Training and Consulting Programs for SMEs: What We Are Learning

Evidence Dialogue on SME Development in Kenya

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Outline
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
How Do We Measure Management?

World Management Survey measures:

18 Standard practices 20,000+ 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 in Manufacturing
Management scores by country strongly correlated with GDP per capita

Quality of Management Worldwide

Average management practices

Ln of 10 year average GDP based on PPP per capita GDP (current int'l $ - Billions)
A large number of poorly managed firms explain the difference in the quality of management between countries.
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?
Traditional Training

Evidence on Training

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

Improved knowledge to manage a firm
Rules of Thumb Financial Training

Evidence on Training: Dominican Republic

Traditional training

Traditional accounting principles

Administered by same qualified local instructors

Simplified training

Simple rules for financial decision making

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
Entrepreneurial Mindset Training
Evidence on Training: 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

Entrepreneurial Mindset Training: Results
Evidence on Training: Togo

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
Business training and Mentoring
Evidence on Training: Kenya

Business training developed by the ILO with a gender perspective


Photo credit: Tugela Rid
Business training and Mentoring: Results
Evidence on Training: Kenya

Business training increased sales and profits without taking from non-treated firms.

18% Increase in sales  
15% Increase in profits  
10% Increase in use of managerial practices

*30% increase for training + mentoring
Key Takeaways
Evidence on Training

• **Traditional training has limited impact** on business outcomes. One size does *not* fit all.

• Benefits to **reducing the complexity of the training** for less educated firms.

• Also benefits to **focusing on the soft skills and mindset** needed in a manager.

• Differences in the **quality, content, and intensity of training**, as well as the **characteristics** of the recipient enterprises matter,
Consulting Programs
Evidence on Consulting

Dedicated consultant, diagnostic, implementation period

Improved knowledge to manage a firm
Consulting for MSMEs
Evidence on Consulting: Mexico

Intensive consulting
1 year


Photo credit: Paul Smith
Consulting for MSMEs: Results

Evidence on Consulting: 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
Group Consulting
Evidence on Consulting: Colombia

Individual consulting: 500 hours over 6 months
Group consulting: 408 hours over 6 months

Both group and individual consulting improved their management, but **group consulting also increased employment**

8-10% Improvement in management practices

12% Increase in employment

Group consulting saw larger **benefit for cost**
Lessons About Human Capital

Summary

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.
Open Questions
Human Capital

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