

BDS and Entrepreneurship: The Missing Link

A Learning Paper

A Study Undertaken by Swisscontact East Africa Programme with support of SEEP Network

January 2004



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Executive Summary

The level of debate and experiments that are going on in the world today to establish appropriate ways to promote market led provision of Business Development Services in the MSE sector is enormous. Reasons advanced by BDS providers to explain why it is difficult to market Business Services to MSEs on a cost recovery basis are many – they include inability by entrepreneurs in weak Market to pay for services among others.

The big question still remains – BDS and Entrepreneurship: What is the Missing Link?

In 2002, Swisscontact received support from SEEP Network to develop and test an Action Learning instrument for assessing and stimulating BDS demand of MSEs. The Study was based on Swisscontact's experience that many entrepreneurs knew from "gut feeling" that they have problems in their Small Enterprises but did not have the capacity and confidence to really diagnose their specific problems on their own.

The study was conducted in two locations an urban town called Thika and a peri-urban town (almost rural) called Tala. The choice of location was to enable a fair comparison of entrepreneur behaviour towards BDS.

The entrepreneurs involved in the study were also exposed to BDS providers at a BDS fair conducted in on of the locations – Thika.

The key findings of the study have been as follows: -

- Entrepreneurs are not clear about their problems and most feel that their main problem is finance whereas this is not necessarily the case.
- The Action Learning instrument has a strong motivational impact on entrepreneurs' demand for BDS.
- Entrepreneurs have capacity to solve numerous internal problems, but this can only be done after they are aware.
- Entrepreneurs in rural environments are interested in basic services that enhance literacy levels such as Bookkeeping and Counselling.
- There is high demand for services whose benefits are easily understood by entrepreneurs such as simple technologies in soap making, water purification etc.

1. Introduction

There are as many varied reasons as one would care to get as to why people go into business. The most commonly stated reasons by most MSEs we have interacted with are; failure to secure salaried employment, exploitation by employers, technical skills acquired either at college or as an apprentice, motivated by successful business people and so on. However, it is also clear is that many are driven by the desire to survive. Survival is qualified by the need to get shelter, food, education and clothing – and indeed they dress quite well. In rather general terms, we also found out that MSEs have prioritised these personal obligations. As far as the business is concerned, expenditure, which can be directly linked to income, is considered essential and they will plan for it. Most Business Development Services (BDS) has however been regarded as services that are necessary but not critical. Most entrepreneurs are unwilling to readily commit their limited resources to these services even though these services could provide the means to become successful entrepreneurs and not merely survivors. Certainly we think there is a missing link between BDS and Entrepreneurship. Which link, if one identifies, then appropriate strategies can be developed in support of a more vibrant SME sector.

In February 2002, Swisscontact responded to a tender invitation of the SEEP Network on the use of innovative methodologies for BDS market assessment. The proposal of Swisscontact aimed at developing and testing an Action Learning based instrument for assessing and stimulating BDS demand of MSEs. The proposal was based on our experience that many small entrepreneurs knew from “gut feeling” that they have problems in their small enterprises but they did not have the capacity and confidence to really diagnose their specific problems on their own.

On receiving support from the SEEP Network, Swisscontact planned to develop the tool, train facilitators of the tool, implement the Action Learning sessions, and monitor their impact. During the preparation phase, the tool was given the name *JIGUNDULIE*, which is a Swahili word that means “discover for yourself”. We believe the title is quite fitting as the tool helps SMEs to discover or specify their real problems and identify possible solutions.

The project was realised in two phases: a preparation phase during which session materials were developed and facilitators were trained, and an implementation phase that covered the actual application of the tool and monitoring of its impact. In order to apply *JIGUNDULIE* with a variety of MSEs we organised the AL sessions in two locations – urban and peri-urban (almost rural). Furthermore we organised a BDS fair where selected BDS providers offered their services to MSEs (participants and non-participants of *JIGUNDULIE*). The fair enabled us to test the outcome of the tool in a real life situation.

