

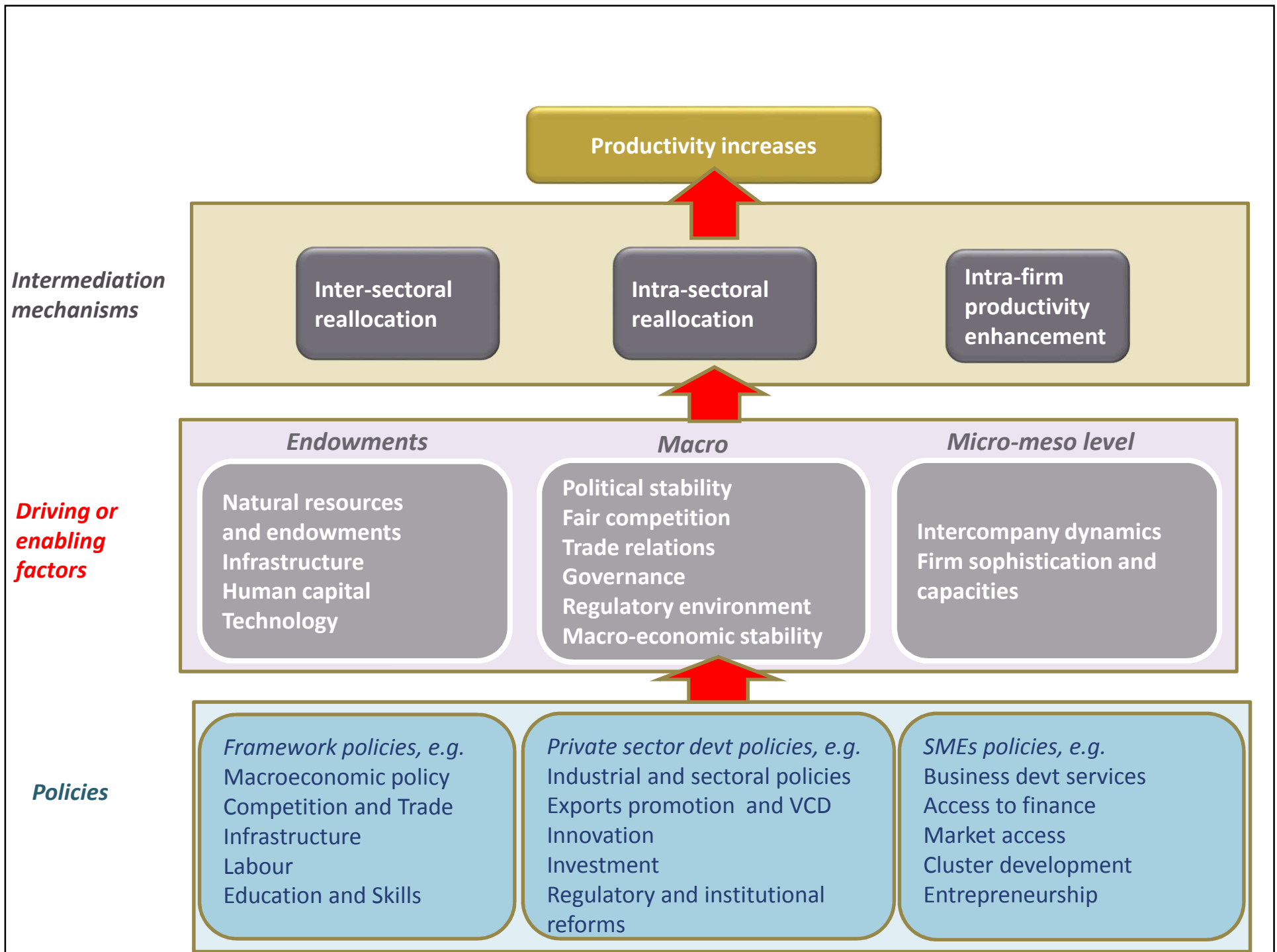


Training course for policy makers  
on productivity and working  
conditions in SMEs





# **IMPROVING PRODUCTIVITY AND WORKING CONDITIONS THROUGH ENTERPRISE- LEVEL INTERVENTIONS**





## Overview

- Addressing firm-level capability drivers and constraints
- Finding the right fit
- Understanding SMEs as clients
- Theories of change
- A sample of ILO programs
- Deep dive



# Addressing firm-level capability drivers and constraints

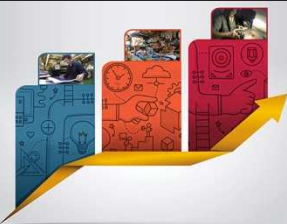


- World Development Report 2013:
  - ‘dispersion of firm productivity much greater in developing countries’
  - ‘caused by tail of small, unproductive firms’
- Bringing SMEs closer to average productivity: major development impact

