



USAID FIRMS PROJECT

# SMEDA's Organizational Assessment and Strategy for Service Delivery to SMEs

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# Data Page

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# Abstract

The report presents an organizational assessment and strategy for The Small and Medium Enterprise Development Authority (SMEDA), the apex organization responsible for promotion of SMEs in Pakistan. The key objective of the study was to provide SMEDA with a roadmap to improve its service delivery to SMEs. The study included a detailed interaction with SMEDA's key management staff to conduct a diagnostic analysis of the organization with particular reference to the existing service portfolio of SMEDA and its current service delivery mechanisms. In order to assess the gap between the supply of services by SMEDA and SME demand, a detailed interaction was carried out with SMEs across Pakistan through one-to-one interviews and Focus Group Discussions (FGDs). This approach helped the project team develop a better understanding of the barriers to growth facing SMEs and their specific needs with respect to business development.

Based on this analysis, an Organization & Services Strategy has been developed including full details on a new range of Business Development (BD) Service Families, in line with SME needs, together with details regarding mechanisms for SMEDA to deliver these BD services. Underpinning this, the Strategy also suggests changes to the SMEDA organizational structure necessary to implement the proposed recommendations. This is supported by a detailed implementation plan, together with key performance indicators



# Acronyms

CEO	Chief Executive Officer
BD	Business Development
BDR	Business Development Review
BDS	Business Development Services
BDSP	Business Development Service Providers
BSDS	Business and Sector Development Strategy
DGM	Deputy General Manager
FGD	Focus Group Discussion
GM	General Manager
GOP	Government of Pakistan
HO	Head Office
IIN	Industrial Information Network
ILO	International Labor Organization
IRC	Information Resource Center
IT	Information Technology
JV	Joint Venture
KPI	Key Performance Indicator
LUMS	Lahore University of Management Sciences
M&E	Monitoring and Evaluation
PKR	Pakistani Rupee
PSDP	Public Sector Development Program
RBC	Regional Business Coordinator
SME	Small and Medium Enterprise
SMEDA	Small and Medium Enterprise Development Authority
SBA	Small Business Administration (USA)
SBP	State Bank of Pakistan
SOW	Scope of Work
TA	Technical Assistance
TOR	Terms of Reference
TQM	Total Quality Management
USAID	United States Agency for International Development
USD	United States Dollar

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# Executive Summary

## Introduction & Objectives

This report presents the findings and outputs of a project which was initiated to assess the business development needs of Pakistani SMEs, to appraise SMEDA's current range of BD services, and to review SMEDA's organizational capacity to meet SME needs with existing services and delivery mechanisms. Based on this assessment the report presents a future Organization & Services Strategy for SMEDA, together with a proposed Implementation Plan for driving this strategy forward. The report also includes recommendations regarding a proposed Performance Management Model, which SMEDA should consider.

The Executive Summary highlights key findings, conclusions and recommendations as presented in each of the key components of the report, as listed above.

## SME Needs for Business Development Support

Before summarizing our analysis of SME needs, it is important to highlight other conclusions drawn from the research. These are not SME 'need specific', and are more in the style of observations regarding typical SME attitudes and 'mind sets' which do have an important bearing on the type of BD services SMEDA should offer, and the way these services should be delivered.

- SMEs in Pakistan have limited experience and understanding of the potential benefits of working with external advisors. SMEDA should recognize this in terms of their approach to future BD service delivery and marketing. Typically, a smaller SME will be less comfortable in working with external advisors and will have a weaker understanding of the benefits that such an approach may bring.
- There is a reluctance on the part of SMEs to pay for external advice simply because SMEs have difficulty in recognizing the cost/benefit of external advice
- A distinction should be made in the way BD services should be delivered to 'women managed SMEs', however, feedback we received from 'women managed SMEs' was clear in saying there should be no distinction in the actual type and range of BD services provided
- SMEs tend to be very short term focused in their business management attitude. The more established the business becomes, the greater the recognition of the need for future planning, and establishment of a management team with clear responsibilities, targets and reporting procedures.

A set of clear SME needs for business development support emerged from the research. These needs were consistently raised in 'one to one' SME meetings, in all the Focus Group Discussions (FGDs), and were subsequently verified through discussions with Chambers of Commerce, Industry Associations, and selected 'commentators' with wide ranging industry/business experience. 'Needs' which SMEs have for Business Development support include:

- Marketing & Sales Management
- General Management Support
- Technical Support
- Business Start Up Support
- Access to Business Information

- Access to Finance

The report covers each of these key SME needs in some detail, reflecting the specific efforts the consultant's team took to understand the 'real' needs and constraints SMEs face under each of the broader categories above. With this understanding, we have matched each of the SME needs highlighted above, against a menu of specific BD Service Families, which we recommend, SMEDA develop and deliver in the future. In doing this we have made a direct match between what Pakistan SMEs tell us they need, and the business development support SMEDA should deliver in the future. A real benefit of what we propose is a model whereby, in the future, SMEDA will be able to customize support based on the assessment of each SME's needs – be they 'small' or 'medium' size.

### **SMEDA Organizational Assessment and Service Delivery**

The findings and conclusions that emerged from this phase of the project were drawn from; group meetings jointly attended by Head Office and Regional/Outreach managers, 'one to one' meetings with the Chief Executive Officer(CEO), General Managers (GMs), Provincial Chiefs and Regional Business Coordinators (RBCs). A summary of key findings from this assessment include:

- Over recent years, SMEDA has witnessed a progressive shift in focus and resource allocation away from SME business development services, toward management of Public Sector Development Programs (PSDPs)
- A lack of clear focus in terms of the type and size of SMEs SMEDA should support, the services they should provide, and the mechanisms SMEDA should use to deliver the support
- A range of BD services which do not match the actual needs of SMEs
- An organization that is supply driven, and not SME demand responsive
- An organization which is fundamentally reactive to assorted SMEs and individuals approaching it, and an organization which lacks any proactive direction in identifying, targeting and supporting 'high growth potential' SMEs with a package of services customized to the differing needs of each SME.
- A lack of capacity and staff resources. Particularly evident in the current Outreach Division, specifically with regard to staff who are business and/or SME experienced.
- A progressive decline in net budget over the last 8 years.
- A limited influence and balance of Private Sector versus Public Sector experience within the SMEDA management structure.

### **SMEDA – Future Organization and Services Strategy**

The SMEDA Organization and Services Strategy ('the Strategy') has specifically been designed in response to the findings and conclusions of the analysis of SME needs, and the assessment of SMEDA's current capacity to respond to these needs.

The Strategy has been built around a number of key elements. These include:

A new Organization & Management Structure which merges the current Outreach and BSDS division into one Business Development Services (BDS) division. In the future, this will ensure all SME facing activities, including service development and delivery, will be managed more cohesively than is the case currently. The new BDS division will have a greater concentration of 'experienced' resource and will be structured around 4 Provincial Offices, as is the case now, but with a new network of Satellite Offices. These Satellite Offices will replace the existing 22

'single person' Regional Business Coordinator (RBC) offices, which are poorly resourced and not effective. The precise number and location of the Satellite Offices should be determined by SMEDA. A model is proposed in the report.

To provide a direct match to SME needs now identified, the Strategy includes detail regarding a set of Business Development (BD) Service Families, which are highly flexible, and can be delivered through each of SMEDA's key SME support delivery channels including:

- SME support projects where a BDSP is appointed
- Practical SME Business Development guides accessed through the SMEDA website
- 'Walk In' support through Satellite Offices
- The SMEDA Training Program, which will be strengthened further to be more demand responsive, and aligned to SME needs as they have emerged.

The SMEDA management team recognizes the importance of greater future reliance on a national 'pool' of experienced BDSPs who, working closely with the SMEDA BDS division, can deliver customized support in managing individual SME projects. Working toward this, the Strategy presents details on how a *BDSP Recruitment and Management* initiative can be directed. In particular, this will include promotional activities to recruit BDSPs in the regions, sectors and specialism where SMEDA needs them, and introduction of procedures to screen, and include BDSPs on a highly accessible database. Introduction of a SMEDA Approved Status standard is an important goal. We have recommended the introduction of a new management position, BDSP Manager, to manage activities in this direction.

The current awareness of SMEDA and understanding of 'who they are' and 'what they do' is low and highly fragmented across regions and industries. As a base on which a new range of SME services can be delivered SMEDA should take action to rebuild awareness and understanding. The Strategy recommends development of a *Marketing & Promotion Plan* to address this issue. As a further reflection of the importance of future Marketing & Promotion, we also recommend introduction of a new management position, that of Marketing & Promotion Manager.

As discussed with the SMEDA management team, the Strategy also recommends the launch of a BDS Pilot Program which will target a wide number of SMEs throughout the 4 Provincial Offices, and will customize individual support projects for each participating SME, where a carefully selected BDSP is appointed to manage the project. This program has important benefits; it offers SMEDA an excellent vehicle to 're-launch' SMEDA through a required Promotional Campaign to launch the program, and it gives SMEDA BDS management a 'live' opportunity to test, and gain experience of targeting and providing customized services to 'high growth potential' SMEs— a core mechanism for delivering SME services in the future, as covered in the report.

Commitment to the Strategy throughout all levels of the SMEDA organization will present many challenges. The Strategy also includes recommendations regarding a Capacity Building and Training Program designed to underpin the new SMEDA organization structure, new BD services, and new mechanisms for delivering these services.

Finally, in order to provide some orientation to the SMEDA management team in terms of 'best practice' operated by other International SME Development Agencies, the Strategy includes a 'Benchmarking – International Development Agencies' section giving examples of types of SME services, support programs, and means of delivering this support to SMEs.

## **Implementation Plan**

Simply as a model for the SMEDA management team to use, the Strategy includes a 3 Phase Implementation Plan, covering a 2013 – 2020 timeframe. The Plan highlights key action areas covered under each of the key elements of the Strategy presented above. In terms of the 3 Phases, the Implementation Plan focuses on Phase 1: Initiating Change (2013 -2014), but also highlights actions and goals reaching across Phase 2 and Phase 3.

As mentioned earlier, we recognize the scale of challenge which SMEDA will face in committing to this Strategy. Should SMEDA be comfortable with this, we have also suggested a possible deployment of an External Technical Assistance Team, simply to provide technical advice and guidance to key SMEDA managers tasked with implementing the Strategy.

### **Performance Management Model**

Currently, there is limited evidence of any clear targets and Key Performance Indicators (KPIs) operating within SMEDA. With a particular focus on the activities of the new BDS Division, the Strategy recommends a series of KPIs which are set at Head Office, Provincial Office, Satellite Office, and SME Advisor level. These are designed to give the management team a tool where clear targets in terms of ‘high growth potential’ SMEs targeted, by region, and by sector of relative importance to that region can be set.

Finally, the Strategy includes recommendations regarding the importance of SMEDA developing and introducing a stronger management information and reporting system in order to ensure management receives the periodic data they require to assess ‘performance against plan’, and take remedial action in areas of underperformance.

# 1. Introduction

This report presents the findings and outputs of a project which was initiated to understand the real business development needs of Pakistani SMEs and, on the basis of this, to appraise SMEDA's range of BD services, and their organizational capacity to meet SME needs with existing services and delivery mechanisms. Based on an assessment of SME needs, and an appraisal of SMEDA's capacity to meet these needs, the report presents a future Organizational & Services Strategy for SMEDA, together with a proposed Implementation Plan for driving this strategy forward.

Small and Medium Enterprises (SME) have always been considered to be the backbone of any economy. Pakistan is no exception in this regard and SMEs continue to play an important role in the local economy.

In view of the pivotal importance of SMEs for economic growth of the country, The Government of Pakistan (GOP) established the Small and Medium Enterprise Development Authority (SMEDA), in 1998, as the apex body for promoting and delivering SME support in the country. SMEDA was established as a public sector organization. In order to make it more aligned with the needs of the private sector, the organization's Board of Directors had a higher proportion of members from the private sector, including the Chairman and Chief Executive Officer (CEO). SMEDA was staffed with professionals with private sector experience.

The organization was awarded complete autonomy by the GOP to propose and manage interventions for supporting SMEs throughout the country. SMEDA was successful in creating a positive reputation within the very first year of its inception. The work managed by the organization was appreciated in public, private and donor sectors and SMEDA developed a strong level of credibility in these sectors. SMEDA expanded its operations through creating four provincial offices and by establishing offices in smaller cities and towns. By achieving this early success, and delivering results, SMEDA was given additional responsibilities by its parent Ministry. As SMEDA's range of activities and services expanded, its original 'core' role of providing business development support to SMEs became progressively compromised and diluted. In turn, this had a damaging impact on the reputation, image and, indeed, level of usage of SMEDA by SMEs. At this stage, the SMEDA management team recognized that a need for change was essential in order to reposition SMEDA back in line with its original remit – that of supporting SMEs.

An independent organizational evaluation of SMEDA was recently conducted with the World Bank's assistance. The report emphasized a key finding that despite SMEDA being empowered by its Ordinance to be the apex body in Pakistan entrusted with devising and formulating policies and support services for SMEs, the agency had become more focused on policy development and less focused on direct support to SME's with diminishing financial authority to develop and implement practical support services for SMEs. The evaluation emphasized the importance of transforming SMEDA into an organization whose goals and objectives are aligned with those of the national industrial policy and its strategy and organizational structure designed to improve its ability to deliver more effectively on its desired mandate.

In recognition of the importance of developing SMEDA's institutional capacity and capability to support SMEs with practical support mechanisms directly in line with SME 'actual' needs, the Joint Secretary Ministry of Industries approached USAID requesting FIRMS Project's technical assistance to provide guidance in building the institutional capacity of SMEDA.

## 1.1 Scope of Technical Assistance by USAID

The overall framework of technical assistance extended by USAID to SMEDA focuses on building SMEDA's capacity to address the issues and needs of SMEs in a more demand responsive manner. The framework comprises six areas which have been presented in a tabular form in Appendix I.

The framework is supervised by an Advisory Committee comprising industry leaders from the private sector and with senior government experience. Composition of this group was mutually agreed upon by USAID and SMEDA. The Committee concentrates on the key 'driver' of enabling SMEDA to focus on previously neglected core areas and fulfill the role that it was originally created to perform – that of supporting SMEs.

### Key Project Objectives

The scope of work was based on the following objectives:

1. To conduct primary and secondary research to establish the gap between SME needs for business development and advisory services, and the supply of these services by SMEDA, and other service providers, such as Chambers of Commerce, and Trade Associations.
2. To assess SMEDA's current range of business development services against the needs expressed by SMEs, and to assess SMEDA's organizational and management structure, particularly within the context of its capacity to deliver these services currently and in the future.
3. To highlight any distinction in needs that exist between 'small' and 'medium' size businesses, and recommend any adaption in services and service delivery to reflect these needs.
4. Against both the outputs from the SME research and the assessment of SMEDA's current services and organization structure, to recommend a strengthened range of business development services.
5. To develop, agree, and gain commitment to an Organization & Services Strategy for SMEDA, which will act as a vehicle to drive the Agency forward in the short, medium, and long term.
6. To ensure a practical 'performance management program' is integrated within this Strategy, offering SMEDA management a useable tool to monitor progress against agreed targets for the overall organization, and for operating divisions within it.