2. Preparation Phase

2.1 Material development and Pilot Testing

The backbone of *JIGUNDULIE* is Action Learning that is defined by six elements:

- **Discussion about problems**

The discussion in AL is about the genuine, actual, and important problems of the participants and it is therefore more effective than any other approach that uses cases or examples for reference. The problems under discussion should be feasible for participants to solve, they must not be problems of somebody else. Furthermore the problems should be complex. Almost all problems that small entrepreneurs face qualify for an AL discussion.

- **Group approach**

AL discussions are held in groups of 5 to 8 small entrepreneurs. Each of them gets a chance to present his or her problem to the group whereby the other group members are resource persons for helping the presenter but they also create group pressure on the presenter to take action. The group is being moderated by a facilitator whose main role is to ensure effective communication between the group members. Under *JIGUNDULIE*, we formed groups of small entrepreneurs from different types of enterprises to get a wider variety of perspectives, however we made sure that direct competitors were not in the same group.

- **Questioning, reflecting, and testing process**

In a typical AL session, the presenter gives a brief introduction of his or her problem and then other group members ask a lot of questions to better understand and appreciate the problem. It might take more than one session for group members to fully understand the problem but already at that time the presenter receives help as the analysis opens up new perspectives. During that time the problem normally shifts as the presenter realises that the original problem was not the real problem.

When group members believe to have understood the problem they start offering advice to the presenter. At the end of the session which normally takes 45 to 60 minutes the presenter is requested by the facilitator to state what he or she has learnt during the session and what action the presenter wants to take. The statement is recorded and used as reference in the beginning of the next session of the presenter. This way the group pressure for action is built up.

The *JIGUNDULIE* process comprised of three modules of sessions which means that each group member had three opportunities to discuss his or her business problems with the other group members. While the first two modules were on consecutive days to gain some discussion momentum, the third session took place after about ten days to give participants a chance to verify and even test some of the discussion points and ideas. For the purpose of testing the *JIGUNDULIE* instrument we organised in addition to the three modules a BDS fair and held follow up meetings on it.

- **Discussion is moderated by facilitator**

The role of the facilitator is to ensure effective communication, set standards in questioning and probing, facilitate the giving and receiving of feed back, listen actively and observe non-verbal communication, identify the need for outside expertise, and help eventually other group members to take over his or her role. For the application of *JIGUNDULIE* we trained altogether ten AL facilitators (see below).

- **Use of outside expertise**

If the group does not have the expertise to analyse or solve a problem it might become necessary to call in outside help. Another option is to advise the respective presenter to seek expert advice and report later to the group about its usefulness.

In *JIGUNDULIE* we combined the AL process with three short lectures on problem categories, sources of solutions, and pro's and con's of the different sources. While the purpose of the first lecture was to help participants to better understand which problems are controllable for them, the second lecture introduced various outside sources of help and the third lecture discussed pro's and con's of outside help. The three lectures were supposed to be given at the end of the second and third module.

- **Commitment to learning and taking action**

The learning and action process normally starts with the fact that the small entrepreneurs feels uneasy about his or her situation and identifies some problems that are responsible for the situation. The small entrepreneur however desires to change the situation. That is the time when they begin the Action Learning process which goes through the steps of risk taking with support, understanding and insight, transformation of perspectives, and eventually action and experience.

Based on our experience with Action Learning we designed the flow of the *JIGUNDULIE* instrument and wrote up lecture notes for the two lectures. We then tested the first three modules with two Action Learning groups in Thika. The group members were all customers of the EBS branch in Thika. While the AL sessions went very well and yielded some good results we realised that the lectures were too long and not focused enough. We therefore merged the second and third lecture and made all lectures more participatory.

2.2 Training of AL facilitators

Although we had earlier on trained AL facilitators we wanted to train new trainers for the purpose of *JIGUNDULIE* with a focus on using the AL methodology to assess and stimulate demand for BDS. From a list of about 30 candidates we interviewed about 15 shortlisted applicants and eventually invited 10 for the training. 8 participants were trainers though they had not been exposed to the AL methodology. However, two of them had experienced Action Learning (though they had not attended a TOT).

