

The Business Support Project - *FIRMA 2000*
(Project Number 181-C-00-96-00333)

FINAL REPORT
Excerpt

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FIRMA 2000's CONTRIBUTION TO USAID'S INTERMEDIATE RESULTS¹

The overall objective of the FIRMA 2000 monitoring and evaluation system was to track progress and impact in the three principle BSO, consultant, and SME categories as they related to USAID's strategic objective and intermediate results for the sector. Therefore, the monitoring and evaluation of FIRMA 2000 was linked to the intermediate results and impact in the following ways:

IR2.1: Strengthen BSO capacity to provide technical assistance to SMEs. A BSO's sustainability is dependent on the skills and expertise of its manager and consultants. *FIRMA 2000* technical assistance and training improved both the technical skills of the BSO managers and consultants to help them better manage the consulting process including client identification, client marketing, and client needs assessment. Additionally, *FIRMA 2000* introduced a number of new consulting and training products to expand their services portfolio.

Results: There has been a 35% growth (from 20 to 27 BSOs) since the beginning of the project in the number of BSOs engaged in consulting.

Results: There has been a 74.2% increase in the average number of clients per BSO receiving consulting services -- from 12 to 20 clients -- since the beginning of the project

Inputs/Results: To ascertain the training needs of Poland's SMEs, *FIRMA 2000* conducted a survey of nearly 19,500 SME owners and managers nationwide. 1,232 SME executives responded with completed surveys – a 6.3% response rate. This led to the extensive *FIRMA 2000* SME training program.

Results: The Project had a significant impact on BSO training activity in terms of:

- 15 BSOs undertaking training activities which had not done so before participating in the project
- 23 BSOs delivering training to SMEs during at least 60% of the 11 quarters for which BSOs reported data
- BSOs able to earn increasing amounts of income from training activity, at higher rates per trainee and per hour

Results: After completing six weeks of ISO 9000 training, twenty *FIRMA 2000* consultants became certified as Auditors of Quality Systems and thirteen consultants achieved the higher level of certification of Quality Manager.

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BSO Financial Sustainability

Results: Twenty-one (70%) of the BSOs in Project FIRMA 2000 are financially self-sufficient having reached or passed their breakeven points by the end of the project, with four more within 20% points of breakeven. [Note: profitability is defined as the difference between total *operating* revenues and *total* BSO expenses. Also, please note that total *operating* revenues do **not** include grant and investment income but *total expenses* include some expenses that are **not** incurred to generate operating revenues, e.g. completing grant applications. Therefore, because of the project's more narrow definition of what constitutes "breakeven," this **may have resulted** in the **underestimation** of BSO overall profitability.]

Results: Eighteen (18) of the BSOs demonstrate sustained financial health having been at or above break-even for the last year and three-quarters. Gdynia-DORADCA, Kutno, Zabrze, Łódź, Skrzyńsko, Katowice, Olsztyn, Jelenia Góra, Mielec, Gorzów Wlkp, P³ock, Konin, Gdańsk-CIG, Szczecin, Rzeszów, Lublin, Kraków, and Gdynia-CWB.

Results: Since the beginning of the project, average BSO income from all operations increased 275.4%

Results: Average BSO margin of profitability went from -24.5% at the beginning of the project to 32.5% by the end of the project. Final quarter consulting earnings of 2,735,552 PLN exceeded consulting-related expenses by 829,808 or 44%.

Results: Fourteen (14) of the BSOs owe 100% of their total operating revenues to consulting and training activities.

Results: 83% of the BSOs now rely on grants for less than one quarter of their revenues. 20 BSOs (63%) receive no grants at all. Even more striking is the fact that 10 of the 18 non-profit BSOs report no grant income at all.

Results: For the remaining 8 BSOs that still receive grants, their dependence decreased to an average of only 29.7% of their total income by the project's end

Results: BSO fees from consulting services increased 113.8% since the beginning of the project with the average margin on delivering consulting services increasing 222.6%

Results: Average fees from consulting per client increased 58.7% since the beginning of the project

Results: Average BSO fees from training/seminars increased 45.3% since the beginning of the project.

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Increasing the Flow of Capital to SMEs

Inputs: To increase the flow of capital to SMEs, FIRMA 2000 worked to build relationships between consultants and bankers. To that end, 171 bankers from 97 banks and their branches participated along with project consultants and their SME clients in one or more of FIRMA 2000's 26 Enterprise Forums that took place in 18 cities across Poland.

