Training Goes To Market

A Comparative Study of Two Kenyan Training Programs

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Microenterprise Best Practices

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A Comparative Study of Two Kenyan Training Programs

Business Development Services
Case Study

by

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BACKGROUND

Two business training programs in Kenya are profiled in this paper. Both programs illustrate a shift that is occurring in business development services (BDS) in general from supply-driven to demand-led, market-sensitive programming. Their experience informs "principles of good practice," grounding the programs in the complex challenges of promoting change (such as new products and better product quality) among informal sector manufacturers. Training, a key element of both programs' methodology, is delinked from credit and offered to clients for a fee. Critical issues that emerge from these cases include stimulating demand for the service, discerning differences in performance between single- and multiple-service programs, and balancing the tension between impact and scale.

Against a backdrop of what is broadly accepted as years of failed investments in generic business training to promote enterprise development, new efforts to refocus training interventions are under way. Inspired by the revolution in microfinance, these efforts are more market oriented and demand led than their predecessors and are yielding emerging "principles of good practice." Four such principles have been posited by BDS researchers: services that are demand driven; relevant and focused; participatory; and cost-recoverable.[1] This case study provides a detailed description of two self-labeled demand-led training programs in Kenya, exploring how the two programs apply these operating principles at the enterprise level, how they have been incorporated into program design and service delivery, and how they relate to achievement of performance objectives.

The two cases are programs of Kenyan nongovernmental organizations (NGOs). AKILI (Advancing Kenyan Industry through Local Innovation), phase one of which ran from April 1995 to June 1997, is a program of ApproTEC, an NGO dedicated to technology development and dissemination. The Skills Upgrading Project, which began in January 1996 and continues through June 1998, is operated by SITE (Strengthening Informal Sector Training and Enterprise). Both programs are a response to the stagnation of informal sector manufacturing, generally characterized by mediocre quality, widespread peer imitation, intense competition, low profit margins, and little innovation. Although the sector is absorbing ever-increasing numbers of job seekers, its expansion is largely horizontal, growing faster than the demand for its products.

SITE and AKILI seek to increase income and stimulate enterprise growth through improved skills, higher quality, new products, and better marketing. To achieve this common goal, they not only pursue a subsector approach but have chosen to work with the same three subsectors: metal, wood, and textiles. Both charge fees for their services. Yet, because both programs are in the early stages of development, cost recovery is minimal. Still in the process of becoming demand driven, their focus is on their methods and service mix, as well as establishing credibility with clients and stimulating demand for their services.

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1 These principles are outlined in the report "Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions" (Donor Committee on Small Enterprise Development, 1997), which synthesizes lessons from a review of BDS programs worldwide.

The similarities between AKILI and SITE cause them to face similar issues and challenges. Their methodological differences, however, lead them to very distinct responses and highlight additional questions.

AKILI focuses on product innovation through a comprehensive set of services that starts with group training, uses individualized technical assistance to guide clients through the complex process of product development, and links them to new markets. After 15 months, the 85 clients who had participated in the process had increased their income by 35 percent.

SITE's program, in contrast, focuses on training. The foundation of the SITE approach is to intervene in the traditional apprenticeship system (the most widely used method for skills transfer in Kenya's informal manufacturing sector) to shift apprentice training from the transfer of limited skills to innovation, higher quality, and greater market responsiveness. SITE upgrades the skills of master craftspeople and strengthens their capacity to provide quality training to their apprentices.

KEY ISSUES AND LESSONS

The core challenge for demand-driven training is bridging the gap between perceived and real needs. While outsiders easily identify multiple training needs relating to both production and managerial skills, entrepreneurs themselves often do not acknowledge them.

For demand-driven programs, the apparent lack of demand for their services poses an obvious marketing challenge. Demand must be stimulated, and stimulating demand requires (1) making up-front investments in marketing; (2) demonstrating real market opportunities that training will help clients access; (3) maintaining proximity to clients to respond to their emerging needs; and (4) linking the training to tangible, immediate benefits.

For SITE, its means of stimulating demand, or its "hook," is its involvement in the informal sector's apprenticeship system, which is increasingly fee based. Clients are drawn to SITE training as an opportunity to build their reputation as good trainers and attract more paying apprentices. Although the fees apprentices pay vary by subsector and location, they can represent significant income for the master trainer. AKILI's hook spurs income by another means: guiding entrepreneurs to new products and markets that represent real income.

In addition to being demand driven, training services must be relevant to entrepreneurs if they are to succeed in the marketplace. To achieve this goal, both AKILI and SITE use a subsector approach to anchor their focus on production skills, new products, and quality. They also solicit the participation of their clients to ensure the relevance of their services. SITE maximizes client input into training content, scheduling, and costs. Courses take place as close to participants' workshops as possible, at convenient hours, to minimize the opportunity costs associated with training. AKILI interacts regularly with its clients, using their ideas, skills, and motivation to determine the direction of the program's technical assistance phase.

Although AKILI's evaluation results indicate that the application of the best practice principles can yield tangible benefits (such as new products, access to new markets, and increased income), there is a trade-off with other program performance indicators, such as program outreach and program sustainability. The benefits, or effectiveness, of the best practice principles are hard to mass-produce. Given AKILI's comprehensive, multifaceted process, the program's staff members estimate that 100 clients represent the optimal number they can handle at any given time. SITE, on the other hand, can potentially serve four to six times the number of clients as AKILI because it is working principally with one type of intervention — a short training course. By relying on the singular value of training, however, SITE risks trading program effectiveness for program outreach.

Finally, the principle of recovering costs by charging clients for training has multiple benefits, including the establishment of a business relationship between entrepreneur and service provider that alone is a significant change in practice. Yet, to date, the fees collected by SITE and AKILI barely offset their costs. The issues that pose barriers to training efficiency and scale (that is, the effort required to achieve the impact that is essential to sustain demand for services) also raise doubts about the programs' prospects for financial sustainability.

CHAPTER ONE

TRAINING MICROENTREPRENEURS: A SHIFT IN PRACTICE?

INTRODUCTION

Beyond Credit

The need to go "beyond credit" in order to stimulate business growth among the self-employed is reemerging as a priority among researchers, practitioners, and policy makers. Although many of the earliest efforts to support small entrepreneurs and microentrepreneurs were nonfinancial in nature and included a wide variety of interventions, efforts in business development services (BDS) have been eclipsed in recent years by the revolution occurring in microfinance. While BDS programs struggled with issues of impact, scale, and costs, breakthroughs in microcredit were overcoming these key barriers. Credit providers targeted the poor as paying clients; key decisions were effectively transferred from outsiders to the clients themselves; and income generated from loan interest and fees led to increasing cost recovery and, eventually, self-sufficiency.

Despite these stunning breakthroughs, credit for the poor has its limitations. One key to its success lies in the focused, efficient delivery of one service to many businesses. The requisite concentration on financial services ignores the significant nonfinancial constraints that inhibit the growth of micro- and small enterprises. As a result, the impact of credit on business development is questioned, and portfolios are dominated by trade and simple processing businesses that offer little scope for increased productivity. With limited management skills and a low tolerance for risk, borrowers diversify into new businesses before they upgrade or innovate existing ones. The informal sector thus is expanding horizontally, becoming increasingly characterized by the saturation of low-growth, highly competitive enterprises (Dawson, 1997).

The limitations of microcredit in alleviating poverty are drawing greater attention to and respect for the constraints to business growth. The diversity of these constraints, which include skills, technologies, market barriers, poor infrastructure, and hostile policies, and their complexity require intensive, often integrated interventions that lead one back to the same questions of scale, impact, and cost-effectiveness that have plagued business development services for years. Yet, largely inspired by the revolution in microfinance, interesting BDS responses are emerging. For example, practitioners are increasingly adopting a market-oriented approach to providing BDS.

Entrepreneurs are clients, and as such, their needs must be cultivated and transformed into demand for service. To respond to that demand, business development services need to be much more focused than they were in the past. To translate this business orientation from idea to reality, BDS practitioners are experimenting with new methodological tools such as sector-specific approaches and mechanisms by which clients purchase the services they want, thereby demonstrating demand for the service, commitment to its success, and, eventually, cost recovery.

Training: The Most Common Business Development Service

Of the many distinct business development services, training, both in business management and vocational skills, is perhaps the oldest and most common. Yet the history of BDS training is now broadly acknowledged as one of failed investments that has suffered from:

- A generic, standardized content;
- A supply-driven approach, with training determined by trainers rather than those being trained;
- Too little attention paid to the quality of trainers and training methods;
- An insufficient investment in training follow-up, which reduces the potential benefit of the training; and
- Limited proven impact (Donor Committee on Small Enterprise Development, 1997).

In the early attempts to provide microcredit, training was thought to be a necessary complement, helping to ensure portfolio quality by teaching borrowers proper business and loan management. In fact, training and credit were forcibly linked for borrowers: to qualify for a loan, one had to complete the program training. However, "minimalists" began to view training costs as a brake on credit's progress toward cost recovery, and without a demonstrated impact, the expense grew increasingly difficult to justify.

The prevailing beliefs, linked to the principles of successful microcredit, are that (1) microentrepreneurs know better than anyone else what they want, and that, first and foremost, is capital; (2) the simple nature of most microentrepreneurs' enterprises does not warrant training; and (3) forcing clients to participate in training to get a loan undermines learning objectives and represents additional costs to the client and the program. Although debate of these assumptions has by no means ended, training has become the poor cousin of credit.

New Responses to a Persistent Need

Despite its poor reputation, the need for training persists. It has emerged as a significant issue in village banking, for example, and well-established credit programs report client requests for training once their access to credit is ensured. Additionally, many practitioners unwilling to sacrifice clients' broader business needs to the dictates of program self-sufficiency have kept the debate between integrated and minimalist programs alive, making strong arguments for client training (Nelson et al.,1996; The SEEP Network, 1996).

Like the rest of the field to which they belong, training programs are trying to become more market oriented. A survey of recent experience from around the globe has identified the following key principles of "good practice" that facilitate the transition to market-driven training. Specifically, training must be:

Demand-driven: Training must respond to client demand rather than demand by donors, nongovernmental organizations (NGOs), and others who traditionally supply training services.

Relevant: To respond to demand, training must address entrepreneurs' immediate needs. To ensure a high degree of relevance, trainers are increasingly finding a sector-specific approach to be useful in addressing the production, marketing, and other skill requirements of individual trades.

Participatory: To advance the relevance of training products, suppliers must get to know their clientele and base their analysis of needs and subsequent product design on the day-to-day reality of their clients' businesses.

Cost recoverable: Programs should charge fees for their services; if they have been properly designed, they will respond to demand, and client willingness to pay fees is the best indicator of that demand (Donor Committee on Small Enterprise Development, 1997).

These principles are presented with two caveats. First, given the limited experience of the "new" training paradigm, they must be seen as emergent — positioned as guidelines for "good" rather than "best" practices gradually emanating from diverse programs. Second, they are only as good as the results with which they can be associated. Therefore, following the framework proposed in the report "Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions" (Donor Committee on Small Enterprise Development, 1997), the principles defined above will be examined in light of performance at the microenterprise level, as defined by four common indicators:

Outreach: Indicating a program's scale or quantitative impact as measured by the number of enterprises, business owners, or workers either receiving program services or affected by them.

Efficiency: Concerning the rate and costs at which inputs translate into results as measured in training programs by such indicators as cost per trainee, cost per course, and cost per training day.

Effectiveness: Measuring the extent to which a program's objectives have been met with indicators specific to those objectives. In the case of business training programs, effectiveness indicators might include skill acquisition, skill application, changes in product quality, production processes, customer relations, sales, access to inputs and markets, and profits.

Sustainability: Involving slightly different phenomena at the program and enterprise levels; namely, (1) the extent to which services can be financed by client fees (a straightforward financial equation), and (2) the life of the changes at the enterprise level, which can only be measured over time via a long-term or ongoing monitoring effort.

TESTING THESE PRINCIPLES

The aforementioned principles of good practice, distilled through a broad, global search of diverse programs that attempt in one way or another to be market oriented, contain compelling ideas. Yet, how these ideas are incorporated into program design and service delivery has not been well documented. This comparative case study attempts to fill this gap by providing a detailed description of two selfproclaimed demand-led training programs in Kenya. The study explores, through the experience of these two programs, the application of principles of good practice at the enterprise level; tests the principles' validity; and clarifies nuances in terms.

The two cases address three basic sets of questions:

- What does "demand-led" programming mean, and how is it defined?

