

**Building a Team  
For BDS Market Assessment  
And  
Key Issues to Consider When Starting  
BDS Market Assessment**

Alexandra O. Miehlsbradt  
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**The Small Enterprise Education and Promotion (SEEP) Network  
1825 Connecticut Avenue, NW, Washington, DC 20009-5721  
Tel.: 202-884-8581 Fax: 202-884-8479  
Email: [plp@seepnetwork.org](mailto:plp@seepnetwork.org) Web: [www.seepnetwork.org](http://www.seepnetwork.org)**



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## PREFACE

Recognizing the limited experience to date in conducting market assessments (MAs) for business development services (BDS) programs and using the results to design better interventions, the SEEP Practitioner Learning Program (PLP), through its action research program in BDS market assessment, is working with 10 organizations over two years (2002–2004) to test effective models for conducting market assessments of BDS markets for microenterprises.

The PLP in BDS Market Assessment focuses on generating, communicating, and leveraging the results and lessons from the 10 organizations' work to benefit the industry as a whole.<sup>1</sup> We engage the organizations in a collaborative learning process to document and share findings and help identify effective, replicable practices and innovations. As the participants implement their activities, the PLP—through joint meetings, peer exchanges, and virtual information sharing—provides a forum for asking questions, challenging assumptions, and learning from peers.

This discussion synthesis, *Building a Team for BDS Market Assessment and Key Issues to Consider When Starting BDS Market Assessment*, is the product of the collaborative, learning-oriented forum the PLP provides—in this case, an e-mail-based discussion in October and November 2002. This discussion synthesis is the first of what will be a series of synthesis papers and other documentation on our work and our two-year journey of discovery—a journey in which the SEEP PLP will explore and document the experiments of these organizations in how to conduct and use BDS market assessments to design better programs and more targeted interventions that will develop sustainable BDS markets for microenterprises.

We invite you to take the journey with us. If you have comments on this discussion paper or the topic of BDS market assessment, please email them to [plp@seepnetwork.org](mailto:plp@seepnetwork.org).

—Jimmy M. Harris Jr, PLP Manager

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<sup>1</sup> The 10 organizations are Swisscontact East Africa Program (Kenya); PKPEK (Indonesia); Triple Trust Organisation (South Africa); EDA Rural Systems Pvt Ltd (India); International Development Enterprises (Bangladesh); Intermediate Technology Development Group East Africa (Kenya); MEDA (Pakistan); World Education (Mali); World Education (South Africa); and Action for Enterprise.



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## INTRODUCTION

During October and November 2002, the Practitioner Learning Program (PLP) in BDS Market Assessment conducted an e-mail-based, moderated discussion on the following topic:

*Building a team with appropriate skills for market assessment of dynamic markets and key issues to consider when starting market assessment.*

The aims of the discussion were to—

- Provide support to individual participating organizations as they develop their market assessment teams and begin their market assessments; and
- Come to consensus on a preliminary list of essential skills for market assessment of dynamic markets and essential issues to consider when planning a market assessment.

The discussion was not meant to result in definitive answers on the issues discussed, and this paper does not present any of the discussion topics as advice or a “how-to.” The discussion was meant to explore issues in a way that was useful and had some immediate value to the participating organizations during the planning of their market assessments. It was also meant to highlight the lessons learned from the organizations’ planning work that could be of interest or relevance to others in the BDS field. The discussion was also an important building block for the participating organizations—and for the PLP—in beginning the examination of our collective learning agenda for the two-year program.<sup>2</sup>

The following organizations participated in the discussion:

- MEDA (Mennonite Economic Development Associates)—Canada
- Entrepreneurship and Career Development Institute (ECDI)—Pakistan
- PKPEK (Association for Community Economic Development and Study of Microenterprises)—Indonesia
- Triple Trust Organisation (TTO) —South Africa
- International Development Enterprises (IDE)—Bangladesh and India
- Intermediate Technology Development Group (ITDG)—Kenya and the United Kingdom
- Swisscontact—Kenya and Vietnam
- World Education—Mali, South Africa, and the United States
- EDA Rural Systems Pvt Ltd—India

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<sup>2</sup> See Annex I, Practitioner Learning Program in BDS Market Assessment: Learning Agenda.

SEEP facilitated the discussion, which initially focused on the analysis of a case study—the market assessments conducted by Swisscontact Vietnam.<sup>3</sup> As participants reviewed market assessment and project design materials from the case study, Swisscontact Vietnam’s Paul Weijers acted as a resource person throughout the discussion, answering the participants’ questions. Later, the focus changed to participants’ programs and the decisions they have made regarding the design of their market assessments.

The discussion spanned the following issues:

1. The starting point for BDS programs and market assessment;
2. Defining a market assessment;
3. Role of the implementing organization;
4. Skills and capacities needed for BDS market assessment;
5. Working with consultants and research firms;
6. Tools and strategies for BDS market assessment;
7. Conducting BDS market assessment on a limited budget; and
8. Sharing market assessment information.

Each of the discussion issues in *Building a Team for BDS Market Assessment and Key Issues to Consider When Starting BDS Market Assessment* is synthesized in the following sections.

