

ED Global experience & best practice

April 2008

EDGE

Leading explosive growth

Session 1: ED Global experience & best practice

Contents

- Why ED? The global context
- What is ED?
- Overview of major Int'l ED projects & players
- A best practice framework for ED managers

Why enterprise development?

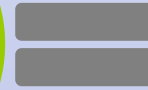
Poverty
must be
fought



Business &
public must
help



SME
development
is *THE*
key tool



ED is crucial

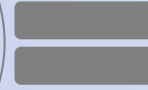
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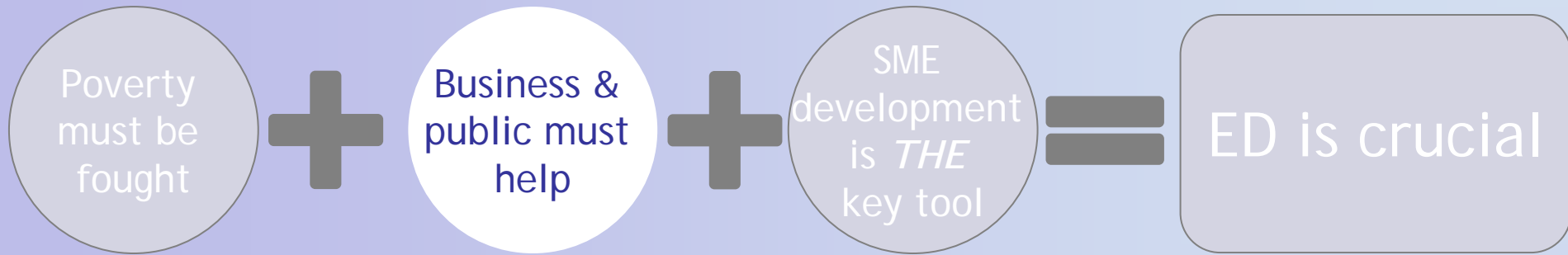


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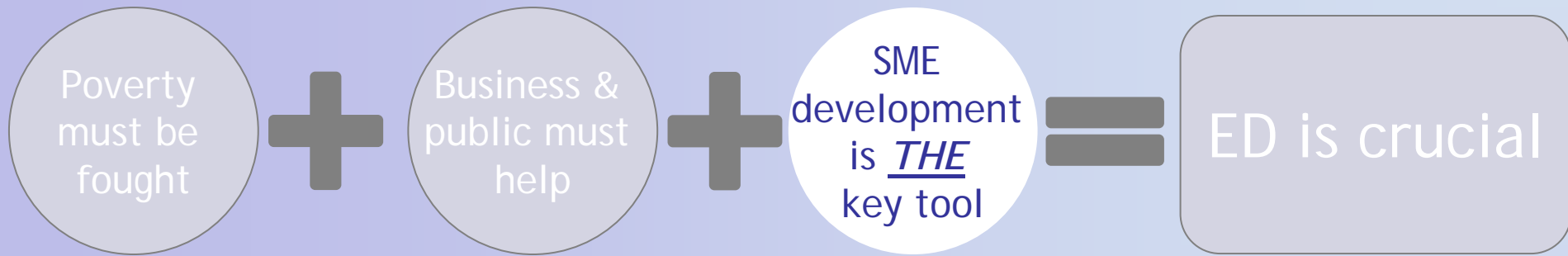


ED is crucial

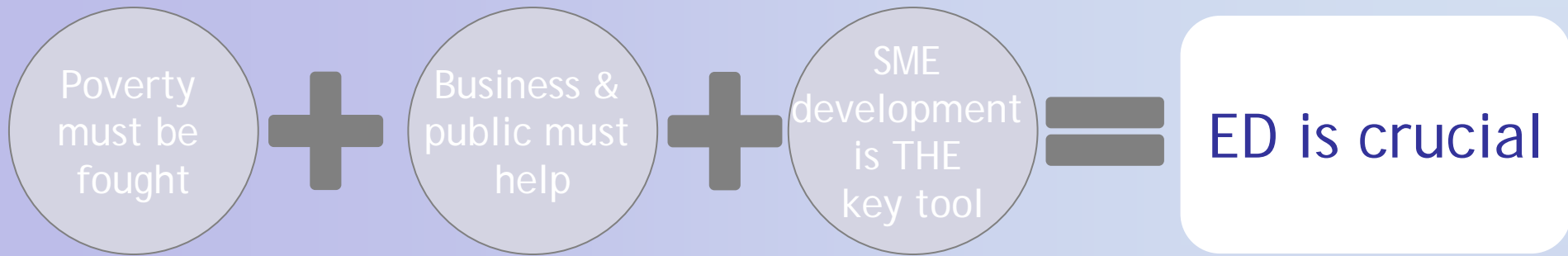
- 100's of millions of people are suffering from extreme poverty; ED is important to us because its important to them
- Fighting poverty is now a nearly 60 year old battle...
- For the first time in 6 decades, the developmental world now agrees on how to fight poverty
- The UN Millennium Development Goals (MDG's) are the focus
- Africa is unlikely to meet any of the MDG's, and is moving backwards in many areas
- The poverty situation is not vastly different in South Africa: with unemployment at >40%, and most of the nation living on under \$2/day
- Poverty in SA will not go away on its own



- “We” have a central role to play in fighting poverty
- We means you and I, since we are those with influence to make a difference
- There are 5 reasons why we must do everything we can
 - Failure and fatigue
 - Size of task
 - Role of State
 - Self interest
 - Golden rule
- It is even more important in SA that you and I play a role, than in the rest of the developing world



- After 6 decades of trying, the latest global consensus for how to address poverty is captured in the World Bank's "Attacking Poverty" Strategy, with 3 pillars
 - Opportunity
 - Empowerment
 - Security
- International development experts view *pro-poor private enterprise development* as the key to alleviating poverty
- But not just them: most poor people view a sustainable livelihood as the best way to escape poverty
- There are good reasons ED is looked upon as the most effective means of addressing poverty: it is the most effective vehicle for job creation, and sustainable livelihoods are the most powerful weapon against poverty
- In SA, effective ED is even more important than the rest of the developing world