- How does the adoption of a demand-led approach influence program design and implementation? What steps are being taken to maximize the focus and relevance of program services in order to best respond to client demand?

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- How does the experience to date relate to the achievement of performance indicators? What trade-offs are occurring among performance indicators as programs pilot the application of emerging principles of good practice?

Two Responses to the Same Problem

The two cases profiled here are programs of Kenyan NGOs. AKILI (Advancing Kenyan Industry through Local Innovation), phase one of which ran from April 1995 to June 1997, is a program of ApproTEC, a Kenyan NGO that promotes business opportunities and job creation through technology development and dissemination. The Skills Upgrading Project, which began in January 1996 and continues through June 1998, is operated by SITE (Strengthening Informal Sector Training and Enterprise).

The comparative value of these two programs is high because they address the same problem, pursue very similar goals, work with the same subsectors, and offer similar services. Yet each has its own distinct methodological emphasis, leading to different program strengths and weaknesses.

The problem: Both programs are a response to the stagnation of small-scale industries in Kenya's informal sector, commonly known as *jua kalis*.[2] The output of informal sector manufacturing is generally characterized by mediocre quality, widespread peer imitation, intense competition, low profit margins, and little innovation. At the same time, this sector is absorbing ever-increasing numbers of job seekers and has been targeted by the Kenyan government to absorb more than 128,000 job seekers annually.

The informal sector's expansion is largely horizontal rather than vertical. The "missing middle" of Kenya's industrial sector (defined as enterprises with 50 or more employees) is still missing (Parker and Dondo, 1991); very few small, jua kali producers manage to grow into the middle range in which reaching expanding middle-class markets permits increased income and job creation. Most entrepreneurs lack the technical and managerial skills required to expand their businesses. In fact, for many small enterprises, growth is not the primary objective; risk minimization strategies more often involve diversifying income and assets than expanding a single enterprise (McCormick, 1992). Consequently, the sector is growing more rapidly than the demand for its products.

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[2] The Swahili term *jua kali* is translated as "hot sun." It is used to refer specifically to manufacturing and repair activities in the informal sector.

The NGOs most connected to the entrepreneurs in this sector commonly are credit organizations that lack the capacity to respond to the nonfinancial constraints to growth inherent in low levels of technical, design, and production skills. Furthermore, the training available to informal sector entrepreneurs does not focus on product quality or the ability to design and launch new products, nor does it anticipate future market opportunities.

The response: Both SITE and AKILI seek to increase income and stimulate enterprise growth through improved skills, higher quality, new products, and better marketing. To achieve this common goal, both programs target manufacturing enterprises as the group with the greatest potential for growth. Additional points of similarity include the following:

- Within the manufacturing sector, both programs have opted for a sector-specific approach, which is necessary to ensure the relevance of interventions that focus on product design and quality as well as production skills and processes.

- Both programs work with the same subsectors: metal, wood, and textiles. That both programs have made the same choices is not surprising, as it reflects the well-documented concentration of informal sector producers in Kenya. In textiles, AKILI tries to avoid clothing and focuses instead on uses of fabrics in home furnishings; conversely, SITE works with tailors primarily in clothing.

- SITE and AKILI work with the same inputs: training, product development, and marketing. However, their emphasis is very different. AKILI focuses on product development and uses training to stimulate clients' capacity to improve their product, whereas SITE is a training-led program focusing first on raising production skills in the targeted sectors.

- In claiming to be demand driven, both programs respond to two sources of demand: that of their clients (microentrepreneurs) for training and that of the market (the ultimate consumers of microenterprise goods and services). In assessing needs, both consider market opportunities and work backward from there.

- Both programs charge fees for their services; clients pay for training, and neither program includes giveaways or elements of coercion. Yet, because both programs are in the early stages of development, cost recovery is minimal. Still in the process of becoming demand driven, their focus is on methods, service mix, establishing credibility with clients, and stimulating demand for services.

As the following program descriptions will show, the similarities between these two programs result in similar issues and challenges. Differences in approach, however, lead to very distinct responses, adding to learning about how principles of good practice are applied.

METHODOLOGY

The author gathered the information for the two cases presented in this paper in Kenya between May 25 and June 7, 1997. The author spent one week with each program, reviewing program documents and accounts, interviewing staff and clients, and observing training.

Kenya was selected for the study because the location of several innovative BDS programs there allowed a comparative approach in a short time. MBP chose to feature more than one program, given the relative scarcity of information on business training programs that are shifting paradigms, moving from supply-driven to client-driven service provision. The two programs documented in this study were selected because they demonstrated several principles of good practice: both are self-labeled, demand-led programs; they charge fees as a means to gauge demand and to move toward cost-recovery; and they provide focused training services in Kenya in the same subsectors. The two programs offer rich insight into the challenges of making such a shift.

The major methodological weakness of the study stems from the age of the two programs studied. At the time of the study, both programs were new, with just over one year of operation to inform the study's questions. This made it difficult to evaluate financial sustainability; both programs are drawing on grant funds to develop the methodology (services) that will enable them to enter the market effectively. Cost recovery is minimal, and long-term program impact cannot yet be determined. Although the explicit design of AKILI as an action research project permitted detailed tracking of key impact indicators in the short term, SITE is just setting up its monitoring and evaluation system.

CHAPTER TWO

AKILI

INTRODUCTION

Akili is the Kiswahili word for skill and know-how, making it an appropriate acronym for the AKILI program. The program was designed as a two-year action research project to test the best mechanisms for fostering small enterprise growth and job creation.

As noted in Chapter One, AKILI is a program of ApproTEC (Appropriate Technologies for Enterprise Creation), a Kenyan NGO that promotes economic growth and jobs by introducing technologies that open up new business opportunities for micro- and small enterprises (MSEs).[3] Sharing the same goals, AKILI pursues a business growth strategy that focuses on product development and innovation. The project, which began in April 1995, was funded initially by England's Overseas Development Administration through the British NGO APT Enterprise Development. A grant of $331,545 covered expenses for the 26-month phase-one project period, which ended in June 1997.

Housed in ApproTEC's office complex in Kariobangi on the east side of Nairobi, AKILI operates with a distinct staff and systems. Its staff of five comprises a program director, two trainers, an information officer, and an administrator. During its first two-year phase, it has recruited and served clients from the eastern section of the city.

AKILI's RATIONALE

ApproTEC and AKILI are convinced that the manufacturing sector offers greater potential for job creation than do trade and services, which tend to be favored by microcredit programs. Yet, while the barriers to growth that plague small manufacturers are now widely recognized, much less is known about interventions that help entrepreneurs to surmount them. There is not yet enough experience with methods that improve production skills, product diversity, and innovation; promote profitable costing and other business management practices; and build entrepreneurs' capacity to reach new markets. In each of these key skill areas (production, business management, and marketing), AKILI pilots a variety of interventions and carefully documents the costs and impact of each. What it learns at each step in the process can inform the broader challenge of promoting business growth to generate jobs and income; it can also influence the design of cost-effective programs to meet that challenge.

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[3] ApproTEC, founded in 1991, identifies new, high-potential enterprise opportunities, develops the technology and equipment required to exploit these opportunities, and markets them to potential entrepreneurs by training private sector manufacturers and distributors. To date, ApproTEC has developed and promoted technologies that are being used by more than 2,000 local entrepreneurs whose profitable enterprises are the source of more than 3,500 new jobs. These technologies include a manual oilseed press for producing cooking oil, machines for manufacturing low-cost building materials, and manually operated irrigation pumps for small-scale horticulture.

AKILI has adapted ApproTEC's strategy — providing new opportunities for entrepreneurs that will lead to growth and jobs — to work with a slightly different clientele using different stimuli. Where ApproTEC uses technology development as the basis for new businesses and widespread employment creation by end users, AKILI targets innovation and new product development by existing small producers. ApproTEC concentrates on equipment; AKILI has a greater interest in consumer products.

THE AKILI APPROACH

Although creative innovation is often associated with some degree of chaos, AKILI pursues a very focused strategy to develop new products. Within the manufacturing sector, AKILI has targeted its efforts to specific trades; within these, it further focuses on specific types of entrepreneurs and products. Several components contribute to this level of definition, including survey research on informal sector manufacturing, subsector selection, market niche identification, and design of a set of services that would help entrepreneurs move into that niche.

Market Research and Needs Assessment

At the outset of the project, AKILI initiated a two-tiered survey of informal sector businesses across Nairobi. The first tier, a large survey of 1,667 businesses, identified subsectors, size of business, and geographic concentrations. The second, smaller survey of 200 respondents examined owners' marketing strategies, business skills, attitudes, and product quality. It served both to identify those jua kalis that would be appropriate AKILI clients and to assess their needs.

Subsector Selection

AKILI made a strategic decision to pursue a sector-specific approach in order to enhance the specificity and relevance of project interventions and, hopefully therefore, their effectiveness. The subsector approach, however, has practical cost implications. That the process of product design and development requires staff with trade-specific, technical skills limits the number of subsectors any one program can address.

Informed by its survey information, AKILI chose to work in three subsectors: metalwork, woodwork, and textiles. These three subsectors offer high concentrations of jua kalis, making it easier to recruit a sufficient number of clients. Textiles was chosen for its concentration of female entrepreneurs. Despite a high number of jua kalis in the leather subsector, AKILI decided against including it because of an unfavorable macroeconomic climate including exportation of the best-quality leather and increasing competition from imported secondhand and new leather goods, an atmosphere that pointed to limited growth potential.

Product Focus

Within the three subsectors outlined above, AKILI targets low-cost products, both to contain the research and development expenses and to lower the entry point for customer acceptance. To avoid doomed competition with cheap imports, it looks for Kenyan niches, such as that filled by a classic jua kali product, the *jiko*, or charcoal stove. With no mass-produced competitor, jiko stoves are produced by the thousands and employ hundreds of people in their manufacture. Pursuing a similar strategy, AKILI seeks to launch better-quality products for the Kenyan middle-class markets, concentrating on the housewares niche and responding in particular to the storage needs of those who live in small houses with small rooms.

In addition to products, AKILI homes in on its markets, training its clients to think in new ways about both markets and products. The two are obviously intertwined, as the needs of consumers are one important source of good product design. This relationship, however, is not always obvious to the jua kali; a quantum leap of consciousness is needed for the typical jua kali to transform the quibbling customer into an asset, the complaint into valuable information that uncovers either a potential innovation or a hidden weakness in the business.

Client Selection

In addition to its subsector and product focus, AKILI targets clients who demonstrate interest in new products and the motivation to expand their businesses. Questions on both surveys helped identify clients with these characteristics. However, recruitment eventually extended well beyond this group, resulting largely in a self-selection that corresponded to targeted characteristics.

The typical AKILI client is a slightly older, experienced entrepreneur. The average client age is 40, and the average length of time clients have operated their current business is 7.9 years. More than half have attended secondary school. Their average monthly business income is 22,405 KSh. ($425).

In its first action research phase, AKILI set its target outreach at 105 clients (30 percent women), which was its estimated maximum client capacity. However, fewer have remained active throughout the life of the project (85 people have had at least three interactions with AKILI).

Services

Supported by a thorough needs assessment, a subsector focus, and an identified market niche, AKILI designed a set of services that encompass training (production and business skills), product development, and marketing assistance (see the project calendar that follows). Program activities include the following:

- Training in product design and development to stimulate clients' own skills;
- Design of new and improved products both in the AKILI workshop and in clients' workshops;
- Training in other business skills, such as marketing, costing, and pricing;

- Market research for new MSE products; and
- Improved marketing strategies.

In all three subsectors, AKILI's interventions combine staff and client initiative in a dynamic process of experimentation, experiential learning, and motivation inspired by demonstrated results.

Project Calendar

AKILI's main interventions fall in three areas: training, product development, and marketing. Activities in these areas have not occurred simultaneously and are not necessarily recurrent. The calendar below provides a view of AKILI's focus during distinct periods over the life of the project.

April - June 1995	Start-up
May 1995 - Feb. 1996	Baseline surveys
March - Nov. 1996	Training
Nov. 1996 - present	Product development (individual TA)
Jan. 1997 - present	Marketing

PROGRAM DESCRIPTION

Although AKILI is not primarily a training program, training is key to achieving its core objective — to design new products and improve existing ones. AKILI has used both classroom and on-site training from the beginning, but one can better understand the program by looking at three related but distinct components: training, product development, and marketing assistance for new products.