## **1. THE STARTING POINT FOR BDS PROGRAMS AND MARKET ASSESSMENT**

BDS market development as a program strategy is usually a means toward an end. It is a strategy for achieving desired impacts such as reducing poverty, developing markets for the poor, increasing incomes of micro, small, and medium enterprises (SEs), and improving the operating environment for those enterprises.<sup>4</sup> Defining such goals at the outset will not only help define the program but will also help develop an appropriate market assessment. One of the aims of market assessment is to understand the context in which the impact can be achieved. For example, Triple Trust Organisation (TTO) aims to develop markets for the poor, so it is important for the organization to understand the markets in which the poor participate. TTO identified the “spaza shop” market (retail stores selling basic consumer products) as an important market both for poor consumers and for poor SEs. Therefore, they investigated the market in depth before looking specifically at business services that support this market.

In another example, International Development Enterprises aims to increase the incomes of small holder farmers. Therefore, understanding the subsectors in which these small farmers operate is important to their program design. Likewise, Swisscontact Vietnam aims to improve the socio-economic conditions in private sector, SEs in selected regions and/or subsectors in Vietnam. To pursue this aim, Swisscontact Vietnam first needed a broad overview of SEs in Vietnam and then more specific information on particular subsectors and areas.

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<sup>3</sup> See Annex II, Swisscontact Vietnam: Case Study Summary.

<sup>4</sup> SEs include microenterprises as well as small- and medium-scale enterprises. These size categories are usually defined by the number of employees (including sole proprietorship/self-employed individual) or by assets, but these definitions vary by context (country and/or institution, for example). For the purposes of this discussion synthesis, no precise definition is adopted. In BDS literature, MSME is also used as an abbreviation for micro, small, and medium enterprises.



When starting to design a BDS program, it is important to understand the context of the target SEs as well as that of BDS provision. With that understanding, program managers can design interventions that will achieve the desired impacts through the mechanism of BDS market development. For many programs, understanding the environment of SEs means understanding one or several particular subsectors. One discussion participant stated it this way:

*It is critical to understand the sub-sector by means of a sub-sector analysis and in the process understand BDS within the context of the sub-sector. BDS happens within a context and it is important to understand that context in order to appropriately and effectively address the constraints faced by [SEs] within that context.*

Other programs choose to investigate the situation of SEs in general or of other particular subsets of SEs. For example, because MEDA and ECDI in Pakistan aim to foster and develop women's entrepreneurship, they have gained an in-depth understanding of the situation of women entrepreneurs in the country. If the aim is to improve the operating environment for SEs in general, one starting point is to determine what services SEs themselves think might be the most beneficial to them through a demand analysis of a variety of services.

In fact, BDS market assessment can be a natural outgrowth of an existing SE program. For example, PKPEK in Indonesia aims to improve the policy and business environment for SEs in Central Java. They chose to focus on the furniture subsector because many SEs operate in this subsector. PKPEK says this:

*Our initial objective was to analyze constraints within the sub-sector and advocate (for) policies for creating a more conducive business environment for [SEs]. In order to do this, we conducted a sub-sector analysis of the wooden furniture industry in three districts . . . From the research, it became evident that there was a real need for the development of BDS provision in the sub-sector . . . The results of our sub-sector analysis became our starting point for MA.*

## **2. DEFINING A MARKET ASSESSMENT**

Designing a program requires decisions at various levels from the broad program approach to the details of specific program interventions. Different types of research or information gathering are needed to assist with decisions at various levels. Basic exploratory research about the situation and context of SEs helps with basic decisions such as what types of SEs to target and what types of changes in the target enterprises' environment will be beneficial to them. It can also help a program choose what approach to take, such as subsector-focused, cross-sector based, or target-group focused. If a subsector approach will be pursued, exploratory research can help choose the subsector. Because of the difficulty of obtaining funds for research to support these basic decisions, there is a danger in short-changing this step.

Subsector-analysis is essential for subsector-based programs to define what types of changes in the subsector would be most beneficial for SEs. It can also help determine what business services might be most beneficial to SEs in the chosen subsector. Broad information gathering on BDS markets for SEs can also complement exploratory research and help answer basic program design questions,

such as which business service markets to focus on and what types of problems in BDS markets a program will address. For both approaches, more in-depth study of specific BDS markets is then needed to develop the details of specific program interventions. The broad term *market assessment* can include all these types of research. The more narrow term *BDS market assessment* refers only to the study of one or more BDS markets.

Swisscontact Vietnam addressed the following program design issues with a combination of basic exploratory research, subsector analysis, and broad research into BDS markets for SEs in general and for enterprises in the chosen subsector:

- What are the subsector(s) to focus on?
- What types of changes in the subsector will be most beneficial for SEs?
- What are the BDS markets to focus on?
- What types of changes in BDS markets will be most beneficial for SEs, particularly SEs in the chosen subsector?
- What types of changes in the legal and regulatory environment will be beneficial for SEs, particularly in the chosen subsector?
- What are the key gender concerns for SEs, particularly in the chosen subsector?
- What are the key environmental concerns for SEs in the chosen subsector?
- Broadly, what types of interventions might Swisscontact use in its program?

They then conducted additional research into specific BDS markets to develop detailed intervention plans in the chosen BDS markets.