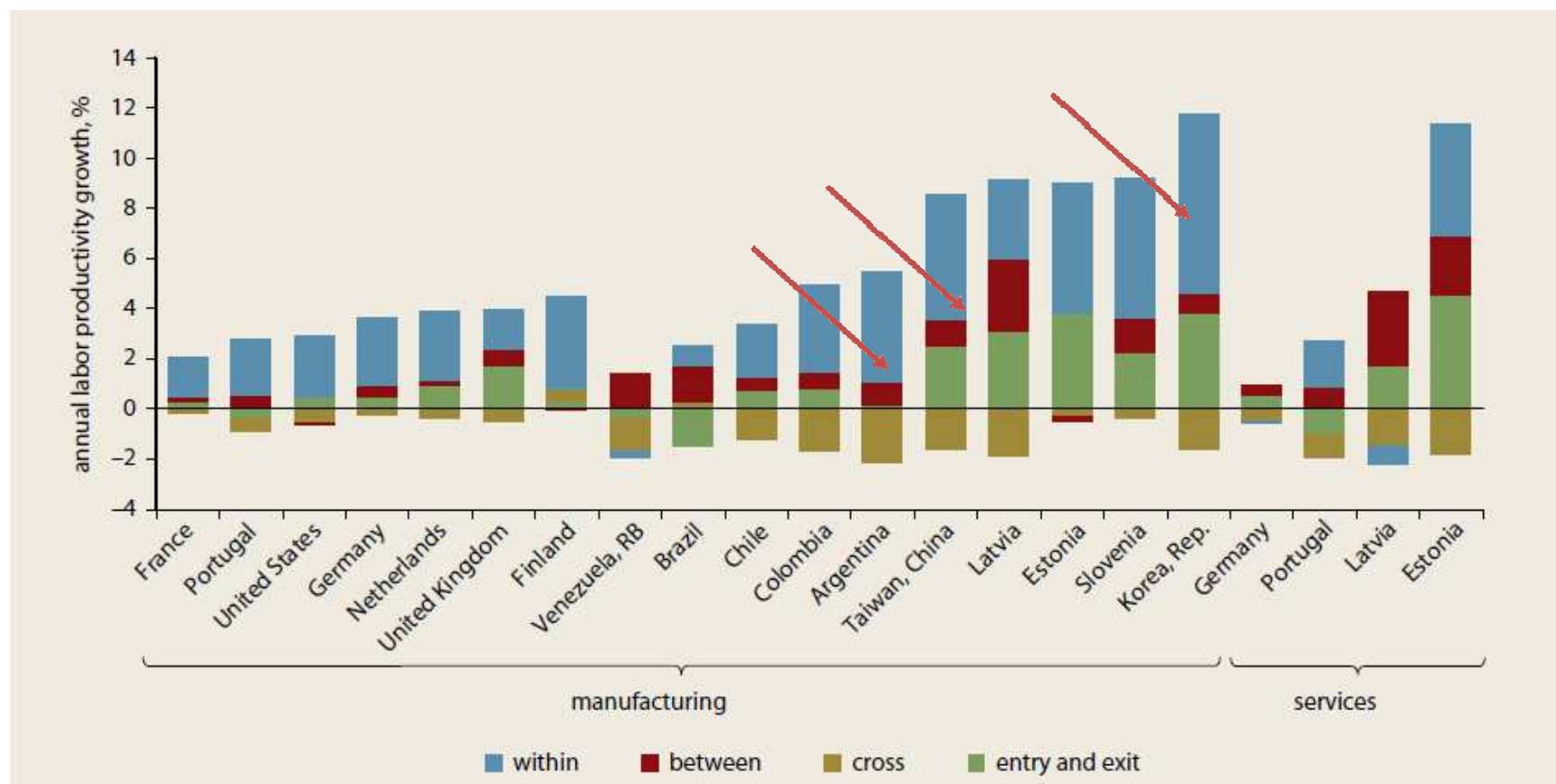


- **World Development Report 2013:**

“Aggregate productivity grows when existing firms become better at what they do, when more productive firms enter the market, and when less productive ones exit. It also grows when more productive firms become bigger and less productive ones become smaller. Decomposition analyses show that in most countries the main driver of aggregate productivity growth is firms becoming better at what they do.”



## Firms becoming better at what they do: efficiency gains at the firm level are a key factor of productivity growth



World Development Report 2013

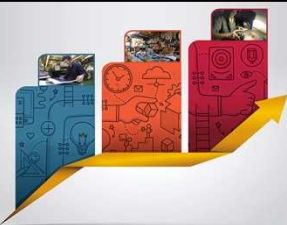




## SME capacities: drivers and constraints for productivity growth

- Human capital – workforce
- Human capital – entrepreneurs
- Management practices
- Access to information & knowledge
- Capabilities for innovation and technology adoption





# Firm size and innovation

## a. Large firms are more productive and innovative

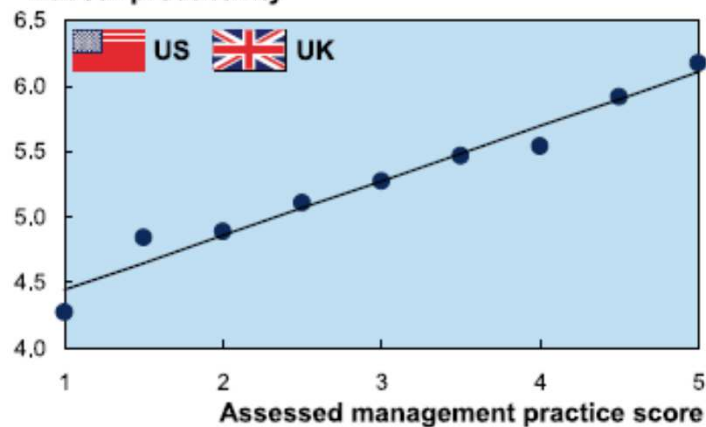


Indications of a positive relation between size and innovative activities

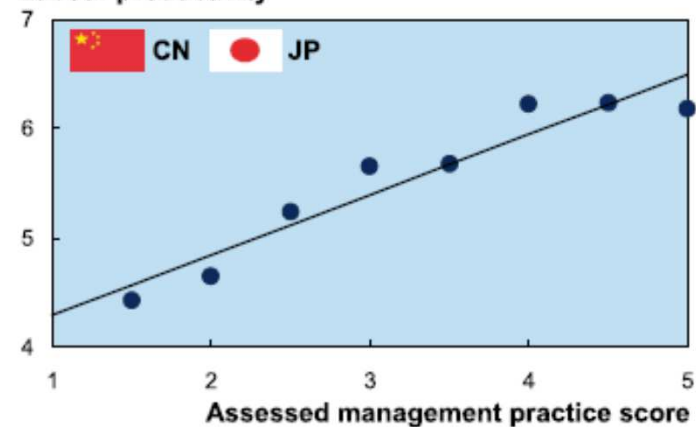
But age, sector of operation and technological competencies also matter