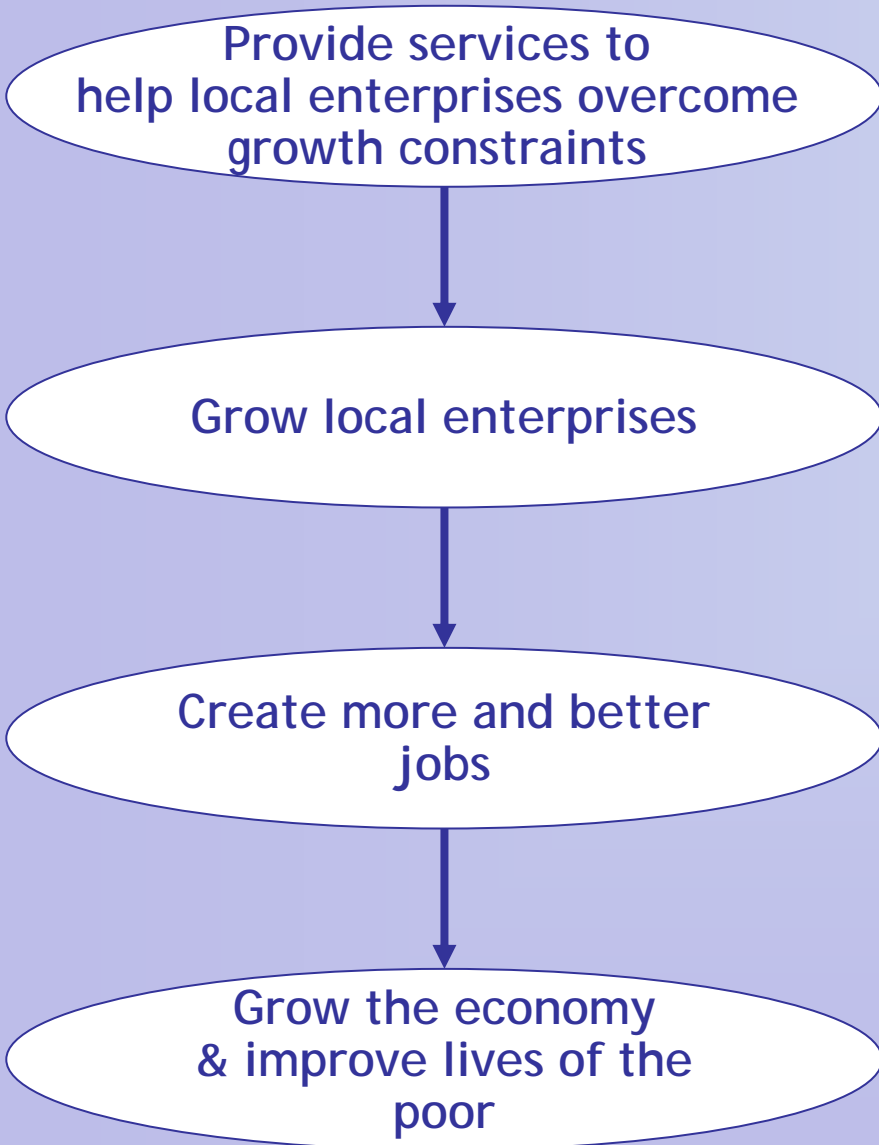
- Enterprise development is not just a South African idea, or another BEE checkbox. It is probably the most powerful tool for nations to address poverty, and almost certainly the most powerful opportunity for YOU to contribute to building a better South Africa

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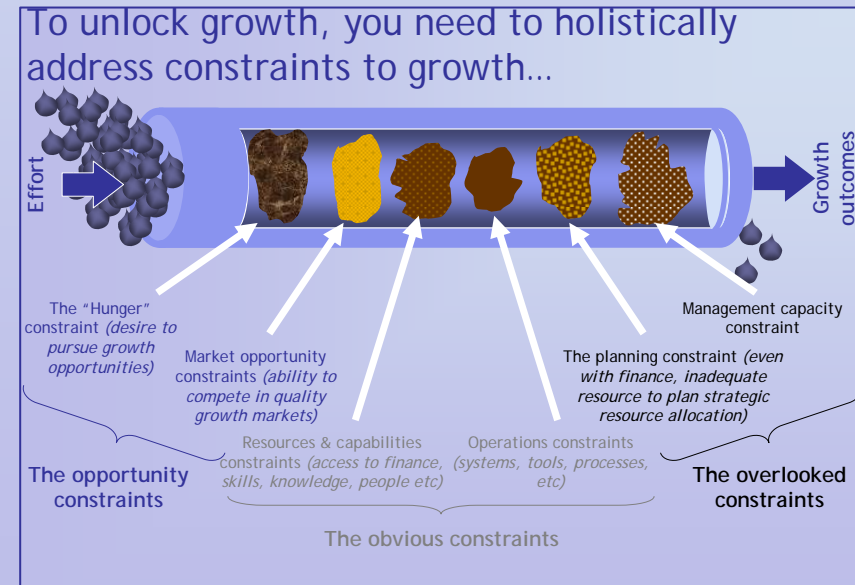
ED is growing SMME's to create jobs



“The key task is to increase the number of businesses that survive the first few years of establishment and progress to growth and expansion, thus contributing to higher levels of job creation and economic growth” - The DTI. SA (2)

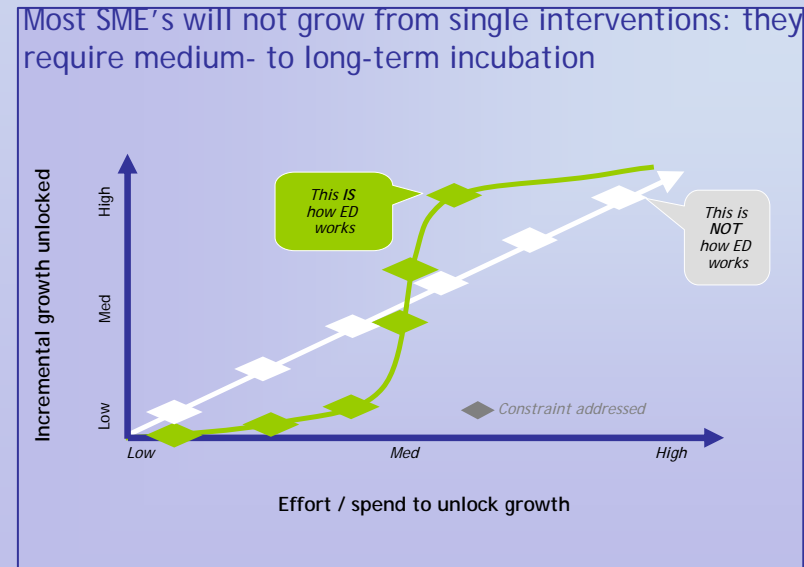
This requires holistically addressing SME constraints