Training

The AKILI surveys, conducted prior to the design of the program, served as training-needs assessment tools. Their results are not surprising: Clients perceive that capital is their principal need; training is a low priority. Nonetheless, interviewers were trained to look at production processes and product quality. They found real needs exemplified by the following:

- A low incidence of innovation;
- Passive attitudes about marketing and, as a result, weak to nonexistent strategies (more than half of the businesses did not even have a sign outside their shops to identify themselves);
- A lower product quality than could be attained using the tools owned by the business;
- Poor tool maintenance;
- Poorly kept or nonexistent business records (the most common instrument is the sales receipt, used by just over half of the businesses); and
- Errors in product costing (85 percent of respondents ignored at least one important factor in costing their products, leading to pricing strategies that neither accurately reflect costs nor respond to customers [respondents vary their prices based on their perception of what individual customers can pay]).

During its first phase, AKILI designed and offered a training program that targeted these "real" needs. In so doing, it did not offer demand-led services; that is, the program did not respond directly to needs or desires articulated by the entrepreneurs who make up AKILI's targeted clientele. Instead, AKILI chose to respond to a deficit of business development services with the knowledge that, when given the opportunity to state preferences for type of training, survey respondents chose production and design skills as their top priorities. These preferences had also been confirmed in "Training Needs Assessment of the Informal Sector" (Yambo, 1991), which found that the technical skills most in demand are those "related to design, patterns, and the interpretation of drawings."

At the outset, AKILI's approach to demand-led programming was oriented more to consumer demand in the marketplace and what jua kalis need in order to tap into that demand than to the needs as perceived by the jua kalis themselves. By identifying new market opportunities and showing jua kalis how to access them through new and better-quality products, AKILI can stimulate direct demand for its services.

Course Content and Structure

Three distinct courses or modules were designed as part of AKILI's training program: product development (five sessions), marketing (three sessions), and costing (two sessions). The AKILI staff designed the product development module and worked with a business training NGO, Improve Your Business (IYB), to design and deliver the marketing and costing sessions. Course participants were divided into groups of 15, mixed by subsector, and cycled through each module's series of sessions. With repeated delivery of the sessions, staff could revise their design and content, progressively improving both in response to client feedback.

Of the three, the module on product development was the most successful, as indicated by client attendance and feedback. The goal was to stimulate clients' interest in new product development and their confidence in their ability to do it. The module's content was very hands-on and practical. Participants were given problems to solve and prototype products to design (such as a pencil holder) with easy-to-manipulate materials (such as cardboard and glue). With each product design exercise, participants commented on each other's work, identified the most successful design ideas, and picked "winners."

Module participants explored the sources of new product ideas, such as the "irritation factor" (grievances one suffers at home, on the road, and in the workplace as a result of disorganization, lack of storage, poor tools, inconvenient spatial arrangements, and so on). Other sources included useful items the shops lack, pictures from catalogs and magazines, and customer requests. In addition, between sessions, participants were asked to interview customers and identify ideas for new products.

In the fourth session of the product development series, AKILI recruited employees from surrounding businesses to come and react to the aesthetics, function, and price of participants' products, providing a powerful demonstration of the importance of customer opinion. As a result, some significant changes in product design occurred between sessions four and five. During this module, several new product ideas emerged that subsequently entered into the product development process.

The marketing and costing modules were adapted from existing IYB materials on these topics. However, AKILI staff and recruited jua kali "consultants" sat through a mock training session and suggested modifications they thought would clarify the content for participants. In addition, for the marketing module, a video drama was prepared using an amateur camera and a group of local actors. Although collaboration with this group proved difficult in terms of time management, the result was an effective input to the marketing training.

Because the market opportunities that drive product innovation are not necessarily subsector specific, AKILI grouped tailors, woodworkers, and metalworkers together for all three modules. In so doing, AKILI's goal was to foster a cross-fertilization of ideas that might be more market responsive.

The training sessions took place at the AKILI training facility (a room in the ApproTEC/AKILI office compound in Kariobangi). Within each module, the sessions were scheduled once a week for approximately four hours in the morning. The three modules were offered from March through November 1996. A total of 70 sessions were held to accommodate all clients. However, for any one client, the complete training program included 10 sessions (5 product development, 3 marketing, 2 costing) totaling approximately 30 hours of training.

Initially, AKILI set a fee of 500 KSh. per session. IYB was guaranteed 7,500 KSh. per session based on an assumed attendance of 15 paying clients.

In addition to this core training curriculum, AKILI experimented with two other approaches to training: craft skills training (techniques that improve precision and quality) for woodworkers, and product-specific training. To stimulate the interest of woodworkers, AKILI sponsored a competition for the production of a simple "T" joint. Strong interest resulted in 15 entries, or 50 percent of the woodworking clients. The anonymous entries, including one made by AKILI, were judged by the clients themselves using a previously determined set of criteria and grading scale. The AKILI entry won, with two others coming close. Using the wide margin between these three entries and the remaining ones as a clear indication that the latter failed to adhere to basic standards, AKILI invited woodworkers to a training session to improve their skills.

An opportunity for product-specific training arose when a shop ordered several clothes racks for display purposes. Given the unfamiliar design of the racks (developed by AKILI staff), no client was expected to be able to fulfill the order on time. Consequently, AKILI invited two likely producers of the product to make 10 of the units during an AKILI training workshop over the course of a week. One maker failed to show up; the other received training and an order for several racks.

Client Demand for AKILI Training

Despite high levels of enthusiasm for the project, according to the surveys, client demand for AKILI's training courses was low from the outset. AKILI's recruitment extended well beyond the original 105 clients selected for participation and required more work and energy than the other aspects of developing the training. For the product development training, 235 people were invited, and of these, 77 attended an average of 3.5 of the 5 sessions. Average attendance in each of the 51 product development sessions was 5.4 (out of an anticipated 15 participants). For the marketing and costing modules, attendance steadily declined. Thirty-three people attended the 8 marketing sessions, for an average attendance of 4.1 per session. The costing module attracted 38 people all told, with an average attendance of 3.5 per session.

The same problem occurred with the craft skills training. Significant participation in the woodworking competition did not translate into demand for the corresponding training AKILI offered. Of the 15 participants in the competition, 4 attended the first session, and only 1 showed up for the second.

What explains the transformation of entrepreneurs' initial endorsement into sluggish demand? Jua kali responses to AKILI's recruiters and findings of the interim evaluation team include the following:

- Most expected access to credit would follow the training and admitted that all along their true interest was in money, not training.

- The opportunity cost of leaving their businesses to attend training at AKILI constituted a significant barrier to entrepreneurs' attendance. In fact, opportunity costs were more active disincentives than the fees AKILI charged. Originally set at 500 KSh. per session, AKILI reduced them to 100 KSh. per session, but this had little effect on the sharp decline in attendance between the product development sessions and those on costing and marketing.

- Some of the sporadic attendance by those who had made a commitment could be explained by urgent or unexpected orders from customers that prevented the entrepreneurs from taking time away from their business.

- Jua kalis resist any experience reminiscent of schools and classrooms. Most are school dropouts, but as established entrepreneurs, they are proud of their ability to make money. They view training as a waste of time and money.

- Past experience with fraudulent offers from training recruiters has created a healthy mistrust of outside organizations. AKILI's fees heightened this suspicion.

Juxtaposed against this disappointing experience is the positive impact that the training had on those who did attend. The final evaluation of AKILI's first pilot phase found overwhelming support for the training among its participants. One hundred percent of the respondents (n=71) endorsed the training as a vital complement to the individual technical assistance that followed. The training served as the entry point to and catalyst of the process of product development for expanded markets that AKILI has successfully launched (see description of product development and marketing components, below).

The recruitment challenge that AKILI faced is normal for an unknown, untested program trying to stimulate latent demand among a target group that is unaware of the business knowledge it lacks. Now, not only are AKILI clients much more aware of the actions they can take to improve their businesses, but their neighbors are, as well. With their growing reputation, AKILI staff regularly receive inquiries from potential new clients, and they are confident that the recruitment effort for the next training program will be much easier.

Product Development

The process of product development encompasses both group training and individual technical assistance. In this case, it began very early in the project, when AKILI outfitted a workshop where clients could receive technical assistance, product prototypes could be developed, and new materials could be tested. The process intensified with the onset of the training and continues now with technical assistance to individual clients.

Developing new products is more of an iterative process than a linear progression through a clearly defined set of successive steps. Its principal components comprise the following:

- Identifying customer needs;
- Identifying product ideas;
- Translating ideas into design drawings (for those who can work from drawings; sometimes it is more efficient to skip this step and move directly to making rough prototypes);
- Making prototypes;
- Conducting market and price surveys;
- Revising the prototypes to adjust for cost of production in response to the prices the market will bear; and
- Developing jigs and templates.

At AKILI, both clients and staff are engaged in all of the above steps at different times and in varying degrees. Of the more successful products, currently half derive from client ideas and half from AKILI ideas. AKILI's active participation in the process absorbs some of the costly risk clients face and assists those whose design skills are not as developed as others'. It also spurs a mélange of ideas and viewpoints that keeps creative channels open.

AKILI's product niche is housewares; products developed to date include shoe racks, magazine racks, shelving units, compact-disc storage boxes, toothbrush holders, tie racks, garbage bag holders, and wooden towel stands, among others. (See Annex B for a copy of an AKILI product flyer.)

Some new product ideas were thwarted because of the sudden appearance of cheaper imports (this happened with storage boxes for computer diskettes) or because the right materials were not available at a suitable cost.

AKILI staff members have encountered interesting design and production problems, which, coupled with low demand for classroom or group training, has led them to shift their energy to one-on-one technical assistance and training with clients. Some of the problems include:

- A limited ability to produce reasonable prototypes from drawings that AKILI provided. AKILI found it more efficient to develop prototypes with the entrepreneurs at their own workshops, or to simply give them an AKILI-produced prototype to copy.
- A limited ability to extend beyond known products. AKILI has learned that clients working with a specific material often cannot think broadly about that material; instead,

they know how to make a finite number of products and are tied to those until alternative patterns are provided. They either lack the design skills to innovate or cannot afford the risk to do so.

- Problems maintaining product quality in the transition from prototype to mass production. One product, a portable toothbrush holder made of fabric and plastic, was developed by a client during the product development training. The prototypes were of good quality except for a few details that AKILI expected would improve with time. In fact, when production increased, quality went down because the entrepreneur engaged her trainees in the production.

These problems require fairly intensive interaction between AKILI staff and the client-producers. Staff members have found that the more work they do with clients on site in their own shops, the more effective they are able to communicate and "teach" the task at hand. Consequently, after the first series of group training modules was completed, AKILI shifted its focus from classroom training to one-on-one visits at clients' workshops. AKILI's metalwork specialist estimates that he spends 20 hours per week providing direct product development assistance to clients and an additional 8 hours per week designing products and making prototypes. He visits an average of four clients per day. The tailoring specialist works half-time on product development, visiting 10 clients three times a month. For both specialists, the length of these visits obviously depends on where they are in the product development process and the specific task at hand.

In the five months between November 1996 and April 1997, AKILI staff spent, on average, 15.5 hours with each of their 76 active clients. Table 1 shows the total number of AKILI's technical assistance (TA) interactions with clients during the first quarter of 1997.

TABLE 1
AKILI'S TECHNICAL ASSISTANCE

Month	AKILI TA visits to clients at their workshops	Client visits to AKILI workshop for TA
January	111	42
February	164	38
March	126	30

To date, AKILI has not charged clients for these one-on-one follow-up sessions, and it has no mechanism in place to recover the costs it incurs. Without this effort, however, AKILI is convinced it would not have been possible to put together a portfolio of products for sale that could be used to test the marketing techniques described in the next section. Furthermore, these visible, tangible products are what build AKILI's reputation among jua kalis and stimulate demand for its services.

Marketing

Marketing assistance is the logical extension or next step in the intensive process of training and technical assistance that leads to new products. Understanding the market is integral to product design. New products need to reach markets that are largely unknown to AKILI's clients, and sales are necessary to encourage producers to continue incurring both the risks and costs of product development.

This component of the AKILI program involves both market and marketing research, with distinct differences between the two. On the one hand, AKILI's efforts in market research have included both a market survey of consumer preferences (about product presentation and pricing, stores, and time to shop) and ongoing spot-checks of the market and prices in reference to specific products. Marketing research, on the other hand, has involved testing a variety of marketing methods and channels to find those that yield the best results in terms of product sales. This aspect of the program has been inspired by ApproTEC's efforts in marketing its own technologies.

