, MarketMakers connected HUB387 to other donors, such as USAID and SIDA, to fund Academy387, rather than provide support itself.

International expansion

After one year, nine companies had been recruited to HUB387, at least one of which was a new start-up. The original office space was 80 per cent filled after just 6 months, with companies reserving the additional space for their future expansion, and the HUB is already looking for new facilities.

The Hub's success has sparked interest from other countries, with a franchise opening in Croatia (HUB385) and discussions for HUB381 in Serbia currently underway. Within Bosnia, INTERA Technology Park has started to collaborate with the Hub by hosting satellite training programmes.

More than 130 new high value jobs were created in 2014, which compares to 247 direct jobs for the IT sector as a whole from January to July 2015.

Hub member companies have started to cooperate to attract bigger projects, and one company is planning to start its own IT camp in a more isolated part of Bosnia.

MarketMakers is now focused on stepping away from HUB387 to concentrate on making introductions between hub management and people willing to replicate the model. HUB387 and BIT Alliance, both led by private sector actors, are actively participating in government policy discussions around making ICT a priority sector for economic growth in the country.

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