- There are many different types of and approaches to ED: here we focus on direct SME support
- Direct ED is about helping SME's leap growth hurdles
- 3 primary sets of constraints affect SME growth
- To unlock growth, you need to holistically address constraints to growth, of which there are 6...
 - Opportunity constraints
 - Obvious constraints
 - Overlooked constraints

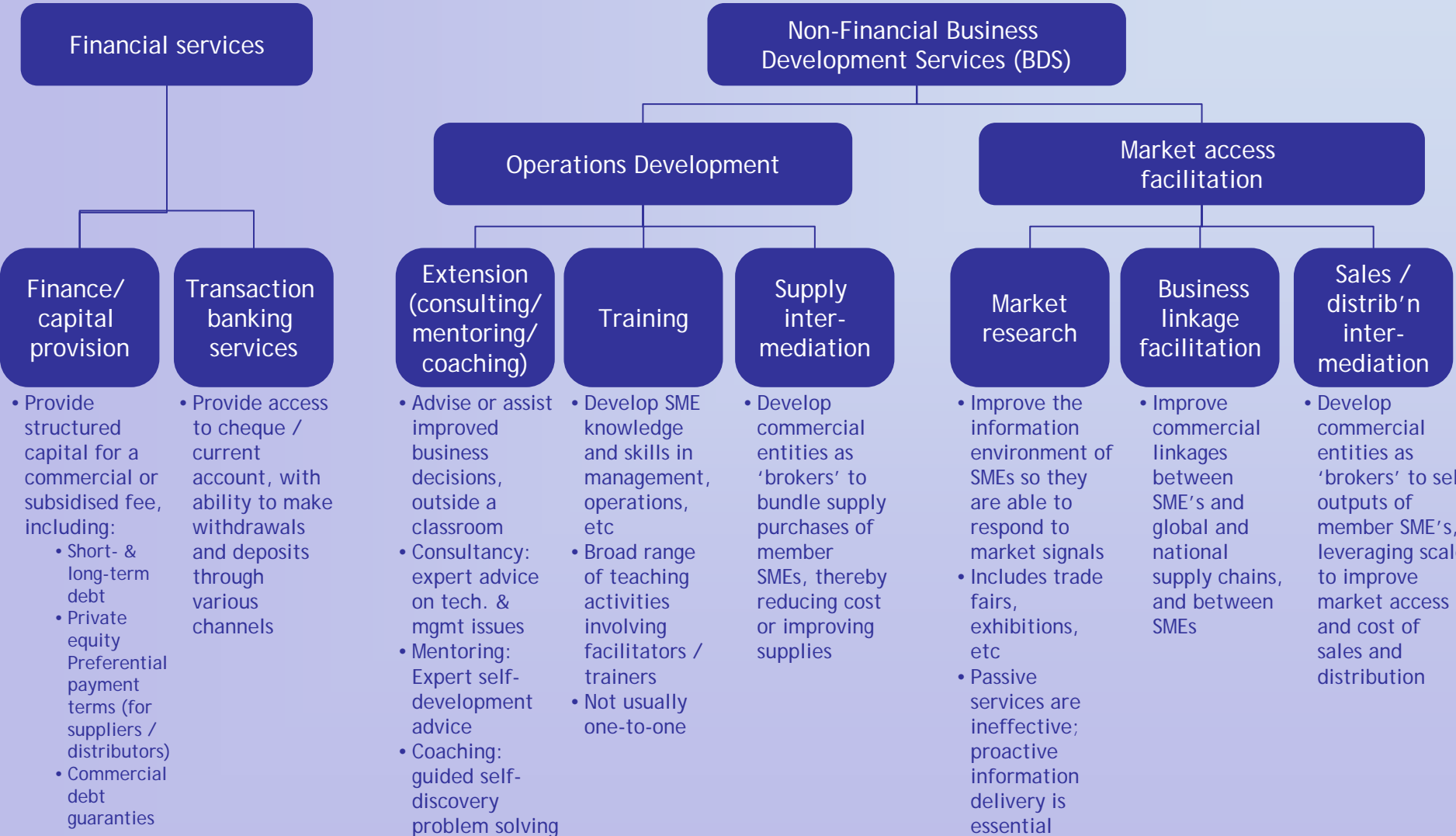


This in turn requires medium- to long-term incubation, within a clear business strategy & plan

- Several common SME support interventions exist to address each SME constraint
- Each type of support has a broad array of intensities & delivery modes, depending on SME needs
- But most SME's will not grow from single interventions: they require medium- to long-term incubation
- That's why any ED intervention must be part of a *broader business strategy and plan* to achieve and sustain a competitive advantage



Common SME support interventions



Source: Adapted from World Bank (1998). Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions. Pp 12-20

Each type of support has a broad array of intensities & delivery modes, depending on SME needs

SME need / type of BDS (not exhaustive)	Intensity range of need/ intervention		Modes of delivery
	Low	High	
• Financial literacy and credit use	• Basic instruction on loan repayment • Short refresher	• Regular, intense instruction	• Group, classroom-setting prior to first loan • During loan repayment meetings • Training workshops
• Management training and business planning	• Business start-up advice • Business idea planning	• Advanced marketing, upgrading and strategic planning	• Business plan competitions • Continuing education at local colleges • Business associations and private trainers • On-going mentoring
• Vocational skills training	• Short courses on single abilities	• Apprenticeships, long-term training plan, competency based learning	• Limited designated programs • Existing VET institutes and private providers • Sector/cluster/business associations
• Human resources and employee relations	• Short legal instructions and advice	• Personnel management, hiring, firing, • Occupational safety and health Strategic planning on HRD • Incentive schemes, Benefits planning	• Local lawyers • Designated courses, government OSH unit • Specialist HRD consultants • Employer and employee organizations
• Marketing, advertising assistance, market analysis	• Design of advertising materials • Basic information on local suppliers and output markets, • Advertising advice	• Market surveys and strategy • Planning and organizing group buying and group selling	• Local graphic design shops • Marketing consultants • Embedded media services (e.g., newsp. ad department) • Through coop/sector/cluster association
• Technical advice related to productivity, design, etc.	• Usually services embedded in other business transactions	• Consultancy • Contracted consultancy services • Embedded training	• Trainers, consultants • Equipment/input suppliers, product buyers • Coop/sector/cluster association
• Access to technology	• Advice on purchase of basic tools and machinery, access to supplier information	• Access to basic, design, finishing and related technology	• Access purchased from private owners • Collective small group ownership • Provided through sector/cluster association
• Information: regulations, standards and MSE ideas	• Basic advice on setting up and running business in specific sector	• Consultancies on complex standards and regulatory issues	• Internet cafés, • Trainers, consultants • Sector/cluster association or chamber of commerce • Private media programs on large or SMEs • Internet
• Accounting	• Finalizing accounting records for tax and or formal purposes, • Quick advice	• Accountancy training • Account. Advice/consultancy	• Contracted services from local accountant or accounting firm • Part of financial literacy or management training • Structured instruction for MSE's own use
• Legal services	• Advice and services in legally registering an enterprise at municipal level • Advice on basic laws	• Advice from lawyers • Dispute resolution with gov't., employees, other firms	• Contracted service from local lawyer • Private law firms or lawyers of business association • Advice from MSE ass. or chamber of commerce