The need for exploratory research is particularly relevant for agencies that are starting a new program and/or when program staff are new to a country. It helps the agency identify general constraints and opportunities, assess various aspects of the business environment, establish concerns of gender and employment, assess the availability of resources, and look into entrepreneurial culture. Agencies that have ongoing programs in a country may not need to do exploratory research; instead they may go into research on subsectors and/or BDS markets.

A BDS market assessment will also be defined by who conducts it and for what purposes. The discussion participants identified three types of “actors,” or organizations that may typically conduct market assessments—donor or other type of agency, BDS market facilitator, and BDS provider. In some cases, a donor or other type of agency, or a BDS market facilitator may be one and the same or may play a different role at different times during the market assessment itself. A donor or other type of agency will conduct a BDS market assessment to help design a program to achieve desired impacts. The market assessment is likely to start out quite broad if the donor or agency has the leeway to channel resources in a variety of ways to achieve the desired impact. An agency with an already-defined program approach will conduct more narrow research designed to inform program decisions within an existing program framework. A BDS market facilitator will conduct relatively detailed research on specific BDS markets to help design the details of interventions aimed at developing particular service markets (such as markets for equipment access, advisory services, or communications and information technologies such as cell phones) for SEs. A BDS provider will conduct market research aimed specifically at helping the provider increase sales.

Several of the organizations participating in the discussion aim to help BDS providers conduct market assessments that are useful to them. For example, ITDG aims to develop an appropriate

market assessment design for businesses that buy products from SEs and sell to mainstream markets. The BDS market assessment will help those businesses determine what services particular groups of SEs need to meet the requirements for those markets. ITDG points out that the market assessments conducted by those businesses will be specific to the products in which they trade. It will aim to inform decisions about how to make their business more profitable, rather than inform decisions about how to develop BDS markets in general. It will fit the size of the particular business's market opportunity and will have to be within their capacity to pay. It is imperative that the provider have confidence in the output of the research so that she or he will be willing to commit personal resources to specific business strategies as a result. This example contrasts sharply with the type of BDS market assessments that donors and other development agencies carry out where the aim is to help design interventions to expand BDS markets for the benefit of SEs.

Defining the purpose of the market research, the decisions that the research will be used to inform, and who the research is for are essential first steps in designing a useful BDS market assessment. Even with a good market assessment at any level, a learning or action research period is needed to find out how to achieve success, either in a program or in a business. An up-front market assessment, however, should reduce the time needed for this learning to occur.

### **3. ROLE OF THE IMPLEMENTING ORGANIZATION**

It is essential that the organization that will use the BDS market assessment results—the implementing organization—take ownership of the market assessment. The implementing organization must be responsible and accountable for the market assessment, even if parts of it are contracted to outside consultants or firms. The organization must take the lead and be regularly involved throughout the design and conduct of the market assessment. Responsibility, ownership, and involvement in the BDS market assessment are more likely to yield results that are useful to the implementing organization.

### **4. SKILLS AND CAPACITIES NEEDED FOR BDS MARKET ASSESSMENT**

Participants in the discussion agreed that some skills are essential to have in house; that is, within the implementing organization. Other skills can be outsourced from consultants and marketing research firms. It is important to get needed skills from outside when they are not available in house; otherwise, the quality and usefulness of a BDS market assessment will be compromised. Swisscontact put forward the following list of skills and capacities it found essential for BDS market assessment in Vietnam.

#### **Skills and capacities needed in house**

- Strong knowledge of SE promotion
- Basic vision for what the project should aim to achieve (for example, enhance efficiency and competitiveness of SEs)
- Understanding of the subsector approach (if applicable)
- Very good understanding of BDS markets and the BDS market development approach
- Good understanding of various research techniques (such as quantitative, qualitative, secondary data gathering) and when each is appropriate

- Awareness of the local culture, values, and circumstances
- Presence in the country and existence of basic infrastructure (such as office, some staff)
- Ability and available time to closely interact with and supervise consultants and local research organizations
- Ability to see the bigger picture—to combine various aspects of the research and recommendations into a coherent project

### **Skills and capacities that can be contracted out to local consultants**

- Knowledge of relevant research approaches in subsector analysis (if applicable) and BDS market assessment
- Skills in research design, specifically for BDS market assessment
- Strong skills and systems in data gathering (through different techniques as appropriate; such as surveys, focus group discussions [FGDs], secondary sources)
- Good quality control systems for data gathering
- Expertise in specific areas related to the project (such as gender and environment)

### **Skills and capacities (if not available in house) that can be contracted out to external international experts**

- Strong skills in research design, specifically for SE promotion programs and for subsector analysis and BDS market assessment
- Strong skills in data analysis as it relates to the subject of the research and the project (in Swisscontact's case, SE promotion through subsector development and BDS market development)

Participants in the discussion generally agreed that this list of skills and capacities is widely applicable. Several other organizations also found that sufficient in-house or local expertise was not yet available in some aspects of BDS market assessment. Therefore, they contracted with international consultants to help with those particular aspects.