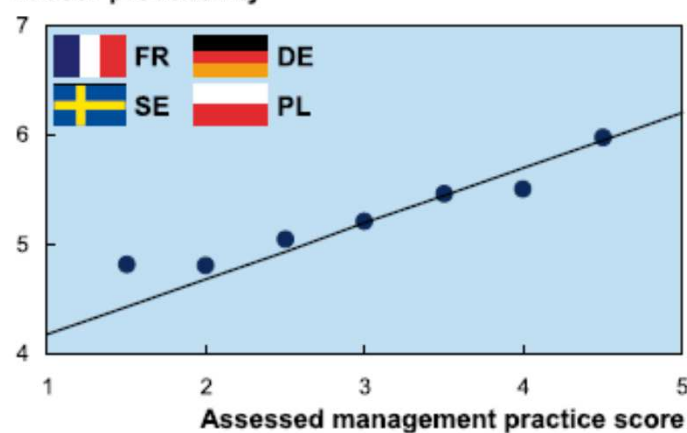
**Labour productivity**



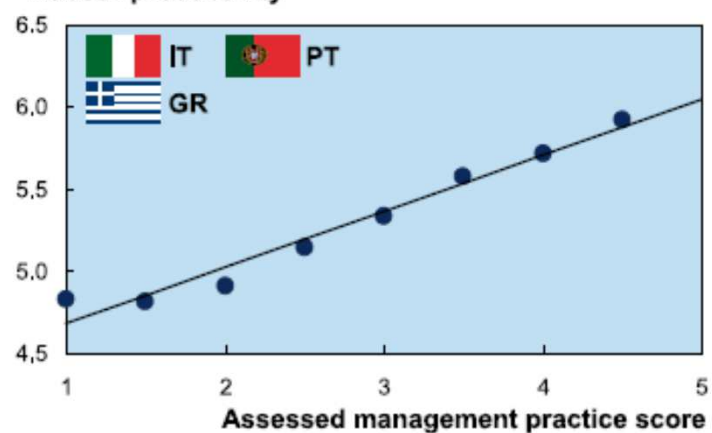
**Labour productivity**



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**Labour productivity**

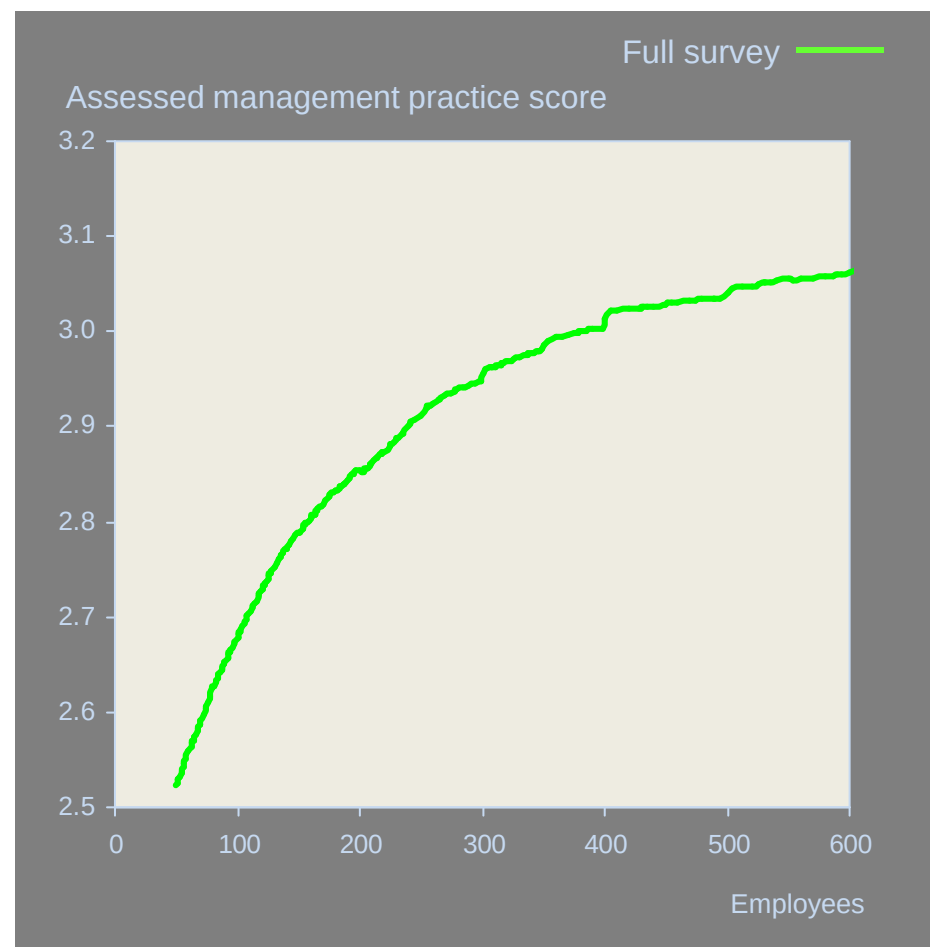
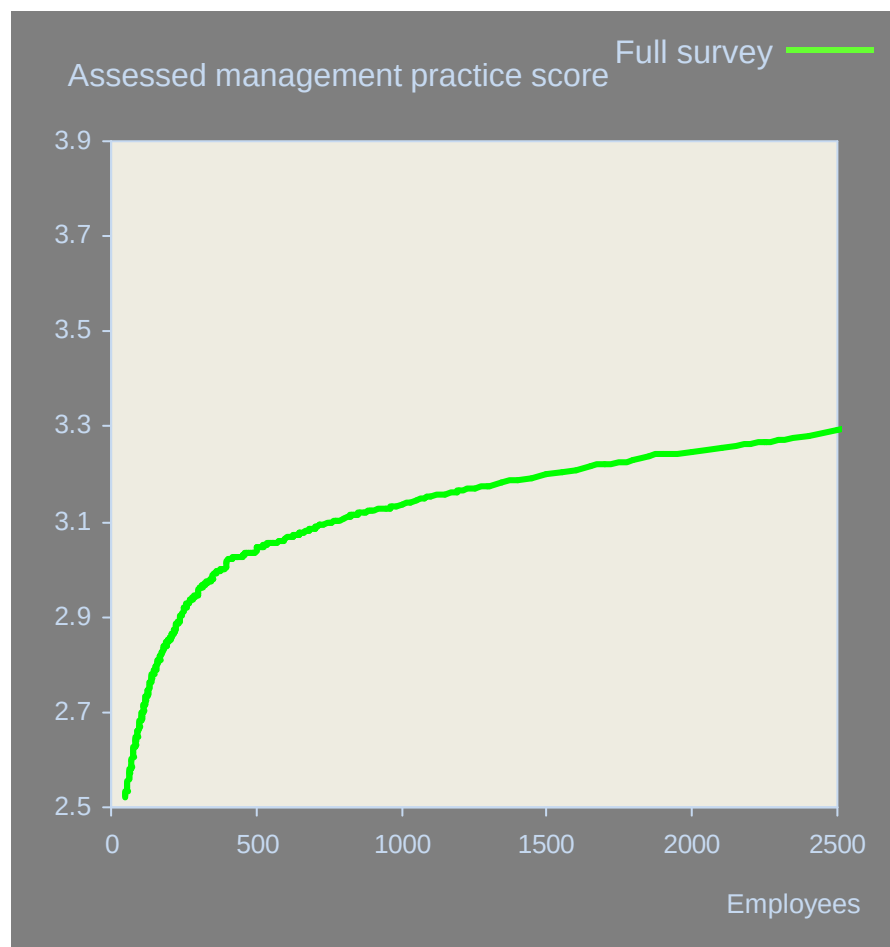


