

What we are learning about training and consulting programs for SMEs

SMEs in Ghana: From Evidence to Action

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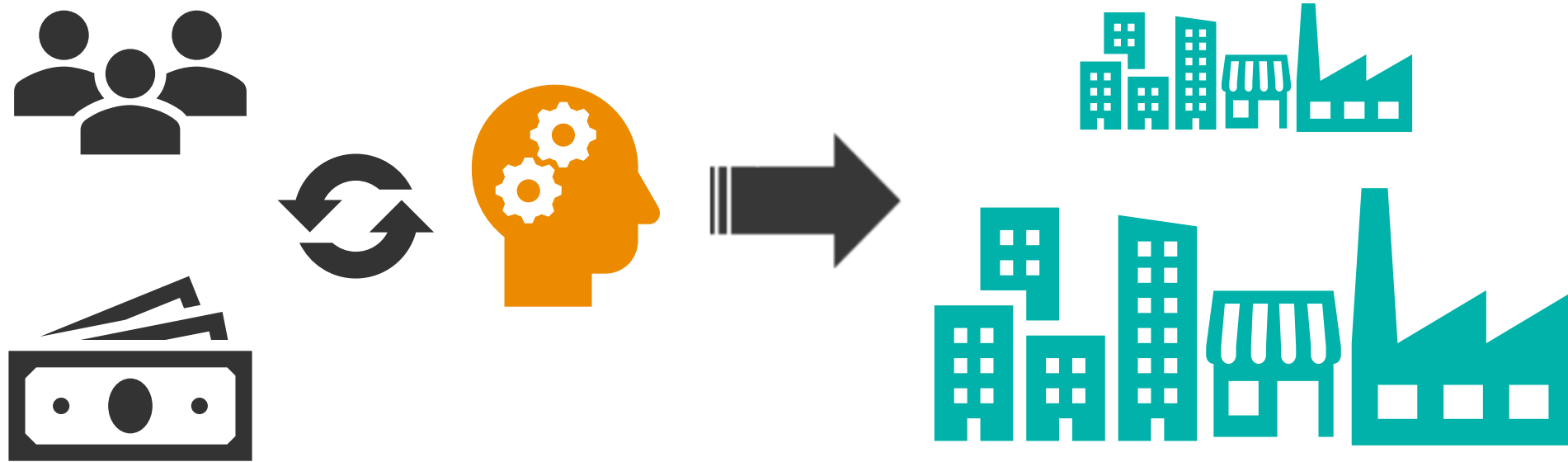
Managerial Capital | In brief

1. Why management of SMEs matters
2. Evidence on Training programs
3. Evidence on Consulting programs
4. Key Takeaways
5. Open questions



Management Matters | At the firm level

Why can some firms get so much more output out of the same inputs?



1. Is low managerial capital a problem for SMEs?
2. What works when it comes to improving management practices of SMEs?



Management Matters | What is good management?