This report is the key deliverable of the project. The report presents analysis and feedback from each aspect of the SME needs research, from the assessment of SMEDA's organisation and management structure. On the basis of this, the report presents a future Organisation & Services Strategy supported by an Implementation Plan, and includes a Performance Management Program for the SMEDA management team to monitor future performance against plan.

## 1.2 Research Methodology

A broad based research methodology has been adopted for this assignment to identify the key business development needs of SMEs. The research was conducted to:

- Understand the real business development needs of SMEs, and where relevant highlight differences in needs between a 'small' and 'medium' size business.

- Conduct an organizational assessment of SMEDA with respect to its existing service menu and service delivery capability.
- Conduct a gap analysis between the demand and supply of BD services for SMEs.

The new 'menu' of BD Service Families presented within the Strategy document, has been designed in direct accord with the needs consistently raised by SMEs throughout the research. Both primary and secondary research tools were used for the purpose of this project. These research tools are outlined in the following section

### 1.2.1 Research Tools

The team has used the following tools to research SME needs and to identify gaps between the demand and supply of those needs:

#### 1.2.1.1 Primary Research

##### 1.2.1.1.1 SMEs

**One-to-one interviews** were held with SMEs in different cities of Pakistan where large SME clusters exist. Selection of these SMEs was primarily arranged by SMEDA. The FIRMS team also identified some of these SMEs. SMEs were selected from diversified sectors to ensure that the sample was fully representative. We also had 'one to one' discussions with SMEs where the principal director or owner was a woman. A total of 26 one-to-one interviews were conducted all across Pakistan for this purpose. A list of the SMEs interviewed by the consultants' team is provided in Appendix 2.

**Focus Group Discussions (FGDs)** were arranged to understand the business development needs of SMEs. Collective, group discussions are an excellent tool to both stimulate discussion around shared issues, and concerns, but also as a means for the project team to verify findings and ensure they have interpreted needs correctly. Eight FGDs were held in different provinces/cities of Pakistan. SMEs from diversified sectors participated in these collective group discussions and the team gathered useful insights. Separate FGDs were arranged for 'small' companies and for 'medium' sized companies to ensure we captured any distinction in needs, which may vary dependent on company size. In view of the growing participation and importance of women in business, one FGD was specifically arranged with women entrepreneurs to understand any distinctive issues and needs, which exist. The total number of SMEs consulted during these FGDs was 80. Details of FGDs are presented in Appendix 3.

##### 1.2.1.1.2 SMEDA

#### Management Team Meetings

From the outset, an important driver on this project has been to work closely with the SMEDA management team on each stage of the project. The management team has been fully briefed on the project work plan, outputs from the SME research, and the outputs from our Assessment of SMEDA. We would like to record our appreciation of the effort and commitment SMEDA management and staff have made in supporting the consultants team throughout this project.

**One-to-one interviews** were held with the CEO, General Managers, Provincial Chiefs and Deputy General Managers of all SMEDA departments. Key managers, Assistant Managers and Regional Business Coordinators (RBC) also took part in meetings with the consultants' team. The objective of these meetings was to conduct a diagnostic analysis of SMEDA as an overall agency and on a divisional basis in order to identify constraints and issues the Agency faced, particularly within the context of responding to our analysis of SME needs, and the range of BD services which we recommend SMEDA deliver in the future. A key component of this was assessing the current service delivery mechanisms, and SMEDA's capacity to adapt to the new

delivery mechanisms we have recommended. Over 20 one-to-one interviews were held with SMEDA staff by the consultants' team.

#### **1.2.1.1.3 Business Development Service Providers (BDSPs)**

Two Focus Group Discussions and a number of one-to-one meetings were held with BDSPs in Karachi and Lahore. Given the future reliance which SMEDA place on the use of selected BDSPs to work on individual SME support projects, it was important that we 'took on board' the views and suggestions of BDSPs, particularly in terms of their views on SME needs, and the issues they face in delivering services and managing projects with SMEs. We also used this opportunity to explore whether BDSPs recognized any distinction in 'need' and approach to delivering services, between 'small' and 'medium' size businesses. Appendix 3 shows the details of these focus groups.

#### **1.2.1.1.4 Selected Senior 'Commentators'**

Once all aspects of the SME research and SMEDA review had been completed, and once the project team had formulated preliminary views on the Organization & Services Strategy presented in this report, we arranged a series of 'one to one' meetings with selected individuals. These meetings were primarily to verify our interpretation, ensure we had captured key points and understood the scenario SMEDA is facing, and had developed a practical strategy which SMEDA would be able to commit to. A list of the persons met is presented in Appendix 4. Before finalizing our 'thinking' regarding the future SMEDA strategy we also carefully considered comments made by The Advisory Committee, at earlier committee meetings.

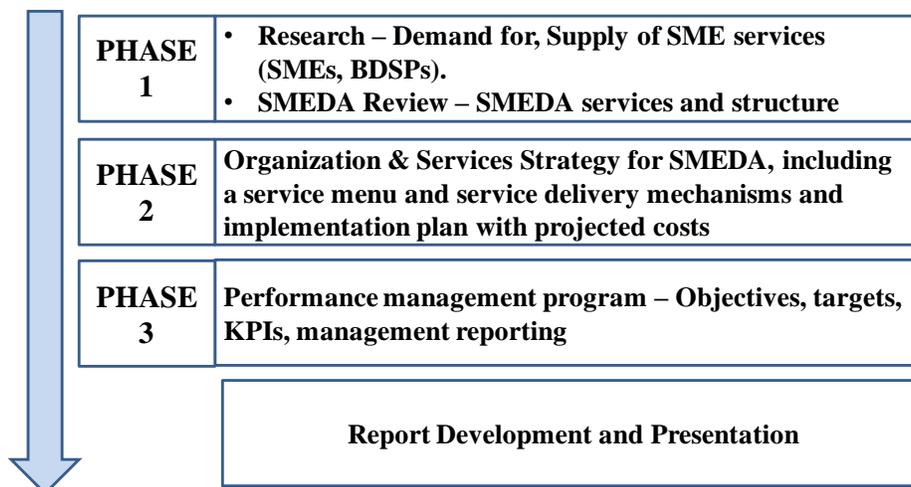
#### **1.2.1.2 Secondary Research**

We used a number of secondary sources to identify relevant information:

- Selected studies/reports recently carried out with a focus on SMEs in Pakistan and SMEDA. A list of reports we considered is provided at Appendix 5.
- The existing SMEDA database which analyses in detail the mix of SME enquiries and 'walk ins' over the last eight years was another source of information which was used specifically to analyze the actual nature of needs and enquiries which SMEs made of SMEDA. The data was analyzed with respect to sector, region and the type of enquiry.
- Examples of SME development initiatives used in other relevant countries were also highlighted to identify best practices, and specifically to highlight successful programs managed by other International Development Agencies, which could be adapted for use in Pakistan.

## **1.3 Work Plan**

The project was spread over a period of three and half months; starting from the middle of October 2012 to end of January 2013. It was carried out in three phases as shown in the matrix below:



**Figure 1 Three Phases of the Project**

The Work Plan showing all the key activities is presented in Appendix 6.

The Organization & Service Strategy, together with the Implementation Plan presented in this report has been specifically designed to give the SMEDA management team a practical vehicle which will enable them to reposition SMEDA as the ‘first port of call’ SME support agency in Pakistan, offering practical and responsive support services to SMEs locally, and in sectors important to provincial economies. Of course, we do not underestimate the challenges which our recommended strategy will present to the management team, however, if SMEDA adopt and commit to this strategy we are confident that SMEDA can recapture its early reputation, and become a real ‘driver’ in contributing toward growth in the Pakistan economy.

## 2. SME Needs for Business Development Support

### 2.1 Overview of SME Constraint to Growth and Need For Support

SMEs face multiple barriers to growth which vary with respect to their sectors, regions, size of the company, and their respective stage of development as a company. However, many commonalities exist in terms of constraints and needs for growth with all SMEs. An important element of the research was to determine whether there is any marked difference in needs for support as typically expressed by 'small' businesses and by 'medium' size businesses. The experience of the consultants team, gained in managing SME support programs in many economies around the world, suggests that the difference in required support between 'small' and 'medium' size businesses, was more focused in terms of developing appropriate models for delivering this support, rather than significant differences in 'needs' for support.

There are constraints which relate to the overall business environment; such as power shortages, security issues, overall bureaucracy and requirement for regulatory compliance. In each of our meetings with SMEs and in the FGDs, it was evident that these issues and constraints are a constant concern to businesses in Pakistan, however, there is very little direct impact which SMEDA can bring to bear in addressing these issues. As such, we have not focused on these issues in the report.

In this section of the report, our focus is on constraints and needs for support which can be influenced and controlled by an SMEs management team, and where focused interventions from an organization such as SMEDA can have a real impact, particularly in supporting SMEs that show real potential and a drive for growth.

Before presenting our analysis of SME needs, as they emerged throughout the research program, it is important to highlight some other important conclusions that we have drawn from the research. These are not SME need 'specific', and are more in the style of observations regarding typical SME attitudes and 'mind sets' which have an important bearing on the type of business development services SMEDA should offer, and the types of service delivery it should deploy.

- SMEs in Pakistan are, typically, unused to working with external advisors – be they Development Agencies, consultants or technical advisors. This is something of a 'barrier' which should be recognized in all service development, delivery and in national and regional marketing of SMEDA.
- Whilst very difficult to quantify, experience suggests that it is also likely that the smaller the business and the less experienced or developed their management team, the more unlikely it is that they have worked with external advisors. As such, the approach which an agency such as SMEDA should adopt should recognize the difference in comfort levels in using external advisors, dependent on each SMEs stage of development.
- Aligned to this, there is some reluctance on the part of SMEs to pay for external advice. There is an attitude with some SMEs that they would rather allocate funding toward something tangible where there are 'visible' cost reduction or revenue generating prospects, rather than something which they consider 'invisible', where they are unclear what the benefits may be – such as a support project managed by a BDSP.

- A relatively low education level, coupled with limited access and understanding of modern business communication techniques and systems also act as barriers to SMEs.
- In line with the 2011 ILO Report 'Toward Gender Parity' women in business do face distinct challenges and sensitivities which should be observed in designing any practical SME support mechanisms. However, our feedback from 'woman only' FGDs and 'one to one' SME meetings underscores their expressed view that there is no need for any distinction between male run and female run SMEs in terms of the support services an organization such as SMEDA should provide.
- SMEs tend to be very short term trade, sales order, customer, distribution partner focused – which is not a bad approach. However, in the longer term sustainable SME growth, particularly if there is a focus on export, needs to be based on a stronger strategic assessment of markets, and a clearer direction in planning business growth.

## 2.2 Primary Research Findings

The majority of SME constraints and needs for support which emerged, not surprisingly, fall under the four key functions of any business: production/process, sales and marketing, human resources and finance.

Previous studies, which focused on SMEDA and the needs of SMEs in Pakistan, also identified the main areas where SMEs require support. However, those studies tended not to go too deeply in terms of exploring the actual need, and problem which an SME expressed. For example, if an SME identifies a weakness in marketing as a key constraint to growing his business, it is important to understand what the SME actually means by a 'weakness in marketing'. Without this understanding, it is difficult to provide a tailored solution which addresses the real need.

Throughout our research, our approach has been to 'dig deeper' and identify more specific needs in each broader need area identified by the SMEs. The following section provides an overview of the main business development needs of SMEs, expressed by SMEs in all categories of research we carried out, across the country. After this, we also include a short section which highlights distinctions in needs and approaches to working with growing 'small' businesses, and more developed 'medium' size businesses. Later sections on SMEDA BDS Service Families and recommendations for delivering these services, covers different delivery models and a proposed new SMEDA organization structure as a platform for this.

### 2.2.1 Marketing and Sales Management

One of the most commonly highlighted areas where SMEs expressed their need for support was that of marketing and sales. Throughout all meetings and FGDs, marketing was consistently referred to as the most important need. Strengthening both export marketing and international business development was a priority need. However, support for local marketing was also deemed necessary. Given the importance of exporting to the Pakistan economy, and many of the SMEs with whom we met, a separate section on Exporting & International Business Development is included below.

Specific areas of marketing where SMEs need support include:

**Identifying Buyers:** How to identify buyers was a 'need' frequently mentioned by SMEs. Within this category, after some probing it became clear that SMEs also need a lot of advice in how to identify the right type of business partners (agents, distributors, JV partners, manufacturing licenses etc). This was mentioned for local markets but was particularly relevant for export

markets where limited market information is available to the SMEs, and where there is a distinct lack of understanding in how to research and prioritize export markets, how to select the best distribution channels, and how to adapt products to meet specific customer needs.

Encouragingly, a number of SMEs also recognized the importance of an organization such as SMEDA establishing overseas offices, linkages with overseas industry associations, and encouraging types of 'meet the buyer' events, customized to specific export markets and sectors in Pakistan. Many SMEs were realistic enough to understand that SMEDA may take some time to make these types of services a reality.

**Understanding Markets:** A consistent theme with all SMEs with whom we met was a low understanding and awareness of where and how to source market information, what type of market information they needed to get, and what to do with the information when they had it. This was especially applicable to export markets. Access to information about the market dynamics, size, segmentation, major customers/suppliers (competitors), pricing, and product compliance standards was seen as a major 'need'. There was an overall need for a greater understanding and application of market research. The intensity of this need was higher for small SMEs compared to that for medium ones. This need was common to all sectors represented by SMEs involved in our discussions.

**Exporting & International Business Development:** Interestingly, when a number of SMEs declared a need for support in marketing, it became clear that what they actually meant by marketing was exporting. In some ways it is refreshing to see this desire for export and international trade. Of course, many SMEs are already exporting extensively. However, there is also a real danger that SMEs consider exporting for the wrong reasons and are not experienced enough to succeed. In this scenario, these SMEs simply jeopardize business in their domestic market through turning attention onto unchartered export markets. Under this category, specific issues include:

- Selecting 'best fit' markets which offer a balance between sales potential and 'fit' with their products and capacities
- How to distribute and sell their product in the market – sales/distribution channels
- How to identify the necessary Quality/Certification standards in place, and how they comply with these standards and, finally;
- Whether advisory and financial support is available and how to arrange exploratory visits to target markets?