Firms are grouped in 0.5 increments of assessed management score

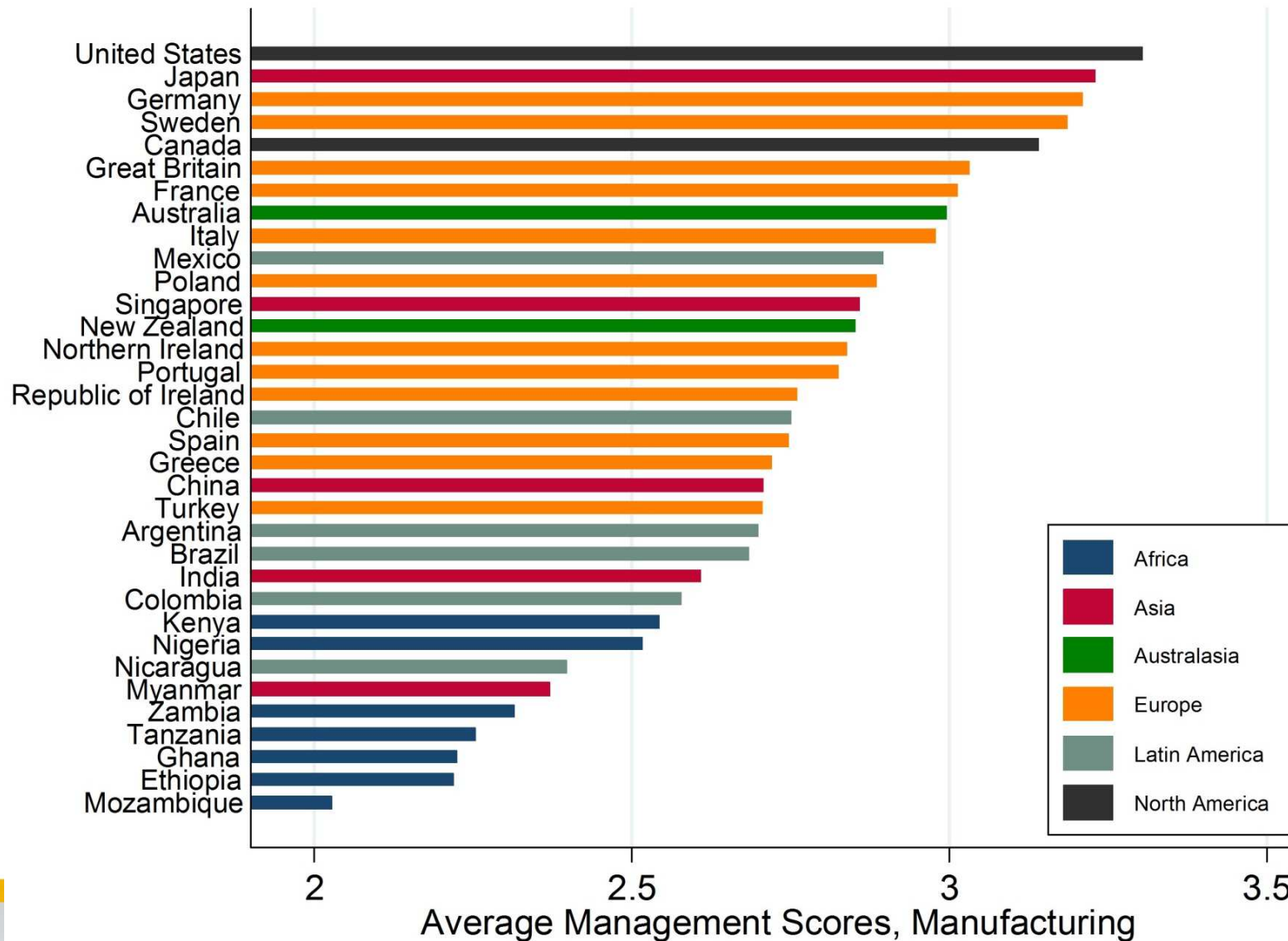


# MANAGEMENT PRACTICES AND ENTERPRISE SIZE

## Firm size vs. assessed management practice score\*



# Management scores across countries





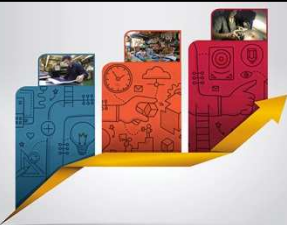
# Is this about productivity or working conditions?

**Before**

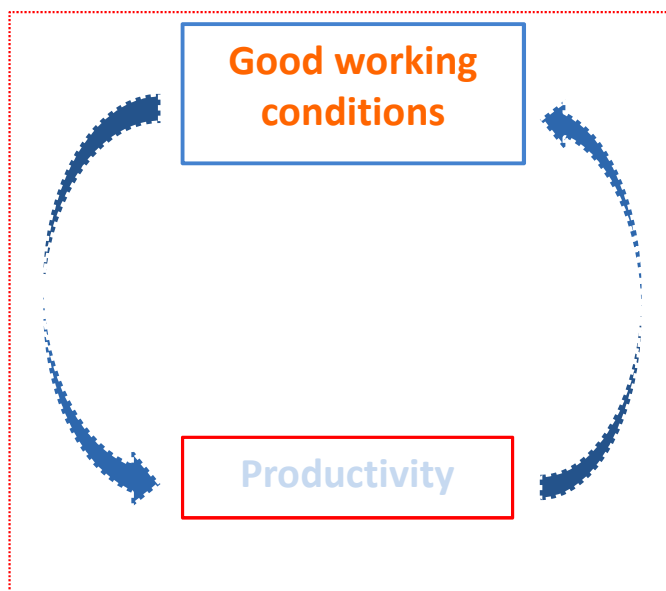


**After**





# Linkages between productivity and working conditions



- Increase productivity can lead to improved working conditions
- Improvements in working conditions can lead to improved productivity. Particularly strong evidence on Occupational Health and Safety and HR bundles of practices
- Certain types of management approaches (Lean Manufacturing) that bring about increases in productivity also lead to improvements in working conditions



- Policy responses at different levels can support SME internal capacities and drive improvement in productivity and working conditions
- Enterprise-level interventions through services are important elements of policies to assist SMEs in addressing their constraints and building their capacities





Areas for  
SMEs  
capacity  
building

Organisation and general management

HR and labour compliance

OSH

Operations and production systems

Resource efficiency

Technology

Common  
types of  
enterprise-  
level support  
services

Training services

Certification

Information provision

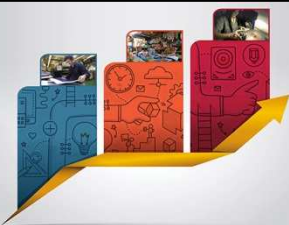
Consulting/advisory

Facilitation of  
technology adoption



**How to ensure service  
provision available to SMEs?**



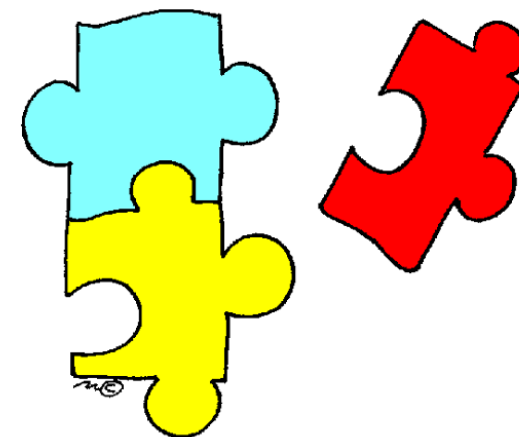


## Is there a role for government in enterprise-level interventions?

What are possible market failures that could call for government support in enterprise-level programs (BDS) for SMEs?