The training of facilitators course was programmed for three days. On the first day we introduced the participants to the theory of Action Learning and set up two groups to give participants a chance to practice and experience Action Learning as group members but also as group facilitators. This was a rather intensive and practical approach that gave every participant a good chance to get first hand experience. In the afternoon on the second day we began to introduce the concept of BDS market assessment and explained the role of *JIGUNDULIE* in this process. On the last day we gave every participant a chance to prepare and hold a lecturette on topics similar to the two lectures of *JIGUNDULIE*.

Although all trainers were basically qualified for *JIGUNDULIE* after the TOT we ranked them according to their performance in the TOT before engaging them for the assignment. All participants satisfied us that they would proficiently undertake *JIGUNDULIE*.

3. Implementation Phase

3.1 First group in Thika

Thika is an urban industrial centre, about 45 km from Nairobi. In Thika we implemented the AL sessions in collaboration with Equity Building Society, which is the leading microfinance institution in Kenya with close to 300,000 customers. EBS is also a partner bank of Swisscontact.

Potential participants of the *JIGUNDULIE* tool were identified in a random sample from the list of small business clients of EBS. The identified participants were then invited by mail and a follow up visit. This way we wanted to attain a representative sample from which our findings could be later projected to all small business clients of EBS in Thika. While the sampling went well the invitations by mail and visit hit some organisational snags so that the actual participants of *JIGUNDULIE* did not correspond to the initial sample any more.

Altogether 37 MSEs participated in the first round of three AL sessions before the BDS fair. The baseline questionnaire revealed the following composition of the group of MSEs.

Description	
Gender	
- Men	70 %
- Women	30 %
Status in Enterprise	
- Owner / Manager	85.7 %
- Partnerships	14.3 %
Business Sector	
- Trade	73.8 %
- Service	16.7 %
- Manufacture	9.5 %
Number of Employees (average)	
- Permanent	1.0
- Casual	1.3
Help previously sought to solve business problems	
- Help sought	71 %
- No help sought	29 %

The help sought by participants to solve business problems before was related to provision of finance for business. However, 4 participants had received some training in Book-keeping, money management and advertising from financial institutions as a pre-condition for loans. In all cases, the training was offered free of charge.

Every participant presented his problems three times to the members of his AL group. During the sessions the AL facilitator recorded all problems and proposed solutions in a monitoring sheet. At the end of each session the facilitator asked the presenter whether he perceived the problems and solutions the same way as the facilitator had recorded them. Only problems and solutions that were confirmed by the presenter were finally recorded in the monitoring sheet. After the sessions we grouped the problems in 7 broad categories:

- Insufficient financial funds was expressed in lack of access to loans and credit facilities, low profits and cash flow, and insufficient owner's equity

- Inadequate non-financial resources included problems with material supplies and non-availability of qualified personnel
- The group “environment” covered all issues which were external to the business and the result of government laws, regulations, and policies
- Management covered a wide range of problems that related to planning and control issues, i.e. accounting, control of personnel, business planning
- Marketing is basically a sub-group of management that addresses all market and product related issues
- Production is basically a sub-group of management that addresses all production and technology related issues
- Personal problems were grouped separately. Such problems relate often to family problems.

The frequency of the confirmed problems in the three sessions is as follows:

Problem Category	1st Session	2nd Session	3rd Session
Various management issues	13.8 %	24.7 %	29.0 %
Marketing, selling, promotion issues	16.0 %	15.6 %	19.4 %
Insufficient financial funds	28.7 %	18.2 %	16.1 %
Inadequate non-financial resources	19.1 %	9.0 %	9.7 %
Legal and economic environment	19.1 %	16.9 %	21.0 %
Production issues	2.2 %	3.9 %	-
Personal problems	1.1 %	10.4 %	4.8%
Other problems		1.3 %	-
Totals	100.0 %	100.0 %	100.0 %

While insufficient financial funds was the highest ranked problem in the first session it was only the fourth ranked problem in the third session. At the same time general and specific management problems came more into focus, as management and marketing took only 29.8 % in the first session but 48.4 % in the third session. This shows clearly that problem perception becomes more focused on internal issues rather than external constraints.