**Direct Marketing Support:** There was a strong voice from the SMEs for getting direct support to market their products. For export markets, this need primarily revolved around support to participate in international trade fairs and exhibitions. This support was mostly required in two areas: subsidies to reduce the cost of participation in the events, and technical guidance to effectively participate in the event so as to make the exercise more productive for them. Another form of direct marketing support was desired as financial and technical facilitation for establishing showrooms and/or offices in selected export markets. <sup>1</sup>

For SMEs operating in local markets, support was required mostly for meeting with the buyers in suitable place where some display facilities for their products are also available.

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<sup>1</sup>The utility of participating in international trade fairs from sales actualization prospective can be questioned due to factors like:

- Lack of export readiness
- Exhibition are a highly competitive place with a large number of sellers displaying their products, some of whom will have a background/track record of success

**Marketing Plan Development:** SMEs face difficulty in understanding their marketing needs with respect to their products and customers in a structured manner. Lack of understanding of marketing and how to develop a practical Marketing Plan to drive business growth is a real constraint for many SMEs. In our discussions with SMEs, typically this emerges as a need for business development support. However, with prompting by the consultant team it does become clear that SMEs have a limitation in pulling together their marketing and sales requirements in a structured form – a Marketing Plan.

**Advertising, Promotion:** SMEs either do not engage in advertising and promotion or rely on traditional techniques for advertising/promotion, which all too frequently are really not appropriate for their markets, products and customers. This lack of awareness becomes a barrier to their growth. Therefore, an important business development need is providing advisory support for advertising and promotion of SME products/services. This includes use of different types of media and modern tools like websites, e marketing, brochure design, packaging, labeling, etc. Understanding of B2B marketing and pricing promotions is limited among SMEs. We include basic sales and customer/prospect targeting in this category.

**Sales Management and Skills:** Sales is an important function of any business. SMEs lack skills for effectively managing the sales of their products/services. This applies to both local and export markets; however, its relevance is more for the local market. Efficient use of distribution channels/agents for promoting sales is important for SMEs to sustain growth in sales. Support for sales management and sharpening sales skills was thus identified as an important business development need of SMEs. This also includes; sales reporting, call planning, territory management, presentation/listening skills etc.

### 2.2.2 General Management Support

A point which was highlighted by a wide majority of SMEs relates to the fact that growing businesses need a more robust, stronger understanding and application of general management of the business when they reach a certain critical point in their growth curve.

Many SMEs we met appear to recognize that there comes a point when continued growth of the business relies on embedding more formal management structures, reporting arrangements, application of targets and budgets, and tighter financial management of the business. SMEs were very clear in explaining their need for guidance, support and training in how to establish and embed this type of 'step change' in their business. In this area of need, it is important to emphasize the need to improve, strengthen overall/general management skills within SMEs. Owners, managing directors and general managers need a greater appreciation and understanding of how all management functions should operate cohesively within a business. Key 'management functions' where this need was most frequently mentioned include:

**Sales and Marketing Management:** Almost all the SMEs we met gave the impression that their sales and marketing management was very informal and loosely managed. As a resource, sales staff (field sales and tele sales) are an extremely expensive resource, therefore they must be used as efficiently as possible. This requires strong management in terms of sales planning, prospect targeting, territory management, contract negotiation etc. A need was expressed by SMEs to gain a better understanding of formal sales and management models through support and guidance from experienced sales and marketing advisors. SMEs also struggle with drawing a distinction between sales management and marketing management and, with some prompting, expressed a real interest in accessing advice on how stronger marketing, in support of sales, should be introduced to their respective businesses.

**Production Management:** SMEs tend to employ traditional methods in their production and/or assembly operations. This impact on production costs, affects product quality, leads to

inefficient inventory management and inefficient use of machines and labor, and has a direct impact on their ability to generate sustainable profit. There is certainly scope for improving SME awareness of formal production and quality management systems.

**Financial and Cost Management:** A very important area highlighted by SMEs was financial management. Within this, product costing was quoted as an area where support was required. Most of the SMEs we met acknowledged their lack of capacity to accurately cost all aspects of their manufacturing and/or service operations. Incorrect costing leads to incorrect pricing (over or under pricing) and this in turn can lead to contractual decisions which may be damaging on the business, in terms of reduced profits or loss of customers. Advice and support for product costing and overall cost management, is an important SME need. Cash flow and financial management (using cash at the right place at the right time) was also regularly cited as a weakness by SMEs. A lack of experience and skill in this function also limits the capacity of the SME to correctly evaluate the option of external finances. Financial management is a key area where SMEs need external support.

**HR Management:** An important component underpinning business growth is creating departments/sections, developing hierarchies in the organization, and embedding clear reporting and communication channels. A typical scenario of a growing SME, transforming from managing everything by himself / herself to delegation of responsibilities is a difficult stage for SMEs to manage. Typically, support offered here is very personal and 'one to one' with owners/family members, delivered by specialist business mentors. Delegation requires developing/implementing management reporting systems which is not easily understood by the SMEs.

Adopting a more professional approach to all aspects of staff management (recruitment, retention, career development and training) was also cited as an important need by some SMEs.

All these factors act as constraints to growth. SMEs contacted during one-to-one interviews and focus group discussions quoted getting general management and HR support as an important need to grow their businesses

**IT & Management Information:** SMEs have limited knowledge about the use of modern IT tools and the benefits for overall business management and control, and for promoting their businesses. This has been identified as an important need by a number of SMEs consulted during the research study.

### 2.2.3 Technical Support

Throughout all our discussions with SMEs, there was a wide and varied range of issues and 'needs for support' raised which best fit under an umbrella heading which we refer to as Technical Support. The specific requirements for technical support repeatedly highlighted by SMEs are presented below:

**Production/Process Efficiency:** How to introduce, maintain and manage efficient production processes minimizing cost and maximizing profitable return. SMEs indicated real interest in ways and means to make their production processes more efficient by employing different technologies and management techniques. Combined with sales and marketing efficiency, SMEs really need to understand the importance of manufacturing and operational efficiency (for service companies) within the context of competitiveness – particularly with those Pakistan SMEs that have aspirations to compete on an international stage.

An important need highlighted by the SMEs relates to energy efficiency. This has a special relevance in the context of the present energy crisis in Pakistan. SMEs need to adopt

processes/techniques which are more energy efficient and specifically requested access to specialist advisors who could take energy cost out of their operations through improved usage and efficiency. Total Quality Management (TQM) is an important technical need of SMEs is learning about quality management systems and implementing those in the business organizations. Again, within this context, Pakistan SMEs with a determination to compete in export markets recognize the imperative of TQM, and the need to develop and adapt products which meet the more demanding needs of international buyers and customers. The issue lies in understanding how to embed TQM within their businesses and how to adapt products to meet local export market needs. This is where SMEDA facilitated support is required.

**Technology Up-gradation:** Access to affordable, improved technological options so as to maintain/improve their competitiveness in local and export markets is important to SMEs. Specific needs in this category include guidance and access to information about the available technological options, how to source new technologies, and issues related to technology licensing, etc. Similarly, SMEs also expressed their need for support and guidance on how and where to source improved materials, components etc.

**Compliance & Certification:** There is recognition of the requirements for compliance and certification standards for products by buyers both in domestic and export markets. These compliance and certification requirements may relate to technical specifications of the product or to some system related standards. SMEs are limited by their lack of awareness about the compliance requirements for their products. Even where awareness exists, there is limited capability within a typical SME in how to adhere to compliance requirements. Therefore SMEs expressed a need for external support and guidance in how to meet these compliance and certification requirements.

**Product Testing:** Testing facilities in Pakistan are limited, and those, which exist, are seen as prohibitively expensive for many SMEs. The impact of this is a high level of non-tested, non compliant products offered to the market. Inevitably, this can lead to a high product failure rate, which has damaging consequences on the reputation of SMEs, and Pakistan business in general. In this instance, the need for support lies in offering a wider range of affordable testing facilities covering key sectors and catchment areas, and less in the area of advice and guidance.

#### **2.2.4 Business Startup Support**

In parallel with established SMEs, there is a need to support entrepreneurs with the potential to grow. This was highlighted during our discussions at SMEDA and in some FGDs. We discuss SMEDA 'Business Start Up' support in more depth at a later point in the report. However, at this stage it is worth emphasizing that in future where SMEDA does support Business Start Ups, this support should concentrate on entrepreneurs who have already put some thought and consideration into their plans for creating a business. Where a potential entrepreneur simply 'walks in' to a SMEDA office asking whether, and how to start a business, they should be simply referred to the SMEDA Business Guides on 'Starting a Business' (on the future web site and in hard copy) as referred to later in the report.

Where an entrepreneur has clearly thought through his plans for starting a business, and where a SMEDA SME Advisor assesses there to be potential in what he proposes, then SMEDA should 'pick this up' and channel the entrepreneur into appropriate SMEDA support services – such as; market research, marketing and sales planning, business planning, regulatory/financial/legal technical support.

### 2.2.5 Access to Business Information

Access to good, regularly updated business information underpins all aspects of business development. Currently, SMEs have limited access to relevant information and have a limited understanding of the type of information they require, and how they should use it. This is particularly evident in all aspects of market research, selecting and prioritizing target markets, understanding customer needs, and assessing competitor activities. Information needs are discussed below:

**Market Information:** This includes information on local/export markets in terms of their size, sales trends, segments, suppliers, prices etc. Access to specialist market reports, trade directories, buyer information, trade fairs, trade press and relevant trade associations and other linkages, is important.

**Product Technology Information:** This package includes information about new improved technologies, machinery and equipment, sources to acquire those technologies/machineries, product's standards, compliance/certification requirements, testing facilities etc.

**Useful Linkages for SMEs/Entrepreneurs:** SMEs/Entrepreneurs need information about the sources from where some help may be available to them for promoting their business. This may include contacts of relevant government support organizations, contacts of chambers, industry and trade associations etc.

### 2.2.6 Access to Finance

An important need highlighted by a majority of the SMEs met during the research study relates to access to finance for business operations and growth. SMEs are unable to get finance due to lack of collateral, lack of proper documentation and high interest rates, which becomes barrier to growth.

It is important that SMEDA make a clear distinction between SMEs which believe SMEDA is a funding agency, and ask for funding – which was regularly the case in our discussions, and the very real need which SMEs have in terms of external guidance and support in how to access, and where to access external finance.

More specifically, SMEs have a need for guidance and support in:

- Understanding the process involved in approaching an external funding agency for finance. That is, what information about their business and their personal status they will be asked to provide, what plans they have for expanding the business and, in particular, why they require this external finance.
- Understanding the importance of preliminary market research, cost/benefit analysis as a forerunner to any request for external finance they make.
- Developing a feasibility study
- Developing and presenting a Business Plan, and;
- Understanding what options are open to them in terms of the possible sources and types of finance

### 2.2.7 Women in Business

As covered earlier, there are distinctive sensitivities and challenges, which women face within the context of managing and working within SMEs. We would suggest these 'sensitivities and challenges' are more accentuated in micro businesses, rather than in more established SMEs which, through growth and development, have encountered and overcome these constraints. At

a later point in the report, we propose SMEDA adopt a highly practical and relevant means of responding to the needs of SMEs managed by women.

The 'Toward Gender Parity' ILO Report (2011) highlights a number of SME constraints to growth, which the ILO argues are distinctive to women and not men. These are listed as:

- Access to formal finance
- Marketing support and networks
- Technology
- Skills development
- International certification awareness
- Regulatory procedures

These constraints bear a close similarity to the clear needs and constraints expressed by all SMEs we met during our research. Our point here is that these constraints and needs are common to all SMEs be they male or female managed. The feedback we received from the 'Women Only' FGD underpins this and sends a very clear message that women neither wanted our expected different types of BD support services from SMEDA. It is the means of delivery, rather than the service itself, which should accommodate the distinctive constraints of women working within SMEs.

### **2.2.8 Small Size Businesses vs. Medium Size Businesses**

In terms of the needs which SMEs have for support, virtually all the support needs highlighted above are relevant to both 'small' and 'medium' size businesses. However, the important difference exists in the nature and depth of need, and the way in which support is delivered.

To illustrate this point, let us look at the following categories of SME Needs, covered in this section:

- Marketing & Sales Management
- General Management Support
- Technical Support
- Access to Business Information
- Legal and Accounting

#### **Marketing & Sales Management Services**

All SMEs, irrespective of size, require help in understanding and prioritizing markets, and identifying and understanding customer needs. Typically, all SMEs need help in 'How to Prepare a Marketing Plan', and how to manage their sales and customer targeting efforts.

A smaller, less developed SME needs guidance, possibly training, on the Basics of Market Research. What information do we need, where do we get it from, what do we do with it? A larger, more developed SME typically needs help in designing, implementing and analyzing the results of a market research project which will concentrate future business development efforts such as market diversification, product diversification, etc. A smaller company might ask what options do they have in terms of sales or distribution channels to market, a larger company may ask 'how do we manage our distribution channels more efficiently?'

The point here is that, typically, all SMEs require Marketing & Sales Management support. The mix and style of this support should be customized to the specific need, and stage of

development they are at. As covered later, a vital role which SMEDA should fulfill in the regions, is assessing each SMEs need, and deploying the right type of support to respond to this need.

### **General Management Support**

A medium size company is more likely to have a structured management team with clearly allocated management responsibilities. Also, they may well have clearly understood company and departmental targets underpinned by some form of management reporting procedure allowing them to monitor performance.

In this category, there is typically a difference between 'small' and 'medium' size businesses. Small, growing companies may well be family based and are managed by one or two key people, without any real management structure and/or understanding of the necessity to embed a management structure, and plan future development, as a fundamental 'need' to underpin company growth.

Again, both categories of company have a need for General Management Support. A 'medium' size, more developed company might have a more specific, more specialized need for support. A smaller company has a greater need for mentoring/handholding in terms of making the conversion between, for example, an owner managed business into a business capable of business growth with the right management structure and plans for growth.

### **Technical Support**

In this category, any distinction in need, determined by size of company, is even more blurred. The feedback we received suggested that SME needs for technical support tended to be very specific. For example; technology/machinery/equipment specifications, improved production efficiency, compliance and certification requirements, and product testing options.

Both 'small' and 'medium' size companies have a need for support in all these categories. The key difference lies in the variance of understanding and recognition of the importance of technical efficiency of a company to underpin growth, market and customer acceptance. Typically, a smaller company will need greater guidance and attention in all aspects of 'technical support' than a more developed company.

### **Access to Business Information**

All companies, SMEs through to multi-national corporations are dependent on access to, and analysis of business and market information. Typically, a smaller less developed company, needs closer coaching and support in understanding what type of information would be of benefit to them, where to get this information, and how to use it to underpin improved competitiveness and sustained growth. This explains the importance we place on SMEDA developing still further their business information resources, and the efficiency with which regional offices and SMEs can access relevant information.