(1) ILO (2007). Synergies through Linkages: Who Benefits from Linking Micro-Finance and Business Development Services? ILO Int'l Training Center, Turin, Italy

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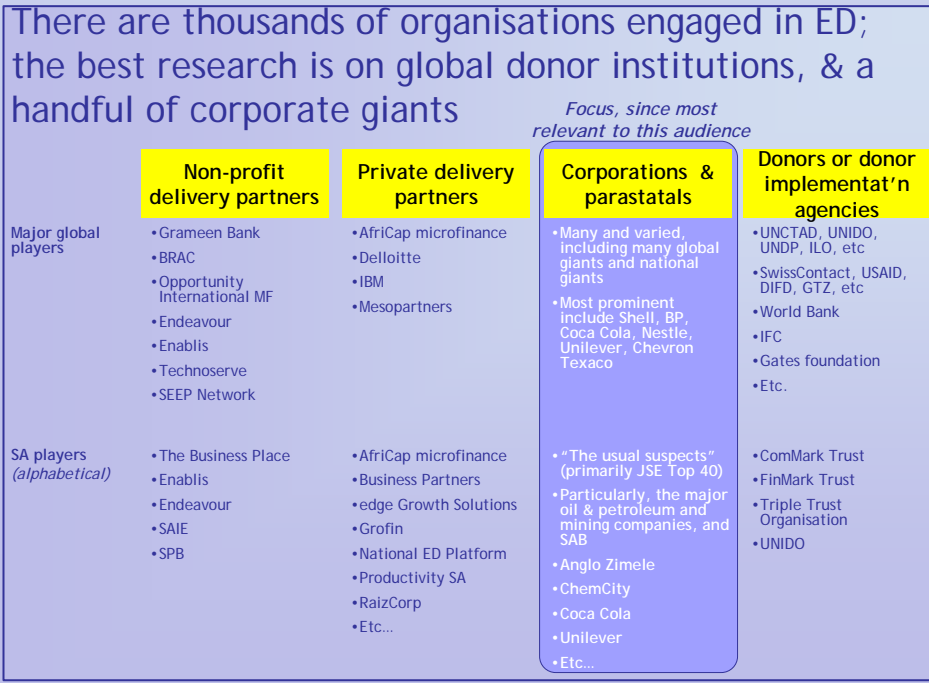
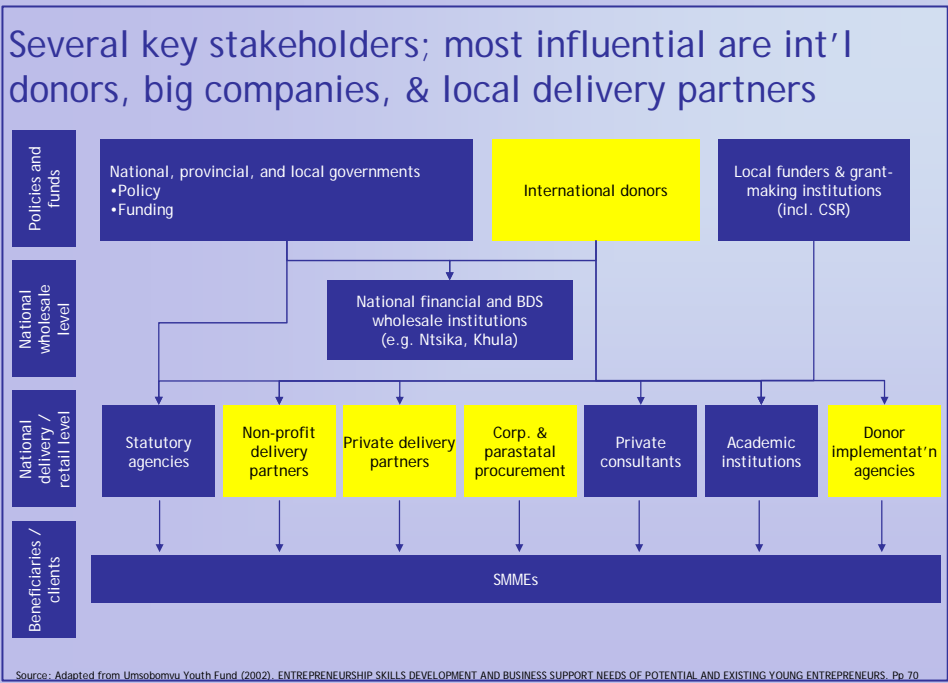
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Overview of major Int'l ED projects & players (1 / 2)

- There are several key global stakeholders groups; the most influential are int'l donors, big companies, & local delivery partners

- Thousands of organisations are involved in ED; the best research exists on global donor institutions (e.g. USAID, DFID, UNDP, UNIDO, etc), & a handful of corporate giants (Shell, Unilever, Coca Cola, SAB, etc)



Overview of major Int'l ED projects & players (2 / 2)

- Many direct ED models are being tried (see next slide)
- Appendix I contains many 1pg case studies of successful ED projects run by corporate sponsors
(target audience for this presentation is corporate SA)
- Many have had a great impact, when implemented well
- But there is another side to the story: most ED projects fail to deliver measurable impact
- In summary: best practice is crucial