To carry out marketing research, AKILI purchases its clients' products, adds a markup of 30 percent, and resells them using a variety of marketing methods. To date, its most successful efforts have been as follows:

- Weekend sales at middle-class residential "estates" surrounding Nairobi. Loading the AKILI pickup with a variety of products, staff members travel to the outskirts of town to housing estates, where they distribute the AKILI pictorial price list/catalog and set themselves up in a central location from which to sell products. The rate of cash sales has been brisk, estimated at 10 times the rate per hour that had been achieved at AKILI's retail outlet in the Freemark Center (see below).

- Production and distribution of contact information sheets. These are quarter-page leaflets printed on one side with the business's name, products for sale, location, and explicit directions for finding the business; the other side has a road map showing the business location. The AKILI information officer visits each client to compile this information and produces the sheet. During the last quarter of 1996, 105 sheets distributed to the first four clients resulted in the return of 47 sheets by prospective customers who had not previously known of the business. Of these, 36 actually made an order. The two clients who kept records logged orders exceeding 37,000 KSh. ($698). In the first quarter of 1997, a 27-percent rate of return of the information sheets resulted in orders totaling 30,000 KSh. ($566).

- Product exposure at the annual Agricultural Society of Kenya trade show at Jamhuri Park in Nairobi, held in October 1996. Although orders worth 60,000 KSh. were generated at this show, a much lower amount actually resulted in cash sales.

Marketing experiments that have met with less success include:

- The operation of retail space in the Freemark Center, near downtown Nairobi, from October 1996 to March 1997. Sales were disappointing (around 13,000 KSh., or $250, per month), largely because of problems with the location and character of this particular retail outlet. (The area is becoming increasingly insecure; it has experienced fire; its hallmark imported goods are available elsewhere; and it competes with many new shopping malls.)

- Traffic hawking. This experiment resulted in no sales.

AKILI still manages one retail outlet near a residential estate that serves two important functions:

1. Real sales encourage producers in the early stages of developing a new product and help to recoup some of the R&D costs.

2. The outlet serves as a living market-research facility where customer responses to products and information on customer needs can be collected and fed back to producers.

In the process of testing multiple marketing methods, AKILI staff provide a host of small, related services to clients, including order transmissions, materials acquisitions, quality control, production troubleshooting, and transporting products from the workshop to AKILI or other points of sale.

Although AKILI is leading marketing efforts during this research phase, it does not intend to become a permanent marketing agent. Rather, it is taking on the risk of initial market exploration that is beyond the capacity of any single client. At the same time, AKILI is training its clients to meet expectations regarding the timely supply and consistent quality that new market outlets may require. When a client reaches a suitable stage of efficiency, both client and retail outlet will be encouraged to form an independent relationship. Once AKILI removes itself as the intermediary, the 30-percent markup it now charges can be translated into benefits for both the producer and the buyer. AKILI clients, selling directly, will be advised to charge the retailer 20 percent more than they were previously charging AKILI. The buyer will get the same product at 10 percent less than he or she was paying AKILI. In other cases, existing intermediaries and wholesalers will be encouraged to adopt AKILI products and form direct links with producers once they have become assured of quality and supply. At this point, however, AKILI is testing new product markets to build clients' confidence that their investments in product innovation will pay off.

COSTS AND BENEFITS

Project Costs

The British Overseas Development Administration granted 17,240,329 KSh. ($331,545) for the AKILI project to cover program expenses for 26 months from April 1995 through June 1997. Of this total amount, direct project expenses incurred in Kenya equal approximately 11,637,864 ($223,805). Direct, in-country expenses are analyzed below to identify the training costs of development and direct delivery. (For a breakdown of training costs across development, delivery, and managerial categories, see Annex A.)

To accomplish this, the author followed these steps:

1. The overall AKILI program was broken down into eight major categories of activity.

2. For each quarter of the project, staff salaries were allocated across these categories according to estimates of how each individual's time was spent during that quarter. Staff included five full-time employees plus a host of temporary workers and consultants hired for the baseline surveys, client recruitment, and some product development. This resulted in percentages of time spent in each category weighted by different salary levels.

3. These percentages were then used to allocate capital and operating costs across the same categories.

4. Expenses occurring in only one category were allocated to that category (for example, the expenses of participating in a trade show were allocated to marketing).

5. Transportation costs were allocated only to those categories of activity representing direct service involving transport (baseline surveys, training, and product development and marketing, but not administration, program management, or start-up).

6. Of all expenses thus allocated to training, those occurring during the three quarters of intensive classroom training at AKILI (70 three-hour sessions were delivered between March and November 1996) were estimated to be direct delivery costs. These include all expense categories (salaries, transportation, operational costs, and so on). No attempt was made to allocate a portion of product development expenses to training, even though AKILI considers that its individual technical assistance to jua kalis also constitutes training.

Estimated training costs for the AKILI project are shown in Table 2.

Cost Recovery

AKILI has charged fees for training from the outset, testing the impact of price along with a range of other factors. In pursuing its primary objective of testing the effectiveness of a range of inputs on enterprise performance and identifying the right terms, combination, and sequence of services, AKILI has gained valuable insights about charging clients fees. The most important is that the fees charged were not a major barrier to training session attendance. The initial fees of 500 KSh. per session were selected as an estimate of what the market could bear. Although better ideas about appropriate pricing policies will only emerge as the AKILI "product" gains enough credibility to be the subject of market demand, there are two indications that this initial estimate was not too high: (1) Dramatically reducing fees to 100

TABLE 2
AKILI'S APPROXIMATE TRAINING COSTS

Training Statistic	Training Development Costs	Direct Delivery Costs	Total
As percentage of direct in-country expenses over life of project	14%	11%	25%
Cost/session	17,488 KSh. (US$336)	15,767 KSh. (US$303)	33,255 KSh. (US$640)
Cost/client/session	3,538 KSh. (US$68)	3,190 KSh. (US$61)	6,728 KSh. (US$129)
Percentage cost recovery		3% (based on fee of 100 KSh./session)	

KSh. per session had little effect on demand, and those who did participate in the training now report that the fees were low enough to qualify as a "token" payment. It is only now, with a more established reputation and real demand stimulated, that AKILI can test a pricing policy.

Other Project Income

More significant than training fees has been AKILI's income on sales, derived from the 30-percent markup it charges on clients' products. As of April 1997, a total sales income of 148,244 KSh. ($2,850) represents approximately 15 percent of AKILI's marketing costs. The level of cost recovery is likely to improve as marketing efforts expand.

Project Benefits

A final evaluation conducted in May 1997 by Maer and Associates studied a sample of 71 AKILI clients, which represents 93.4 percent of the 76 who remained active from the start of the project to the final assessment. The company's key findings included the following:

- Income increased an average of 35 percent from the start of the project to the time of the final assessment. This compares with a 4.4-percent decline in average income for the control group.

- The income distribution among AKILI clients changed such that those who could be considered extremely poor were reduced in number by 70 percent, while those in the well-to-do category increased by 35 percent.

- The increase in employment among AKILI clients averaged 0.24 persons per business (17 additional employees among the 71 clients sampled).

- In 62 (87.3 percent) of the 71 sampled AKILI clients, each developed on average 2.1 new product types, which constitutes 27 percent of all the product types made and 18 percent of the total number of units sold.

- On average, in the same sample of 62, each client attributed 19 percent of his or her gross sales directly to some form of assistance from AKILI.

- At the end of the first phase of the project, 29 percent of AKILI clients were women. Although female clients' businesses significantly underperformed male clients' businesses (the women achieved a 5.7-percent increase in income, compared with 38.9 percent for the men), female-led businesses performed better than their male counterparts in the control group. Their poorer performance in the sample group is explained partly by their concentration in textiles and partly by gender-specific barriers to pursuing product innovation.

The evaluators concluded that, together, the classroom training and individual technical assistance were complementary and highly effective. As alluded to earlier, 100 percent of those who participated in the formal training said it had made a significant difference, primarily in their attitude about and approach to their business.

It appears that the benefits of the classroom training fall in the realm of general knowledge and understanding of basic business techniques rather than specific details related to particular client businesses. The intensified one-on-one counseling after the courses provided the tailored business input needed.

The evaluators also cited a need for differential treatment of clients who are interested in varying amounts of product development, business management, and marketing training or services, in contrast to AKILI's equal emphasis on all three areas. In some cases, the needs are sector specific. Woodworking businesses face common problems in systematizing work practices and increasing production efficiency. Metalworkers need to focus on product diversification and achieving a lower price for competitive products, given the strong competition from the formal sector. In other cases, the appropriate mix of services depends more on the particular client's motivation and the status of his or her business. Not all entrepreneurs want to engage in design, production, and marketing. The following comments from a female AKILI client illustrate the varied impact of AKILI's services:

> "Conceptualizing and designing a new dress or a piece of interior decor is expensive and time-consuming. In any case, our customers prefer to buy things they have seen others [with]. But they still want to pay less or to show off an improved version of what they saw. So I very rarely create completely new designs. I usually copy rare clothes designs from [people] on the street. I then improve the quality or modify the design slightly. This allows me to add a premium on the price and still sell very well. Sometimes I pay people to allow me to copy clothes they bought overseas.
>
> "Now I have customers coming back or bringing others to check what new things I have. In addition, I get more students because they feel they learn more from me than just dressmaking,

> they learn the concepts of design. All this is because I learned at AKILI how to identify customers' needs and go about making products that they will buy. I no longer try to force customers to buy what I want to make but they don't want. Now I find out what they want, I make it, and they always buy. The pressure is that I have to keep changing my designs.
>
> "I really don't know how to answer your question about any new products that I have developed since the AKILI training. They have given me ideas here and there. But I really can't think of any new products that they helped me to design."

The success of AKILI's interventions has led to new needs. For example, businesses that have increased their volume now need to learn about mass production. The discovery that higher quality and innovative products command premium prices has stimulated the need to learn how to ensure quality and finance product development. AKILI has begun the process of linking its clients with existing loan programs at K-REP and Kenya Industrial Estates (KIE), but to date, few have come forward seriously to apply. The evaluators have concluded, however, that this does not signal a lack of interest in credit; rather, it signifies clients' pessimism about their chances of obtaining it.

FUTURE PLANS

The AKILI project needs additional funding for a second phase. Although the evaluation results were strongly positive, AKILI will make some program changes based on lessons learned to date. Specifically, it plans to:

- Add food processing to diversify the composition of women's businesses;
- Group clients by trade for training, making more sensitive distinctions between the needs of each subsector and creating an appropriate mix of training, product development, and marketing; and
- Act as a broker between AKILI clients and loan programs.

The organized group training will be retained as the foundation that introduces the rationale, ideas, and changes in business thinking and behavior that underlie the subsequent one-on-one attention to product development. In the future, AKILI will try to integrate business management concepts with product development rather than treat these topics in separate sessions. AKILI also knows, however, that it must emphasize the practical content of the training over its conceptual and abstract elements.

AKILI estimates its absorptive capacity to be 100 new clients each year. To reach this target, it will expand incrementally into new areas of Nairobi as well as a nearby town, such as Machakos or Thika.

CHAPTER THREE

SITE

INTRODUCTION

As its name implies, Strengthening Informal Sector Training and Enterprise is a training-led program that intends to foster job creation and economic growth among micro- and small manufacturers. Training in production skills and business management in selected subsectors will improve product quality, currently the most important factor inhibiting sales performance in the informal sector. SITE targets its training to master craftspersons, their apprentices, and vocational training institutions that interact with the informal sector.

SITE is a Kenyan NGO. Its director, previously in charge of the Volunteers in Technical Assistance (VITA) program in Kenya from 1990-1994, organized SITE to build on VITA's work after it closed its country program. The SITE project profiled here is called the Skills Upgrading Project and, like AKILI, is funded by England's Overseas Development Administration through the British NGO APT Enterprise Development. The project began in January 1996 and continues through June 1998. The project budget for 30 months is $420,000.

SITE operates in five locations throughout Kenya: Nairobi (Eastlands and Kibera), Thika, Nakuru, Mombasa, and Kisumu. Its staff of four professionals works from the head office in Nairobi and travels regularly to the project's other sites, where partner institutions share work responsibilities in the staff's absence.

PROJECT RATIONALE

SITE's principal goal is to increase productivity and income in Kenya's informal manufacturing sector. Skills training is its chief intervention. SITE views training as the best way to address the most widely recognized, critical barriers to business growth for jua kalis: (1) low skill levels, which leads to poor product quality, an inability to design, a limited product repertoire, and lack of innovation; (2) a passive approach to marketing; and (3) poor business management, which exacerbates cash flow, input supply, and reliable delivery.