Finally, by of emphasis, there really is no significant distinction in the categories of support need which 'small' and 'medium' size businesses have. Crucial to supporting each SME is understanding and accurately assessing their specific need under each of the 'needs' categories we have defined, and 'packaging' SMEDA support using the BDS Service Families to the differing needs of each SME. More on this at later point in the report.

### **Legal and Accounting Services**

Legal and accounting services were not prominently highlighted by SMEs as their key business development needs. However, a discussion has been added in view of the fact that these are the two main services in SMEDA's existing basket of services.

For legal services, there is a difference in approach between 'small' and 'medium' size businesses. Legal services were found to be more relevant for small businesses as they do not

have much knowledge about the environment they are operating in and the kind of legal and regulatory requirements they need to meet. Relevance of legal services is also higher for the potential startups which are usually 'small'. However, for 'medium' size businesses, legal services support is of low importance. These businesses operate at a level where they have sufficient knowledge available in-house; and if required, they are able to seek any external help by engaging professional lawyers.

Just like legal services, support for accounting services is mostly relevant only for 'small' businesses since they mostly operate their accounts informally and do not have the required information and/or expertise for formalizing. On the contrary, the 'medium' size businesses operate at a stage where they are already using formal accounting systems and do not require any support for that. If any additional support is required, that is easily accessible from the market and involvement of organizations like SMEDA is not very relevant.

## 2.3 Secondary Research Findings

### 2.3.1 Independent Organizational Evaluation of SMEDA

Key highlights of the report on "Independent Organizational Evaluation of SMEDA" with respect to the service requirements of SMEs are narrated below:

- A sample size of 216 SMEs was used with 51.4% SMEs and 48.6% micro enterprises. 59% respondents were from production/manufacturing, 33% from services and 8% from agriculture.
- Common reasons for approaching SMEDA were 'new business startup (16%), sales and marketing growth (16%), informational purposes (14%), new business processes (11%), management improvement (11%), new product development (8%) and cost reduction (7%).
- The most searched for services in the consultant's database were Finance (24%), Training (21%), Marketing (16%) and Legal (13%).
- Regarding respondents' demands for the kind of services, 34% wanted training and seminars, 22% better guidance in business startups and 14% financial assistance.
- The top six most important aspects of business for respondents in order of importance (on a 1-5 scale; with 1 the most important and 5 the least important) were:
  1. Market and technological guidance (2.18)
  2. Financial support (2.49)
  3. R&D support (2.88)
  4. Business plan support (3.03)
  5. HR training (3.06)
  6. Information (legal, regulation, etc.) (3.07)

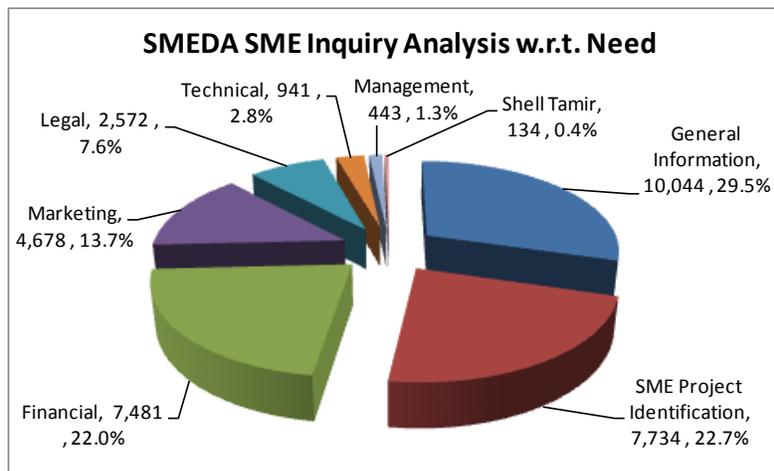
### 2.3.2 SME Baseline Survey

An SME Baseline Survey was conducted in 2009 with the objective of developing a baseline perception of SMEs on various issues and functions. With respect to business development services, the main findings were that good quality BD services are not available to SMEs and there is a limited use of such services by the SMEs.

Key findings of the 'Independent Organizational Evaluation of SMEDA and SME Baseline Survey' are presented in Appendix 7.

### 2.3.3 SMEDA SME Inquiry Database

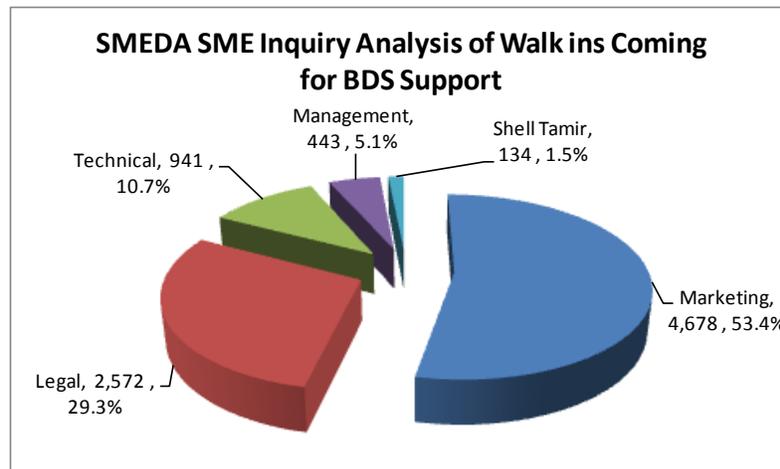
SMEDA has maintained a database of SMEs walking into its provincial offices and RBCs with their inquiries. This includes a high percentage of organizations that may not be categorized as SMEs, such as startups, micro enterprises, farmers etc. This database can be viewed with respect to region, sector or type of inquiry. The following diagram shows the distribution of 34,027 walk-ins coming to SMEDA from 2004 to 2012 with respect to the type of inquiry:



**Figure 2 SMEDA SME Inquiry Analysis**

52.2%, of the total people walking into SMEDA came in just to get some information; 29.5% came for general information while 22.7% came in for business identification. 22.0% of the walk-ins came in to ask for financial support. The majority of these wanted some form of financing for their businesses. With these three categories accounting for 74.2% of the total walk-ins, it was only the remaining 25% of total walk ins of SMEDA who actually came in for business development support or guidance.

It is evident that the service in most demand is marketing. 53.4% of the total walk-ins of SMEDA came in asking for marketing support. This is completely in line with the results obtained throughout the SME research. The apparently high level of 'legal' enquiries (29.3%) is skewed a little as the majority of 'walk ins' asking for startup/project identification support would also ask for information regarding, for example, registration, company structure, tax etc.



**Figure 3 SMEDA Walk In's for BDS Support**

The traffic of enquiries at SMEDA helpdesk is also a reflection of positioning (or lack of it) of SMEDA in the minds of entrepreneurs. There is a general observation in our research that even today a large number of SMEs do not have a clear understanding on the role, functions and services of SMEDA, and how they can benefit from it. In line with our observation that SMEDA tends to be a supply driven, not demand driven organization, it is also realistic to assume that the mix of enquiry types collated by SMEDA is as much a reflection of the limited range of services SMEDA provides, as it is a reflection of actual SME support needs.

In conclusion, the various research channels we have used to assess SME needs for support has enabled us to highlight the priority constraints to growth, and needs for support of SMEs in Pakistan. We are comfortable that this has provided an excellent platform on which we have been able to develop a stronger range of BD services for SMEDA, and a stronger base of delivery mechanisms through which these BD services can be delivered.

In addition, the various discussions we have had with SMEs on a 'one to one' basis, collectively in the FGDs, and in meeting with Chambers of Commerce and Industry Associations, has given us a strong insight into the current perception SMEs have of SMEDA, and the 'modus' of operation which they would like to see SMEDA adopt in the future.

# 3. SMEDA's Organizational Assessment and Service Delivery to SMEs

The purpose of this chapter is to present an outline of the key findings of the SMEDA organizational assessment and services delivered to SMEs at present. These findings are drawn from group meetings attended by SMEDA Head Office and Regional/Outreach managers, and 'one to one' meetings with the Chief Executive Officer (CEO) General Managers (GMs), Provincial Chiefs, Managers and RBCs. During these meetings, the current activities being carried out by SMEDA were reviewed with respect to their relevance and effectiveness for business development service provision to SMEs.

Encouragingly, within SMEDA, there appears to be a collective recognition of a number of the key restraints, issues and challenges which SMEDA faces. With this recognition, there is a strong interest in developing a practical Organization & Services Strategy for SMEDA which the management team can use as a vehicle to drive SMEDA forward in the future. There is also a shared determination in using this project as a means to develop a practical, realistic 'way forward' for SMEDA which the management team can get behind, and which lays out a realistic 'roadmap' for making the necessary change happen.

Assessment of SMEDA's capability to deliver business development services to SMEs has been categorized under the following major heads:

- SMEDA's mandate
- Capacity and resource constraints
- Management structure
- Existing service menu
- Marketing and promotion

## 3.1 SMEDA'S Mandate

SMEDA was established fourteen years ago. Since its inception it has been involved in an ever changing range of activities, with a lack of clarity within SMEDA and at Government level regarding its key objectives, responsibilities and remit. Not surprisingly, an impact of this has been a diminishing level of awareness and understanding of who SMEDA is, and what services they provide to their client base, that is, Pakistan SMEs. Despite this, throughout all our discussions with SMEs, a very clear message was sent. SMEDA, or an organization such as SMEDA, is essential as a national and regional agency that coordinates and delivers SME support across Pakistan

### **3.1.1 SMEDA's Shift to Strategic Focus from SME Service to Public Sector Development Programs**

During our discussions at SMEDA it was generally accepted that the organization had lost focus, and had strayed away from its original, defining objectives and remit upon which it was established fourteen years ago.

Over recent years, one major change in SMEDA's strategic direction has been the progressive shift in focus towards large PSDP (Public Sector Development Program) Projects to the detriment of concentration on providing business development support to SMEs. As discussed with SMEDA managers, around 80% of the available manpower resources in the Outreach Division have been allocated to PSDP Projects, whereas the primary role of the Outreach Division is to provide BD services to SMEs. Against a background of declining annual budgets, access to donor funded projects and sector funded activities has been vital to SMEDA. However, an impact of this has been a gradual dilution of support away from 'direct to' SME BD services, particularly as staff at HO and in Outreach are taken away from SME support activities, and allocated to Public Sector Development Project work.

In the post-devolution scenario, there has been a reduction in the flow of funds from Federal Government for activities like industrial/investment promotion/SME development. As a result, SMEDA has found it difficult to access funding for its PSDP projects, and in the future PSDP projects are likely to decline in importance for SMEDA. This in turn supports a commonly expressed view during our meetings with SMEDA management that there is a need to re-balance the focus in favor of SME BD service delivery. This also highlights the importance of defining a clear mandate for SMEDA so that in future its focus can remain on the provision of services for business development support of SMEs.

### **3.1.2 Lack of Clear Focus**

Over recent years, SMEDA has engaged in a number of activities which are somewhat distant from their original remit. Against a background of declining funding and staff resources the organization is over stretched, and unable to deliver this artificially wide range of activities with any real effectiveness. There is an urgent need for SMEDA to refocus and establish complete clarity on who they are, what they do, and how they do it.

#### **3.1.2.1 Coverage of Micro Enterprises**

There is lack of clarity over whether SMEDA should support micro businesses or not. The present definition of SMEs says that an enterprise with an employment size of up to 250 is an SME.<sup>2</sup> Since there is no lower limit in this definition, this creates flexibility for SMEDA to bring micro enterprises also under its support umbrella. Presently, SMEDA is implementing a donor-funded project which is aimed at supporting micro businesses. There are echoes of establishing a Livelihood and Community Development Division within SMEDA to take care of similar initiatives.

We are clear in our recommendations to SMEDA.

- 96% of the estimated 3.2m SMEs in Pakistan are micro businesses (<10 employees) even with a solid, predictable pipeline of future funding, it is impractical to consider providing effective support nationally to a base of 3.2M companies.
- Micro businesses have a different set of support requirements to more established SMEs. If SMEDA were determined to provide proactive, targeted support to micro businesses in the future then the organization would have to accept that an additional

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<sup>2</sup> SME Policy 2007, Government of Pakistan

support service menu would be required, together with a different support delivery mechanism.

- As presented in more detail at a later point, the proposed strategy is based on a more proactive, targeted approach to established SMEs which show evidence of potential for growth. Of course, we are not proposing that SMEDA exclude micro businesses from any SMEDA support, however, we are recommending that SMEDA's future stance should only be reactive to micro business enquiries.

### **3.1.2.2 Coverage of Agriculture**

Since its inception SMEDA has been active in the agriculture sector. This has involved conducting studies and designing development projects related to farming sectors; including, dairy, horticulture, poultry and fisheries.

Our recommendation is that, in the future, SMEDA should continue to support SMEs that operate in agriculture sectors; however, this should be limited to SMEs operating 'beyond the farm gate'. That is, their business is in, for example, processing, transporting or selling agricultural products, not in farming it. In the past and currently, SMEDA has provided direct support to individual farmers. Similar to the point above regarding micro businesses, our view is that it would be completely impractical for SMEDA to provide customized support to Pakistan farmers. A completely new range of dedicated services and support delivery mechanisms would be required.

Pakistan already has a range of Federal and Provincial Ministries and Government Departments that focus on specific agriculture and farming sectors. Whilst the overall SMEDA attitude of trying to help all is laudable, supporting individual farmers within SMEDA's future structure and services would be a misuse of scarce resources.

### **3.1.2.3 Coverage of Sectors**

Currently, SMEDA covers all sectors of the economy but with limited impact in any sectors. With the broad diversity of sectors and regions across Pakistan, there is a need to question whether future SMEDA support should be available for all sectors, or whether future support should be concentrated on high growth potential sectors selected by SMEDA, as priority sectors. Short term, visible impact in target sectors may generate greater short-term economic gains, than the current approach of supporting all sectors. In the long term, SMEDA can increase its sector coverage by including other sectors over time.

## **3.2 Capacity of Resource Constraints**

### **3.2.1 Lack of Resources-Understaffed Organization**

Over recent years, although the activities portfolio of SMEDA has expanded the workforce has not kept pace in the same proportion. Compounding this, there is currently a ban on hiring additional staff imposed by the federal government, which makes it difficult to even replace a person leaving the organization. Based on information supplied by their department, the current headcount at SMEDA is 138 against an approved strength of 194.

Of more concern is the allocation of staff in various functions. Of the total 138 employees, only 74 (Outreach Division) could be termed SME facing. That is, for a national organization whose primary remit is to provide direct support to SMEs across Pakistan, only 53% of SMEDA's staff resource is directly focused on SME support delivery. Allocation of SMEDA's approved and current staff to various divisions and departments is provided in Appendix 8.