The low percentage of personal problems in the first session is not surprising as participants have to get familiar with each other before they open up and disclose personal problems. In fact our experience with other AL groups suggests that the portion of personal problems might exceed even 20 % after several sessions. The low percentage of production issues must be seen against the background of only 9.5% of the participants came from the manufacturing and 16.7% from the service sectors.

Another important finding is that problems became more specific in the course of the sessions. Through the questioning process of Action Learning possible causes of problems are explored until irrelevant causes have been eliminated and the most plausible causes have been identified. At this stage the discussion generates in a way hypotheses for potential causes that still need to be verified during the breaks between the sessions.

The specification of problems resulted in two consequences. When problems became clearer to the presenting MSE owners / managers, they gained new motivation and energy to act upon the recommended solutions. At the same time they realised that they might need some external help in overcoming some of the problems. We attributed this perception mainly to our introduction of services after the individual Action Learning sessions.

The two consequences after the 3rd session are illustrated in the following table. Altogether 35 out 37 participants were highly motivated to act upon their problems while 21 participants besides their desire to act on some of the problems also expressed strong interest in BDS.

Both options are not alternatives but they are actually correlated – those who are interested in BDS are also motivated to act.

Problem Category	3rd session results	Motivated to act	Interested in BDS
Various management issues	29.0 %	15	12
Marketing, selling, promotion issues	19.4 %	10	4
Insufficient financial funds	16.1 %	3	3
Inadequate non-financial resources	9.7 %	2	2
Legal and economic environment	21.0 %	-	-
Personal problems	4.8%	5	-
	100.0 %	35	21

All through the training, some entrepreneurs took some immediate action to solve their problems. We provide here below two cases of entrepreneurs who took such action.

Case 1

George Mungai Gichini of P.O. Box 2340, Thika – Kenya is a young ambitious entrepreneur who is running a Hair and Beauty College called Optimum Hair and Beauty College. The college offers hair dressing and beauty courses and employs 14 people (8 full time and 6 on casual basis). The main problem George had was how to manage the increasing number of employees – ensure ethical behaviour and minimise misuse of materials.

After lengthy discussions in George’s group, he was politely informed that what he was lacking are skills to recruit and manage staff. He was advised to search for an organisation that could offer him training. But meanwhile, spend more time at the work place to determine what he can do on his own to address staff problems.

By the 3rd session, George had already identified that the ladies working for him needed exposure, taken 4 of them to an exhibition and the new styles learnt by the girls were already quite popular – with 15 appointments. He had already planned his first ever staff meeting to discuss how the Company’s performance can be enhanced. Lastly, he had made enquiries with Thika School of Management for a basic course in Management. He stated to the participants that even though some of the actions he had taken looked obvious, he had not thought about them initially and was most probably not going to if he did not participate in Jigundulie.

Case 2

Peter Mwangi of P.O. Box 328, Thika - Kenya is an experienced Water Pump maintenance technician who has been in business for two years after retiring from Government service. Peter stated that his main problem was lack of premises to run his business coupled with rather stiff competition. After intense discussions, it was agreed in the group that the main problem Peter had was that he had not identified a market niche for himself. He was relying exclusively on Government contracts who were very poor paymasters. An example of an underserved market was stated as the small scale farmer. He was also informed that premises were not such a big problem as he could do business through cell phones while he re-organises himself. Peter was advised to re-orient himself and change his attitude having been used to big offices and influence while in Government.

Peter conceded that he was stuck but the frank discussions in the AL sessions had really helped him to get focused and was negotiating with a supplier of engines to reach a collaborative arrangement. He had also commenced a study on opportunities amongst small

scale farmers. He stated that he would wish to participate in a training programme on how to effectively undertake a market survey.

3.2 Second group in Tala

Tala is a peri-urban centre about 70 km from Nairobi and about 25 km from Thika. The main income comes from farming and small business activities. In Tala we worked with Faulu Kenya, one of the four biggest microfinance institutions in Kenya. This time we invited all small business clients of Faulu Kenya to attend the *JIGUNDULIE* sessions. Altogether 73 participants attended the sessions. Their composition was as follows

Description	
Gender	
- Men	57 %
- Women	43 %
Status in Enterprise	
- Owner / Manager	100 %
Business Sector	
- Trade	71.4 %
- Service	17.9 %
- Manufacture	10.7 %
Number of Employees (average)	
- Permanent	1.0
- Casual	1.0
Help previously sought to solve business problems	
- Help sought	85.7 %
- No help sought	14.3 %

As in the case of Thika, participants had not received any BDS. They had however received loans from Faulu who trained them on the loan scheme.