At the same time, SITE acknowledges the history of failed training interventions. These failures can be explained, it believes, by their lack of relevance to producers' immediate needs. In response, SITE has designed a market-oriented approach to training; it starts by identifying consumer demand and works backward to provide the skills that will enable the producer to better respond to that demand. By helping clients achieve a better match between the type and quality of jua kali products and market demand, SITE believes its training more readily translates into tangible improvements in business performance. This in turn translates into demand-driven training in which the demand originates with the jua kali clients.

By directing production and management skills training to the informal sector, SITE is filling an important gap left by the crisis in vocational training in Kenya. Slower industrial growth and the shrinkage of formal sector employment have made it increasingly difficult for vocational graduates to find jobs, and their training does not prepare them for self-employment.

Vocational training centers in Kenya were established to channel workers into formal sector enterprises; in so doing, they encourage conformity versus adaptation. Production is divorced from the economic realities of markets and prices, and skills to be mastered are determined more by examination requirements than by customer demands.

In contrast to its formal training system, Kenya's informal system is thriving. An estimated 67 to 76 percent of entrepreneurs in the informal sector have been trained through the traditional apprenticeship system. As the most widely used method for transferring skills in the informal sector, the apprenticeship system presents important opportunities and constraints. Increasingly, it is a fee-based system in which the apprentice pays the entrepreneur a monthly fee to work in his shop and learn the trade. Even so, it is still cheaper, faster, more consumer oriented (sensitive to the extracurricular obligations of trainees), and in higher demand than formal vocational training (Oketch, 1995). With these attributes, a stronger, improved apprenticeship system would be an excellent channel through which to achieve rapid dissemination of higher-level production skills and their accompanying benefits.

Yet, inherent in this opportunity is a significant challenge. The apprenticeship system, as it exists, is partly responsible for the proliferation of the limited skills, poor quality, and lack of innovation that characterize production in the informal sector. There is little grounding in production concepts; entrepreneurs trained in this system know very little about the materials they use in their products or how to select or combine them for distinct purposes. Further, limited design skills result in widespread reliance on copying. "Trainers" can only pass on the narrow range of skills they possess through limited technologies and production facilities.

To use effectively the traditional apprenticeship system as the point of skills intervention, SITE pursues three interrelated training objectives: (1) upgrade the skills of master craftspeople; (2) strengthen their capacity to provide quality training to their apprentices; and (3) enable Kenya's vocational training centers to interact more effectively with informal sector entrepreneurs, providing access to instructors, equipment, and subcontracts. This involves a triple-tiered training-of-trainers (TOT) strategy in which SITE trains instructors to function effectively in informal settings. The instructors then train "host" trainers — those jua kalis that have apprentices — in production, business management, and training skills. The host trainers thus become better equipped to train their apprentices.

The foundation of the SITE approach is thus to intervene in the traditional, informal training system to shift apprentice training from the maintenance of old technologies to innovation, higher quality, and greater market responsiveness. Yet strengthening training for the informal sector is only a means to another end — raising profits via a more flexible and technically competent response to consumer demand.

THE SITE APPROACH

To translate its project rationale into a program of services, SITE has crafted several components necessary to implementing its overall approach. These are market research, subsector selection, partnerships with vocational training centers (VTCs), and a set of services that are relevant, flexible, and demand driven.

Market Research

SITE's market research has identified both the key constraints to better business performance and available market opportunities. Among the former, SITE's findings concur with those of AKILI in pointing to the broad range of production and entrepreneurial skill deficiencies among micro- and small producers. Among these deficiencies, poor quality has been singled out as the most prevalent contributor to poor sales. Unresponsiveness to customers — refusing returns, delaying deliveries, committing errors in fulfilling orders, lacking or using inconsistent pricing policies — is another major problem.

Opportunities SITE has identified include the surprising number of retailers interested in selling jua kali products; the growth potential for small, low-cost, transportable items; and local demand for some products that are currently imported from elsewhere in Kenya (for example, wheelbarrows in Nakuru are brought in from Kisumu). Additionally, local shortages of some products normally provided by the formal sector (such as T-hinges and door bushes in Thika) offer opportunities for informal sector entrepreneurs.

The results of its market research have helped SITE to identify several areas of appropriate intervention, including skills training to improve product quality and promote product diversification, training in marketing practices, and the development of new market relationships.

Subsector Selection

Its market research also has helped SITE to select its target subsectors, a necessary step for focused and specific technical skills upgrading. From five subsectors identified by studies from the Growth and Equity through Microenterprise Investments and Institutions Project (leather, metal, wood, textiles, and transport), SITE chose three: woodworking, metalworking, and textiles. The criteria guiding their selection included growth potential, a functioning apprenticeship system, and the potential for links with the formal sector. SITE's professional training staff includes a mechanical engineer and a textiles expert.

Partnerships with VTCs

SITE's goal for this piggybacking component of its overall strategy is to promote much closer links between VTCs and local informal sector producers. It envisions VTCs as local resource centers that would foster product innovation through training and prototype production and offer access to facilities and equipment on a fee-for-service basis.

Although this vision is only in the early stages of realization, some very practical advantages of these partnerships are already apparent: They are efficient, enabling SITE to contract VTC instructors on an as-needed basis and take advantage of existing training facilities and equipment. In addition, the active participation of VTCs permits SITE to work in five different geographical locations with minimal staff. In the process, VTC instructors have participated in a TOT course with SITE and are gaining direct experience with more flexible approaches to curriculum design and training that are more appropriate for jua kalis.

To date, SITE works with five VTCs that it characterizes as “innovative”; namely, centers interested in working with the informal sector and oriented toward local market opportunities that will more closely involve them with the community. However, SITE is discovering the limitations of these partnerships as well, largely because innovation does not come easily to VTCs. The ability of instructors to provide follow-up to the training and extension services as envisioned, for example, has been disappointing.

Services

Finally, with the focus and partners outlined above, SITE offers a set of services that includes skills training, equipment loans, and the introduction of new technology. During SITE’s first year of operation, it invested most of its resources in training. In so doing, SITE made a very conscious effort to diverge from the historical norm by following clear steps to make this service truly participatory, responsive, and demand driven. As will be described in greater detail in the next section, training content, schedules, and fees are determined by the participants. Courses take place as close to participants’ shops as possible and at convenient hours, which minimizes a significant barrier to a demand for training — opportunity costs.

PROGRAM DESCRIPTION

Training

SITE’s training program is noted for, as mentioned above, its highly participatory approach, which has been effective in addressing barriers that suppress client demand for training. The following description explains each step in SITE’s process, from client recruitment to training delivery.

In each of its five target areas in Kenya, SITE uses a variety of methods to market its services and recruit potential clients, including working through municipalities and jua kali associations. Organized by geographic location more frequently than by trade, jua kali associations are widely recognized as political organizations rather than effective service providers or advocates for their members. They have, however, led SITE staff to the local leaders among producers, master craftspeople, and others who have apprentices. In some cases, they are powerful enough to make it wise to work with them, but SITE has learned that the risk in so doing is that the associations will exercise their own preferences in client selection over SITE’s criteria.

Consequently, SITE’s most successful recruitment method has been literally going door to door. Targeting sections of town known for their concentration of producers in any one of the three subsectors, SITE staff move from business to business, often posing as customers and asking questions about the entrepreneurs’ products, quality, prices, and so on. This approach has been adopted because jua kalis, at least in Nairobi, suffer from what SITE and others have identified as “survey fatigue.” Initial responses to queries about training needs are usually negative; entrepreneurs can’t or won’t articulate their training needs. It is only through a dialogue about how they do things and why certain aspects of the product (finish, joints, and the like) appear as they do that the entrepreneur begins to acknowledge certain deficiencies.

SITE's ideal clients are those who are active in one of its three targeted subsectors and have apprentices. The latter criteria lead staff members to direct their recruitment efforts toward those entrepreneurs who are established and stable enough to manage apprentices. These are what SITE calls "host" trainers, its entry point for skills upgrading among apprentices.

Once SITE staff members identify 15 to 20 entrepreneurs who might be interested in SITE's services, they organize an orientation meeting in the neighborhood within 10 days of initial contact. In addition to offering a general introduction to SITE, this meeting serves the multiple purposes of assessing the entrepreneurs' needs, defining the training course agenda, and scheduling training sessions.

At the meeting, SITE staff conduct what they call a "rationalization of needs," which is a dialogue about what the entrepreneurs want and need to learn. SITE facilitators introduce specific market opportunities to help jua kalis identify skills they must develop in order to take advantage of them. Through discussion about product quality, product diversification, design skills, and business management, facilitators solicit the entrepreneurs' agreement regarding their training needs. Together, the facilitator and participants develop a list of topics they want a course to cover, agree on the frequency and time of classes, and negotiate fees. This meeting usually lasts for three hours. Approximately 75 percent of the entrepreneurs who attend continue on to participate in the training they have "designed."

After the organizational meeting, SITE staff move quickly to implement the decisions made. Course content is matched with instructors, and training venues are secured. Courses usually begin within one week after the meeting, in order not to lose clients' initial enthusiasm. Course venues are as close to the clients' workshops as possible. In Kibera (a poor district of Nairobi), for example, SITE has rented a small room, formerly a hairdressing salon, for training sessions and meetings. Here, training takes place amid the noise from the saws, drills, and hammers in the many small workshops in the neighborhood. Several times during a two-hour class, participants may be called out to attend to their customers. In other cases, the course content may require using the facilities of a VTC in order to access special equipment.

SITE offered its first course in September 1996. As of June 1997, the program had held 20 courses (7 for woodworkers, 6 for metalworkers, and 7 for textile workers) for 239 clients.

SITE's courses are spread over two to six weeks and range in length from 16 to 50 hours, with an average of 24 hours. The average number of classes in a course is 12.

For the majority of courses, content combines product-specific skills training with business management topics. Clients from textiles have focused on skills in design, drafting, and finishing, while woodworkers and metalworkers have concentrated on finishing skills and productivity. While directly targeting the skills of the business owner, the instructor integrates lessons in improving apprentice training. Table 3 shows SITE's training clients by subsector.

These training clients have been in business for an average of 5.9 years. The majority are fairly young business owners, falling in the age bracket of 30 to 35. They each have an average of two apprentices ranging from 15 to 22 years of age.

TABLE 3
HOST TRAINERS, BY SECTOR AND GENDER (September 1996-June 1997)

Subsector	Male	Female	Total
Metal	68	2	70
Wood	73	4	77
Textiles	32	60	92
Total	173	66	239

In addition to training host trainers, SITE has organized courses for apprentices in welding. Subjects include proper equipment use, workshop safety, and recognizing and avoiding welding defects.

In preparation for each course, SITE staff develop the necessary materials in collaboration with some of the course instructors. Although the process was very intensive during the first year of operations, the investment is beginning to pay off as SITE compiles and publishes its materials for repeat use and broader dissemination. In textiles, for example, SITE is developing “Popular Design Series,” a set of pamphlets, each of which is a complete guide to the drafting, cutting, and sewing of specific articles of clothing or details such as necklines and sleeves. For each subsector, SITE will develop similar “how to” guides to help jua kalis move into new market niches or better compete with imports.

Course curricula and materials are determined through joint efforts by SITE staff and the instructors contracted to teach each course. In addition to VTC instructors, SITE has secured instructors from private companies. Sadolin Paints, for example, has conducted training in quality wood-product finishing, and British Oxygen Company has trained SITE clients in welding with cast iron.

Other Services

Like AKILI, SITE recognizes that training alone cannot achieve the project goals of increased productivity, income, and job creation in informal sector manufacturing. Although its major investment has been in developing its demand-driven training program, SITE also conducts minor activities in two related areas: equipment loans and technology.

As a pilot effort, SITE has made 12 loans to its clients for the purchase of equipment. SITE does not widely advertise these loans, nor does it use them to attract clients. Additionally, it is not planning to expand its loan offerings. However, SITE does want to explore the loans’ effectiveness in enabling clients to apply new skills learned during SITE training and in increasing access to improved machinery. Beyond demonstrating the ability to repay the loan, an applicant must agree to make the financed equipment available to others on a rental or fee-for-service basis. Loans, up to a maximum of $1,000, are made for two years at 32 percent interest.

These loans are interesting for the niche they indicate in the credit market. One SITE borrower is also a member of a peer borrowing group associated with K-REP, but could not secure a big enough loan (approximately $700) to purchase the sewing “overlock” machine he needed. Once he purchased the machine with a loan from SITE, he was able to increase production to meet larger orders from downtown retailers and took on an additional apprentice. Previously, when he rented a neighbor's overlock machine, his work always came last, and he could not guarantee timely delivery of orders.