Results: As a direct result of FIRMA 2000's efforts, BISE S.A. (Bank for Local Initiatives), the largest Polish bank doing business in the SME sector, signed agreements with three BSOs to serve as "intermediaries," fulfilling an agency function for the bank by identifying prospective clients and analyzing loan applications for BISE on a fee basis.

Inputs/Results: FIRMA 2000 organized the 1st Venture Capital Conference in Poland aimed at increasing SME and consultant awareness and understanding of venture capital and improving their access by building linkages between SMEs and the Polish domestic investment community. 240 entrepreneurs, consultants and press gathered to hear presentations from Venture Capital experts regarding all phases of the venture capital process from the importance of Business Plans to How an Investor cashes out or exits the deal.

Results: 16 FIRMA 2000 BSOs now offer finance-related services to their clients. They have reported 1,670 SMEs seeking their assistance with obtaining financing. In response, the BSOs packaged 535 loans resulting in 319 loans closed in addition to 91 equity deals consummated for a total value of 90,840,258 PLN secured from both equity and debt sources.

Results: Average percentage of SME loans closed per BSO is now 90.0%, a 38% increase since the beginning of the project

Results: The average volume of SME financing obtained per BSO is currently 2,938,400 z³ -- a 1200.1% increase since the beginning of the project

Results: Deal size has also increased with the average volume of SME financing obtained per deal currently at 1,644,364 z³ -- a 1,444% increase since the beginning of the project

IR2.2: Improved planning, marketing, and management increases SME capacity.

Technical assistance and training was provided directly to SMEs by teams of FIRMA 2000 BSO consultants. These teams employed a number of new and rapidly growing approaches to business development, assisting SMEs with improving their management skills and obtaining the vital day-to-day decision making information necessary for new product development, planning and forecasting, measuring performance, product-mix management, and guiding pricing.

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Inputs: 223 SME clients received consulting services from Paired Teams of U.S. and Polish consultants

Inputs: FIRMA 2000 Polish BSO consultants delivered consulting services to 5,772 clients on their own.

Inputs: Since September of 1997, U.S. trainers conducted 218 workshops and seminars which were attended by 3,689 participants from small to medium enterprises (50% women). Additionally, the BSOs trained 25,259 participants, utilizing either their own staff or external Polish trainers.

Results: 73.5% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their 1999 sales figures increased over 1998 levels with 12.9% reporting no change and 13.6% reporting a decrease in sales.

Results: 69.0% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their 1999 profits increased over 1998 levels with 15.5% reporting equally no change or a decrease in profits.

Results: 42.4% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their 1999 exports increased over 1998 levels with 42.4% reporting no change and 15.3% a decrease in profits.

Results: 37.6% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their employment increased in 1999 as compared to 1998 with 40.6% reporting no change and 21.8% reporting a decrease in employment.

Results: 65.9% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their personnel policies improved in 1999.

Results: 92.5% of SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that their products and services improved in 1999.

Results: SMEs receiving consulting services from FIRMA 2000/BSO consulting reported that within the last year of the project, they entered into 5 licensing agreements, 5 franchises, and one joint venture.

Results: Eighteen of the SMEs receiving consulting services from FIRMA 2000/BSO consulting teams reported that they obtained new financing, valued at 8,878,700 PLN

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IR1.2: Business information assists SMEs in business development. Through a number of initiatives such as the bi-monthly newsletter, technical publications, seminars, and press releases, *FIRMA 2000* regularly disseminated a wide range of information to SMEs and the general public on topics relating to SME development.

Inputs/Results: In addition to short 3 to 4 page technical inserts in the *FIRMA 2000* newsletter, *FIRMA 2000* also published six full-length books and guides in the Polish language that are of primary interest to small-to-medium sized enterprises. These include: *Financing for Entrepreneurial Development -- a Manual for Entrepreneurs; Export Guide for Polish SMEs; Target Marketing; Human Resources: Mastering Your Small Business; The Start-up Guide; and the Business Planning Guide.*

Inputs/Results: *FIRMA 2000* more than achieved the project target with 42,035 newsletters mailed out to SMEs over the course of the project. In addition to the 14 issues of the *FIRMA 2000* bi-monthly newsletter, MiCE that were individually tailored by the BSOs and re-issued under their respective logos, the BSOs developed an additional 55 Newsletter issues on their own.

