

Returns to Consulting for SMEs



Small businesses are often believed to serve as engines for innovation, employment and social mobility, due to their flexibility in responding to new opportunities and their potential for rapid growth. In developing countries, SMEs make up a particularly large part of the economy, yet data suggests that very few small enterprises in developing countries grow into larger businesses. Researchers conducted a qualitative study of a consulting program in the Philippines designed to help SMEs expand, investigating the obstacles that consultants identified as constraints to firm growth. They found that there is no “one-size-fits-all” approach to business training – most firms have a complex, interconnected set of challenges.

Policy Issue

Small businesses are often believed to serve as engines for innovation, employment and social mobility, but their growth may be constrained by a lack of managerial skills. New business owners often do not have the funds to seek management training, and a perception exists that managerial skills must be learned through experience, rather than taught. These forces lead to an under-investment in business skills training. This qualitative pilot study looked at the various constraints hindering SME growth and explored if graduate business students providing consulting services to small business can be an effective conduit for skill transfer.

Evaluation Context

This study was conducted in metro Manila, an area with a large population of small and medium enterprises (SMEs). Within Makati, the sub-district of Manila where this study took place, there are over 26,000 businesses registered with the local government. Many of these are SMEs spanning a range of industry sectors, including retail, services, manufacturing, real estate, finance and consulting, trading and wholesale.

Details of the Intervention

Note: This study was not a randomized control trial.

This study sought to evaluate the impact of business skills training offered to owners and managers of SMEs. Prior to the training, the research team conducted qualitative interviews with a sample of businesses that had been in operation for at least two years in operation, had revenue between 1-15



RESEARCHERS

Gregory Fischer, Dean Karlan

COUNTRY

Philippines

PARTNERS

Asian Institute of Management, The John Templeton Foundation

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million Philippine pesos, and operated in the retail, services, manufacturing, trading and wholesale sectors. The purpose of the interviews was to gather information on the specific constraints affecting SMEs, including problems related to cash flow management, suppliers, clients, marketing, access to credit, human resources, and regulations. The interview also recorded if the business's owner/manager would be interested in receiving free consulting provided by graduate students at the Asian Institute of Management (AIM).

The study team attempted to visit 4,212 eligible businesses for the pilot. Nearly 40 percent were not reached because they had changed address, closed, or otherwise could not be located. Ultimately, only 177 interviews were completed because owners or managers were either too busy to complete the interview, not interested in participating, or repeatedly out of the office. Of the 177 business owners interviewed, 142 upon completion of the survey expressed interest in the free consulting program. Surveyors completed detailed qualitative and quantitative surveys with 95 of these businesses, who went on to receive consulting services from AIM students.

Over the course of two months, business owners/managers who received the consulting program met every two weeks, at the business, with two student consultants from AIM. Meetings lasted for a few hours. During these meetings, the student consultants worked with the business owners/managers to develop strategies to overcome barriers they faced to growth. Managers and owners of businesses in the treatment group also had the opportunity to attend a workshop provided by AIM on best practices for SMEs.

Results and Policy Lessons

Qualitative interviews showed that most firms have a complex set of constraints, many of which are interconnected. Nearly 70 percent of firms required some form of assistance on sales and marketing. Another 42 percent needed assistance with accounting or cash flow management. Within these broad categories, there was significant variation in the detailed needs of firms. For example, among the firms needing sales and marketing assistance, one struggled to recruit sales personnel with the technical competence to accurately describe the product. Another firm struggled with marketing staff turnover and an inability to generate sales beyond the owner's personal contacts.

These descriptions suggest that a "one-size-fits-all" training would neither appeal to nor benefit these firms. A more tailored consulting or mentoring approach may have been more appropriate. Future studies of business training programs may benefit from more careful identification of firms' constraints before the training is offered.

GLOBAL HEADQUARTERS

101 Whitney Avenue
New Haven, CT 06510 USA
+1 203.772.2216 | contact@poverty-action.org

poverty-action.org