Another nascent area of SITE service is the introduction and dissemination of technologies that stimulate business opportunities. For example, SITE has identified a new design for a hammer mill for milling maize, cassava, sorghum, and wheat. Developed in West Africa, this mill is both cheaper and smaller than the models currently used in Kenya. This portable unit can be manufactured and maintained by jua kalis and is ideal for both neighborhood and rural businesses. To date, SITE has trained five jua kalis in its design and production. Notably, this training course commanded the highest client fee of any of SITE's classes (see "Program Costs," below, for a discussion of SITE's training fees).

Lessons Learned

SITE understands that demand for training has to be stimulated, and it tries to do this in three ways: (1) it creates ownership over the process; (2) it builds credibility and interest via ongoing exposure to its "product"; and (3) it provides a "hook," a tangible benefit that justifies the client's initial investment.

SITE pays close attention to the critical gap between real and perceived needs. Although it does not accept the initial client rejection of training, it does take careful measures to create client ownership over the "product" they are buying. Although allowing clients to determine course content may result in some sacrifices in critical content from the trainer's perspective, it increases participation. Additionally, SITE has learned from its failures. Initially, it attempted to offer courses whose agenda had been developed during the TOT workshop SITE ran in the spring of 1996. Even though participants at that workshop included VTC instructors and jua kali master craftspeople ("host trainers" in SITE's terminology), the courses they designed failed to attract participants and had to be canceled.

SITE is also very aware that the opportunity costs of training depress demand; reducing these costs through participant-determined course schedules and on-site venues also facilitates participation. That participation, in turn, builds credibility, which supports ongoing marketing. As SITE's reputation grows, recruitment gets easier, and more genuine demand emerges.

SITE's initial investment in recruitment was high. Staff members estimate that initially they spent a minimum of three days per course recruiting participants. Now, however, they can accomplish the same results in half the time, as referrals and word-of-mouth among clients are taking over as the primary recruitment methods. Although SITE's current capacity is two and a half courses per month, staff members estimate that they will be able to double that to five courses per month once they reach maximum efficiency; that is, when recruitment time is minimized and course preparation consists of drawing from materials that have already been developed. Such a level of operation will enable SITE to increase its original target from 400 to 600 clients per year.

Finally, there is an interesting hook for SITE clients. The widespread apprentice system in the informal sector is increasingly a fee-based system. Clients are drawn to SITE training as an opportunity to build their reputation as good trainers and attract more paying apprentices. Because the emergence of apprenticing as a fee-based system is still evolving, the duration of the apprenticeships and the fees charged vary by both subsector and location.

In Nairobi's Ngara market, home to many established tailors, an apprentice pays 1,000 KSh. ($20) per month for 6 to 12 months. The five apprentices of one SITE client there bring in an income roughly equal to that of his tailoring business. In contrast, tailors in Kibera, a much poorer district, charge apprentices half that fee. In this neighborhood, the high prevalence of social networks results in the persistence of free apprenticeships as well. In Nakuru, a regional town, apprentices in tailoring pay 700 KSh. per month. Metalwork apprentices are charged a monthly fee of approximately 600 KSh., and carpentry apprentices pay 650 to 750 KSh. per month. This important source of income and labor explains, at least in part, why SITE clients frequently ask for training skills to be included in course agendas.

PROGRAM COSTS

Direct Course Costs and Fees

SITE keeps track of the direct costs incurred in the delivery of each course and the percentage of these recovered through participant fees. However, in this accounting, it does not include the recurrent costs of its own staff time recruiting clients, conducting orientation meetings, arranging logistics, and planning courses.

SITE counts as direct training costs instructors' fees (300 KSh., or $5.75, per hour), room rental, materials (photocopies, flipcharts, and so on), supplies, and closing ceremonies. These costs represent a narrow definition of SITE's training costs, one that does not incorporate the program's organizational costs.

Expenses vary widely by course depending on the amount of supplies required and who provides them: SITE, the VTC, or the clients. The range is 325 to 1,050 KSh. ($6.25 to $20) per training hour. Based on the narrow definition of training costs noted above, SITE's average direct delivery cost is 14,133 KSh. ($272) per course. (For a breakdown of training costs across development, delivery, and managerial categories, see Annex A.)

Because fees are negotiated with the clients, no pricing policy exists yet that ties fees to costs. To date, clients have agreed to a per-course fee that ranges from 150 to 300 KSh. ($2.88 to $5.75), which covers anywhere from 6 to 37 percent of the direct costs discussed above.

There are a couple of notable exceptions to this pattern. For the workshop on the production of the new hammer mill design SITE is introducing, for example, clients paid a fee of 3,000 KSh. ($58). Furthermore, when a skills upgrading course for tailors in Nairobi was repeated, the fee the second group of clients agreed to pay tripled, from 300 KSh. ($5.75) to 900 KSh. ($17.30). As SITE's reputation grows, it will establish a pricing policy that reflects course length, materials required, and sector targeted. Nascent experience indicates that course fees can be higher; however, any pricing policy will have to balance the need to maximize cost recovery against the value of clients' participation in setting the fees.

Table 4 lists SITE's estimated direct training costs including organizational expenses.

TABLE 4
SITE'S ESTIMATED DIRECT TRAINING COSTS

Training Statistic	Estimated Direct Cost
Direct training cost as % of in-country project expenses	46%
Cost per course	118,887 KSh. (US$2,286)
Cost/client/course	11,887 KSh. (US$229)
Cost/client/session (assuming an average of 10 clients per course)	991 KSh. (US$19)
% Cost recovery (assuming an average fee of KSh. 225/course)	1.9%

Adding the costs of SITE's investment in running the training courses raises the figures discussed above substantially. A very rough estimate of these costs was obtained by determining the percentage of staff time devoted to recurring training tasks (including client recruitment, needs assessment, course planning with instructors, course logistics, materials design and preparation, training session observation, TOTs with instructors, and transportation). This percentage was then applied to overall project expenses (incurred once SITE began offering training courses) to determine the amount to allocate to recurring (direct) training costs.[4]

These costs will decrease as SITE staff members become more efficient, spending less time on client recruitment and course preparation. Although each course will still be determined by the clients, SITE anticipates significant repetition of topics from course to course, which will permit repeat use of prepared materials.

PROGRAM IMPACT

Because SITE is currently in the process of setting up its monitoring system, it cannot yet determine the impact of the Skills Upgrading Project. Client reaction, however, offers some indication of its reception to date. Course participants often ask for courses to be extended; as mentioned earlier, one group has organized a second course, for which it is paying a higher fee. Clients also report that the new skills they've acquired during SITE training have enabled them to expand their business in a number of ways, including charging fees for services (such as for pattern drafting and grading), increasing their volume via new products, and saving time. However, progress toward SITE's critical goal of using Kenya's traditional apprenticeship system as a point of leverage

[4] It is important to note that the costs of AKILI and SITE are only comparable on the cost per client per session because AKILI's estimates are per 3 hour session, while SITE's are per course composed of multiple sessions. That SITE's costs per client/per session costs are lower than AKILI's can be explained in part by higher attendance per session and significantly lower instructors' fees.

remains anecdotal; SITE, at the time of this study, was just beginning to establish a baseline against which to track changes in number of apprentices, income from apprenticeships, terms of apprenticeships, or changes in training approach or skill levels.

FUTURE PLANS

With the growing rationalization and efficiency of its training program, SITE seeks to expand in two other areas it deems critical to fostering business growth: technology and marketing. SITE has already introduced a smaller hammer mill it believes presents important business potential for jua kalis, and it plans to identify other, existing designs that hold similar potential. SITE's early market research also has revealed opportunities it wants to explore programmatically, including the facilitation of subcontracting for its clients and other marketing services.

CHAPTER FOUR

FROM PRINCIPLES TO PERFORMANCE: SOME OBSERVATIONS

First and foremost, the SITE and AKILI programs are seeking and testing the most effective ways to promote business growth among informal sector producers. In the process, both have departed significantly from past efforts to train microentrepreneurs. Both integrate business management and production skills in their training, both have been launched in the jua kali marketplace as products or services for "sale," and neither is tied to credit or other access to guaranteed cash benefits. Whereas SITE is testing a new training paradigm, AKILI is combining several forms of training (group and individual) with other services to find the best way to foster new products.

Table 5 compares the two programs, highlighting selected features. Their experience to date offers insights into applying the principles of "good" practice in training — demand-led, relevant, participatory, and cost recoverable — and the relationship between these principles and performance.

PRINCIPLES OF GOOD PRACTICE

Developing Demand-Led Programs

The most obvious conclusion from the experience of SITE and AKILI is that launching demand-driven services is easier said than done. The core challenge for demand-driven training is bridging the gap between perceived and real needs; there is both ample evidence of and broad consensus about — from the outside looking in — the very real training needs among informal sector producers. This is matched by equally frequent and common dismissal of training needs by the entrepreneurs themselves. In this programmatic context, it appears that "demand" for training among jua kalis does not exist in a "pure" form, ready to be tapped by the best company offering the right product at the most attractive prices. Entrepreneurs simply do not think they need training, or, at best, they are hesitant to admit they need it. In addition, jua kalis' past negative experience with NGOs and others who have deceived or otherwise misled them now constitutes a barrier to articulating demand for services.

Other NGO experience in Kenya confirms the difficulty of accessing or tapping into demand for services in the open market. Well-established training organizations such as Improve Your Business (IYB) and Small and Microenterprises Development Ltd. have abandoned such efforts in favor of selling training services for microentrepreneurs to donors, governments, and other NGOs. The Kenya Management Assistance Program (K-MAP), an early pioneer in marketing business training and counseling to small enterprises, has successfully targeted small businesses in the formal sector but has achieved limited scale and cost recovery.

TABLE 5
COMPARATIVE PROFILE

Program Characteristics	**AKILI**	**SITE**
Project period	April 1995 - June 1997	Jan. 1996 - June 1998
Project budget	$331,545	$420,000
Start of service delivery[5]	March 1996	May 1996
Geographic focus	Eastern Nairobi	Nairobi, Thika, Nakuru, Mombasa, Kisumu
Number of clients (as of 6/97)	85	239
Institutional partners	Improve Your Business (training NGO) on contract basis; K-REP, KIE for loans (new relationships recently initiated)	Vocational training centers
Services	Multiple and integrated: training (skills, bus. mgt.); TA for product development; marketing of new products	Single service: Short training courses (production and training skills, bus. mgt.)
Training purpose	• Establish foundation for innovation of products and markets; • Improve mgt. skills to achieve income gains	• Improve product quality; • Improve bus. mgt.; • Improve training of apprentices
Trainers	AKILI staff and IYB (on contract)	VTC instructors
Marketing "hook"	New products and markets result in more income	Ability to attract apprentices results in more income
Participation	Interventions largely designed and delivered by AKILI staff based on individual client decisions about specific products and innovations they want to design	Clients determine course content and fees
Follow-up	Very active; intensive one-on-one TA to produce and market new products	Little systematic follow-up to short courses
Impact	New products; income gains; limited job creation	Undetermined

5 Both programs had start-up periods preceding service delivery that included setting up and initiating survey research. AKILI spent eight months on its survey research; SITE spent four months on start-up activities.

For demand-driven programs, the apparent lack of demand for their services poses an obvious marketing challenge. SITE and AKILI are pursuing the following responses to that challenge:

- **Stimulate demand.** In order to stimulate entrepreneurs' demand for training services, both programs have to show their clients market opportunities they are missing. Demand from customers is a starting point for bridging the troublesome gap between entrepreneurs' perceived needs and their actual needs.

- **Make significant up-front investments in marketing the program.** Both SITE and AKILI spent a lot of time recruiting their first clients, whose experience (and the benefits they derive from the program) is the best advertising available, as it builds the programs' credibility and stimulates further demand.

- **Stay close to clients, and constantly recognize and respond to their emerging demands.** AKILI accomplishes this through attention to individual clients, which makes staff very aware of clients' production skills, ability to absorb information, and workshop conditions. SITE has institutionalized a participatory process in which client demand plays a significant role in determining training content.

- **Be consistent and follow through on commitments.** It is important to recognize that training demand is depressed by jua kalis' past negative experiences with broken promises and outright deception by outside service providers. Part of building an organization's credibility is demonstrating and ensuring consistency, presence, and follow-up.