### 3.2.2 Reducing Budget

SMEDA is the apex organization working at a federal level for the promotion and support of SMEs nationally. SMEDA's budget for the year 2012-13 is PKR 195 million. Although the table below indicates a marginal increase in annual budgets 'year on year', in net terms, SMEDA's operating budget has reduced substantially over the last 4/5 years when annual inflation rates are considered over the same period. (20.3% in 2008 reducing to 11.9% in 2011 – World Bank inflation figures for Pakistan).

Year	Total Budget (PKR million)	Annual increase
2012-13	195	6.5%
2011-12	184	6.4%
2010-11	172	7.5%
2009-10	160	6.7%
2008-09	150	0.0%
2007-08	150	

In summary, SMEDA operates in an environment where they continue to be given additional responsibilities for managing new development initiatives and projects (many of which are not SME focused) whilst at the same time they are allocated a progressively smaller budget to manage these responsibilities.

A detailed breakdown of SMEDAs operating budget is shown at Appendix 9.

### 3.2.3 Capacity Constraints-Regional Business Centers

To expand its operational outreach, SMEDA established 20 offices in different cities around Pakistan. These are known as Regional Business Centers (RBC) and are typically based at local Chambers of Commerce. A list of SMEDA RBCs in the four provinces of Pakistan is provided at Appendix 10.

These RBCs face a serious capacity issue which was repeatedly highlighted by a number of GMs, Regional and other managers at SMEDA. These offices are manned and operated by only one person. In addition to providing 'first port of call' support to SMEs, the RBC is also required to manage office administration, conduct local SME marketing, recruit SMEs for SMEDA training programs and lend implementation support for SMEDA's PSDP and donor projects. The majority of these RBCs are staffed by 'coordinators' which are typically junior staff in SMEDA with limited experience of SME businesses, and business in general. Arguably, given SMEDAs core remit of supporting SMEs, it should be more senior, SME experienced staff managing RBCs, and give the first level of response to SMEs.

In addition, again because of resource constraints, RBCs are inadequately equipped with hardware, access to useable, relevant market, business, and technical information enabling them to manage their job efficiently - supporting SMEs.

Another important issue is the location of a number of the current RBC Network. A few RBCs have been opened in the regions where there is no significant density of SMEs. As such, it is difficult for these RBCs to maximize their resources, and contribute towards the SMEDA's overall goal of SME development.

Finally, consistent with SMEDA's operation in general, RBCs tend to be very reactive, responding to enquiries made and 'walk in traffic'. There is very limited proactive activity, in particularly identifying, targeting and arranging meetings with established SMEs based in that RBCs catchment area. Also, simply waiting for 'walk in' traffic at an RBC is not an efficient use

of RBC staff and is certainly not an efficient way of responding to an SME 'walk in', especially if the SME needs to wait in a queue to be seen. At a later point in the report we make suggestions regarding an 'appointment' based model.

#### **3.2.4 Lack of Trained Staff**

There is a lack of customized training of SMEDA staff (especially the RBC, helpdesk staff) in order to equip them to provide/facilitate the required support to SMEs. SME related expertise which is available within SMEDA has mostly been gained by being in that job, and not the result of some formal training. There is a section on Training Requirements at a later point in the report.

Looking to the future, one particular area where there is a serious lack of capacity is in the requirement to manage SME Diagnostics, or Business Development Reviews (BDRs). This is essential for SMEDA's regional staff in order to allow them to prioritize the real needs which each SME has, before directing the SME to the relevant SMEDA service. Training will be important on this point.

#### **3.2.5 Low Motivation and Morale**

On an overall organizational level, morale is low and there is a lack of motivation amongst employees at SMEDA. There have been delays in salary payments, and an inconsistent promotion and increment policy, which has had an impact on staff's morale. Understandably, there is an atmosphere of uncertainty and job insecurity in the organization. To the credit of all staff at SMEDA, despite this somewhat depressing atmosphere, there remains a real determination to change and, although perhaps burning a little less brightly than in the past, a pride in working within an organization that has real potential to make a positive impact on the Pakistan economy.

### **3.3 SMEDA's Management Structure**

#### **3.3.1 Limited Influence of Private Sector in SMEDA's Management**

SMEDA was established with the remit and spirit of running the organization in line with the needs of the private sector. To succeed in this, having a balance of staff with experience and an understanding of 'a day in the life' of an SME was a prerequisite. This was the reason behind having a board with a majority of members from the private sector. The first two Chief Executive Officers were from the private sector.

However, progressively over the years, the role and influence of the private sector in SMEDA's management has reduced to a level where it is virtually nonexistent. Since 2004, SMEDA has seen four CEOs all of whom have been serving bureaucrats. Moreover, two of the four General Manager positions have typically been held by regular government officers. While induction of formal bureaucracy into SMEDA has been helpful in developing/improving legitimacy and control for SMEDA as a government organization, the downside has been that the SMEDA has become gradually more remote from the 'sharp end' of SME activity.

At one of the management meetings at SMEDA attended by the consultant's team, the point was made that 'public servants are process-driven and not performance-driven'. SMEDA has become a process-driven organization, with very little direction toward performance based objectives. Whilst we completely support an organizational structure that combines the important experience and skills sets of both private and public sector managers, our recommendation is that SMEDA adjust the balance more toward the private sector, which is in keeping with its original mandate.

### **3.3.2 Disconnect Between Outreach and Business and Sector Development Services (BSDS) Divisions**

In the current organizational structure of SMEDA, there is an issue regarding the efficiency of communication between Outreach and BSDS Divisions. This issue is clearly recognized internally and was openly discussed in the management team meetings and in individual meetings with the managers.

#### **3.3.2.1 Overlapping of Functions**

SMEDA's existing organizational structure is shown on Page **Error! Bookmark not defined.** As per the existing organization structure of SMEDA, BSDS has the responsibility for designing, developing and managing SME BD services. The Outreach Division has the responsibility of responding to SME enquiries, and delivering SME specific support through use of the range of BD services developed by BSDS. However, there appears to be little coordination between the two divisions. As such, there are areas of overlap and duplication with the impact of reduced effectiveness of service delivery to SMEs.

In the present structure, both BSDS and Outreach Divisions design/develop BD services as well as delivering those services. For example, business plan development and pre-feasibility studies have been designed and developed by Outreach, and they also deliver those services. On the other hand, BSDS has developed legal and accounting services, and they also deliver these services. In addition, BSDS has developed projects with donors and BSDS play an active part in implementing those projects through their own teams, with minimal involvement of Outreach staff. Such a situation creates confusion on the roles of different divisions, and has generated some 'working difficulties' between different segments of the organization. In all of this, ultimately it is SMEs that suffer.

There is a database of consultants (BDSPs) which has been developed by BSDS. Most of the suppliers included in this database are accountants or lawyers since these are the two key services developed by BSDS. However, there is little use of this database by the provincial and regional offices in the Outreach Division. Undoubtedly, one of the reasons for this is that there is very little demand for legal and/or accountancy services amongst SMEs. Also, there is a lack of required coordination between the two divisions for effectively using this database, so Outreach staff is not particularly familiar with the database.

#### **3.3.3 Lack of Defined Key Performance Indicators**

As a result of ambiguities and fluidity in roles and responsibilities, key performance indicators (KPIs) are not properly established / implemented for different departments/positions. This seriously limits the capacity of the organization to operate with a performance-driven approach, and seriously impedes the capacity with which the management team can direct the organization.

A recommended Performance Management Program is included as the final section in this report.

## **3.4 SMEDA's Existing Service and Delivering Capability**

SMEDA currently offers a number of support services to SMEs. These include services targeting individual SMEs, and SMEs operating within wider sectors and clusters where wider project/initiative based support is offered. A brief summary is provided in the following paragraphs:

- SMEDA has ten different services listed in its current menu of services which include: Business Plan development services, eServices/Industrial Information Network (IIN), Financial services, Industry Support Program, Information Resource Centre (IRC), Legal services, Technical services, Training services, Women Entrepreneurship Development Initiatives and SME Toolkit. Details are provided in Appendix 11.
- SMEDA has also developed SME support publications and adaptable templates including Pre-feasibility Studies, Regulatory Procedures, Sector Briefs, Commercial Contracts, Research Journal and Publications.
- The organization has also designed and managed programs for cluster development support. Projects in this category include; Public Sector Development Projects (PSDPs), Cluster Development Initiatives and Development Partner Initiatives.

### **3.4.1 SMEDA's Current Service Basket Analysis**

#### **3.4.1.1 Supply Driven Approach for SME Services**

SMEDA does offer some BD services to SMEs. BSDS has developed a portfolio of services, which mainly includes accounting and legal services. However, the service menu is not in line with the real needs of the SMEs and it is evident that SMEDA BD services tend to be supply driven and not SME demand driven. An example which reinforces this is the belief that 'Legal Services' is considered to be a priority need to a typical SMEs business development and growth. Throughout all our discussions with SMEs, the only passing reference to a need for Legal Services delivered by an organization such as SMEDA, was within the context of a start up business which might need advice on what type of business format to establish how to register a business etc. When asked whether they had a need for Legal Services, without exception SMEs simply responded by explaining that they would contact their lawyers.

The view that SMEDA's services are not relevant to the real needs of SMEs is largely accepted across the SMEDA management team. SMEDA maintains a good database of all SME 'walk-in' enquiries over the past eight years. This database is searchable by region, sector, and type of inquiry/required support. However, very little use of this database has been made as a tool for a continuous realignment of SMEDA services with the SME needs. This is a further reflection on SMEDA being supply driven, and not demand responsive.

The Outreach Division, particularly the RBCs, understand the mix of enquiries and needs which SMEs have. In our view, Outreach is better equipped to have a direct input, and management responsibility for developing and delivering BD services. It was very clear in meetings with a number of the Regional DGMs that they already develop their own approaches and services offered to SMEs, and they would now prefer to have more formalized responsibility for this function.

#### **3.4.1.2 SMEDA's Helpdesks**

SMEDA has established helpdesks in its provincial offices as the first point of contact of SMEs. RBCs also act as helpdesk offices in the regions. The persons answering SME inquiries on these helpdesks do try to serve all the needs of 'walk in' SMEs, but understandably feel constrained in responding to a full range of needs such as those related to marketing, technology, management skills etc. Most of the support lent to the SMEs is in the form of providing limited information to the walk-ins, which is available within SMEDA. No formal orientation/training is provided to people working on helpdesks.

### **3.4.1.3 Ineffective Linkages between Information Resources and Points of Service Delivery**

SMEDA has a range of good business information at its disposal, and through its information sharing partnership with LUMS. However, the present disconnects within the organization does not allow effective use of this information. Currently, there is no efficient procedure for linking the 'walk in' SMEs, through the RBC, to allow them access to the business information available within SMEDA. Recommendations on how this situation can be addressed are covered at a later point.

## **3.4.2 SMEDA's Current Service Delivery Mechanism Analysis**

### **3.4.2.1 Acting as a Service Provider vs. a Service Facilitator**

With SMEDA's current capacity and structure, it is unrealistic to expect the organization to be directly involved in 'hands on' support to SMEs. Indeed this was never the intention when SMEDA was established. Even if SMEDA were to focus on the 4% of the estimated 3.2million businesses in Pakistan which are defined as SMEs (i.e. not micro businesses with <10 employees), this leaves a base of approximately 128,000 SMEs. With an existing headcount of 138, it would be completely unrealistic for SMEDA to provide effective 'hands on' support to this volume of SMEs.

SMEDA needs to reposition itself as a service facilitator or catalyst in directing SMEs to customized BD services delivered by specialist BDSPs. In the future, an important role which SMEDA management should evolve into is that of arranging, managing, and monitoring individual SME projects – acting at a bridge between SMEs and their appointed BDSPs.

In support of this point, a clear message which came back from our discussions from SMEs was that the support provided by SMEDA tends to be a bit generalized, which sometimes is not valued by SMEs. This finding was also endorsed by SMEDA staff. Provision of customized services through a strong network of certified BDSPs, combined with SMEDA provincial staff acting as facilitators, will go a long way to resolving this.

### **3.4.2.2 SMEDA's Current Use of BDSP Services**

SMEDA has developed a BDSP database, and this database is accessible via the website. However, whilst the model to access the database works well, the range of BDSP types listed and the categorization used to list them is not strong. Neither is the understanding and usage of the database by SMEDA provincial staff. The key reasons are discussed below:

- The system's prime focus is on two services, legal and accounting. Neither of these services features as a business development need, as expressed by SMEs. More important needs like marketing, technical and management services are not covered by the database, and more importantly by listings of competent external specialists/advisors operating in these areas.
- Misalignment of the system with the actual needs of SMEs is the key reason that the initiative has not turned out to be very beneficial for SMEs.
- There is very little awareness amongst SMEs about the existence of this database of consultants. There is a very fragmented understanding and usage of the database within SMEDA.
- There is no formal mechanism for hiring of consultants. There is limited awareness in the BDSP market about the existence of this database, so there is no incentive for BDSPs to market themselves toward SMEDA.

- Even if a BDSP is approached by SMEDA, right now there is no incentive for a BDSP to enroll on the database. The prospect of regular, fee based SME project work would be more of an incentive, and this would go some way toward strengthening the database, and identifying what type and capacity of BDSPs exist in Pakistan.
- There is no robust screening process, specified standards and minimum qualification criteria set for the BDSPs who want to register on this database. Membership of a professional body or institute is considered to be good enough for registering in the database. No evaluation of the applicant consultant is carried out by SMEDA and there is no system whereby a BDSP can be classified as a “SMEDA Certified” service provider.
- No grading or ranking system for BDSPs is used to assess performance and, based on this, consider the BDSP for future SME project work.
- The role of SMEDA is usually limited to providing the names of the BDSP to an interested SME, and there is very little involvement in acting as a facilitator between the SME and BDSP to agree on TORs, and to manage the project. Feedback from SMEs does suggest that SMEs would certainly appreciate SMEDA acting in some form of supervisory capacity, as security to the SME who is probably unused to working with BDSPs.
- No follow up ‘monitoring and evaluation’ is carried out to assess how a SMEDA referred BDSP has performed.

### 3.5 SMEDA's Marketing & Promotion

Currently, there is no coordinated Marketing & Promotion Strategy in place at SMEDA. Marketing activity is carried out only on an ad hoc ‘need based’ approach. This tends to be to promote an important event at SMEDA.

SMEDA makes no use of marketing and promotion to position itself as the key support service provider for SMEs operating in Pakistan. As a result, there is confusion, a lack of understanding in the business community about the role of SMEDA, and a lack of awareness of the support services that SMEDA can offer, and how an SME can access this support.

Although, the organization does not provide funds to SMEs, there remains a perception amongst SMEs that SMEDA is an SME funding agency. This became regularly apparent during all our meetings with SMEs.