The need to contract international consultants led to a discussion about how important it is to build in-house or local capacity to do BDS market assessment as part of conducting a market assessment. Discussion participants agreed that building a BDS market assessment team requires a balance of using in-house staff, developing in-house and/or local capacity, and drawing in outside expertise when needed. Participants disagreed, however, regarding the priority of building in-house or local capacity as part of a market assessment. On the one hand, some organizations thought the quality and usefulness of the market assessment output was the first priority, whereas building the capacity of local consultants was a lesser priority. On the other hand, some organizations thought it was very important to build local capacity to conduct good-quality market assessments so that BDS providers could purchase those services locally. Still another point of view was that it might be useful to develop the capacity of local consultants if they would be involved later in the project. Discussion participants agreed that, in general, interaction with outside consultants and firms should help build in-house capacity. The extent to which that interaction is a priority depends on how much the skills would be needed by the organization in the future.

## 5. WORKING WITH CONSULTANTS AND RESEARCH FIRMS

Consultants' involvement can be helpful and contribute to the success of a project. For example, they can supplement in-house capacity; provide needed skills, knowledge, or capacity; and increase the objectivity of a BDS market assessment. Consultants should be one voice in the design and analysis of a market assessment, however, not the only voice. Their influence should not be allowed to take away the implementing organization's own "flavor" of the project.

The discussion highlighted some ways to work effectively with consultants and market research firms:

- From the outset, be clear with consultants about the objectives and desired outputs of their work. It is essential to provide a good market research brief that clearly lays out objectives, definitions, and terms of reference. In this respect, the development field can learn from those in the private sector with such expertise.<sup>5</sup>
- Monitor the progress of consultants' work and have periodic update meetings to make sure the research progresses toward the desired objectives.
- Have a good, objective system for checking the quality of information gathered.

Research firms with practical experience in working for private sector companies that make business decisions based on the results of the research may be the most appropriate for BDS market research. Firms that cater to the private sector have expertise in conducting research that will enable someone to increase sales by accurately assessing demand and the competitive situation in a particular market. This type of expertise is needed for a useful BDS market assessment. In addition, BDS providers are more likely to have confidence in the results of research conducted by those accustomed to working with business people.

## 6. TOOLS AND STRATEGIES FOR BDS MARKET ASSESSMENT

Several useful ideas and tips on tools and strategies for BDS market assessment emerged during the discussion. Many organizations think that using a mix of several tools for market assessment is the best way to get needed information on BDS markets. For example, PKPEK is using a combination of quantitative tools and qualitative, participatory tools for market assessment. To get accurate and useful information, market assessment must tap into those actually in the market, such as BDS providers, rather than experts from outside. In fact, observing actual market activities and transactions may be the best or only way to get some information. This idea highlights the importance of action research, a valuable market assessment technique. A number of program managers implementing market development programs have said that action research or pilot testing is an essential part of learning what strategies will effectively expand BDS markets.

"Extractive" market research, which yields a picture of a current market, is useful in developing the basic design of a program. "Predictive" market research, however, which yields reliable predictions about possible results of various interventions, may be more useful for designing the details of interventions. Predictive market research is also often what BDS providers want because they want

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<sup>5</sup> One discussion participant recommended the British Market Research Association's book, *Buying Research*, which gives a step-by-step guide for companies on how to develop a marketing research brief.

to know what will happen to their business if they put resources toward a particular action. One participant said this:

*Market assessment, when it is predictive, is intended to give courage and confidence to the consumer to commit resources towards some expected outcome. It is imperative that the person intended to act on the market assessment be fully satisfied with the predictions regarding the market. In our case, the “actor” on the results of market assessment is the provider of BDS, and we think that they should participate not just in specifying the TOR but also in the research process as it happens. To providers, we are an external consultant in whose work they must have confidence sufficient to enable them to invest their resources in providing BDS.*

Both extractive and predictive market research can be useful to the design of a BDS program. The key is to identify which is the more appropriate type of research to inform a particular decision and how to design and implement each strategy effectively. In general, predictive market research is more difficult to do and requires more skill to do well than does extractive market research.

## **7. CONDUCTING BDS MARKET ASSESSMENT ON A LIMITED BUDGET**

No one has unlimited resources to conduct market assessment. Cost-effective strategies are in high demand. Keeping costs low is particularly important for those organizations that aim to develop market assessment methodologies that BDS providers can use. Several discussion participants explained strategies they are using to make the most of limited resources and prioritize information needs. Some of these strategies are as follows:

- Identify what skills and tools are available locally and see if they can be adapted to the task of BDS market assessment.
- Equip BDS providers to carry out market assessment themselves. Not only is this a useful strategy in and of itself, but commercial providers may find more cost-effective ways of conducting BDS market assessment than development organizations.
- Conduct the research in stages. Use information from the last stage to develop priorities for the next stage.
- Use an inexpensive technique, such as key informant interviews with other microenterprise development programs and business leaders, to get a basic idea of the market. Then go back and do more in-depth research on the areas that seem most promising.
- Use informal research, such as three to five focus group discussions with random groups of SEs, at the outset to get an overview of markets and identify information priorities. Then use more expensive techniques, such as UAI (usage, attitude, image) market studies, to investigate those priority areas.