- **Minimize the opportunity costs of training.** AKILI program evaluators determined that distance from training venues and time away from the business are greater barriers to participation in training than are fees. Some clients reported that attending training for the entire morning was tiring and served as a disincentive to opening their business in the afternoon, resulting in the loss of an entire day. SITE chooses training venues in clients' neighborhoods whenever possible, enabling clients to stay close to their business.

- **Identify and maximize the "hook."** Demand for training is more easily stimulated when there is a tangible benefit beyond new knowledge or skills (which are not initially sought). As discussed earlier, one attraction of SITE's skills training is the potential to enhance one's reputation in the community as a trainer, thereby attracting more paying apprentices. AKILI's hook is guiding entrepreneurs to new products and markets that represent opportunities for real income.

Additional examples of immediate benefits that "hook" clients can be drawn from programs not included in this study. In 1994, for example, an exchange program sponsored by the International Labour Organization's FIT program attracted paying customers who were drawn by the opportunity to travel. The farm-tools training program also held out the benefit of a set of tools that participants would fabricate during the course. Elsewhere, entrepreneurs who have purchased ApproTEC equipment readily attend and pay for training on the operation and maintenance of their new equipment.

Identifying a "hook" is not akin to tying training to credit, which emerging wisdom advises against. Nonetheless, Mike Oneko, executive director of IYB and a seasoned professional trainer who has been party to most recent efforts in Kenya to design demand-led BDS interventions, believes that training must be pegged to something. In looking forward to IYB's role as training collaborator with ApproTEC on a new subsector technology program (financed by the U.S. Agency for International Development's MicroPed project), he again faces the same issues. Unable to assume client demand for training, Oneko must find a way to "ignite" it. He anticipates that the project's new technologies will serve as the hook, stimulating demand for training in their use, which he can enhance with additional content on business management. Following his experience at PRIDE, where, as training director, he fostered a culture of excellence among both staff and borrowers, he will look for opportunities to promote a culture of producers linked by new technologies and the business opportunities they create.

Relevant, Tailored Services

Demand-driven services must be relevant to clients' immediate needs. Without relevance, they will fail in the marketplace. The more relevant training is at each step — during each training session, activity, and interaction between program and entrepreneur — the narrower the gap between the clients' investment (fees, time) and perceived benefits. The experience of SITE and AKILI suggest three lessons for achieving relevance:

- Work with selected subsectors;
- Target the most appropriate clientele; and
- Link services to tangible, visible benefits.

Working with subsectors: Designing training for specific subsectors is an effective and increasingly recognized way to ensure its relevance to entrepreneurs. In fact, in order for the focus on product quality, new products, and production processes to be concrete and meaningful, it must be anchored in specific subsectors. However, to do this effectively requires staff with thorough knowledge and technical competence in each subsector, which ultimately limits the number of subsectors any one program can reach.

Initially AKILI worried that too strict an adherence to a subsector approach could cause tunnel vision that would discourage or miss key opportunities for exchange between sectors. Furthermore, in developing new products, market opportunities must drive innovation as much as trade-specific skills. Consequently, for its classroom training, AKILI mixed clients from three subsectors in order to promote a cross-fertilization of ideas. However, the program's evaluators found this reduced the training's relevance to individual clients. In response, AKILI is now searching for the right balance between the desired flexibility that may be more market responsive and the need for attention to the specific demands of each subsector.

AKILI also found that separating its marketing and costing modules from product development seemed to lower the value of each to its clients. Consequently, in the future, AKILI will integrate these business management themes with its more tailored, subsectoral training in products.

With its concentration on skills training, SITE has taken a more classic subsector approach, becoming familiar with input supplies and marketing channels for each of its selected trades. Working backward from identified market opportunities, SITE is identifying and training each trade in the skills necessary to take advantage of them. Consequently, the training focus is different for each subsector. In textiles, tailoring clients are primarily learning skills they need to make new products, while metalworkers and woodworkers are paying more attention to the quality of existing products.

Targeting clients: In addition to selecting specific subsectors, both programs target a particular type of client. AKILI attracts innovators, those interested in expanding their business with new products. This requires a set of skills, attitudes, and financial attributes that enable one to assume risks inherent in product development. AKILI knows that relatively few producers can design new products; nevertheless, it anticipates the benefits of this process will spread through wide product copying. SITE targets its training to producers who are established enough to take on apprentices.

Linking training to tangible benefits: As mentioned above, AKILI links its clients to new products and market opportunities. The relevance and, hence, power of this intervention lies in the combination of inputs that leads the producer to market with products that sell. Training was only the beginning; when AKILI moved from the classroom to individual workshops, it moved from general to specific, allowing each client to work on specific products with AKILI staff. AKILI's chosen product and market niche (housewares for middle-class Kenyans) adds an additional layer of specificity. Tangible benefits for SITE's trainees include improvements they can introduce immediately in their workshops (such as better safety practices and new techniques they can use and teach apprentices) and the ability to attract new apprentices.

Both programs have found that training that lacks immediately apparent benefits are less relevant and, hence, less attractive to clients. SITE's curriculum mixes production and business skills training; few clients ask to focus exclusively on management. AKILI lost clients when it shifted its training agenda from product development to marketing and costing; as noted earlier, in future training sessions, it plans to integrate these topics.

Participatory Methods

Although approaching client participation from different vantage points, both programs endorse and pursue this principle as another way to achieve relevance. SITE maximizes participation by encouraging clients not only to determine the content of the courses they will take, but to schedule and price the courses as well. This highly participatory approach increases client ownership of and commitment to the training. AKILI pursues participation through regular interaction with its clients; individual ideas, skills, and motivation determine the course of technical assistance the program takes.

The relationship between these three training attributes — relevant, tailored, and participatory — raises some interesting questions. SITE uses participation to tailor its training and achieve relevance. It is a "bottom-up" approach that SITE adheres to more faithfully and tangibly than have participatory programs in the past. However, although this model is closer to the demand-led concept than previous models have been, its benefits to clients is less clear. It is not yet known whether the nature and sequence of topics clients ask for are those that will most effectively meet their needs as producers and trainers of apprentices.

AKILI’s more directive style, with staff actively engaged in all aspects of product development and marketing, represents a conscious effort to balance current client capacity with professional standards and market realities. AKILI’s combination of interventions (training, product development, and marketing) and its consistent involvement with clients after training have led to measurable benefits (new products, income gains, and new markets) that increase its training’s relevance.

Can clients sustain the benefits of AKILI’s more directive style? Will SITE’s participatory approach take longer but eventually result in similar benefits that are more sustainable because they will have been more internalized by clients? Unfortunately, these questions cannot yet be answered, given the early stages of both programs’ development.

Cost Recovery

Charging fees for training and other services constitutes a logical shift in practice, but one that is dramatic when compared with the numerous cases in which the reverse is still true — paying clients, beneficiaries, or participants to attend training. This principle of good practice is key to making training more businesslike and demand driven. Fees introduce an element of equal exchange between service provider and client, helping to move the interaction from the realm of paternalistic, well-meaning donations to that of the local marketplace. In addition, clients’ willingness to pay is a basic indicator of demand. Charging fees is critical to clients’ appreciation of and commitment to the training and other inputs. As the practice becomes more widespread, sources of training will compete with each other on a more level playing field.

At this point, the benefits of charging fees for services are more important than the cost recovery they represent. For both programs, the fees collected to date represent only a tiny fraction of costs.

Because the programs’ experience is not yet recurrent, trend analysis is not possible. At this stage, the primary goal for both programs is finding the most effective ways to achieve the goal of business growth among informal sector producers. Their focus is on their training methods and service mix, as well as marketing their programs, establishing credibility with clients, and stimulating demand. This is critical to the search for much needed methodological “breakthroughs” in BDS that by necessity precede cost recovery. With careful monitoring of its activities, action research programs like AKILI can make valuable contributions to finding the right approaches, the costs of which are justified by their benefits. Nevertheless, the lessons emerging from SITE and AKILI’s experience confirm other experience in this domain, namely:

- Entrepreneurs accustomed to free services (the dominant practice in the past) are likely to resist paying for those services now.

- Resistance should not be equated with inability to pay. AKILI clients initially paid 500 KSh. per training session. Elsewhere, in the exchange visit program sponsored by FIT/ILO, entrepreneurs complained about the fee they were charged to participate, even though they ended up spending twice as much on business-related expenditures during their trips (Mike Oneko, IYB, personal interview, 1997).

- Entrepreneurs are less willing to pay for an unknown commodity. The fees negotiated with SITE's "early adopters" (its first-year clients) were very low, at approximately $3 to $6 per course. As clients enter into their second and third courses, SITE expects the fees to be higher, and will eventually establish a rational pricing policy. Now, after significant involvement with AKILI, its clients consider the fees they were charged to be a token payment. Presumably, the income gains attributed to the project will stimulate acceptance of higher fees.

Greater product exposure unleashes greater credibility and acceptance of higher fees. When the benefits of the service become more evident, prices can be set as a function of demand and cost recovery goals.

Although the practice of charging entrepreneurs fees for services is becoming more common, pricing policies linked to costs are uncommon, even among programs with notable experience and market exposure. After eight years of operation, the K-MAP program still sets prices based on estimates of what clients will find reasonable (Wilson and Mwai, 1996).

TRANSLATING METHODOLOGICAL PRINCIPLES INTO PROGRAM PERFORMANCE

Ultimately, these posited principles of good practice have to be judged by the outcomes produced by the programs that embody them. Such program performance has several aspects or indicators, including outreach, effectiveness, efficiency, and sustainability (as defined in Chapter One), that together balance qualitative and quantitative concerns. However, using these indicators to define good performance poses two difficulties:

- Few programs can measure performance in all of these areas; and

- There are potential conflicts or trade-offs between some of the criteria (for example, achieving the desired impact at the enterprise level in BDS may limit outreach). (Donor Committee on Small Enterprise Development, 1997.)

Both of these problems are readily apparent, and it is the trade-offs that pose the value-laced challenge to defining best practice. Based on how SITE and AKILI define and implement principles of good practice, the relationship between principles and performance indicators can only be explored given the nascent experience of the two programs.

Effectiveness

The priority performance indicator is effectiveness. If programs cannot demonstrate their benefits to their clients, they will not perform well in the other indicators. To achieve the benefits that are key to stimulating demand, generic business training is giving way to tailored, sector-specific, focused programs. AKILI's experience demonstrates that this approach can yield tangible results in terms of new product development, access to new markets, and significant increases in client income. These results, however, do involve performance trade-offs with the other indicators, as discussed below.

Outreach

The effectiveness associated with principles of good practice is hard to mass-produce. Although AKILI's tangible results will enable it to expand both its number of clients and its income from fees and markups, the results are linked to a comprehensive, multifaceted process and individual interaction with relatively few clients. Staff estimate that 100 clients is the optimal number AKILI can handle at any given time. The small scale of the program — required to achieve such impressive income gains — keeps unit costs high and efficiency low.

SITE, on the other hand, can potentially serve four to six times the number of clients as AKILI because it is working principally with one type of intervention — a short training course. Although SITE is experimenting with other, related services, such as equipment loans, it does not yet offer systemic follow-up to its training through which clients can access opportunities to apply their new skills or otherwise engage in concrete activities that would further program goals. SITE is relying on the singular value of training but does not yet have enough evidence to support this assumption. Although it is too early to conclude that SITE is trading effectiveness for outreach, its lack of programmed, regular follow-up with clients around specific production, marketing, or product issues that will improve sales raises this possibility.[6]

The use of a subsector approach, key to the "relevance" principle, further limits a program's outreach. To be effective, subsector approaches require a thorough knowledge of the production chain within a given subsector, as well as staff members who have corresponding technical skills. These significant investments limit the number of subsectors in which any one program can effectively work.

Efficiency

Two principles of good practice — relevance and participation — appear to hamper efficiency. SITE has found its participatory approach very positive in terms of its ability to attract clients and offer demand-led training. Nonetheless, the approach is time-consuming and inherently inefficient, even though SITE has demonstrated efficiency gains as its marketing efforts pay off and its credibility grows.

An inefficient practice will not survive in a large-scale program. It is possible that SITE will modify the participatory nature of its work as it expands. If the impact of its program is clear, its current high level of participation may not always be necessary to attract clients.