Tala Participants went through the exact same sessions of *JIGUNDULIE* as participants from Thika. We also analysed the results in the same way as described above. The frequency of the problem categories was as follows:

Problem Category	1 st Session	2 nd Session	3 rd Session
Various management issues	12.2 %	39.8 %	38.3 %
Marketing, selling, promotion issues	23.5 %	26.2 %	26.7 %
Insufficient financial funds	28.7 %	5.8 %	5.0 %
Inadequate non-financial resources	10.4 %	5.3 %	8.3 %
Legal and economic environment	20.0 %	12.6 %	11.7 %
Production issues	0.9 %	1.0 %	1.7 %
Personal problems	4.3 %	8.8 %	8.3 %
	100.0 %	100.0 %	100.0 %

While problems shifted dramatically from the first to the second session, they remained rather stable during the third session. However also here one can clearly see that financial funds became less of a problem in subsequent sessions. The same also applies to external aspects of business environment. Management was however regarded as a major problem area in the second and third session.

In Tala we analysed the increased motivation to act and seek BDS in more detail at the end of each session.

Problem Category	1 st Session		2 nd Session		3 rd Session	
	Action	BDS	Action	BDS	Action	BDS
Various management issues	12	1	22	7	24	8
Marketing, selling, promotion issues	6	1	12	3	11	4
Insufficient financial funds	5	6	3	1	3	1
Inadequate non-financial resources	4	-	3	1	4	1
Legal and economic environment	-	-	-	-	-	-
Production issues	2	1	2	2	3	2
Personal problems	3	-	3	-	6	-
Total participants	32	9	45	14	51	18

This table shows again a high correlation between motivation to act upon internal problems and the interest in BDS. It also becomes evident that more participants were willing to act on their problems themselves and that relatively fewer are interested in BDS.

Similar to the training in Thika, some entrepreneurs in Tala also took some immediate action to solve their problems during the training. We provide here below two cases of entrepreneurs who took such action.

Case 1

“Mama” Philomena Mwangangi of P.O. Box 121, Tala runs a Restaurant. “Mama “ is not a real name, it is a Swahili word that means “Mother”. Mama’s problem was too stiff competition in a very weak rural market. She stated that she is surviving merely because the business premises are owned by herself. She stated that if this wasn’t the case she would not afford rent. Nonetheless, if this factor is considered then she was making rather hefty losses. After lengthy discussions, group members established that Mama is not the one running the business but her relative whom she trusted very much. She was advised to spend some time at the restaurant with a view to establishing whether really she was not being cheated. In the 3rd session, she thanked the group members stating that she had established that her relative was not in control and employees were stealing from her and selling meals without recording. She had fired two employees at the time and was planning her next steps. She stated that the programme was an eye opener and she would prefer to get assistance on how to streamline records.

Case 2

Naomi Mutua of P.O. Box 1403, Tala who buys and sells new ladies clothes was convinced that her problem was lack of finance until she was informed during sessions that she really wasn’t really in business. Reason, the group had calculated that she sold clothes only during market days in her rural home and that the market days were only 8 in any given month. In fact she was told that for the number of days she worked in the month she was really doing well. She was advised to work out a programme how to spend more time in her business, reduce withdrawals for personal use and maintaining accurate records.

By the 3rd session, Naomi had even opened a book and instituted stricter controls. She however stated that she would wish to be trained in book-keeping.

3.3 BDS fair

In order to validate the results of the *JIGUNDULIE* sessions we wanted to establish whether the participants who were interested in BDS would actually purchase such services. At this stage the problem in weak BDS markets is that the small entrepreneurs do not know much about potential BDS providers. This was particularly true for Tala where participants knew only very few providers.