A Marketing & Promotion Plan is necessary in the future. This plan must have both a national and regional orientation, and should also include the input of SMEDA provincial offices to ensure highly localized promotion and targeting of SMEDA services is focused on ‘high growth potential’ SMEs in the provinces. The quality and accessibility of data collated on SME walk-in inquiries appears very strong. In terms of national and regional marketing activity in the future, the database of walk-in SMEs has potentially significant marketing value to SMEDA, if used properly.

### 3.6 Summary Findings-SMEDA and SME Situation Analysis

By way of conclusion to this section, a summary of the key findings of the situation analysis conducted, through interaction with SMEs and SMEDA, is summarized below:

- There is a mismatch between SMEs' real business development needs and the BD services currently offered by SMEDA.
- Marketing is regarded as the most important support need by the SMEs. Support and advice in Technical Services and General Management Skills is also very important to SMEs.
- Over recent years, the focus of SMEDA has shifted from providing direct support to SMEs towards implementing large PSDP projects. This has diluted the effectiveness of the organization as a BD service provider, which was the original mandate of the organization, and has had an impact on SMEDA's capacity to deliver practical and relevant support to SMEs.
- SMEDA's outreach program, carried out through its provincial offices and RBCs, is based on a reactive, rather than a proactive approach and lacks focus; which makes it ineffective for the SMEs.
- There is no efficient link between the reasonably strong business information resource based at SMEDA and the Outreach Division. SMEs need access to solid, updated business information to grow so SMEDA needs to ensure there is a stronger understanding of information available, and how to access it.
- SMEDA's has no marketing and communication strategy. A clear strategy is necessary if SMEDA wish to reverse the decline in awareness, understanding and usage of SMEDA services.
- As a priority, SMEDA needs to strengthen their reliance on BDSPs in the future. Looking at the volume of SMEs in Pakistan, and the budgetary allocations for SMEDA it is not possible for the organization to act as a service provider, and SMEDA should reposition itself as an SME support service facilitator.
- SMEDA needs to initiate a BDSP recruitment drive based on development of robust selection criteria, and a screening and evaluation process moving toward a 'SMEDA Approved Supplier' model.

The current organization structure of SMEDA has disconnects which is hampering its effectiveness towards providing value added business development support to SMEs. An amended Organization and Management Structure is proposed in our report

# 4. SMEDA- Future Organization and Services Strategy

## 4.1 Vision and Strategy Foundations

### 4.1.1 Vision

Throughout our discussions with SMEs, BDSPs, Chambers of Commerce and other Associations, a recurring theme was the insistence that a national organization such as SMEDA was essential to support SMEs, across Pakistan. However, in balance with this, there is also a view that SMEDA has lost its direction, has lost focus in terms of services provided, and sends no clear message in terms of the sectors or SME types which the organization targets. Within this context, there is also recognition amongst SMEs that SMEDA has continued to provide SME services against a progressive decline in net funding.

This Organization & Services Strategy is about SMEDA's future, and not SMEDA's past. With this in mind, we have taken the liberty of proposing a vision statement which SMEDA management may wish to consider. It is important to highlight here that this vision statement has been drafted within the context of SMEDA's role to provide BD services to SMEs. It does not take into account SMEDA's wider remit of policy planning and advocacy for SMEs on a macroeconomic level.

*"SMEDA will become the first point of contact for Pakistan SMEs requiring guidance in growing their business. SMEDA will operate as a facilitator in coordinating support for individual SMEs through a practical and highly flexible range of business development services delivered by specialist advisors on a regional, local and sector relevant basis"*

## 4.2 Strategy Foundations

Earlier sections of the report have detailed the conclusions we have reached following our review of the SMEDA organization, its business development services, and the mechanisms used to deliver these services. We have also presented our research findings with regard to the analysis of SME constraints to growth, and 'needs for support' which is now concluded.

Based on this, we are now able to present our recommendations regarding a SMEDA Organization & Services Strategy which has been designed as a practical roadmap which the SMEDA management team can use for driving the organization forward, and exerting a real impact on the growth and future competitiveness of SMEs in Pakistan.

We are in no doubt that the changes we have recommended with regard to organization structure, range of business development services proposed, and new directions in service delivery, will represent a significant challenge for SMEDA management and staff. Similarly, given the many 'management team' and 'one to one' meetings we have had with SMEDA, at Head Office and in the Regions, we are in no doubt that there is a strong, collective desire and recognition of the need for change. This Strategy is presented as the vehicle on which these changes can be implemented.

We have developed this Strategy on a number cornerstones or pillars.

- In the future, SMEDA will focus and concentrate resources on 'Small' and 'Medium' size businesses. Startups and micro businesses will not be excluded from SMEDA support, however, SMEDA's stance should be more reactive to enquiries received, and 'walk in' traffic from these categories.
- In terms of Start Up support provided, a distinction should be made between an informal request for advice or ideas in 'how to start a business', and an approach where a clear plan for a Business Start Up has been formulated.
- Throughout the organization, SMEDA must become more proactive in targeting, and providing customized services in response to the needs of established SMEs able to demonstrate the potential for growth. This approach should be managed on a regional and sector relevant basis.
- BDSPs - Delivery of future SMEDA services requires a high reliance on a stronger 'pool' of carefully vetted specialist advisors, trainers and consultants, each of which should be 'SMEDA Approved'. This 'pool' of advisors should be selected, and allocated projects on a combination of industry background and functional or management experience.
- Based on other recent reports and studies, but more importantly on the feedback we have received throughout this project, SMEDA needs to reverse the diminishing awareness and understanding of 'who they are, and 'what they do' amongst SMEs throughout Pakistan. We recommend the development of Marketing & Promotion Plan, as an integral part of the Organization & Services Strategy.
- On a 'Top Down' basis through each division within the organization, SMEDA needs to integrate a range of targets and KPIs against which performance can be periodically assessed and, where necessary, management can use this information to take remedial action in areas of underperformance. We propose a series of targets and KPIs in the Performance Management Program, included as the final section of the report.
- The revised SMEDA Organization & Management Structure we propose is intentionally designed to support the changes in focus, highlighted above. Future emphasis must be on more focused delivery toward targeted SMEs, with a flexible range of 'need responsive' services. As such, the revised Organization & Management Structure reflects greater resources within the Outreach Division, but also a structure where Outreach has direct control over the development and delivery of SME business development services.

The Organization & Services Strategy is structured on a number of key components presented here. In each component we present our recommendations regarding future actions, together with the benefits of adopting this approach. The subsequent section in the report, the Implementation Plan, takes all recommendations within the Organization & Services Strategy, and integrates them into a practical Implementation Plan which SMEDA management can use to 'steer' implementation against an agreed schedule.

The key components of the Strategy include:

- SMEDA Organization & Management Structure
- Business Development (BD) Service Families
- Delivering BD Services
- Working with BDSPs
- Marketing & Promotion

- Capacity Building & Training
- SMEDA BDS Pilot Program

### 4.3 SMEDA Organization and Management Structure

Throughout our discussions with SMEDA, we have made it clear that adjustments to the current Organization and Management Structure, shown below, would be necessary. Essentially, this revised structure is necessary to underpin the new range of BD services proposed, and the changes to the delivery of these services with a greater emphasis on SMEDA provincial offices becoming more proactive in targeting, and working alongside SMEs 'on the ground', locally.

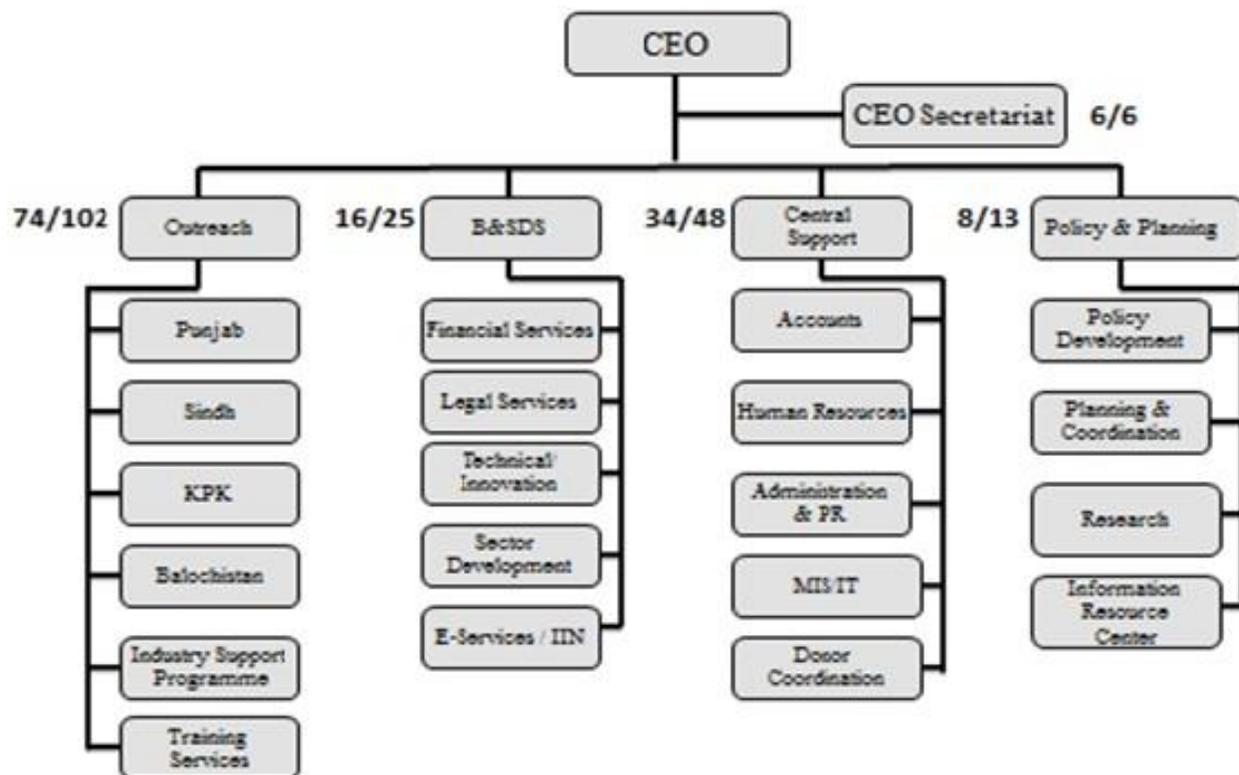


Figure 4 SMEDA's Current Organization and Management Structure

We have also discussed the importance of introducing a model where a number of SMEDA 'business experienced' staff, are positioned in the 4 provincial catchment areas, are fully accessible by SMEs, and are progressively equipped to manage Business Reviews & Diagnostics, as a means of prioritizing the real constraints to growth and support needs, and channeling SMEs into the right SMEDA service. The SMEDA senior management team recognizes the importance of strengthening the pool of experienced BDSPs, and the means by which they are selected, assessed and granted 'SMEDA Approved' status. Finally, there is agreement that SMEDA needs to develop and launch a Marketing & Promotion Plan to reverse the decline in awareness and understanding of SMEDA services within the SME community. As such, in the new structure, we recommend inclusion of two additional management responsibilities. BDSP Management and Marketing & Promotion Management.

### **4.3.1 Key Challenges to Organization and Management Structure**

Throughout the report, and as a key component of the Organization & Services Strategy, we have emphasized the importance of SMEDA adapting to become significantly more SME focused, offering targeted services relevant to the business development needs of SMEs operating locally, in the regions throughout Pakistan.

This emphasis is reflected in the new organization and management structure we propose. In particular, we have merged the Outreach and BSDS division into one larger Business Development Services division which will have responsibility for delivery and development of all SME services. The new structure is presented on the following page. Within the Scope of Work (SoW) for this project, our remit has concentrated on those elements of the SMEDA organization that focus on delivery, development and support of SME BD services. This explains why the SMEDA organization, as it reflects the Central Support and Policy & Planning Divisions, is not covered in the organogram presented below.

Our remit has been to focus on SMEDABD services delivered direct to SMEs. However, we recognize the benefit which SMEs indirectly derive from involvement through implementation of PSDP and donor funded projects. For this reason, our view is that it will continue to be important that SMEDA retains management responsibility for these projects; however, this should be out with the sphere of the Business Development Services Division.

Clearly, we would expect the SMEDA management team to make some adjustments to the structure to accommodate policy planning, PSDPs, donor projects and Central Support. However, as it was beyond our remit to review these divisions, we are not qualified to make any substantive recommendations regarding any needs to restructure. Any changes should be at the discretion of SMEDA; however, we would make a number of observations:

- With a significant transfer of resource to the new Business Development Services division, together with a greater self-sufficiency and autonomy in managing this division, the scale of Head Office based resources required to support Business Development Services should reduce.
- Any structural changes to the existing Central Support and Policy & Planning divisions should be made bearing in mind the need to support and compliment the activities of the Business Development Services Division
- An additional management responsibility for Marketing & Promotion of SMEDA as an organization should be included in the new organization. A manager for SME Marketing within the Business Development Services division has also been included.