18 Standard practices

+20 k Firms

+35 Countries



OPERATIONS



MONITORING



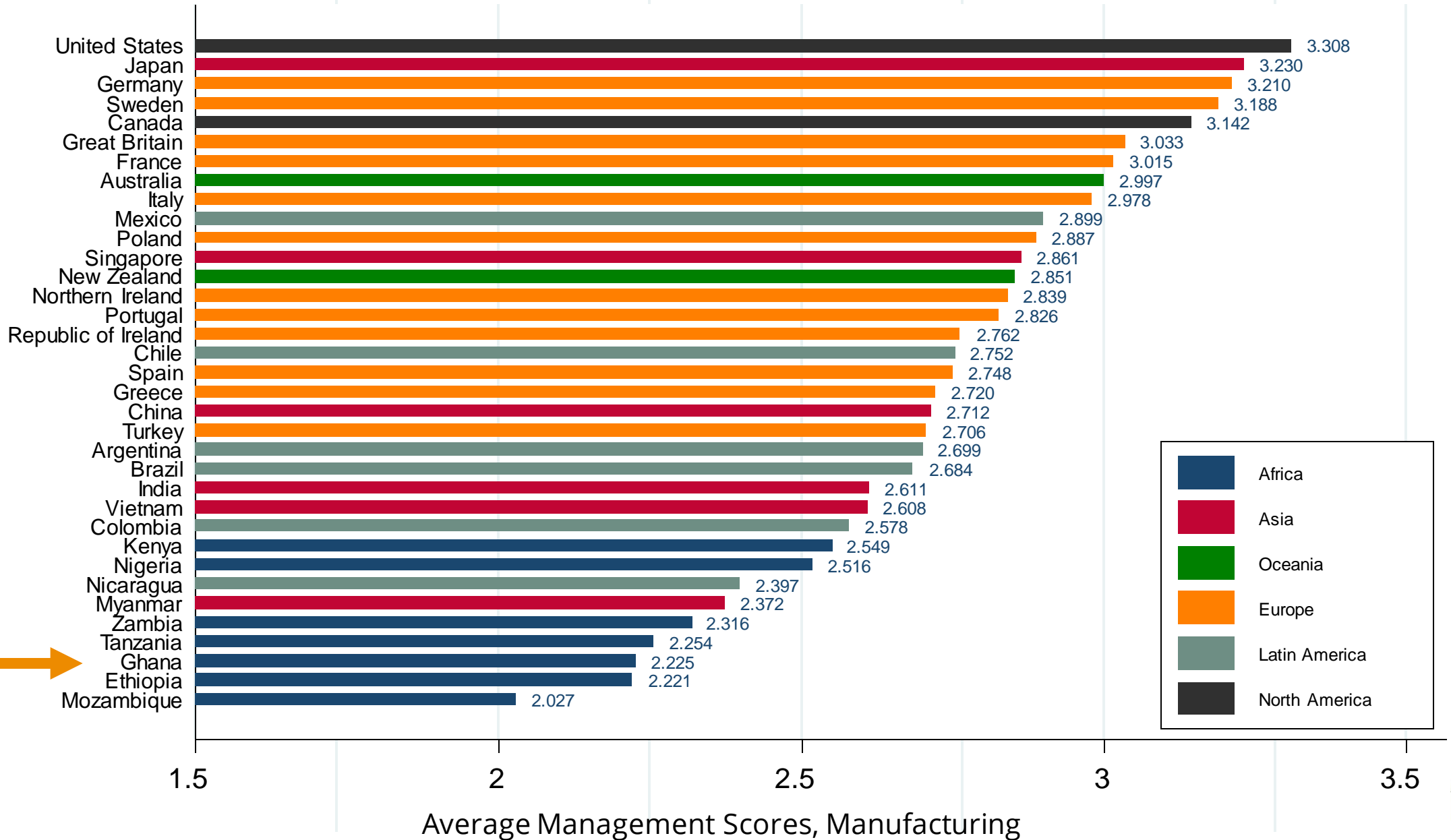
TARGETS