Based on the specific interest in BDS and our own data bank we invited about 18 BDS providers to participate in a one day fair in Thika where they could present their services to small entrepreneurs. We briefed the providers about the ongoing *JIGUNDULIE* program and gave them tips on how they should present themselves. Eventually 12 BDS providers confirmed their participation in the fair.

In Tala and Thika we promoted the fair with the help of Faulu Kenya and EBS to participants and non-participants of *JIGUNDULIE* respectively, whereby non-participants could even be non-clients (but small entrepreneurs) of the two organisations. We sent direct mail letters to all business customers of EBS and Faulu and we had posters distributed all over town in Thika and Tala.

The fair was eventually held in early October 2003 in Thika and it was attended by about 105 small entrepreneurs. About 50 participants were from Thika and the rest came from Tala. Transport had been arranged for the visitors from Tala. About 30% of the visitors from Thika were actually non-participants of *JIGUNDULIE* but very few visitors from Tala were non-participants. The fair took place in a large hall and providers had put up their stands in the hall. Most providers had two or three staff members at the stand so that they could attend several visitors at the same time. Some providers had organised short trial training sessions to give visitors a taste of their training. When visitors entered the hall they had to register themselves and were given a monitoring form that they filled during their visit and returned on their departure. BDS providers also kept their own monitoring sheets to record all interested small entrepreneurs.

Problem Category	Service interested in	Thika		Tala	
		AL Participant	Non AL Participant	AL Participant	Non AL Participant
Various Management	Book-keeping incl. Counselling services	21%	0%	38%	NIL
Marketing, selling, promotion issues	Market information, Customer care and, selling skills.	33%	12%	21%	NIL
Insufficient financial funds	Information	4%	68%	9%	NIL
Production issues	Manufacturing Technologies for making soaps & shampoos and water purification	39%	15%	32%	NIL
	No interest registered	3%	5%	0	NIL
	TOTAL	100%	100%	100%	NIL

The results above indicated to us how the AL process had provoked participants to develop interest in BDS. It is also clear to us that entrepreneurs are more concerned about measures that can easily translate into income. They are particularly interested in innovations as shown in the high percentages in manufacturing technologies – 39% in Thika and 32% in Tala. The services reflected also correspond fairly well to the problem categories. Whereas more people are interested in general management programmes in Tala such as record keeping, this is not the case in Thika. A closer look at the profiles of the participants reveals that all Thika participants are literate while the Tala groups had many were semi-illiterate – a reason for them to be interested in very basic courses that help them to keep some business records.

Whereas the participants had been provided by finance by either Equity in Thika and Faulu in Tala, they did not know much about similar providers elsewhere. The worst case was BDS provision where participants did not know of where to go for desired services until they were introduced to providers during the business fair.

We also analysed the interest in BDS based on gender. The results were as follows:

Problem Category	Service Interested in	Thika				Tala	
		Men		Women		Men	Women
		AL	Non AL	AL	Non AL	AL	AL
Various Management	Book-keeping incl. Counselling services	9%	0%	12%	0%	14%	24%
Marketing, selling, promotion issues	Market information, Customer care and, selling skills.	12%	5%	21%	7%	8%	13%
Insufficient financial funds	Information	1%	42%	3%	26%	3%	6%
Production issues	Manufacturing Technologies for making soaps & shampoos and water purification	15%	5%	24%	10%	15%	17%
	No interest registered	3%	3%	0%	2%	0%	0%
	TOTAL	40%	55%	60%	45%	40%	60%

Note:

AL = Participant in Action Learning sessions

Non AL = Non Participant in Action Learning sessions

A week after the fair we had a follow up meeting with the providers to receive feed back from them and encourage them to follow up interested small entrepreneurs. After several weeks we had also follow up meetings with the participants of *JIGUNDULIE* in Thika and Tala. In those two meetings the following observations were made:

1. Observations by BDS providers

- The highest number of visitors was recorded by an agent of commercial water purifying equipment. The agent actually concluded three deals during the fair
- All providers of training and counselling services in management received more than 70 visitors and about half of them showed their interest by registering their names and addresses
- The providers of accounting services recorded also quite high interest in their service
- The provider of auditing services received about 37 visitors but none of them expressed any interest in the service
- EBS had a stand at the fair and they informed visitors about the details of their financial services. Several visitors wanted to open accounts with EBS during the fair but the EBS staff were not prepared for that. However we have been informed by EBS that in the first three weeks after the fair they opened more than 200 new accounts in their branch in Thika where they normally opened 20 accounts in the same period
- Service providers regretted that they were so busy during the fair that they did not have enough time to visit some of the other stands
- Some visitors were actually confused as they expected some sort of training. Others believed it was a promotion exercise of EBS and Faulu Kenya
- All BDS providers urged us to organise another fair in another town. They also expressed their willingness to share some of the costs of the fair. However they proposed to have then even more variety of services (i.e. services for farming and animal husbandry).

2. Observations by SME owners / managers

- Visitors of the fair were generally impressed by the broad range of services being offered
- Visitors were very interested in business growth services and in manufacturing technologies, bookkeeping and financial management services also found some good interest
- Visitors regarded the prices or fees of well-designed services as fair and they were willing to pay the asking prices for these services
- Most visitors preferred well-designed structured standard service packages to custom-made services as they thought the benefits of the structured packages was much clearer
- Presentations of some services were too technical and did not seem to address the problems of the visitors. For example the audit service was thought to represent government interests more than addressing the problems of MSE
- Some providers did not seem to be very interested in actually selling their services. Even if visitors clearly expressed their interest the providers did not bother to get their name and address for follow up after the fair
- A few providers tended to give the impression that they want to help the SME's. This caused some mistrust on side of the SME's
- Visitors believed that most BDS providers did actually not understand the problems and needs of the small entrepreneurs
- Some providers were very vague about fees and program scheduling and visitors thought they had a hidden agenda of making a lot of money out of the SME's. Some visitors were wondering about this behaviour: "*Why this approach if they are also in business?*"
- According to the monitoring form that visitors filled before they left they were of the opinion that the fair was well organised and they were quite satisfied with it. They

believed they got some good business ideas even if they would not buy any service directly

- Most small entrepreneurs who did not go the fair had not been aware of it. This mainly applied to non-participants of *JIGUNDULIE* who were supposed to have been invited by EBS and Faulu Kenya
- Their biggest disappointment however was that interested SME's who had left their address with the respective providers had not even been contacted after four weeks.

Because of the last point, we were not able to establish so far whether participants of *JIGUNDULIE* are more likely to purchase services than non-participants. A first analysis of the monitoring sheets filled by visitors and the registered interest of visitors with the various providers suggests that the interest of participants is indeed slightly higher than the interest of non-participants. The difference of interest of non-participants and participants is considerably higher for accounting services and management training and counselling services which can be interpreted as result of participating in *JIGUNDULIE*.

3.4 Conclusions

In our view the following conclusions can be drawn from the findings of *JIGUNDULIE* for BDS market assessment:

- In traditional assessments, the views of small entrepreneurs on their problems and constraints are often taken at their face value. Our findings have confirmed that this could be very misleading as the small entrepreneurs are not clear about their problems at all. The main cause for this phenomena is probably that most small entrepreneurs are beginners in business and did not have a chance to get any coaching on reflecting about their problems. Our findings did not support that education (apart from business education) makes a difference in this respect, in fact even relatively well-educated entrepreneurs were as much at a loss as their less educated colleagues.
- During the Action Learning process of *JIGUNDULIE* the problems shift generally from external to internal problems. This does not mean that the small entrepreneurs regard external problems as less serious and constraining but it is the realisation that they cannot do much about their external problems however they can do a lot about their internal problems. This way the small entrepreneurs shift their problem view from an attitude of blaming government and other external actors to accepting their own weaknesses and eventually to a strong motivation to act upon their internal problems. The action may also extend to external issues (i.e. forming associations or pressure groups) but from a very different perspective as before.
- *JIGUNDULIE*, like other Action Learning instruments has a strong motivation impact. This is the result of various contributing factors. The first reason is probably the simple realisation that other small entrepreneurs also face problems and that there is no small entrepreneur without any problem. Secondly, the increasing focus on internal problems leads to realisation that problems are not insurmountable but something can be done about them. As long as small entrepreneurs perceive problems mainly as external they obviously believe they cannot do much about them and they become rather frustrated. The third reason is that AL group members suggest solutions from their own experience that make the small entrepreneur realise that he or she can actually solve the problems as well.
- When small entrepreneurs want to act as result of *JIGUNDULIE*, most of them want to solve the internal problem themselves; they want to correct some of their weaknesses and mistakes. However some of them become also aware that they cannot solve their