## **8. SHARING MARKET ASSESSMENT INFORMATION**

Sharing market assessment information with other organizations has a number of advantages. Involvement of other relevant organizations and firms can contribute to the analysis of information and program design decisions by tapping into their knowledge, experience, and lessons learned. Sharing information can also build the basis for complimentary programs that address different

aspects of a BDS market or of SE development. One discussion participant proposed that in order for the development community not to duplicate efforts, the results of exploratory research and general BDS market research should be public goods—available to all agencies or firms that want to use them. This approach would limit the need for every organization to conduct extensive background or basic research and enable organizations to focus on more specialized research specific to their programs or businesses. Donors or governments could usefully fund this research and make it widely available.

## **CONCLUDING THOUGHTS FROM THE PLP MANAGER**

With the PLP's two-year program and learning agenda, this synthesis is far from the last word on building a team with appropriate skills for market assessment of dynamic markets and key issues to consider when starting BDS market assessment. This synthesis is part of a series of ongoing dialogues and critical thinking exercises that these organizations will have with each other as they implement their market assessments. The PLP will continue to share its own “thinking in progress” in discussion syntheses such as this one as a way to highlight and present what this SEEP program is doing and learning to others who are grappling with the same issues. For the participants, the e-mail discussion served as a launching pad for continued dialogue and debate on the issues. One of the participants, ITDG, said this:

*The discussions had a direct and immediate value for the work we are doing in Kenya, since it coincided with an actual activity of establishing a team. It was quite interesting for me to discover a ‘nuance’ about BDS market assessment that I have missed all along in my interactions with this subject. I am still digesting it and coming to better understanding and terms with its implications for my work in general.*





## **ANNEX I. PRACTITIONER LEARNING PROGRAM IN BDS MARKET ASSESSMENT**

### **LEARNING AGENDA**

The learning agenda that the PLP participants developed during a start-up workshop in Thailand (July 1–5, 2002) consists of one main, overarching question and several other related questions. Participants will address these questions as they implement their individual programs.

#### **Main Question**

How can market assessment (MA) be used to design a program (a program to increase commercial transactions for BDS that benefit SEs—micro, small, and medium enterprises)?

#### **Other Questions**

- How can MA assist a program manager to choose or design BDS that are relevant and have high impact and that also have the greatest demand?
- How can market information be gathered and applied in weak markets? For example, markets in which consumers have little or no understanding of BDS and markets for typically underserved groups of entrepreneurs such as low-income entrepreneurs or women entrepreneurs?
- How can MA lead to an in-depth understanding of dynamic SE and BDS markets? For example, how can MA lead to an understanding of embedded services, substitutes for transactional BDS, and latent or unexpressed demand in changing markets?
- How can a program manager choose appropriate MA tools by weighing factors such as cost vs. benefit, available time and resources, and the size of the market opportunity?

Participants are addressing the learning agenda questions in two ways. First, they are addressing the questions through the lens of the implementation of their individual market assessment programs. Second, as they implement their individual programs, they will join together to address common learning themes.



## ANNEX II. SWISSCONTACT VIETNAM: CASE STUDY SUMMARY

Paul Weijers, Swisscontact Vietnam  
Contributions from Alexandra O. Miehlbradt  
October 2002

### Project Background and Approach

The strategic goal in Swisscontact's (SC's) *guiding principles* indicates that Swisscontact activities aim at sustainable improvement of the potential of economic and social development in industry, trade, and the service sector in developing countries. Institutions and enterprises in urban areas, as well as nonagricultural sectors in rural areas, shall be enabled to achieve economic growth and thus create employment. Small and medium enterprise (SME) promotion projects focus on enhancement of efficiency and competitiveness of SEs.

The SME Promotion Project in Vietnam is part of a cluster of Swisscontact activities in the Mekong region that includes the Strengthening of Vocational Training Centers (SVTC) project in Vietnam (since 1994).\*

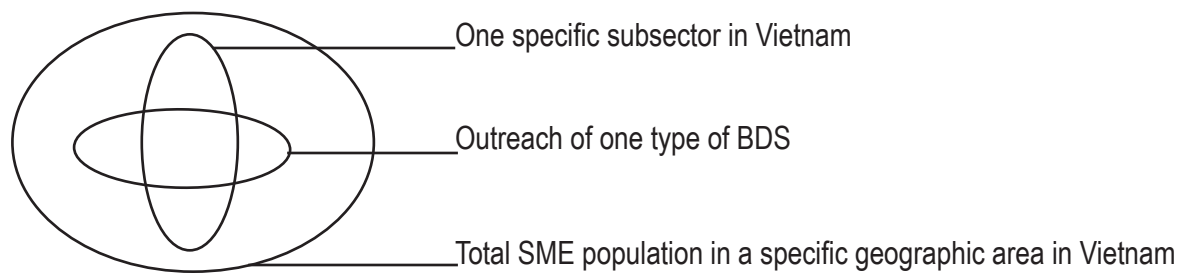
### Swisscontact's SME Promotion Vietnam: A blend of two approaches

The SME Promotion Project is anchored in a subsector approach, which implies that intervention design, partner selection, and project implementation will be based on subsector needs assessments. Applying the subsector approach will focus Swisscontact's interventions, rather than aiming for a broad outreach to the total SME population in a specific geographic area in Vietnam. This approach is consistent with that of Swisscontact's strategic partner, the Vietnam Chamber of Commerce and Industry (VCCI), which also applies subsector-focused support.