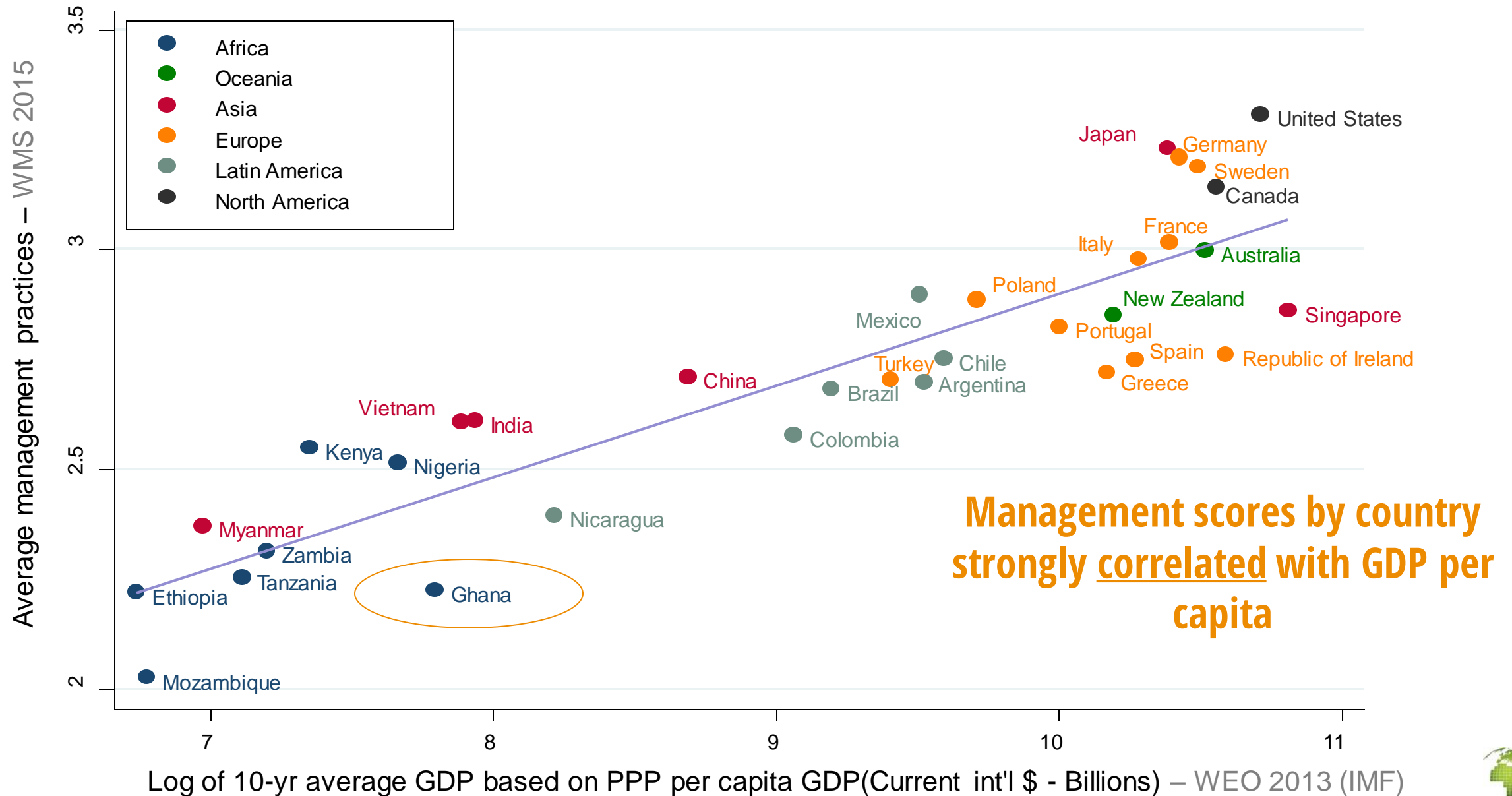
PEOPLE



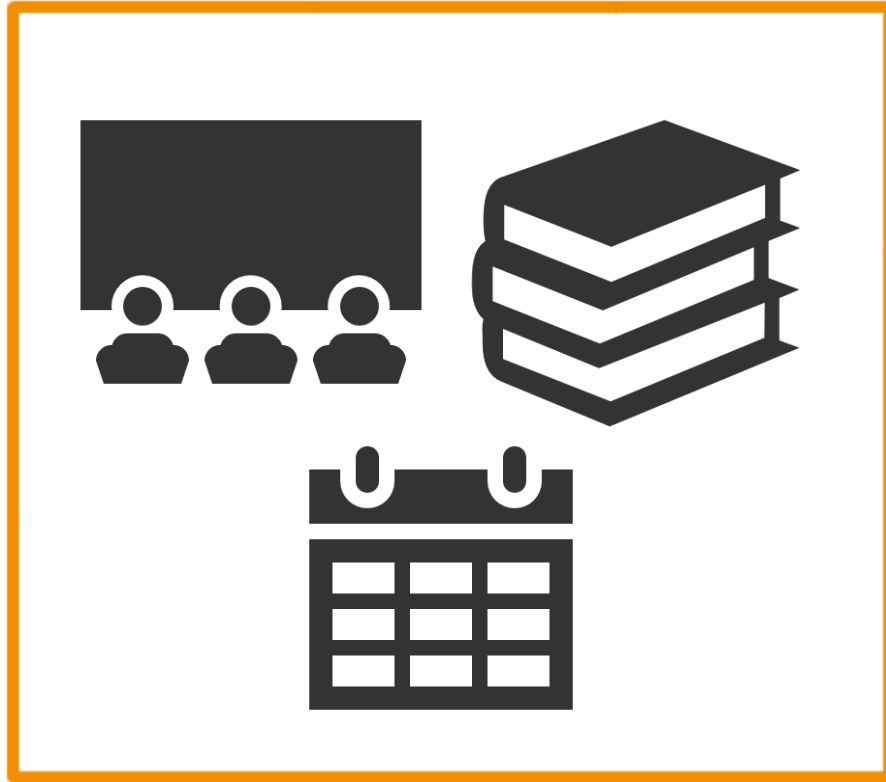
Management Matters | Scores in manufacturing