Results: *FIRMA 2000* BSOs regularly generated media coverage, highlighting their services and their access to U.S. experts through *FIRMA 2000*. Since the beginning of the project, the BSOs and/or *FIRMA 2000* were featured in 657 stories in Poland, appearing in regional and national newspapers and on radio and television and 30 stories in Ukraine, appearing in 24 print articles and 6 television spots. Additionally, the international press, e.g., *The Wall Street Journal Europe* and several U.S. dailies covered aspects of the project as well.

Results: *FIRMA 2000* struck an alliance with the publication "InfoCourier" to publish one *FIRMA 2000* article each month in return for cost-free promotion of the project. The reach of the magazine is approximately 5000 SMEs each issue.

Results: Nearly 200 visitors check the *FIRMA 2000* WWW site each month. The site includes firm profiles of each of the BSOs in the *FIRMA 2000* network and a map of their locations, as well as updated information regarding conferences, publications, etc. The majority of the visitors have been from Poland, however, the number of foreign readers is increasing with foreign visitors mainly from the U.S. but also from the UK, France, Germany, Japan, Canada, Denmark, Norway, Belgium, Sweden, Ukraine, Russia, the Czech Republic, Argentina, Macedonia, Finland, the Netherlands, and Saudi Arabia. The visitors have been mainly interested in *FIRMA 2000*'s SME newsletter and the locations of the BSOs.

Results: Seventeen of the *FIRMA 2000* BSOs now have websites in addition to the *FIRMA 2000* Website.

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Results: FIRMA 2000's efforts resulted in seventeen U.S./Poland business linkages; two Bulgaria/Poland business linkages; one Sweden/Poland business linkage; thirteen Ukraine/Poland business linkages; and twenty-seven Ukrainian businesses which made proposals looking for Polish partners.

IR1.1: Government organizations and NGO's advocate for policies in support of small and medium enterprises. *FIRMA 2000's* lobbying training of BSO managers and regular info-bulletins were designed to improve their understanding of the importance of advocacy activities on behalf of the SME sector as well as the "how to's" associated with lobbying.

Advocacy on Behalf of the SME Sector

Inputs: FIRMA 2000 provided all the BSOs with information regarding the SME Parliamentary Commission – the purpose of its existence, responsibilities and activities, in addition to the contact information of individual members of the commission (e.g., addresses of their field offices, phone numbers and political party identification). In addition, FIRMA 2000 provided advocacy training to four BSOs.

Results: 14 BSOs regularly participate in advocacy and lobbying activities on behalf of the SME sector, expending a total of 7,334 staff hours over the course of the project trying to influence government policies or regulations.

Results: The average staff hours spent trying to influence government policies and regulations increased by 117.6% over the course of the project.

Educating the Public Regarding the SME Sector

Results: 15 FIRMA 2000 BSOs regularly provide public education/information regarding the SME sector.

Results: The average BSO staff hours devoted to public education/information activities increased by 152.7% over the life of the project.

Results: The average number of participants in a public education workshop or event grew from 27 to 53 -- a 95.1% increase.

IR: Cross-cutting Issues: Integration of Gender Considerations. Women play an important role in the development of the SME sector in Poland. FIRMA 2000 effectively sought out and included women to participate in all aspects of the project.

Results: The project staff consisted of thirteen full-time and two part-time staff, nine (60%) of whom were women

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Results: Thirty-four (53%) of the paid consultants hired by FIRMA 2000 to provide technical assistance and training to project beneficiaries were women

Results: Fourteen (47%) of the 30 BSOs are woman-owned or led

Results: Forty-seven (43%) of the 109 Polish consultants are women

Inputs/Results: 1,855 business women (50% of all trainees) participated in the FIRMA 2000 sponsored training program

Inputs/Results: 18% of the SMEs receiving technical assistance from a paired FIRMA 2000/BSO team of consultants were women-owned.

Inputs/Results: FIRMA 2000 conducted a survey 2,200 women-owned SMEs nationwide to gather information on firm size, type of business, number of employees and to ascertain their interest in participating in Poland's first National Women-Owned Business Conference. A surprising 211 women responded to the survey (9.6% response rate) and 114 women SME owners attended the FIRMA 2000 1st National Conference of Women Entrepreneurs in 1998. The following year, the number of Conference attendees grew to 221 women SME owners.

Inputs/Results: 22,000 women managers nationwide were surveyed (1,892 respondents - 9%) by FIRMA 2000 to gather information regarding their characteristics, how they perceive their position within the business community and society, their prospects and goals, difficulties that hamper their development, and their needs for further professional development. As a follow-up, the first conference of women managers will take place in Poland, September 26-27, 2000.