- Lack of information among SMEs on the benefits of certain support services (e.g. training and consultancy)
- Lack of providers for certain services or providers' unwillingness to scale down services to meet the demand of smaller enterprises due to an unfavourable ratio of fixed costs to revenues
- Enterprises' reluctance to invest in R&D because they fear knowledge spillovers to other enterprises



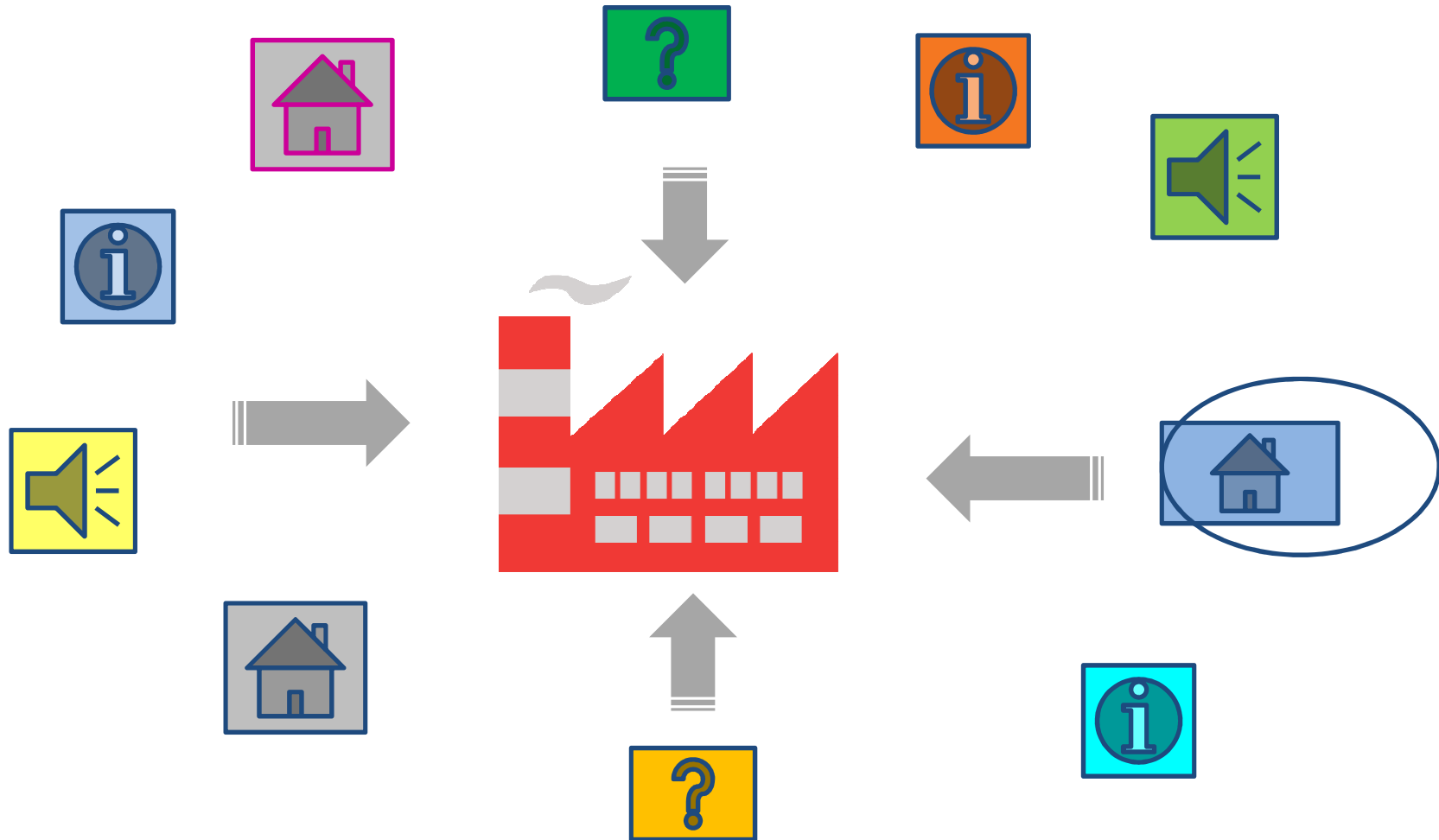


Finding the right fit: constraints and needs of the target group, institutional capacity, tools and intervention models





# Institutional mapping: who is doing what for the target group



# Institutional self-assessment template sample: strategic fit, capacities and needs for implementing selected enterprise-level interventions

| AREA                                                        | MEASURE                                                                                                     | SELF-RATING | NEED TO STRENGTHEN CAPACITY? | NEED TO ESTABLISH PARTNERSHIPS? |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------|------------------------------|---------------------------------|
| <b>Strategic fit in terms of mandate &amp; target group</b> | Mission<br>(SME support as key element of mandate)                                                          |             |                              |                                 |
|                                                             | Target group<br>(size and types of enterprises)                                                             |             |                              |                                 |
| <b>Experience in relevant SME development programs</b>      | Experience in training on relevant subject matters                                                          |             |                              |                                 |
|                                                             | Experience in consultancy/ advisory services                                                                |             |                              |                                 |
| <b>Experience in program management</b>                     | Experience in the design and implementation of large programs (including planning and financial management) |             |                              |                                 |