Swisscontact's business development services (BDS) market interventions will be based on the assessed opportunities and constraints in the selected subsector(s). This approach creates the potential for addressing embedded BDS in a focused way, while at the same time, developing the market of autonomous BDS providers with an outreach to multiple subsectors. The illustration below is a simplified projection in which one type of BDS and one subsector is accounted. The sum of these two determines the project's area of operation.

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\* EDITOR'S NOTE: This case study summary served as the key background document for the PLP in BDS Market Assessment list serve discussion synthesized on the previous pages. Discussion participants also referred to additional background documents from Swisscontact.



It is Swisscontact's policy to address environmental conditions in SMEs. A subsector approach enables a wider spectrum of focused interventions, compared to generic environmentally related BDS that are applicable to SMEs in general.

Macro-level context conditions, and specifically an enabling environment for SMEs, will be addressed with focus on subsector-specific opportunities and constraints. For instance, the plastic subsector has its own particularities in import/export regulations; or the position of state-owned enterprises in this subsector is substantially different than in other subsectors. A subsector approach permits a focused macro-level dialogue among stakeholders.

## **Project Objectives and Activities, 2002-2004**

### **Goal**

The goal of the SME Promotion Project is to improve the socio-economic conditions in the private sector SMEs in selected regions and/or subsectors in Vietnam.

### **Purposes and Outputs**

The purposes and outputs of the project concentrate on three main areas: (1) project management, development, monitoring, and evaluation that ensure a professional implementation and achievement of planned outputs; (2) increased productivity and market access of the plastic manufacturing private sector SMEs in greater Ho Chi Minh City (HCMC); and (3) increased competitiveness of private sector SMEs in one other subsector in Vietnam. (**Note:** The market assessments were an input into these objectives.)

(1) Project management, development, monitoring, and evaluation that ensure a professional implementation and achievement of planned outputs.

- Swisscontact's SME promotion Vietnam organization is operational.
- Project implementation is regularly planned, monitored, and evaluated.
- Cooperation with VCCI as a strategic partner is operational.
- Cooperation with SC head office and other SC projects is operational.
- Cooperation with Vietnamese government, foreign donor, and facilitator organizations in SME promotion is operational.

(2) Increased productivity and market access of the plastic manufacturing private sector SMEs in greater Ho Chi Minh City. BDS providers will reach 400 SMEs, while the project contributes to export growth.

- BDS market development interventions are designed and implemented for embedded BDS with market opportunities in the plastic subsector.
- BDS market development interventions are designed and implemented for transactional BDS in the plastic subsector.
- Environmental management support schemes are established and implemented in the SME plastic subsector.
- Underprivileged position of women in the plastic subsector is addressed.
- Recommendations for improved macro-level conditions for the plastic subsector are submitted to the stakeholders and are followed up.

(3) **Increased competitiveness of private sector SMEs** in one other subsector in Vietnam. Some 50 percent of the SMEs that benefited indirectly from Swisscontact's assistance have adopted positive changes in their business practice.

- BDS market development interventions (embedded and transactional) are designed and implemented.
- Conditions/issues of environmental and economic sustainability are addressed in the selected subsectors.
- Gender inequality conditions/issues in the selected subsectors are addressed.
- Socially responsible business conditions/issues in the selected subsectors are addressed.
- Recommendations for improved macro-level conditions for the selected subsectors are submitted to the stakeholders and are followed up.

## **Information Gathering Conducted**

Swisscontact had limited operations in Vietnam before the project began. Swisscontact conducted a variety of studies to gather information that would help in designing and implementing the SME project outlined above. The studies are summarized in Table 3-1.

**Table 3–1. Swisscontact’s Information-gathering Studies**

<b>Study</b>	<b>Dates</b>	<b>Main Objectives</b>	<b>Main Information-gathering Methods</b>
Subsector Identification	June–August 2001	To identify promising subsectors in HCMC To gain a preliminary understanding of those subsectors, including the BDS markets for the subsectors	Secondary sources research Key informant interviews
BDS Market Research	September 2001–May 2002	To gain an understanding of BDS markets for private SMEs in urban areas of Vietnam To identify promising BDS markets for expansion To pinpoint specific constraints to and opportunities for growth in BDS markets for private SMEs	Survey of 1,211 SMEs in six cities 20 FGDs with SMEs
Plastic Subsector Research	November 2001–April 2002	To gain an understanding of the plastic subsector in HCMC and supporting BDS markets To pinpoint specific problems in the plastic subsector, whom they affect, and how severe they are To pinpoint specific problems in the BDS markets that support the plastic subsector	Survey of 192 plastic SMEs Survey of 40 BDS providers Key informant interviews Workshop with SMEs, providers, government, and key informants
Environment in SMEs	February–April 2002	To gain an understanding of environmental concerns in SMEs, particularly in the plastic subsector To pinpoint specific environmental issues that the project might address To identify organizations working on environmental issues in Vietnam	Key informant interviews Secondary sources research Environmental review and audit of four plastic SMEs
Macro Context for SMEs	April 2002	To gain a basic understanding of the context in which private SMEs operate in Vietnam, including both the economic situation and the legal and regulatory framework	Secondary sources research
Gender and SME Promotion	April 2002	To gain an understanding of gender issues in SMEs and SME promotion in Vietnam To pinpoint specific gender issues that the project might address	Secondary sources research Key informant interviews

## Using Information in Program Design

After the studies were conducted, Swisscontact held a “planning platform,” a workshop to discuss the project design, which would result in a project document. Participants attending the workshop came from donor organizations active in Vietnam (ILO, GTZ, SNV, IFC), target group representatives (SMEs, associations, key informants), a partner organization (VCCI), government (ministries), individual SME-promotion experts, and the Swisscontact staff. The project document provides a framework for project activities over a three-year period. Following the completion of the project document, Swisscontact outlined the project intervention design process. Swisscontact then prepared an analysis of BDS markets focused on their potential for intervention, their relevance to the plastic subsector, and Swisscontact’s capacity to intervene in the particular market. This analysis enabled Swisscontact to designate the BDS markets on which it will focus.