The intensive nature of AKILI's services is clearly effective but not necessarily efficient, and the potential for efficiency gains is difficult to determine. Programs like AKILI are filling gaps left by the dearth of quality education available to its clients. The lack of fundamental skills partly explains the need for the intensity of AKILI's efforts. Additionally, the innovation AKILI is fostering must be

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[6] The relationship between scale, methods, and impact illustrated by the SITE and AKILI cases presents key issues that more renowned voucher schemes, such as that in Paraguay, do not address. Voucher schemes intervene in the market to link demand for training with its supply. Yet these cases do not shed much light on compelling issues surrounding training methods and delivery systems and the trade-offs in performance they imply.

sustained beyond its first round of products. Widespread copying, for which the jua kalis are famous, will take its toll on the attractiveness of the current crop of new products.
Bringing new "arrivals" into its product development cycle will require AKILI to maintain what, by necessity, evolved during the first round into a comprehensive educational process that targets production and design skills, production quality, changes in attitude (responsiveness to customers), business management, and marketing.

Sustainability

Cost recovery through training fees has multiple benefits, the most important of which is the business relationship it establishes between entrepreneur/client and training provider. However, fees have been far less important as a source of program income. Although as demand for services grows, fees and income will rise, the extent to which clients can pay the full cost of their training is questionable.

The other principles of good practice pose clear challenges to outreach and sustainability. For example, tailored training limits outreach, which is important for efficiency and sustainability. Yet without demonstrable individual benefits, the demand for services will not be sustained. Given what it may take to build businesses and increase income effectively among jua kalis, large-scale programs are difficult to envision.

The same questions hold true for more established business training programs, such as K-MAP. In 1996, 10 years after beginning operation, K-MAP still served fewer than 1,000 clients and was recovering 20 percent of costs. Its evaluators estimate that K-MAP's strategy of targeting small businesses in the formal sector, particularly those owned by educated, skilled people with experience working in complex organizations, is the only likely way to lead to sustainability. Even then, the costs of service delivery are mitigated by the ability to harness business mentors from large companies who offer their expertise free of charge (Wilson and Mwai, 1996). The significant differences between this population and the clientele of SITE and AKILI suggest the need to adjust expectations for sustainability accordingly.

Advocates of business development services argue that financial sustainability as defined by full cost recovery is not an appropriate performance measure for these services. Rather, they argue, BDS programs should strive to perform cost-effectively, maximizing both impact and efficiency. Those programs that achieve an acceptable standard of cost-effectiveness represent good investments for donors and governments.

CONCLUDING REMARKS

Close interaction with jua kalis by both programs reinforces what BDS practitioners have long known: removing even some of the barriers to business growth for producers in the informal sector is a complex process. For this group, enterprise expansion is hampered by multiple factors, including lack of education, limited exposure to the trade itself, low tolerance for risk, passive attitudes toward markets and customers, and growing competition for limited markets.

In gaining exposure to and experience with its clients, AKILI has found the challenge of meeting their needs to be even greater than anticipated. For one, contrary to popular belief, jua kali producers are not, on the whole, innovative, possessing neither the requisite skills nor adequate financial resources. Second, their limited design skills complicate and slow down the process of product development. Third, the most effective learning comes through hands-on experience in clients' workshops, which requires more individually oriented assistance than standard training necessitates.

SITE and AKILI are addressing this complex problem from different angles: the first offers training to enhance production and managerial skills; the second fosters product development, from initial skills training through marketing. Although both programs strive to achieve the same goals with similar client groups, their methodological differences raise a critical question for BDS: Can a single intervention be effective, or is an integrated set of interventions required to achieve tangible results? With its more singular focus, SITE reaches more people; AKILI's more intensive approach has produced significant results on a more limited scale.

Without solid evidence of SITE's impact, a comparison of the two programs' cost-effectiveness is not possible. Yet, this critical comparison is needed to better understand the trade-offs inherent in the choice between single and multiple interventions, and points to the value of well-documented action research.

Although both programs are still in the process of perfecting their methodology, their experience confirms and illuminates the principles of good business practice. The application of these principles raises important questions that the Donor Committee on Small Enterprise Development did not address in its 1997 report on BDS.

The nature and source of demand are important to understand when designing demand-led programs. Stimulating demand for training entails additional design and time considerations beyond those required in traditional training. Relevance can be defined by clients' views on how to expand their business, or it can be defined by results that involve more top-down direction than advocates of participation would accept.

Tying training to other, more obvious benefits in order to stimulate demand raises the question of whether training is justifiably a distinct business development service. Is it instead more appropriately a delivery mechanism, a vehicle for providing access to other services such as product development, marketing, and technology? Attempting to answer this question will open debate that is beyond the scope of this study, but one thing is clear: despite strong reasons for circumventing or minimizing training, the need for it has persisted. Now, new and compelling efforts are attempting to translate this need into an effective service that generates demand dynamic enough to achieve an acceptable cost-benefit relationship.

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ANNEX A

A TYPOLOGY OF TRAINING COSTS

A TYPOLOGY OF TRAINING COSTS

Making training more market oriented will require thorough understanding and accurate tracking of training costs — critical information for both program planning and implementation. Without a determination of their cost, the benefits of different training methods and their delivery cannot be adequately assessed, opportunities for efficiency gains cannot be easily identified, and cost-related pricing policies cannot be determined.

Identifying which costs to track can be a challenge, especially when training-related tasks are not always discrete and easily separated from other program activities. Drawing on the SITE and AKILI programs, the following typology divides training costs into those associated with development or preparation of training and those incurred during delivery of training. A third category outlines the managerial functions related to recruiting, supervision, and reporting. The table below shows the complete training cost checklist at a glance; the subsequent section describes each cost in more detail.

Development Costs	Delivery Costs	Managerial Costs
• Market research/needs assessment • Delivery mechanism • Curriculum development • Program marketing • Trainer training • Monitoring and evaluation system • Design revisions	• Trainers • Venue • Per diem • Materials • Equipment • Transportation • Ceremonial costs	• Staff recruitment • Supervision • Reporting

TRAINING COSTS CHECKLIST

Development Costs

Market research/needs assessment: There are many ways to accomplish this initial planning task. Some programs focus exclusively on the client; others look beyond the client to crucial links with the marketplace. Methods can be more or less participatory, depending on the type of information required to plan the program.

AKILI conducted extensive research on informal sector manufacturers in Nairobi to inform its overall program design, including subsector selection and training content. Using survey methods, it assessed jua kali workshops, production processes, business owners' marketing practices and attitudes, and the market for new products. SITE also conducted market research, but its focus was different: it looked primarily at the market for jua kali products, surveying retailers and intermediaries to identify opportunities in and barriers to that market.

Delivery mechanism: Several decisions need to be made at this step, and that decision-making process will cost staff time, at the very least. Questions to answer include the following: How and where will training be delivered? Is group training or individual technical assistance more appropriate? Should training be long or short term? Should it be intermittent, stretched over a period of weeks or months, or delivered in a more concentrated workshop over several weeks? Who should deliver the training? Which institutional partners, if any, should be sought to collaborate on the delivery? Each of these decisions will require time for both research and implementation (for example, in identifying and negotiating with partner institutions).

Curriculum development: Designing training is a very complex and time-consuming process. It involves deciding what to teach and how to teach it. These decisions are largely informed by the needs assessment, but inviting potential clients to review them will increase their relevance (as well as the time one needs to invest). In many cases, lectures can be written from existing literature, manuals, textbooks, and so on. Nonetheless, time must be budgeted to collect and review the relevant documentation. Participatory training takes even more time to design, as the activities and accompanying materials must often be created from scratch. A rule of thumb is to allow two units' worth (days, hours, and so on) of design time for every unit of training.

Program marketing: Client recruitment is a new cost factor in market-oriented training whereby a service is sold in the open market. There is no captive audience as in programs that integrate training and credit. Both AKILI and SITE were surprised by the time they needed to invest in recruiting their clients during the first year. This cost should decline with time, market exposure, and program results.

Trainer training: This aspect of preparation is too often overlooked even though it is critical to the quality of training. Its cost will vary depending on whether trainers are internal or external to the program. Because SITE decided to work in partnership with vocational training centers and contract with their instructors, it organized a week-long TOT to enable these formal classroom instructors to work effectively with jua kalis. Topics covered included workshop details among jua kalis, their skill levels, and effective methods for teaching students unaccustomed to classrooms.

AKILI trainers comprised both in-house staff and outside consultants. Even with professional trainers from IYB, AKILI held mock training sessions to enable them to get feedback on the appropriateness for jua kalis of their course content, materials, and training style.

Monitoring and evaluation system: A system for tracking clients at the start of, during, and after training should be designed at the outset. Minimal costs may be incurred in this design stage, but they will become more significant as the system is tested and revised.

Design revisions: As the training is delivered, revisions in content, overall design, or specific materials will inevitably be required and likely will be needed on a regular basis throughout the life of the program. Unlike the other development costs listed here, revisions are obviously not a start-up cost; nonetheless, they are incurred outside the direct delivery of services to clients.

Direct Delivery Costs

This category of costs includes expenses incurred during actual delivery of training to clients. Beyond the more significant salary and venue costs, it can include several minor expenses.

Trainers: For staff trainers, an appropriate portion of their salary should be allocated to direct delivery costs. Consultant trainers are contracted by the hour, day, or course. In Kenya, SITE pays VTC instructors approximately $6.00 an hour. AKILI paid IYB approximately $150 (7,500 KSh.) per three-hour session, calculating 15 paying clients at $10 each.

Venue: Costs for a training venue will vary by location, size, and purpose. In some cases all that is required is a room rental for the duration of the training; other workshops may require training centers with accommodations. SITE has rented, full-time, a shop in Kibera that it uses for training and meetings at a cost of about $50 a month. In other cases, it holds courses at the VTC and pays a one-time fee for use of the space. AKILI held all group training at its office complex, requiring an allocation of office rental to training; for AKILI, this cost is currently approximately $90 per month.

Per diem: Programs that require trainers to make extended visits must budget for their lodging and meal expenses. For training participants, per diem allotments are less clear. Increasingly, participants are expected to pay these expenses themselves as part of the cost of attending training, but the context governing their attendance may argue in favor of program subsidies.

Materials: These include paper, photocopies, binders, office supplies, film, and the like.

Equipment: Computer, video equipment, and overhead projector rentals are common expenses for training programs. Some programs budget to purchase their own equipment if they plan to use it repeatedly.

Transportation: This category includes transporting participants and trainers to and from the training site, field trips, and errands.

Ceremonial costs: A minor expense, certificates of completion are valued by training participants. Closing ceremonies also often involve expenses for food and beverages.

Managerial Costs

Staff recruitment: Management time should be allocated to recruitment and orientation of employed staff and contracted trainers.

Supervision: Management time is required to monitor training staff, evaluate progress, and conduct performance reviews with staff.

Reporting: Staff time is needed to prepare training reports, track finances (both expenses and income), and carry out functions outlined by the monitoring and evaluation system.

METHODOLOGICAL AND DELIVERY FACTORS AFFECTING COSTS

Delivery system: The costs of setting up a new delivery system probably exceed the costs of contracting or renting an existing one. SITE's partnership with vocational training centers enables it to use, at some cost, the VTCs' workshops, equipment, and trainers on an as-needed basis. AKILI, in contrast, set up its own workshop to train clients and develop product prototypes. Although perhaps more costly, this decision was more appropriate for AKILI's intensive production process, which involved almost daily use of its workshop.

Geographic dispersion: Geographic expansion of services will increase costs. SITE has responded to this issue through its "piggybacking" strategy with VTCs in each of the five urban centers where it has introduced its training. As AKILI looks to expand to other sections of Nairobi, it anticipates additional costs for establishing small workshop sites similar to its venue in Kariobangi.

Participation: Each step in training development offers opportunities to involve clients. Doing so often strengthens a program's market position, but it takes time, and time costs money. SITE recruits door-to-door and then meets with each recruited group of clients to solicit their input on training content, a process that initially requires three or four days of staff time per course.

Tailored and relevant training: At first, the costs of tailor-made training will necessarily surpass those of the generic training commonly associated with past training efforts. Planners need to spend more time getting to know their clientele, their skills, tools, and markets. Some of this additional cost is actually an up-front investment that declines over time, particularly as sector-specific programs find ways to replicate training within a subsector.

Follow-up: The additional cost of carefully planned follow-up to training partly explains its scarcity. AKILI's follow-up is part and parcel of its multiple-service approach whereby training is only the beginning of an intensive product development process. SITE pursues a more singular focus on training but does not follow up systematically.

Source of materials: The source of its training materials influences SITE's relatively low direct delivery costs. When courses take place at or very near clients' workshops, the participants themselves often contribute the necessary materials, thereby reducing out-of-pocket costs for the program.

ANNEX B

SAMPLE AKILI PRODUCT FLYER