### **4.3.2 SMEDA's Proposed Organogram for BD Service Delivery**

LEGEND:

- Head Office
- Provincial Office
- Satellite Office

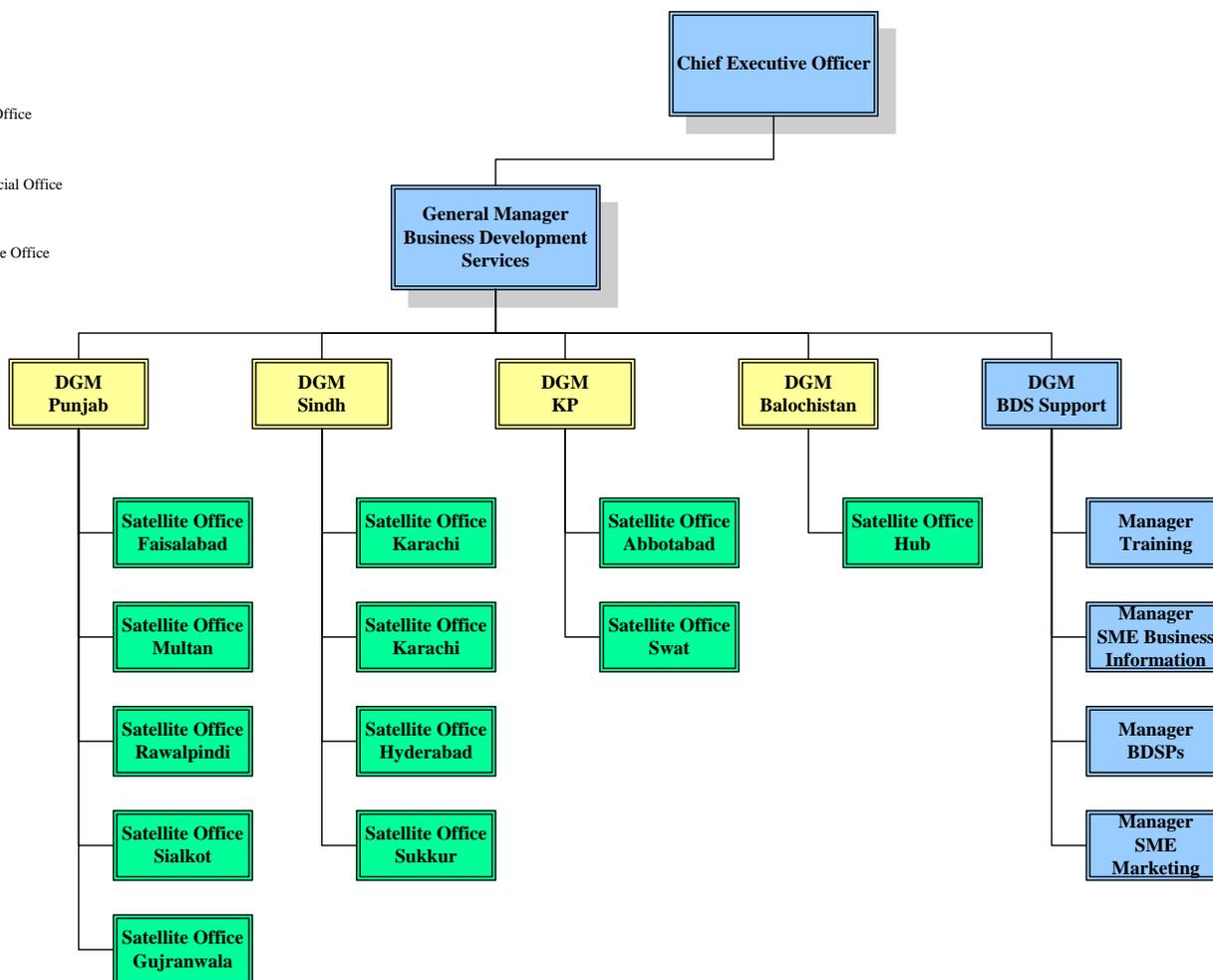


Figure 5 SMEDA's Proposed Organogram for BD Service Delivery

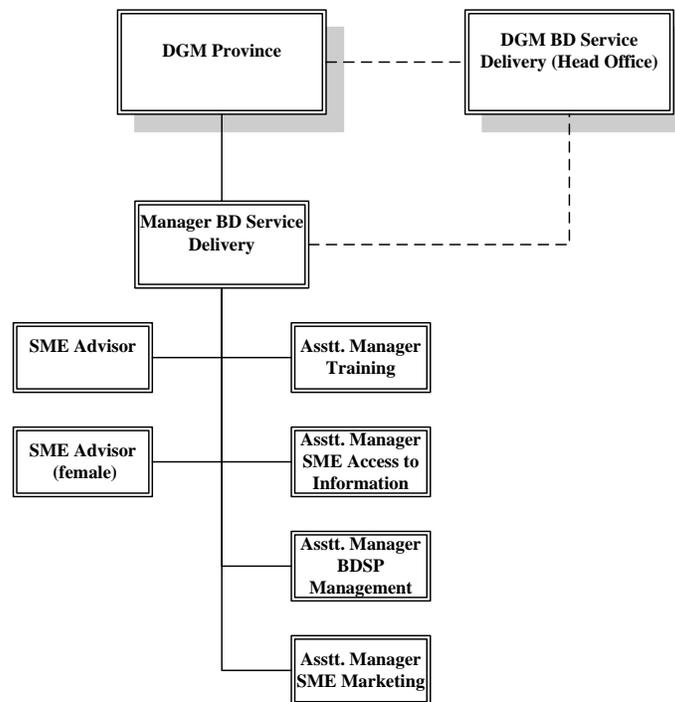
The new Business Development Division, as presented above, will continue to operate through 4 Provincial Offices, but with a network of Satellite Offices. The structure above includes a total of 12 Satellite Offices, spread proportionately on the basis of SME density in each of the 4 Provincial Office catchment areas. The precise number of Satellite Offices, their locations, and the scheduling, with which these Satellite Offices are opened, should be determined by the SMEDA management team. The model used above is only for illustration.

Again with reference to the new organization above, the remainder of this section of the report focuses on the proposed structure and responsibilities of:

- A Provincial Office
- A Satellite Office
- BDS Delivery Support (Head Office)

**A Provincial Office**

The model for the provincial office proposed below relates specifically to BD service delivery and other support functions are not included:



**Figure 6 Provincial Office Model**

Each provincial office will be headed by a Deputy General Manager. Within the context of delivering BD services to local SMEs, a Provincial Office DGM will now have a stronger 'toolkit' of BD services he can offer SMEs, particularly through BDSPs. He will also have a team of experienced SME Advisors, based in his Satellite Offices that he can deploy on a sector basis, on a location basis, and by type of SME and in line with clear provincial KPIs agreed with Head Office.

A Manager BD Services has been suggested for each of the 4 provincial offices. He will be responsible for coordinating the activities for providing business development support to the SMEs in the province. This position will directly report to DGM Province and will have a dotted line relationship with the DGM BD Service Delivery in the Head Office.

SME Advisors, based either at a Provincial Office or a Satellite Office, will increasingly become a key resource for the BDS Division. Whilst we have referred to the role of an SME Advisor throughout the report, his/her specific responsibilities will include:

- Targeting, approaching and managing ongoing SMEDA BD support 'on site' with SMEs in his/her catchment areas.
- Managing SME Diagnostics and Business Development Reviews (BDRs), in order to agree underlying needs and priorities for support facing the SME.
- Operating as a facilitator at a point between the SME and an appointed BDSP, to customize, oversee, and ensure successful completion of an SME support project, and;
- Coordinating any relevant SME enquiry or request for support through the BD services and resources available through the SMEDA organization.

Two SME Advisors have been proposed in each provincial office. We recommend that one of these SME Advisors be a female. In addition, four positions corresponding to the similar structure in the head office have also been proposed to be the part of this team:

- Assistance Manager Training
- Assistant Manager SME Business Information
- Assistant Manager BDSP Management
- Assistant Manager SME Marketing

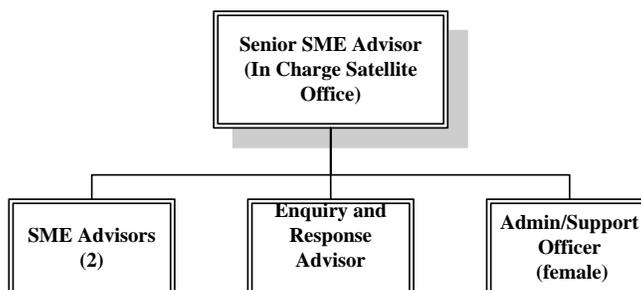
These positions will act as the implementing arms of the organizations to ensure that the business development related interventions of the organizations are implemented to the benefit of local SMEs. The Assistant Managers in the provincial offices will have dotted line relationship with the respective Managers in the Head Office.

**A Satellite Office**

The model we propose replaces the existing 22 ‘single person’ managed RBCs with 12 Satellite offices which are better equipped, and more efficiently located as a base from which an average of 3 SME Advisors can operate, targeting SMEs in their agreed catchment areas.

Whilst the precise headcount and mix of staff based at each Satellite Office will vary, dependent on density/distances of SMEs in that office’s catchment area, we suggest a typical Satellite Office headcount would include:

- 1 x Senior SME Advisor (Nominally in charge of the Satellite Office)
- 2 x SME Advisors
- 1 x Enquiry Response Advisor
- 1 x Support & Admin Staff (we suggest hiring a female for this position)



Although this will vary ‘office by office’ our view is that each Satellite Office will require a small reception area, office space and desks for the Enquiry Response Advisor, and Support/Admin Staff, and a max of 2 additional desks for SME Advisors, when they are in the office – which should be a small proportion of their time. A small meeting room should also be available. The Satellite Office should also act a regional hub of information relevant to the local SMEs, in particular regional sectors and other support agencies and associations. A pool of relevant literature on SMEDA services and sector relevant information should be available and regularly updated.

Based on the current provision and quality of furniture, IT and telecoms equipment operating at the 22 RBCs, the Satellite Offices should be provided with an upgrade in each of these 3 items.

**BDS Delivery Support (Head Office)**

The new organization structure includes a BDS Delivery Support team with Deputy General Manager (DGM) responsibility. Operating within the Business Development Services division, the underlying responsibility of this team will be to support the Provincial and Satellite Offices, and the SME Advisors in the delivery of all SME BD support services.

The BDS Delivery Support team will have 4 managers working within it.

Manager Training (Existing role)

Manager SME BD Services (New role)

Manager BDSPs (New role)

Manager SME Marketing (New role)

### **Manager Training**

Training Services is currently based within the existing Outreach division, and we recommend that this function remains within the new Business Development Services division. The feedback we have from our discussions with SMEs is that the SMEDA range of training programs enjoys a good reputation.

Our key observations here are that future SMEDA training programs offered to SMEs should be consistent with the BD Service Families covered in an earlier section, and that the future range of training programs be more industry/trade specific, and be offered to participants from technical/operator grades as well as at management level.

### **Manager SME Business Information**

As covered in the report, the SMEDA library together with access to the LUMS business information resource, does offer a reasonably strong base of business information and data. Whilst the range, type and means of access to this data should be strengthened further, SMEDA needs to improve the ease of access which SMEs have via their respective SME Advisor and through the Provincial and Satellite Offices.

Access to high quality business information underpins much of the support and advisory services which can be offered to SMEs. The Manager SME Business Information will be responsible for:

- Reviewing and strengthening the current range and quality of business information sources at the SMEDA library. In particular, geographic market, industry/sector relevant reports and specialist studies, product/technology, standards and certifications, buyer lists, trade directories etc.
- Ensuring SMEs can access relevant information (as above) which is accessible and updated on the SMEDA website. Examples of this type of online information provision can be seen in the example websites included in the section on Benchmarking International Development Agencies. Ensuring a system is in place allowing access, and information transfer between SME Advisors, Satellite Offices, Provincial Offices and Head Office.
- Introducing procedures where an SME Advisor can place a detailed information request specifically relevant to a BDSP managed project for an individual SME. Library staff should respond to this request.
- Ensuring soft copy information on key sectors/markets/technologies is made available to Provincial Satellite Offices to support local SMEDA marketing initiatives as directed by the Provincial DGM.

### **Manager BDSPs**

SMEDA's future reliance on high quality BDSPs to deliver customized support projects to SMEs has been emphasized throughout this report. In our view, the importance of developing and using BDSPs as a core delivery mechanism, particularly for 'high growth potential' SMEs, is such that introduction of a dedicated 'Manager BDSP' role is fully justified.

The remit for this new management role will include:

- Planning and management of a BDSP recruitment drive. Including; advertising and promotion, design of a BDSP profile/format, categorization of BDSP specialties for inclusion in the BDSP Database, and a screening and vetting process
- Development of a 'SMEDA Approved Status' program for BDSPs
- Development of a SMEDA sponsored BDSP Training Program, in conjunction with Manager Training.
- Ongoing management of BDSP interaction with SMEs in managing individual SME support projects planned by SME Advisors.
- Ensuring quality management of overall BDSP input in managing SME projects.
- Introducing and overseeing all Contract Management protocols in managing SME/BDSP customized support projects.

### **Manager SME Marketing**

For SMEDA to raise their effective presence within local SME communities, it is important that they become more active and proficient in identifying, targeting, and approaching SMEs in Satellite Office catchment areas. Longer term, once SMEDA has achieved a higher penetration in terms of contact and ongoing support involvement with an SME, SMEDA should also be active in updating that SME with relevant information regarding SMEDA BD services, training, events, new initiatives and relevant business information.

The Manager SME Marketing in the BDS Division will have responsibility for:

- Overall management and coordination of local SME marketing and targeting initiatives, working closely with Provincial Offices and relevant Satellite Offices.
- Providing support in developing SME target lists, and means of targeting (email, telecom, media, regional press, seminars etc)
- Supporting SMEDA linkages and cooperative marketing initiatives in the regions with Chambers of Commerce, Industry/Trade Associations and BDSPs

## **4.4 Business Development (BD) Service Families**

Each element of the SME research program was designed to give us feedback on the real constraints to growth, and needs for support, which SMEs have. We went to considerable lengths to ensure SMEs were able to explain their actual needs under broad, more general headings which have typically been used in the past, on projects such as this.

As an example, other surveys of SME Needs would typically refer to Marketing and Technical/Production as key areas of need, and leave it at that. Our approach has been to break down these broad definitions of 'needs', into actual constraints, which can then be matched to more specific support services. So, for example, we now understand that in Pakistan when an SME explains that they have a need for Marketing Support, and they are pressed to explain this in more depth, this is likely to mean one or a combination of:

### **4.4.1 Marketing**

- Finding customers, partners or distributors/agents
- Exporting and Domestic Marketing
- Understanding how to manage market research

- How to prioritize markets for focus
- Understanding customer needs
- Distribution Channels
- Sales skills

The BD Service Families we present below have been developed in direct response to the 'needs' which have been expressed by SMEs with whom we have met. As has already been covered, we have also reviewed the current range of services offered by SMEDA. A number of services should certainly be retained and developed, and these are included within the BD Service families we have recommended.

Creation of BD Service Families offers a number of important benefits to both SMEs and to SMEDA:

- On the SMEDA website and other SMEDA promotional channels, giving the SME an option to 'click' on a BD Service Family and then access a menu of service types, brings much more clarity and improved understanding of what SMEDA can offer that SME. The SME can quickly associate his 'need' with a possible solution.
- The range of BD Service Families gives the SMEDA Network a consistent, uniform set of services which are sufficiently flexible that they can be provided to 'small' companies, 'medium' companies and, indeed, micro businesses on an enquiry, or 'walk in' basis. They are also relevant to all industries and sectors. They are a highly flexible range of services.
- These BD Service Families are compatible with, and should be used in each type of delivery mechanism. That is, SME project specific, where an appointed BDSP, customizes a support project and agrees TORs with an SME and SMEDA for managing a project. Where an SME accesses SMEDA online and is taken to online guides in each menu list service within each BD Service Family, and as a filtering tool for SMEDA provincial offices or 'walk in' facilities.
- Whilst we cover training as a separate section later, these BD Service Families also provide a real point of orientation in terms of ensuring SME training modules match real needs, and services provided by SMEDA. They also give a necessary focus to the type of capacity building and training which will be required within the new Business Development Services division and the Head Office.
- Finally, given the future reliance which SMEDA plan to place on BDSPs, the range of BD Service Families also gives real direction to any BDSP recruitment initiative, in terms of the functional, management experience, and specialism which SMEDA needs to have available through the strengthened BDSP Database.