**Self-assessment template sample:**  
**- *continued***

| AREA                                             | MEASURES                                                                                                                                                                                                                                                                                   | SELF-RATING | NEED TO STRENGTHEN CAPACITY? | NEED TO ESTABLISH PARTNERSHIPS ? |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------|----------------------------------|
| <b>Systems and processes</b>                     | Customer needs assessments conducted prior to program development                                                                                                                                                                                                                          |             |                              |                                  |
|                                                  | Quality control mechanisms in place                                                                                                                                                                                                                                                        |             |                              |                                  |
|                                                  | M&E systems and client feedback mechanisms in place                                                                                                                                                                                                                                        |             |                              |                                  |
| <b>Marketing and promotion</b>                   | Marketing strategy and marketing experience                                                                                                                                                                                                                                                |             |                              |                                  |
| <b>Resources to coordinate/ conduct training</b> | Available human resources for coordination, admin, and logistics                                                                                                                                                                                                                           |             |                              |                                  |
|                                                  | Capacity and experience in mobilize funds directly from clients through service fees                                                                                                                                                                                                       |             |                              |                                  |
|                                                  | Access to financial resources (public finance and/or donors)                                                                                                                                                                                                                               |             |                              |                                  |
| <b>Access to technical expertise</b>             | Access to technical expertise in the relevant field of service provision (e.g. training), and/or in the specific subject matter<br><br>(through established collaborations with other service providers and/or through dedicated in-house trainers with relevant experience and expertise) |             |                              |                                  |
| <b>Network linkages</b>                          | Network linkages to other SME support organizations & to business associations                                                                                                                                                                                                             |             |                              |                                  |

# Key features and elements of enterprise level interventions

|                           |                                              | XY Program                                                              | AB Program                                          |
|---------------------------|----------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|
| Target group              | Enterprise size                              | Small enterprises                                                       | Medium enterprises                                  |
|                           | Enterprise maturity                          | Young enterprises                                                       | -                                                   |
|                           | Sector                                       | No sectoral focus                                                       | automotive                                          |
| Focus                     | Main field/subject                           | General business management skills                                      | Resource efficiency                                 |
| Type of programs/services | Main service offered and duration            | Training. One course 4 days                                             | Training and consulting: 1 course 3 days, 7 visits. |
|                           | Other assistance                             |                                                                         | Facilitation of loan applications                   |
| Capacity requirements     | Technical                                    | Medium                                                                  | High                                                |
|                           | Managerial                                   | Medium-high                                                             | Medium                                              |
| Benefits                  | Expected benefits & evidence of past results | Increased sales, Increased revenues, lower staff turnover, job creation | Energy and water savings, cost reduction            |
| Costs                     | Implementation costs (set up)                | 70,000 USD                                                              | 100,000 USD                                         |
|                           | Cost per enterprise (running)                | 1,000 USD                                                               | 4,500 USD                                           |
| Funding                   | Sources                                      | Donor funding                                                           | Government (70%) and enterprises (30%)              |
|                           | Expected cost recovery                       | -                                                                       | 30% (running costs)                                 |



# Understanding SMEs as clients



# Understanding SMEs as clients

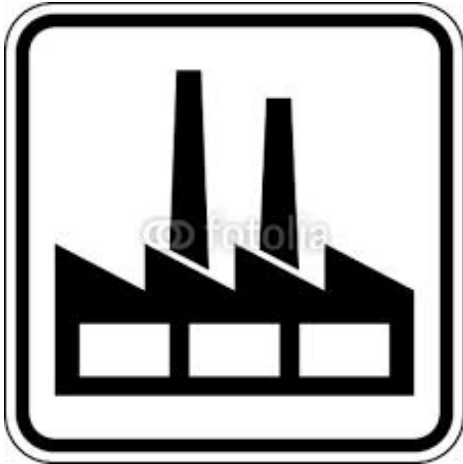


- Analysis available data
- Conducting scoping studies
- Needs assessments



# Persona: a tool for service design

## PERSONA CARD



Firm characteristics:

Size, age, sector....

Management  
arrangements

Skills, education and  
training

Production issues and  
management systems

Resource efficiency and  
environmental issues

HRM and labour issues

Problems and concerns

*For the owner*

*For workers*



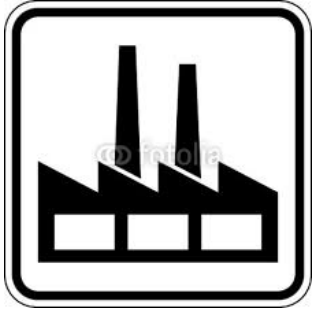
What does the  
manager appreciate in  
support/assistance  
programs?

What does she  
dislike in  
support/assistance  
programs?



## PERSONA CARD: Blue Star Manufacturing

### **Blue Star**



Size of firm: 96 employees  
Sector: light manufacturing  
Age of firm: 5 years  
Produces for: domestic market  
(low range)  
Located in cluster  
Registered firm

### **Management arrangements**

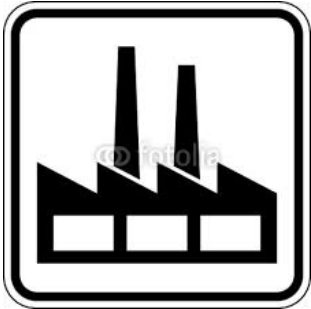
The owner (Ms Ahmed) is also GM. She also manages HR, with the help of a HR assistant  
There is a production supervisor

### **Skills, education and training**

The owner has finished secondary school.  
The HR assistant is still studying, (evening course in hairdressing)  
The production supervisor finished a vocational school  
Workers have generally between 5 and 8 years of education

## PERSONA CARD: Blue Star Manufacturing

**Blue Star**



### **Production issues and management systems**

The shopfloor is small and crowded

Storage areas are in a messy back room

Equipment is old and looks badly maintained

Production records are often unclear or missing

### **Resource efficiency and environmental issues**

Hazardous chemicals containers not handled properly

High electricity consumption and costs

### **HRM and labour issues**

Some piece-rate workers do not have contracts

Turnover is high

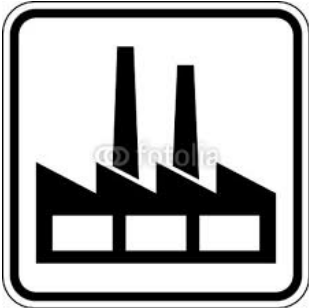
The owner thinks workers are not good at what they do, they often don't come to work

Workers complain about long working hours and low pay

Many machine have no guards

## PERSONA CARD: Blue Star Manufacturing

**Blue Star**



### Problems and concerns

#### *For the owner*

- Products are often returned because of defects
- There are often delays in production due to power-cuts, staff turnover, absenteeism

#### *For workers*

- Poor wages and long hours
- Unclear payment for piece-rates

### What does Ms Ahmed appreciate in support/assistance programs?

- Practical content that is to the point...
- Easy to access



### What does she dislike in support/assistance programs?

- 'Wasting time', everyone is very busy



## In a group....

Step 1: fill a Persona card, thinking about a specific SME in a given sector(e.g SME Blue Star Manufacturing), its owner/manager, and its workers. Make it real: recall a SME you have encountered and be very specific about what it is like.