Direct ED models

Summary description

Primarily financial	Venture capital	• Investment funds which invest alongside management in young, rapidly growing companies with potential to become significant economic contributors
	Development finance	• Fund managers (usually government or ODA funded) which provide finance to entrepreneurs and businesses in competitive industries, to promote national socio-economic development
	Microfinance	• Small banks which provide finance, transactional banking services, and sometimes other business development services, to micro-entrepreneurs and small businesses unable to access funding from commercial banks
Primarily non-financial services focus	Business Centres	• Walk-in entrepreneurial centre that offers non-financial services, mostly facilitating business start-up and early stage growth, on a commercial, subsidized, or free basis
	Business Incubators	• Business centre that offers start-ups and young businesses premises, facilities, and access to a suite of on-site services to address constraints to growth (excludes finance). Sometimes sector focused
	Virtual Business Incubators	• Companies that offer SME's of any size a holistic business services solution to enable aggressive growth management (excludes facilities and finance)
	Entrepreneur development	• Companies that provide young entrepreneurs with primarily personal development services, (including entrepreneurial, management, functional, and personal training / coaching / consulting) and facilitate learning, networking and linkages to resources
	Focused Service Providers	• Companies that provide a discrete set of business services (out of the large universe), including management, functional (e.g. finance, marketing), and technical support, delivered through training, coaching, mentoring, consulting/advisory, or technology
Holistic models	Sector / VC development	• Consulting organisations which support the development of a particular SME sector by addressing constraints at and sometimes beyond enterprise level for a vertically integrated group of enterprises concerned with the same product or operating within the same value chain
	Distribution development	• Customised model which decisively addresses all 3 areas of dominant SME need (financial, market, and operational), through performance-based growth contracts, and a holistic, managed growth solution (including finance, operations, and capacity development)
	Supplier accelerators	• Corporate player developing local suppliers through a customised supplier development model which decisively addresses all 3 areas of dominant SME need - financial, market, and operational - leveraging performance-based growth contracts and a holistic, managed growth solution (including finance, operations, and capacity development)
	Hybrid models (many varieties)	• Any of the dominant typologies, with some added features from other models, but still not able to decisively address all 3 areas of dominant SME need: financial capital, market access, and operational development

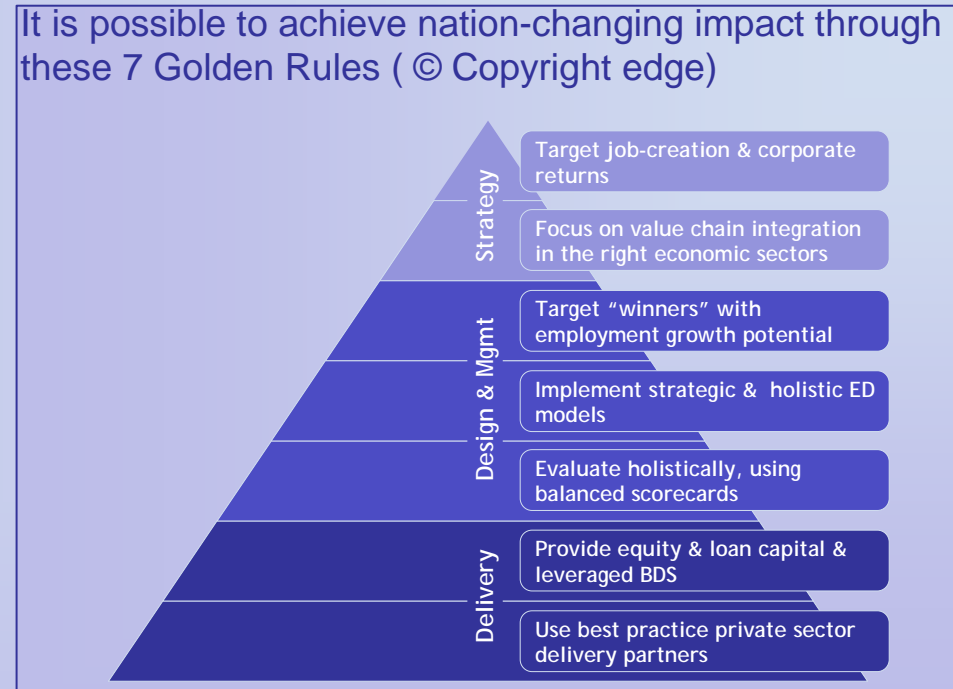
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A best practice framework for ED managers

- An effective ED program requires excellence at all 3 levels of Strategy, Design & Mgmt, and Delivery
- There are 7 key areas to consider when designing an ED program
- It is possible to achieve nation-changing impact by applying these 7 Golden Rules (© Copyright edge)



Key take-aways

Why ED? The global context

In summary: ED is a lifeline for South Africa



Enterprise development is not just a South African idea, or another BEE checkbox. It is probably the most powerful tool for nations to address poverty, and almost certainly the most powerful opportunity for YOU to contribute to building a better South Africa

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1

Overview of global experience

Global experience

- Achieving powerful impact is possible
- But it is not easy: ED is complex and highly nuanced
- Customised best practice is essential

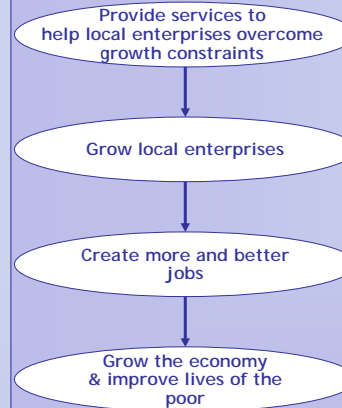
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What is ED?

ED is growing SMME's to create jobs



"The key task is to increase the number of businesses that survive the first few years of establishment and expansion, thus contributing to higher levels of job creation and economic growth" - The DTI. SA (2)

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Best practice framework

It is possible to achieve nation-changing impact through these 7 Golden Rules (© Copyright edge)



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Appendix I - Case studies - Contents

Supply Chain

- Anglo Zimele, SA
- Delta Motor Corporation, Zimbabwe
- Fiat Automotive, India
- Du Pont, Columbia

Distribution

- Coca Cola SA
- Unilever, Vietnam

General SMME support

- Shell, Global
- Chevron Texaco, Kazakhstan

Anglo Zimele, SA

Combine support to Black Economic Empowerment (BEE) SMEs that supply Anglo with non-core inputs, along with more general support to the SME sector

How it works

Anglo American established Zimele as a separate organization in May 2000, with a fund of \$2.3 million, its own Board and a permanent staff of three. The current program evolved out of the Anglo and De Beers Small Enterprise Initiative, established in 1989 to formalize Anglo's support to the SME sector.