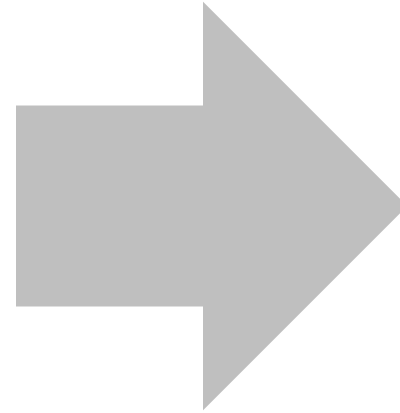
Management Matters | Scores per country



Evidence on training | Traditional training



Classroom-based, Curriculum-heavy
and runs on Regular times



Improved knowledge to
manage a firm



Evidence on training | *Rules of Thumb* Financial Training in the Dominican Republic



Traditional accounting principles

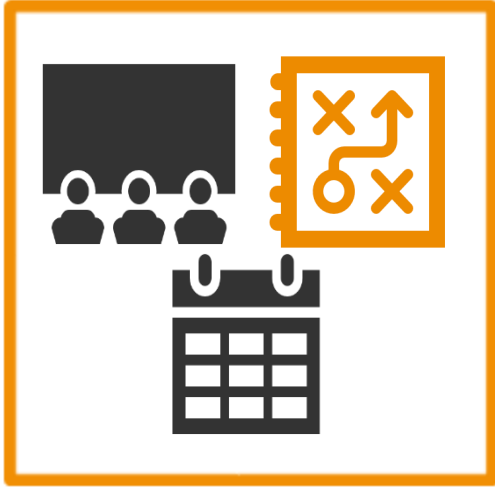


Simple rules for financial decision making

Administered by same qualified local instructors



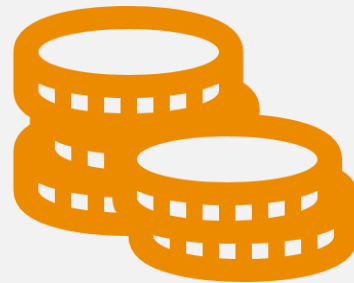
Evidence on training | Rules of Thumb: Results



Participants of the simplified program were the only ones showing improvement in both business practices and business performance outcomes.

6-12

Percentage points more likely to separate business and personal cash



Higher revenue in bad weeks



Greater impact on firms with lower education



Evidence on training | *Entrepreneurial Mindset* training in Togo



Traditional business curriculum by IFC



Mindset of self-starting behavior

Same duration: 36 h class + monthly visits for 4 months



Evidence on training | Entrepreneurial Mindset: Results



A Training focused on *entrepreneurial mindset* was more successful at increasing sales and profits.

