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

Bloom and Van Reenen (2007) – Center For Economic Performance (LSE) – World Management Survey (since 2012)
Management Matters | Scores per country

Management scores by country strongly correlated with GDP per capita
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 training

Traditional accounting principles

Simplified training

Simple rules for financial decision making

Administered by same qualified local instructors

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 training**

Traditional business curriculum by IFC

**Mindset training**

Mindset of self-starting behavior

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

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

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

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!