Business Development Officers (BDOs) within Anglo Group companies also support the Zimele program, and work closely with procurement and purchasing departments to identify opportunities for BEE SMEs to supply goods or services to Anglo American. BDOs support SMEs during the preparation of tender documents, and bring in other technical resources as required from within Anglo American, but are not involved in the adjudication process.

The Zimele program has two main elements:

- To proactively seek out opportunities for Black Economic Empowerment (BEE) SMEs to supply non-core goods or services to Anglo Group companies; and
- To support BEE SMEs more broadly, including those with links to Anglo Group companies, through the provision of finance, technical assistance, business planning services and the transfer of skills.

In addition to seeking out specific opportunities for SMEs to supply Anglo, BDOs and Zimele's core staff look for investment opportunities for Zimele. The program provides loan finance and equity support up to \$230,000 per company. Many SMEs that receive support from Zimele have some connection with Anglo, but this is not a requirement.

Why they did it?

Anglo American recognizes the potential for increasing efficiency through greater SME outsourcing. With support from Zimele, there are many areas where smaller more specialist companies can outperform Anglo in non-core business activities and reduce Anglo's cost base.

Anglo American has supported Black Economic Empowerment (BEE) in South Africa for more than 30 years, from apartheid in the mid 1970s to the present day. The Zimele program not only provides support to SMEs that supply Anglo with non-core inputs, but also supports BEE SMEs in sectors that are not linked to mining. In some cases this takes the form of supporting former employees to set up their own businesses, but also involves support to SMEs with no link to Anglo.

Partnership approach

The level of direct engagement from Anglo American is high, with support from top executives, line management and business development managers, as well as access to the network and business intelligence of the Anglo Group. Zimele coordinates the support to SMEs and makes loans and investments, but this was established and is managed by Anglo American.

Anglo American supports other BEE programs that involve direct partnerships with Government and other actors. For example, the recently established Anglo Khula Junior Mining Fund, a \$5 million fund jointly financed by Anglo and Government, supports small- and medium-sized mining companies that are more closely engaged in Anglo's core businesses. SMEs supported through the Zimele program engage with Anglo American's non-core business.

Results

- During 2002, Anglo American's divisions collectively spent \$365 million on goods and services from BEE SMEs, which is projected to increase to \$440 million in 2003.
- Zimele has made 29 successful investments to-date in a broad range of SMEs.

Key Learning Points

- Projects must be commercially viable before support is considered.
- Shareholders must be managers and invest their own capital contributions.
- Investments/entrepreneurs need intensive support and nurturing in the early stages, but dependence must be gradually reduced and the investor must have a clear exit strategy.

Source: UNIDO (2004), Partnerships for Small Enterprise Development. Report prepared by Deloitte, for UNDP and UNIDO. Pp 15

Delta Motor Corporation, Zimbabwe

Support SMMEs development by assisting entrepreneurs in establishing their own businesses

How it works

Senior management works with the procurement department to identify SME outsourcing opportunities. Each Strategic Business Unit is free to pursue the business linkages and outsourcing opportunities best suited to their needs. When SME partners are identified, they are encouraged to attend a two-week entrepreneurial development course run by Empretec.

In addition to training and mentoring, the company has established a revolving fund of \$1 million to provide seed capital to new enterprises. Approved candidates with sound business plans are provided with seed capital and a program of support to start their businesses.

Why they did it

Due to the deteriorating economic environment in Zimbabwe, the Delta Corporation needed to find ways to reduce its cost base, focus resources on its core business and increase outsourcing to SMEs. In some cases Delta had to make redundancies, but some former employees have been able to establish SMEs that supply Delta.

The company also saw an opportunity to use its position in the economy to support SME development, in an environment of high unemployment with many SMEs struggling to stay in business.

Partnership approach

Delta works with Empretec to administer the program, but also adopts a hands-on approach to engaging with SMEs. Delta provides SMEs with access to its advanced systems and processes and works in close partnership with them to ensure they are able to work with Delta's business systems. Delta provides management support and access to capital equipment at no cost.

Results

There have been many cases of successful outsourcing as a result of the program:

- Cleaning, catering and laundry services have been outsourced across the company.
- The hotel division has outsourced housekeeping and food and beverages.

Redundancy payments for some employees being let go have been waived because the employees have been absorbed into the new service providers.

Relationships with government have improved as a direct result of its enterprise development support and the company's reputation has been significantly enhanced.

By 1997, a total of 250 jobs had been created by "Stand Up and Go." Today, Delta Corporation continues to do business with 26 entrepreneurs who participated in the program. SMEs have gained access to wider corporate markets, leading to higher turnover and continued contracts with Delta Corporation.

Key Learning Points

- Understanding and appreciating the long-term business benefits of outsourcing provides the foundation for a systematic SME support program.
- Buy-in and support from senior management and the main operating divisions is necessary in order to follow a strategy of greater integration with SMEs.

Fiat Automotive, India

Develop a clear-tiered market structure among automotive component suppliers through strategic development of automotive component suppliers, by providing support and training particularly in plastics, rubber and metalworking

How it works

Twenty SMEs were selected to participate in a 9-month intensive linkage program and received the following assistance:

- Ten days of shopfloor assistance spread over 6 months, covering production process issues
- Five days of classroom training on critical management issues
- Two study tours to help benchmark the performance of participating enterprises
- An international study tour to Paris
- Factory visits in France and Italy

Why they did it

In the late 1990s, Fiat decided to make a large investment to establish an automotive assembly plant in India. This type of investment, however, was threatened by the shortage of automotive component manufacturers that supplied locally manufactured parts and components. Developing a clear-tiered market structure, a high-impact demonstration program to introduce lean manufacturing concepts, and exposing component suppliers to a well-structured supply chain were high priorities if Fiat's investment was to be a success. Accompanying this was an effort to strengthen the capacity of local support institutions to provide training and consulting services to SMEs in this segment. Fiat, UNIDO and the Government of India invested \$305,000 for the first demonstration phase until the end of 1999. The main phase of the program, which also involved institutional capacity building and technology acquisition components, required resources in the order of \$2.5 million.