17%

Increase in sales

30%

Increase in profits



No effect on business survival



Evidence on training | Key takeaways

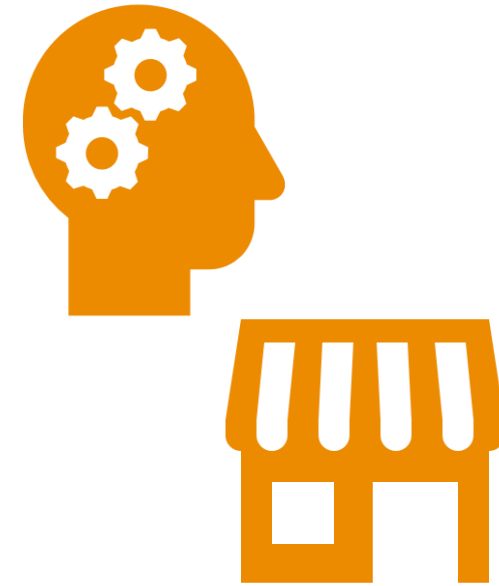
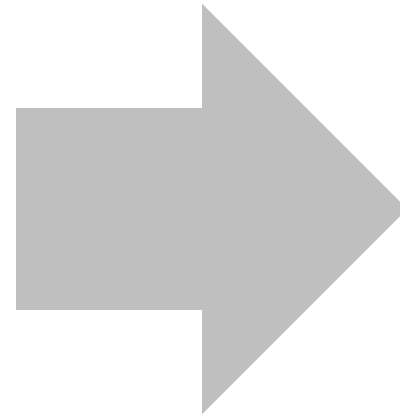
- Traditional training has limited impact on business outcomes in this context
- One size does *not* fit all
- Benefits to reducing the complexity of the training for less educated firms
- Benefits to focusing also on the soft skills and the mind-set needed in a manager



Evidence on consulting | Consulting programs



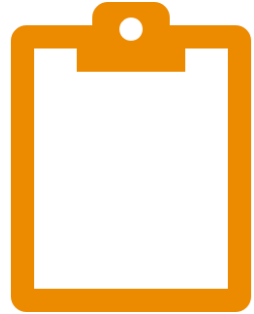
Dedicated consultant, diagnostic, implementation period



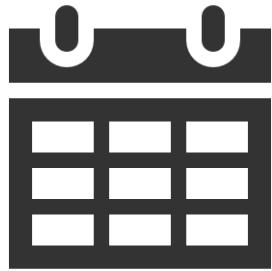
Improved knowledge to manage a firm



Evidence on consulting | Consulting for MSMEs in Mexico



Intensive consulting



1 year

Miriam Bruhn, Dean Karlan, and Antoinette Schoar, "The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico," *Journal of Political Economy* 126, no. 2 (April 2018): 635-687.



Evidence on consulting | Consulting in Mexico: Results



Subsidized managerial consulting to Mexican SMEs boosted their productivity and hiring

57%

Long-run
increase in
employment

Better **business
practices**: better
accounting &
marketing

Higher
**entrepreneurial
spirit**: confidence &
control



Human Capital | Overall Lessons

1. Mixed results on training programs for SMEs. Need for customization. Not one-size-fits-all.
2. High-quality, intensive consulting services can improve managerial capacity and firm performance.



Human Capital | Open Questions

1. What type of training content works and for which type of SME?
2. How do we make consulting services cost effective?
3. How do we develop a market for consulting services?

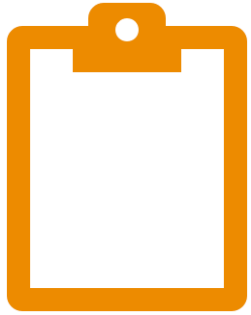


Thank you!



ipa
INNOVATIONS FOR
POVERTY ACTION

Evidence on consulting | Consulting Services for Indian Textile firms



Intensive consulting



5 months

Nicholas Bloom, Benn Eifert, Aprajit Mahajan, David McKenzie, John Roberts; Does Management Matter? Evidence from India, The Quarterly Journal of Economics, Volume 128, Issue 1, 1 February 2013



Evidence on consulting | Consulting in India: Results



Firms that received consulting significantly raised their productivity within a year

16.6%

Increase in productivity

Greater Worker Efficiency



Less machine downtime



Less quality defects



Evidence on consulting | *Key takeaways*

A photograph of a busy textile factory. In the foreground, a man in a light blue shirt is operating a machine. In the background, other workers are visible, some operating machines and others standing. The factory has a high ceiling with industrial lighting and large windows.

High quality intensive consulting can improve managerial capacity and firm performance