10 mins





## In a group....

### Step 2

If you were designing a training program for your Enterprise, based on your persona card, what decisions would you make? Please choose among the options

**Focus-topic:** e-commerce OR basic accounting OR other

**Methodology:** lectures with theoretical content *and/or* practical tools *and/or* peer-to-peer learning

**Duration:** 2 weeks full time course OR evening classes twice a week,

**Registration process:** extensive application process OR basic on-line procedure OR other

**Fees:** USD 5,000 to be paid upfront OR USD 800, which can be paid in instalments OR free of charge

(10 mins)





## Theories of Change





Train 100  
enterprises



**THEN A MIRACLE  
OCCURS!**



More and better  
jobs created

'Fuzzy' logic  
Hard to measure





# Theory of change

*'Every programme is packed with beliefs, assumptions and hypotheses about how change happens –about the way humans work, or organisations, or political systems, or eco-systems. Theory of change is about articulating these many underlying assumptions about how change will happen in a programme.'*

To put it simply, a theory of change is *'the description of a sequence of events that is expected to lead to a particular desired outcome'*.

'It applies critical thinking to the design, implementation and evaluation of initiatives and programmes intended to support change in their contexts'

*(DFID, 2012)*





# Theory of change

## How does it help?

- Clearly articulates how we understand the causal links off different levels and elements of the interventions and challenges us to go beyond them
- Makes assumptions explicit – so they can be recognised and debated
- Favours debate and learning
- Facilitates responses to dynamic contexts that influence the change process
- Helps sound result measurement and assessment





## What is it?

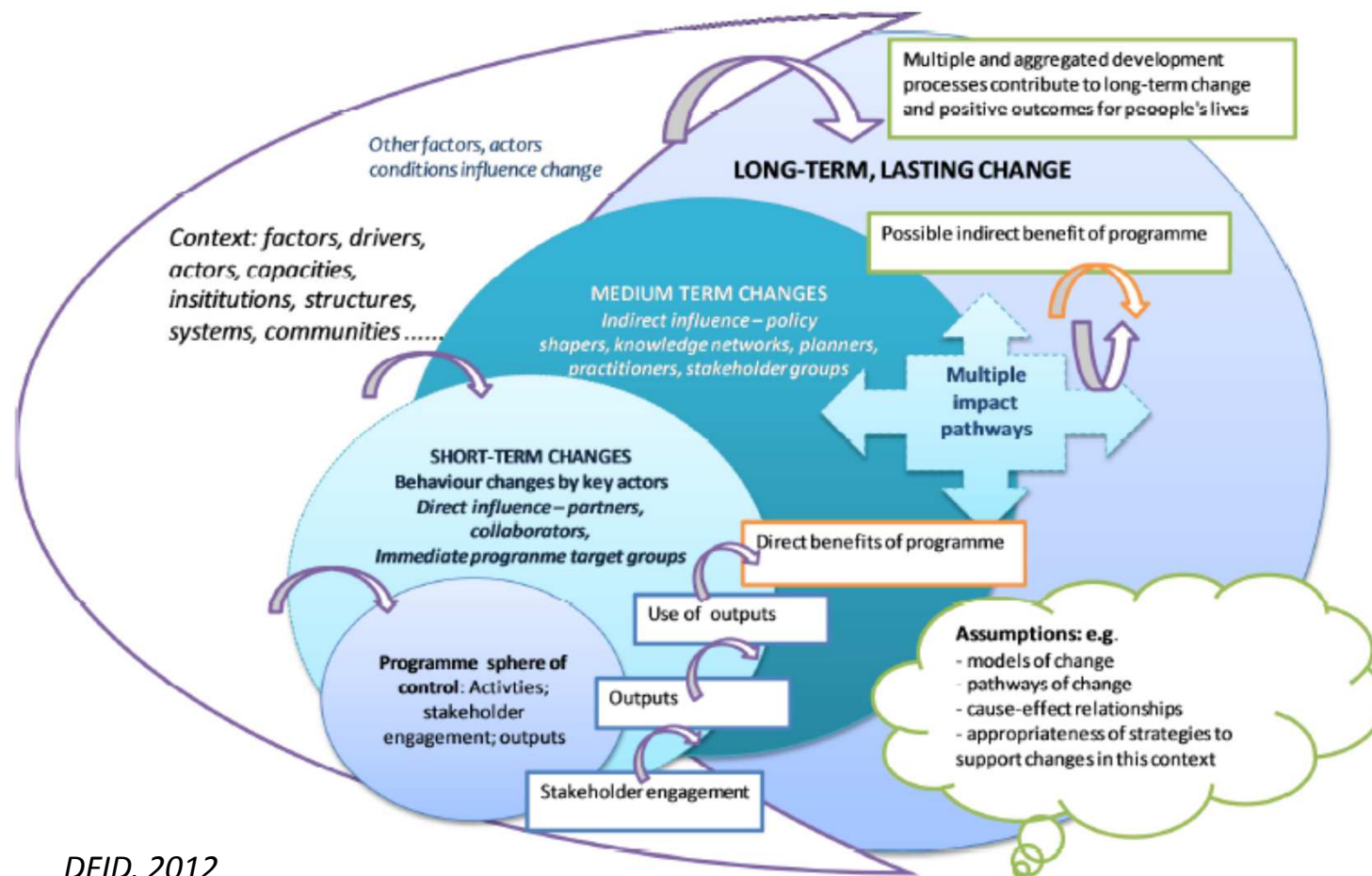
- Tool and methodology to map out the logical sequence of an initiative as the process of reflection to develop and use such mapping
- Used in program design, implementation and evaluation of initiatives and programmes