Partnership approach

- The Automotive Component Manufacturers Association of India provides access to component manufacturers in India, day-to-day management of the program, and access to a well-established

information infrastructure to disseminate know-how to local companies. The Automotive Research Association of India, a leader in automotive engineering and testing, provides technical/engineering support to the program.

- The Prince of Wales Business Leaders Forum advises SMEs on social and environmental auditing. The Ministry of Industry of the Government of India also participates in the program to provide financial support and policy guidance. Fiat, UNIDO, and the Government of India make financial contributions to the program. All partners make contributions to staff time, travel costs, and technical advice.

Results

Quantitative Improvements:

- The average lead time required for production and completion has been reduced by 52%
- The average number of hours of in-house training has increased from 3.2 to 238 hours per month
- Worker absenteeism declined by 39%
- The use of standard operating production procedures has increased from 9% to 62% and space utilization improved by 25%

Qualitative Improvements:

- Increased awareness of production efficiency issues
- Improved awareness of the relationship between quality and production efficiency
- Dramatic improvement in logistics
- Rather than viewing workers simply as hired help, management has begun to value workers as a company asset. This has led several of the participating SMEs to establish profit-sharing programs, social and health programs for workers, and regular gatherings between the managers and the workers and their families.

Key Learning Points

- Partnerships between large multinational companies, developing country governments, the donor community, specialist SME support organizations, and local industry bodies have the potential to transform an industry sector and attract foreign investments in that sector.

Source: UNIDO (2004), Partnerships for Small Enterprise Development. Report prepared by Deloitte, for UNDP and UNIDO. Pp 15

Du Pont, Columbia

Financing for farmers so that they can purchase inputs from DuPont to maximize their yields for the season

How it works

Under DuPont's leadership, the partnership, which includes the Ministry of Agriculture, Finagro, the Agrarian Bank, the National Agriculture and Livestock Board, and the State House of Compensation and Security, developed a program that allowed for upfront financing so that farmers could afford to purchase the inputs that they needed for the season to maximize their yields. DuPont introduced the Integrated Agricultural Plan (PAID, in Spanish) in 1999 to provide farmers with financial and commercial solutions, as well as technical assistance, through an integrated support system. The plan enabled farmers to count on financial liquidity through the growing season.

The PAID system provided farmers with credit in the form of inputs required for crop production. Farmers also received technical assistance throughout the cultivation period. The system emphasized training and technology transfer to improve farm practices of the farmers, so that they could become more efficient in managing environmental and financial resources. Training covered the safe use of farm chemicals, their environmental impacts, working with local communities, and handling and safely disposing of packaging. Two training and development centers were constructed.

Why they did it

In Columbia, farmers have trouble getting credit because banks see farming as a high-risk activity and small farmers generally have very few assets that can be used as collateral for bank loans. While Columbia is a potential growth market for DuPont agricultural products and seed, DuPont was looking for ways of improving the social and economic conditions of a broader cross-section of growers in Columbia in order to maximize the long-term health of its business.

DuPont Columbia realized that the prevailing system did not help small farmers become successful, so the company initiated a partnership with a group of organizations that focused on identifying the issues and then implementing solutions. Local DuPont leadership determined that the provision of financial planning and soft credits would be the best approach.

Partnership approach

Searching for credit guarantees that were novel enough to meet farmers' needs and at the same time conventional enough to be acceptable to the banks, DuPont worked with the National Agriculture and Livestock Board to use forward contracts. Under such a contract, farmers sell their harvest in advance to different agro-industries in deals agreed upon through the PAID system. Farmers are guaranteed a fixed price and payment date in advance, and the buyers are guaranteed a supply at a fixed price. DuPont discovered that this form of farming by contract decreases uncertainty concerning crop sales, allows for adequate financial planning, and lowers commercial risks.

Results

- In 2000, there were more than 2,000 hectares of corn planted under the PAID plan in regions such as Cordoba and 1,000 hectares of sorghum in Atlantico.
- PAID's success has encouraged DuPont to plan to include rice growers and to continue to cultivate effective financial solutions that will expand the agricultural frontier and internationalize the development of Colombian agriculture.

Key Learning Points

- Partnership approaches are important when providing integrated support in the agricultural sector involving both technical inputs and financial services.

Coca Cola SA

Developing the capacity of the distribution network comprising individual entrepreneurs in underdeveloped markets

How it works

The Entrepreneur Development Program helps small entrepreneurs enter the Coca-Cola distribution network. Coca-Cola selects promising entrepreneurs and helps them start businesses as retailers in the Coca-Cola system. Coca-Cola's support includes:

- Training in basic business skills such as pricing, stocking, forecasting, legal requirements, sales, customer relations, marketing
- Providing preferential access to working capital and equipment, such as the initial stock and trolleys and coolers
- Further assisting entrepreneurs who demonstrate successful results by upgrading their business equipment
- Developing innovative solutions for these entrepreneurs, such as transport bicycles, or mobile coolers for street vending

Why they did it

This program supports Coca-Cola's commercial strategy by:

- Penetrating new markets
- Increasing the sustainability of retailers

Key Learning Points

- Investing in retailer's training and financial support provides a more sustainable retailer network.
- Reward of additional support is a strong incentive for entrepreneurs to perform well.

Partnership approach

Coca-Cola provides support and incentives to its retailer network through business skills training and access to capital, in conjunction with local bottling companies. It is the local bottling companies that provide the link between Coca-Cola and the entrepreneurs, and that develop innovative solutions for entrepreneurs.

Results

- 7,000 people have been trained in South Africa, since the program began in 2000.
- 3,500 outlets have been created in 2000 as part of this program, and another 3,000 in 2001.
- 12,900 jobs have been created in the Coca-Cola system in 2000.
- The South African government reduced the tax on sugar to support funding of this program.

Unilever, Vietnam

Developing a range of sourcing and distribution “partnerships” with local SMMEs

How it works

In the 1990s, many local raw material and manufacturing suppliers lacked know-how in terms of management concepts and style, cost-effective operations, technology, quality control systems, safety standards and environmental awareness. They also lacked access to business financing. Unilever identified those suppliers that were willing and able to implement new practices and then worked closely with them to help develop their capability gaps.

■ **Raw Material and Packaging Suppliers and Distributors**

For its 3 local suppliers of raw materials, 6 suppliers of packaging materials and 330 distributors, Unilever defined quality standards, established the technology input necessary to achieve these requirements and, where appropriate, provided the financial support to ensure their long-term growth. Training programs on quality standards, inspection and testing methods and warehousing specifications were undertaken. In total, Unilever provides them with \$28 million of business each year with guaranteed volume at agreed prices and quality levels, providing technical support from internal experts or technical consultants.