In summary, the market assessment information helped Swisscontact answer the following program design questions:

- What are the subsector(s) to focus on?
- What types of changes in the subsector will be most beneficial for SMEs?
- What are the BDS markets to focus on?
- What types of changes in BDS markets will be most beneficial for SMEs, particularly SMEs in the chosen subsector?
- What types of changes in the legal and regulatory environment will be beneficial for SMEs, particularly in the chosen subsector?
- What are the key gender concerns for SMEs, particularly in the chosen subsector?
- What are the key environmental concerns for SMEs in the chosen subsector?
- Broadly, what types of interventions might Swisscontact use in its program?

Now Swisscontact is preparing “scoping documents” that use the information collected to describe particular constraints/opportunities in particular BDS markets and to explain how Swisscontact will address them. These scoping documents will guide specific interventions to develop particular BDS markets for the benefit of the plastic subsector and SMEs within it. The scoping documents include (a) a brief description of the BDS market characteristics; (b) additional research needed to develop the interventions; (c) potential demand and supply side interventions, including whom Swisscontact will work with and how those partners will be chosen; (d) a budget; (e) staff requirements; and (f) a time schedule.

## The Process of Market Assessments

Before Swisscontact’s start of project activities in Vietnam, several preparation missions were undertaken, each lasting two to three weeks. The objective of the first mission was to identify opportunities for a new SME promotion program, while the last mission in this series resulted in the initial set-up of an infrastructure, including identifying a strategic partner (mandatory in Vietnam), renting office space, and hiring one staff person in the position of business development advisor. As such, a very small base of operation existed at the actual start of the project in June 2001. As of October 2002, the local staff had expanded to seven people, an agreement had been signed with a strategic partner, and field experiences had been gained in the course of several smaller and larger market research studies.

The first period of one year—from June 2001 to June 2002—concentrated mainly on research activities, without any factual intervention toward the target group. Although other options were considered (such as starting with pilot projects), Swisscontact opted to follow a strict sequence of first completing adequate market research, and only then defining the scope of interventions. It sought international and local consultants to assist in the market research studies because of the project’s limited in-house human resources, especially at the start of the project, and also because the project’s demand for research capacity is strong at the start only, which does not justify building large in-house capacity. The researchers used several approaches during different research activities.

### **Approach #1. Subcontracting the full responsibility to an international consultant**

Swisscontact applied this approach at the start of the project when it undertook a first subsector identification study. The international consultant formed a team of eight local researchers, including the one local Swisscontact staff. The consultant trained and guided the researchers during the total research process. The pros, cons, and overall assessment of this approach are as follows:

<b>Pros</b>	<b>Cons</b>
<p>International market assessment methodology is directly introduced in the project.</p> <p>Researchers are trained in relevant methodologies and theories.</p>	<p>The awareness of local circumstances, culture, and values by the international consultant is limited, which caused to some extent a wrong focus and data interpretation during the research process.</p>
<p><i>Overall assessment:</i> Although the research methodology was adequately introduced, the research results were rather limited in terms of accuracy and scope.</p>	

### **Approach #2. Subcontracting the full responsibility to a local consultancy organization**

Swisscontact requested bids from local consultancy organizations and selected one to assist in the market research studies. The pros, cons, and overall assessment of this approach are as follows:

<b>Pros</b>	<b>Cons</b>
<p>Local consultancy rates are relatively low.</p> <p>Use of local consultancy organization will in the long run contribute to their capability building.</p> <p>A large group of enumerators could be fielded easily.</p>	<p>The priorities of a local consultant differ from than those of the project: Where the project needs accurate data within a set time, the consultant produces voluminous (and not always reliable) data, basing interpretation of the data on general market assessment methodologies without considering the scope of BDS market development opportunities.</p>
<p><i>Overall assessment:</i> Awareness of project topics such as BDS markets, or even SME promotion in general, is largely absent among consultants in Vietnam. The project cannot subcontract the complete assignment, but must devote substantial time (including one full-time professional staff) to cooperate with the consultants in monitoring the complete process. Experiences indicate that local consultancy organizations can be helpful in data gathering, but the project should control some key aspects—questionnaire design, data analysis, and final reporting.</p>	



### **Approach #3. Hiring short-term local consultants who work within the Swisscontact team**

Research projects with a limited scope, such as the macro-level context assessment and the gender scanning, were handled by individual experts. The experts were required to use the Swisscontact office as their base of operation, contributing to frequent interactions and optimal use of information and expertise available with the project. The pros, cons, and overall assessment of this approach are as follows:

<b>Pros</b>	<b>Cons</b>
<p>Cost effective, since only consultancy time is involved, while all overhead costs are part of the project's existing set-up.</p> <p>Direct progress monitoring by the project.</p>	<p>Not possible for research of substantial dimensions.</p>
<p><i>Overall assessment:</i> This approach is quite fit for research of limited scale. The regular contact between the project and the consultant contributes to the quality of the research. The project needs to have access, however, to a relevant pool of independent consultants.</p>	

### **Approach #4. Hiring a short-term international consultant assigned to specific components of a total market research**

For the BDS market research that was implemented by a local consultancy organization, an international consultant was engaged in the final data analysis and the subsequent reporting. These tasks were considered beyond the capability of the local consultancy organization. The pros, cons, and overall assessment of this approach are as follows:

<b>Pros</b>	<b>Cons</b>
<p>International consultancy input in only a part of the total research but contributes substantially to the quality.</p> <p>Both the project and the local consultant gain expertise.</p>	<p>The design of the research, as well as the quality of data collected, does not necessarily match the expectations for adequate analysis and reporting.</p>
<p><i>Overall assessment:</i> An effective way to improve the quality of “larger” market assessment activities. It may be argued to engage the short-term international consultant from the onset of the research, especially in the design of the process.</p>	

### **Approach #5. Undertake research fully with own project staff**

When project staff are available and have adequate skills, then research can be undertaken in house. For instance, this approach is now being taken in the field of “socially responsible business.” The pros, cons, and overall assessment of this approach are as follows:

Pros	Cons
<p>Experiences and skills that are gained during the research remain readily available within the project.</p> <p>Low costs, under the assumption that subcontracting involves external overhead and profit.</p>	<p>The profile of project staff that is assigned might not fully match the needs.</p> <p>There is a risk that the research is less output oriented, as is the case with clear terms of reference (TOR) and an agreement with consultants.</p> <p>Own staff might be burdened with multiple tasks, reducing concentration on the specific research.</p>
<p><i>Overall assessment:</i> With time, the project's staff capacity grows and only then does it become relevant to undertake research in house. The efficiency of whether to engage external expertise or not needs to be assessed on a case-by-case basis. Much depends on the project's long-term organizational development objectives, especially its in-house expertise.</p>	

The lessons learned from the different market assessments can be summarized as follows:

- Recognize the limitations of local consultancy organizations, as well as the individuals who work for them. As methodologies in BDS market development are largely unknown to them, this limits them in adequate design of the research, as well as in analysis of obtained data. Do not make it the project's prime objective to train local consultancy capacity (unless, of course, this is one of the project's tasks), but instead take advantage of existing capabilities.
- Place the project in a core position throughout the total market assessment. The project manager or the assigned advisor (if applicable) generally has a crucial role, and it is essential that he or she has adequate skills in the topic of the research (such as BDS markets), as well as in research methodologies that will be applied. If research activities are being subcontracted, let the consultant work as closely as possible with the project (such as by using the project facilities and by having regular monitoring meetings). Also consider subcontracting only part of the total market assessment, while the project will remain responsible for the remaining part.
- Do not fully trust the reliability of data that local consultancy organizations gather, even if they pretend to have an adequate quality assurance system involving supervisors, back-checks, and so on. Throughout the process of data gathering, the project should have its own, independent, quality control mechanisms.
- Consider the engagement of reputed international consultants in components of the total research, especially when it comes to research design and data analysis.
- Do not attempt to undertake research fully by own staff, when subcontracting would be beneficial. It is worthwhile to consider carefully the right balance between responsibilities and tasks of the project and those of others, such as local consultants and international consultants.

In retrospect, the skills, knowledge and capacities that Swisscontact needed to conduct and use the market assessments in Vietnam are summarized below. The skills that can be hired locally in a particular country will depend on the capacity of local consultants. This list represents the case in Vietnam.

## **Skills and capacities needed in house**

- Strong knowledge of SME promotion
- Basic vision for what the project should aim to achieve (for example, enhance efficiency and competitiveness of SMEs)
- Understanding of the subsector approach (if applicable)
- Very good understanding of BDS markets and the BDS market development approach
- Good understanding of various research techniques (such as quantitative, qualitative, secondary data gathering) and when each is appropriate
- Awareness of the local culture, values, and circumstances
- Presence in the country and existence of basic infrastructure (such as office, some staff)
- Ability and available time to closely interact with and supervise consultants and local research organizations
- Ability to see the bigger picture—to combine various aspects of the research and recommendations into a coherent project

## **Skills and capacities that can be contracted out to local consultants**

- Knowledge of relevant research approaches in subsector analysis (if applicable) and BDS market assessment
- Skills in research design, specifically for BDS market assessment
- Strong skills and systems in data gathering (through different techniques as appropriate; such as surveys, FGDs, secondary sources)
- Good quality control systems for data gathering
- Expertise in specific areas related to the project (such as gender and environment)

## **Skills and capacities (if not available in house) that can be contracted out to external international experts**

- Strong skills in research design, specifically for SME promotion programs and for subsector analysis and BDS market assessment
- Strong skills in data analysis as it relates to the subject of the research and the project (in this case, SME promotion through subsector development and BDS market development)