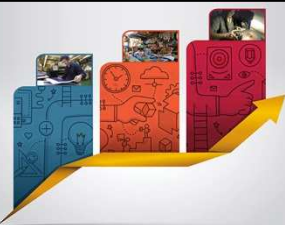


# Theory of Change Thinking Process

## What does it look like?

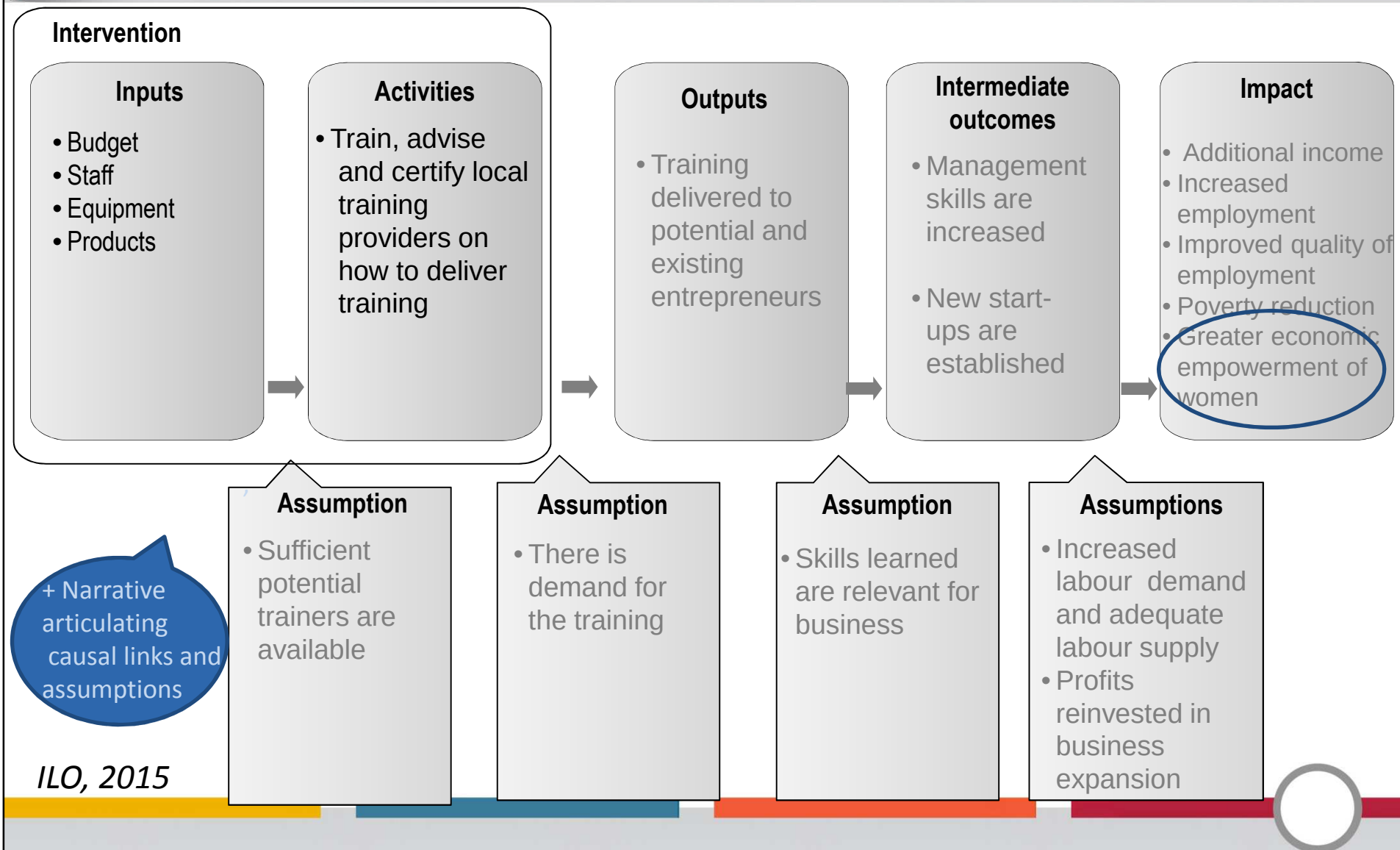


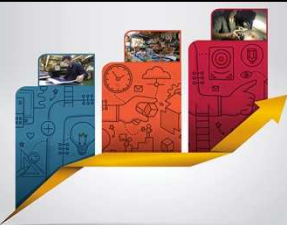
DFID, 2012



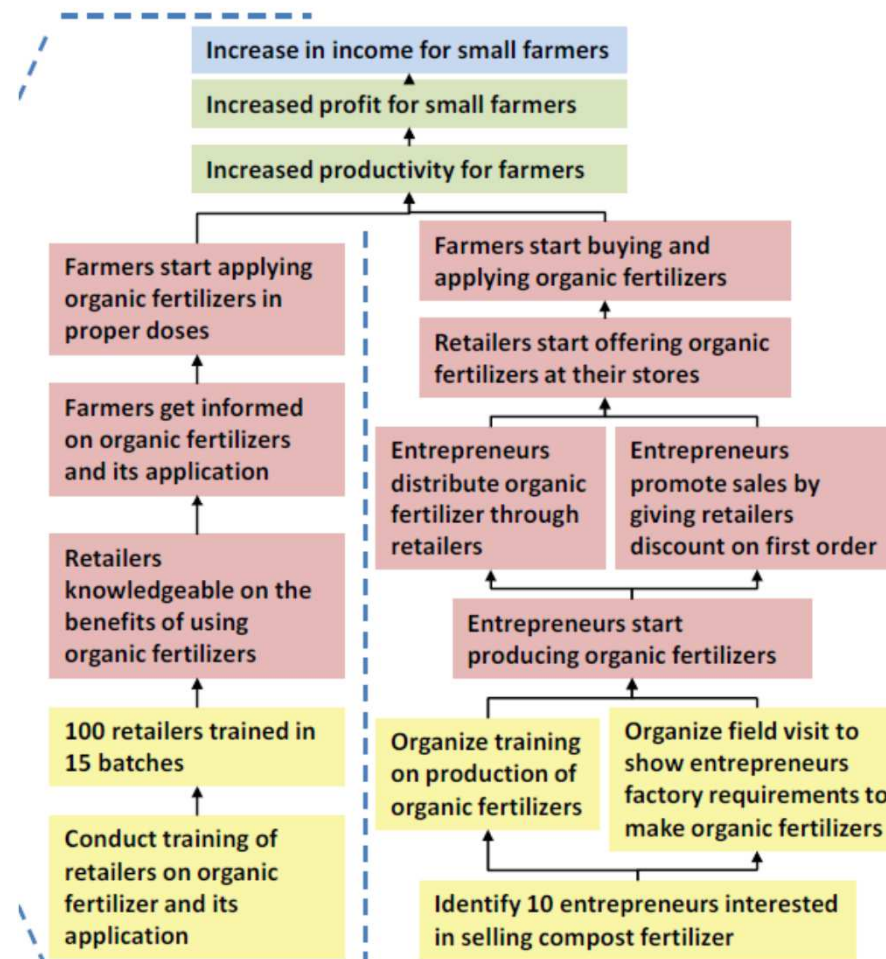
# Theory of change: representation of a result chain

## Example from an entrepreneurship training program





## Another example



### Assumptions

Organic fertilisers produced are effective on the local soil

Entrepreneurs have sufficient resources to start production

DCED, 2015

RESULTS CHAINS