■ **Contract Manufacturers**

Unilever Vietnam's response to the capability problems faced by local manufacturers was “if capabilities do not exist, help develop them”. Adopting a pragmatic incremental building block approach, it complements the inherent “can do” attitude of the Vietnamese people.

For its key contract manufacturers, Unilever offers financial support to upgrade their equipment and to provide extensive training programs. Direct technology transfers are made in equipment and machinery, formulations and processing, quality assurance, repairs and maintenance, safety and environmental standards and other best practices.

One key success factor is that Unilever managers are on-site to provide immediate on-ground expertise and support to help contract manufacturers raise efficiency, quality control and consistency of products.

Why they did it

SMEs need not be alienated from the efforts of large companies to establish strong market leadership. Unilever's approach in Vietnam with local business partners allows it to keep operations slim, cost-effective and flexible by utilizing capital resources and responding quickly to constantly changing market conditions.

Collaborating with local SMEs provides Unilever with additional production capacity, reliable local raw material supply and distribution reach. Unilever enjoys shorter lead times, lower working capital and warehousing requirements and, therefore, reduced financial risk and risk of obsolescence.

Local enterprises gain from the transfer of new technologies and capabilities from Unilever. With increased capabilities and a steady business relationship with Unilever, the SMEs are able to justify investing in additional capacity or diversifying their businesses.

Partnership approach

Unilever's objective is to create “win-win” situations with local enterprises. Local enterprises have to be willing to adopt and implement new practices, with a strong commitment to training and upgrading their labor force. This is relatively easy to achieve in Vietnam as the literacy rate is almost 90% and the people are flexible, creative, competent and eager to learn.

Results

- Unilever's partnerships with local enterprises support 5,500 jobs, compared to 2,000 Unilever employees in Vietnam.
- Local supply partnerships account for 40% of Unilever's raw materials, 80% of packaging materials and 55% of production volume.
- Improved standards in quality, productivity, safety, environmental consciousness and general management skills base.
- The supply of raw material and packaging material at lower or at least comparable costs or quality levels.

Shell, Global

Provision of training and support services to young entrepreneurs through local Shell companies and a range of local partners; encourages business start-ups as a positive employment choice

How it works

The Shell Livewire program supports young entrepreneurs to establish SMEs in countries in which Shell operates. The program varies in different countries and has expanded over 21 years to include 21 countries. All approaches include a competition, although participation in the program is the principal benefit to entrepreneurs. Shell and their partners provide the following support to young entrepreneurs as part of the annual livewire competition:

- Training and support in IT, finance, and marketing
- Mentoring through business planning support
- Credibility through association with the livewire program
- Cash prizes and press coverage for competition winners

Why they did it

There are a range of reasons why Shell developed and continues to expand the Livewire program. The motivations in developed and developing countries are similar and include:

- A demonstration of Shell's commitment to the local economies in which it operates: each new program involves a minimum commitment of three years from the local Shell company.
- A broad range of small enterprises can be supported as there is no requirement for link to Shell's business; if Shell just worked with its own suppliers fewer SMEs would benefit.
- The program provides an opportunity for Shell to talk to government on matters not related to its core business; working with government agencies as implementing partners helps develop positive relationships with government.
- It motivates Shell employees, who benefit from engagement with entrepreneurs.
- Shell's model has a good track record and can be replicated in new locations.

Partnership approach

There are partnerships at both the international and country levels. Internationally, key partners are Shell International, Project North East (PNE), a consultancy that helps administer the program and roll it out to new countries, and the local Shell companies. There has to be a clear understanding and commitment from local Shell companies, both at CEO and management team levels, before new country programs are implemented.

At a country level, there are partnerships with a range of organizations that deliver the majority of program activities. Local partners vary but often include academic institutions, training organizations, government SME development agencies, non-governmental organizations, and private sector facilitators. The key is to have "resourcing" partners rather than those that just want to be associated with the program. Clear roles and responsibilities need to be agreed on at the outset and an open and honest approach with partners is forged so that people understand what to expect and what they have to do.

Results

- 1.5m people were engaged with the Livewire program in 2003 alone.
- Businesses started by young entrepreneurs entering the local competitions in 2002 created an average of 4.9 full-time equivalent jobs.
- The program is equally available to university graduates in rural villages offering the same core theme but differing in delivery method. "I never thought a company like Shell would be interested enough in me to come to my village and help me to start my own business."

Chevron Texaco, Kazakhstan

Support of entrepreneurs through the creation of a business center supported financially by ChevronTexaco and Citigroup Kazakhstan and implemented by UNDP

How it works

Chevron Texaco financed UNDP with a \$400,000 grant to establish and manage a business center in Kazakhstan. UNDP brought in an international technical adviser to train local consultants on sound business practices. The center provides drop-in services, seminars, training and workshops to local entrepreneurs.

Chevron Texaco provided an additional grant of \$300,000 to expand the project to include a pilot micro-credit scheme for graduates of the entrepreneurial training seminar offered by the center. Citigroup, inspired by the success of Chevron Texaco's success with the center, provided UNDP with a further \$100,000 for loan capital.

With additional resources from both multinationals, SMEs have access to secretarial support, workspace, legal help and office supplies.

Why they did it

The government of Kazakhstan requires large multinational organizations to pay a mandatory social tax, or provide direct funds into local development projects. This program provided Chevron Texaco the opportunity to enhance its reputation and brand image, while supporting local economic development projects that, in turn, benefit the company.

Partnership approach

Chevron Texaco and Citibank work with UNDP and consultants engaged by the UNDP to develop and deliver the program. Chevron Texaco and Citibank are engaged with the project but direct support to SMEs is delivered through UNDP and the business center.

Results

- The center has advised hundreds of local firms.
- It has created 230 business plans.
- More than \$2 million in loans have been disbursed.
- 530 new jobs have been created.
- New businesses have sprung up such as a private ambulance service, bowling alley, and the city's first supermarket.

Chevron Texaco now procures more goods and services locally, thereby reducing costs. Support of this program improves community relations and contributes to a stable economic and political environment for the company's operations.

Key Learning Points

- When a large corporate establishes itself in a region that has a weak economy and supports SME development, it is likely to benefit from the resulting local economic development through increased local procurement and a better-educated workforce.