problems themselves and that they need outside help in form of a BDS. At this stage they can be very clear and specific about the BDS they need. Since they can relate the BDS to their actual problem most of them do not perceive payment of fees as a constraint. There is however still some doubt whether potential BDS providers will be able to address the specific problem. In our view, the facilitators of BDS market development often expect to find the small entrepreneurs at this stage of their problem awareness. Our findings suggest that this assumption is most of the time not correct and therefore yields disappointing results as far as the response of SME to BDS is concerned. The attempt by some authors to declare the non-responding SME as survivalists that are not interested in BDS is in our view only a defence action to conceal their lack of understanding of the situation of small entrepreneurs.

- While the BDS fair was basically successful it also revealed some weaknesses of BDS providers. Although we had briefed the participating providers, they were generally not very well prepared for meeting small entrepreneurs who were in a way much better prepared for the encounter than them. Particularly in weak markets we believe it is absolutely necessary to work on the demand and the supply side of the market. *JIGUNDULIE* can be an effective instrument for stimulating the demand side but it must be matched with adequate support of the supply side. In our view, too many BDS providers do actually not have any practical small enterprise experience but they are trainers and consultants who are not able to generate adequate income in the other markets.

4. Outlook and next Steps

As our proposal focused on developing and testing the *JIGUNDULIE* instrument, we did not collect information to develop a specific BDS market. However the findings of *JIGUNDULIE* lead us nevertheless to take the following actions in the near future.

4.1 Dissemination of *JIGUNDULIE*

We hope to present our findings in the next Turin meeting and also plan to run short workshops for donors and BDS providers.

4.2 Organisation of BDS fairs

The positive experience of organising a BDS fair has prompted us to consider the organisation of more BDS fairs in other towns in Kenya. We intend to commission a feasibility study on BDS market fairs with a view that a local organiser will arrange these fairs as a business venture. Based on our experience in Tanzania where we successfully introduced an annual local business fair in Morogoro we hope that such fairs could also find enough interested BDS providers and SME to make it a viable venture.

4.3 Publication of BDS directory

One of the difficulties we had to face was the rather scanty information on BDS providers in Kenya. Every donor with interest in BDS market development has his own lists of BDS providers but these lists are not available to the general public.

We therefore intend to encourage and assist interested publishers to produce and sell a directory of Business Development Services. The directory could be in form of yellow pages and also allow for advertisements of the BDS provider. We have already received expression of interest of some publishers.

4.4 Creation of Enterprise Forum

Through the collaboration with EBS and Faulu Kenya we realised again the large interest, need, and therefore opportunity to organise the provision of BDS to clients of microfinance institutions.

We have learnt that MFI's do appreciate the importance of BDS for their clients and their own portfolio but there are currently very few organisational models being tested that try to link BDS with microfinance. We have also learnt through *JIGUNDULIE* that the SME and the BDS providers have to prepared for their interaction.

One of our major plans for 2004 is to develop and test an organisational model for linking the provision of financial and non-financial services to small enterprises. We intend to expand our ongoing partnership with EBS towards this exciting new area.

4.5 Establishment of Chapter of IFAL

Finally, our work with Action Learning in small enterprise development over the last decade has created some interest among SME trainers and consultants. In collaboration with the International Foundation of Action Learning in UK, of which we are members, we now plan to prepare the registration of an East Africa chapter of IFAL. The association with IFAL would help local trainers and consultants to gain access to AL literature and training of trainers courses. In addition the methodology could be further developed and protected for application with small enterprises in all sectors including farming, trading, manufacturing, and services.