Inputs/Results: FIRMA 2000's assistance to the newly formed Polish Association of Women Entrepreneurs (PAWE) resulted in the development of a dues-paying membership base of 130 members as of the end of the project.

Inputs/Results: FIRMA 2000 organized a five-day International Trade and Study Mission for the Washington State Governor's Executive Women's Council in which over 100 U.S. and Polish women business leaders, government officials, academic professionals, and representatives of non-governmental organizations (NGO's) met to compare and contrast successful businesses and programs in Washington State with those here in Poland. The trade and study mission was the first by any state entity to focus on women's leadership and building business and other professional ties with women in other countries. U.S. Senator Patty Murray from Washington State led the delegation.

Inputs/Results: FIRMA 2000 organized and moderated a roundtable discussion with the First Lady of the United States, Hilary Clinton, and six Polish women entrepreneurs who told their stories of the ground-up growth of women-owned businesses in Poland: Ewa Plucinska of EVIP Consulting, which is part-owner and restructuring specialist for the

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Gdansk shipyard; pharmacist Dr. Irena Eris, whose facial creme and cosmetics company is a market leader; Grazyna Paturalaska, owner of the Gdansk-based steel producer Pakmet; Elzbieta J. Syrda of American Systems of Marketing in Kutno (a FIRMA 2000 BSO), Dorota Drewnowska, co-owner with Malgorzata Kujawska of IKO, the Institute of Polish for Foreigners, and Maria Sobiech, who guided Mrs. Clinton on a tour of her fashion company. In speeches throughout the day, Mrs. Clinton quoted Syrda's remark that "This opportunity is not only for us but for every woman in Poland - we ARE the opportunity."

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Sandomierz BSO

From the start, Sandomierz staff members have been enthusiastic participants in the FIRMA 2000 project, because they saw it as an opportunity to help develop their organization. According to Halina Siemaszko, the Foundation's Director, "In retrospect, the biggest impact of working with the project has been to think about the Foundation in a different way -- as a *business*. This has resulted in a real difference in both operations and in clients' service". One can clearly see the results of such a shift in thinking in the above indicators, specifically the 84.9% reduction in the foundation's dependence on grants offset by the profitable generation of fees for service.

Ms. Anna Nogaj, a principal consultant of the Sandomierz BSO, believes that FIRMA 2000 has had a significant impact on the functioning of the organization, particularly with respect to strengthening its market position. During the three-year cooperation with the project, the BSO broadened its range of services and improved its marketing methods. She attributes this to the great effort of FIRMA 2000 employees – their professionalism, competencies, reliability and positive attitudes, all playing an important role in this process.

The training provided by FIRMA 2000 allowed the Sandomierz BSO employees to improve their consulting skills. In terms of sellable consulting skills, these include new or improved abilities in:

- Training;
- Human Resource Management;
- Diagnostics and Valuations; and
- General Management and Strategic Planning.

And, one can see just how the FIRMA 2000 trainings have been translated into a vastly improved service offering. For example, in 1996, the BSO's market was almost exclusively the agricultural sector; services were defined accordingly (business planning and loan packaging were the primary products). In the past three years, Sandomierz has dramatically increased the range of services it provides to include:

1. Marketing services;
2. Production and operations management;
3. Financial management and valuation services for SMEs;
4. Human resource management;
5. Planning and project implementation for local governments (primarily gminas);
6. Support to the craft industry;
7. Services related to EU Integration;
8. Conference planning; and
9. Study tours and participant training programs.

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This increase is due, in great part, to the skills development assistance provided by the FIRMA 2000 project, which provided not only training in these areas, but assistance in learning how to market those skills, and access to potential partners.

The change in the agency's service offerings and a change in its core market go hand in hand. As it has gradually moved away from general service provision for agricultural concerns, the agency has moved toward providing services to SMEs and local government. These clients are more sophisticated now in their understanding of the value of consulting services. Further, unlike the agro sector, the SME sector is growing and better able to pay for services; agro businesses still require heavy subsidy to access consulting assistance.

“The participation in the ISO quality management training organized within FIRMA 2000 had a great impact on the development of the project called “Cooperation with Local Governments” – said Mr. Stanislaw Baska, project coordinator of the Center for Business Promotion and Entrepreneurship in Sandomierz.

The contacts made through Firma 2000 also have had a strong impact on the BSO's development. Sandomierz has worked with several other BSOs and several foreign firms as well.

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