The recommended BD Service Families are below. Whilst the service menu lists are designed in direct accord with what SMEs have told us they need, we would expect there to be minor adjustments and some additions of specific menu items.

#### **4.4.2 Growing a Business – General Business Management**

- Sales & Marketing
- Production & Operations Management
- IT & Management Information

- HR Management
- Financial & Cost Management
- Business Structures, Management Reporting, Delegation

#### **4.4.3 Starting a Business**

- What's the potential – Is there a market?
- Feasibility Studies & Business Plans
- Use of a Business Plan in accessing finance
- Legal, Accounting, Government regulations advice

#### **4.4.4 Supporting Access to Finance**

- The need for a Feasibility Study
- Preparing and presenting a Business Plan
- Type of Finance/Funding Options
- Funding Organizations – Questions and answers

#### **4.4.5 Understanding New Markets and Consumer Needs (Export and Domestic Markets)**

- How to carry out Market Research?
- How to identify target customers and understand their needs?
- Distribution channels
- Understanding competitors
- Product Certification, Quality Compliance Standards

#### **4.4.6 Strengthening Marketing and Sales Skills**

- Understanding marketing and how we should use it
- Preparing a Marketing Plan
- Advertising, Promotion, Websites, e-Marketing
- Pricing
- Packaging, Product Design
- Sales management and sales skills

#### **4.4.7 Exporting – New & Current Exporters**

- How to identify which export markets to target
- How to identify customers, understanding their needs
- How to identify distribution partners (agents, distributors, JVs)
- Understanding export documentation, export finance, logistic

#### **4.4.8 Production & Technology**

- Production Efficiency

- Product Testing
- Standards, Certification, Compliance
- TQM, Quality Management
- Adapting product/service to market and customer needs
- Sourcing, selecting new technology, components, materials

#### **4.4.9 Access to Business Information – Markets, Products, Trade, Directories**

- Information on market size, growth, decline, competitors
- Export Market Information
- Trade Fairs & Exhibitions
- New Product/Technology Developments
- Technical Product Standards, Compliance, Certification
- SMEDA Linkages & Associations

### **4.5 Delivering BD Services**

The BD Service Families presented above match the needs which SMEs tell us they have. The BDSPs, Chambers of Commerce, and Industry Associations with whom we have met, agree.

In terms of delivering BD services in the future, SMEDA should make a clear distinction between the support they deliver to established, typically larger SMEs, and services they deliver to smaller companies, typically micro businesses, and start up's. The Organization & Services Strategy we propose is based on a more proactive approach to targeting SMEs, and providing more customized, and intensive support to established SMEs, and more reactive, less intensive support to micro businesses and start up's. The range of BD Service Families highlighted above, is applicable to both categories.

To continue this point, the Strategy works toward a point where SMEDA provincial and satellite offices become increasingly proficient in identifying 'High Growth Potential' SMEs and developing an ongoing working relationship with these companies as a facilitator in mobilizing support as required. Eventually, SMEDA will evolve to a point where an Account Management structure should be considered. Typically, one SME experienced SMEDA Account Manager will manage a portfolio of 20 – 30 'high growth potential' SMEs, covering perhaps 2/3 sectors within that SMEDA region. The Account Manager will act as a catalyst channeling the SME into appropriate support resources available through the SMEDA Network – and perhaps through SMEDA, to other Agencies.

Particularly with regard to established, typically larger SMEs, SMEDA need to introduce stronger Diagnostic or Business Review tools for use by future SMEDA Advisors in working with SMEs to identify and understand issues, and prioritize support for that SME. Capacity building, specifically in this area, features in a later section on training.

#### **SMEDA Support Delivery Channels**

There are 4 key channels through which SMEDA can deliver support to SMEs.

1. SME Customized Support Project – BDSP Selected
2. SME Enquiry / 'Walk In' Support (Provincial and Satellite Offices)
3. SME Training

#### 4. Online Support – via SMEDA Website

##### 4.5.1 SME Customized Support Project – BDSP Selected

In a later section, we propose an initiative to recruit, assess, and 'approve' BDSPs in line with SME needs, but also reflecting sectors of regional importance.

The purpose of this short section is to lay out the typical process that would be involved in managing an SME support project, where SMEDA recommend a BDSP to work with the SME to manage the project.

Step 1: SMEDA advisor meets with SME to understand business issues and needs for support (Diagnostic). Introduce and agree possible appointment of a BDSP. Introduces whether, and at what level SMEDA may subsidize the project.

Step 2: Search BDSP Database – use sector experience, relevant management experience as selection criteria.

Step 3: Select not less than 2 BDSP candidates (individuals or firms) and send CVs, profiles to SME.

Step 4: Arrange introductory meeting with BDSP(s) – SME and preferred selection. If SME is comfortable with the candidate BDSP, he is invited to prepare and submit a brief proposal to the SME, copied to SMEDA. Proposal should include; Objectives of the Project, Key Stages of Work Involved, Timings and Costs.

Step 5: If SMEDA and the SME are comfortable with the proposal, SMEDA determines whether, and at what level to subsidize the project, and sends a confirmatory letter to the SME.

Step 6: Project commences. SMEDA oversees project, providing some security to the SME on the quality and consistency in service delivery.

Step 7: On satisfactory conclusion, SME pays BDSP. SME invoices SMEDA to recover agreed subsidy. SMEDA should not pay this without proof of SME payment to BDSP. Alternately, SMEDA may also pay directly to BDSP.

Albeit a more intensive and ultimately more expensive support mechanism, the overriding benefit of this approach is that it provides carefully selected, specialist advice customized to the identified priorities of the SME. This is why we recommend SMEDA adopt this as a model to use with SMEs identified as having 'High Growth Potential'. The benefit also includes potential increase in demand for BDSPs among SMEs in Pakistan, leading towards a more robust market for professional services in future. This approach is widely used in many developed and developing economies, and is managed and delivered by national and regional SME Development Agencies, typically with a high dependence on the use of 'approved' advisors, consultants, and other specialists to manage SME projects.

##### 4.5.2 SME Inquiry / Walk-In Support

In addition to coordinating the SME project support highlighted immediately above, the SMEDA Advisors based in the Satellite Offices, should also be available to respond to SME enquiries, and 'Walk In' traffic. However, we propose an important change in this direction. In the future, SMEs – particularly micro businesses and start up's – should be able to visit a local SMEDA office, but should be encouraged to do this by appointment. Not only would this allow SME Advisors based at a Satellite Office to manage their time more effectively, but it would also allow them to prepare for a meeting with an SME visiting the office. It would also oblige SMEs to be a little more disciplined in thinking through their reasons for approaching SMEDA, than is the case now.

Earlier, we recommended that SMEDA move from the current 22 RBCs (currently under resourced and poorly equipped), to a fewer number (approx 12) of Satellite Offices staffed by a higher number of SME experienced resource (SME Advisors). These offices would have access to better hardware, telecoms equipment, meeting facilities, and business information, to respond to SME enquiries. Efficient use of these more mobile SMEDA Advisors will be enhanced further if each Satellite Office also has an Administration and SME Enquiry Manager. Effectively, this person would be office based, and would have the following responsibilities:

- First response to 'walk in' enquiries
- Supporting SME Advisors in diary management (meetings with SMEs)
- Supporting recruitment for local SMEDA Training Programs
- Supporting SMEDA Provincial/Satellite Office SME targeting/promotional initiatives
- Office administration – including collation of SME Advisors weekly/monthly reports

While we have made some proposals in this document on the number and locations of RBCs/Satellite Offices, the precise number and location of should be discussed and agreed by the SMEDA management team.

#### **4.5.3 SME Training**

The current SMEDA training program, delivered in the regions, is regarded highly by SMEs which we have met. However, based on our discussions with SMEs, we have a number of points and recommendations to make:

- The choice and range of training modules is good, and appreciated by SMEs. However, probably for very good reasons, the training modules tend to be somewhat general, and are designed to fit the needs of different types and sizes of SMEs across all sectors, in all regions.
- SMEs and a number of industry/trade associations who attended the FGDs suggested that SMEDA training modules should become more industry/sector and product/technology specific.
- Put another way, SMEs need training which is:
  - Tailored to their industry
  - Tailored to their region
  - Tailored not only to SME management levels, but also to technical operator, trade specific level
- Whilst we only met with a sample of Industry and Trade Associations in Pakistan, we understand that these associations do carry some weight as a support body for their respective industries. We are aware that SMEDA already has a working relationship with a number of industry associations; however, we recommend that SMEDA work more closely with selected associations to jointly develop training modules which are more industry and trade specific, as covered above.

SMEDA Training Services should also be closely involved in any future recruitment drive for BDSPs. Experienced trainers, business coaches and mentors, should be part of the recruitment drive. As will be the case with consultants and advisors, trainers should also be SMEDA Approved and be classified by industry, and type of specialist experience.

#### 4.5.4 Online support via SMEDA Website

The BD Service Families covered earlier should be clearly presented on the SMEDA website. They should be presented in a highly accessible, SME friendly style and should be reworked and offered as practical business guides, and learning tools for use by all categories of SME. This approach is commonly used by national SME Development Agencies operating in developed and developing economies. Using an earlier example, if an SME wishes some readily available advice, or pointers on Marketing (as below), then the SME should be able to select and 'click' on each item required and be taken to a useful 'business guide' offering practical help and coaching tips.

#### 4.5.5 Marketing

- Finding customers, partners or distributors/agents
- Exporting and Domestic Marketing
- Understanding how to manage market research
- How to prioritize markets for focus
- Understanding customer needs
- Distribution Channels
- Sales skills

To highlight this point, the USA based Small Business Administration (SBA) at [www.sba.gov](http://www.sba.gov) provides an excellent example of how online based SME business guides can be constructed. SBA makes a clear distinction between 'Starting a Business' and 'Managing or Growing a Business', which is consistent with the approach we have recommended to SMEDA. Of course, many SME Development Agencies around the world offer similar SME Online Support models. We would refer you to the following section on International Benchmarking to gain more of a flavor of the options used. It may well be that SBA could provide highly practical advice and input to SMEDA. However, it is important to recognize that the SBA model as shown on their website above has been designed for use by US based SMEs. A SMEDA online series of SME business guides must be customized to the specific needs and means of access open to Pakistan SMEs.

A point regularly made to us during the SME FGDs was the relatively low usage of the internet by SMEs, particularly micro businesses and individuals considering a business startup. Although we believe access to the internet is increasing every day, we also think it important that SMEDA consider 'hard copy', printed versions of these SME Business Guides which, of course, should be available through all SMEDA offices, and which can be sent by post if required by an SME.

### 4.6 Benchmarking – International Development Agencies

The consultant's team working on this project has a wide range of experience working with national and regional SME Development Agencies, in both developing and developed economies, in designing and managing SME and private sector support programs.

The SMEDA Organization & Services Strategy outlined in this report draws on this experience and proposes an organization structure, range of SME BD services, and means of delivering these services which is tailored to the needs of Pakistan SMEs, but is also consistent with 'best practice' in other countries. Indeed, the BDS pilot program proposed in the Strategy is based on a highly successful SME BD/Competitiveness program recently managed in Croatia, sponsored

by the EU and delivered by The Ministry of Entrepreneurship & Crafts (MEC), and other Development Agencies and stakeholders.

We have selected a sample of International Development Agencies to highlight specific aspects of their structure, SME services and means of BD service delivery – of relevance to SMEDA. There are a number of common characteristics in terms of the services and delivery mechanism which most established International Development Agencies offer. These include:

- A distinction between Business Start Up and Growing or Managing a Business
- Options regarding the way SMEs access services – online, by phone, through training, through Account Manager/Business Advisor employed by that Development Agency, or through a customized project facilitated by the Business Advisor, where a specialist external consultant/coach, or trainer is appointed
- Access to a wide range of 'on line' Business Information typically categorized by:
  - Geographic Market
  - Industry/Sector/Trade Updates
  - Technology and Products
  - Trade Fairs and Events
  - Direct 'on line' linkages to; other Development Agencies, Associations, Academia, technology and research centers
- Specific SME support programs with 'easy to use' application formats, and information on grants/subsidies which are available.

These 'best practice' services and delivery mechanisms are now reflected in the Organization & Services Strategy recommended for SMEDA. In line with this strategy, it is also important to recognize that established Development Agencies tend to recognize the importance of targeting their services on a geographic, sectoral and 'SME type basis'. That is, they can't operate on the basis of covering all SMEs, but must channel their resources toward SMEs offering 'high growth potential' where the economic impact of their support is likely to be greatest.

Finally, and in line with our recommended Strategy, Development Agencies are highly proactive with Business Advisors spending much of their time 'on site' with SMEs, undertaking SME Diagnostics and Reviews in order to confirm constraints and need for support, and then facilitating or packaging this support not only from their own agency BD services, but from other specialist agencies better positioned to support the SME.

We have listed a number of International Development Agencies below, including a web link to relevant 'portals' within their websites. This is intended to provide a flavor of BD services and delivery typically used by Development Agencies.

Malaysia [www.smecorp.gov.my](http://www.smecorp.gov.my)

Singapore [www.enterpriseone.gov.sg](http://www.enterpriseone.gov.sg)

USA [www.sba.gov](http://www.sba.gov)

Scotland [www.scottish-enterprise.com](http://www.scottish-enterprise.com) (Click 'Grow your Business')  
[www.sdi.co.uk](http://www.sdi.co.uk)

Ireland [www.enterprise-ireland.com](http://www.enterprise-ireland.com) (Click 'Funding Support')

New Zealand [www.nzte.govt.nz](http://www.nzte.govt.nz)

South Africa [www.seda.org.za](http://www.seda.org.za)

## 4.7 Working with BDSPs

Throughout our discussions with SMEDA the management team has consistently recognized the importance of a greater reliance on BDSPs as a means of delivering SME support in the future. We fully agree with SMEDA on this point, however, we also recognize the challenges involved. In particular;

- The lack of experience, understanding, and interest on the part of many SMEs to use 'external' advisors. Overcoming this barrier, and strengthening the acceptance of the benefits which external advice can bring to an SME, is a key challenge which SMEDA must address.
- Actually establishing what the current level of BDSP capacity is in Pakistan on a regional, industry, and management or specialist skill basis.
- Planning and launching a recruitment drive, targeted at recruiting BDSPs with the capacity to support the clear needs and request for services which SMEs have expressed.
- Creating a database of BDSPs categorized by region, sector, and BDSP management skills allowing SMEDA advisors to access, search, and 'match' BDSPs against the specific support needs of an SME.
- Positioning SMEDA advisors as facilitators and overseers in working with individual SMEs to understand needs for a support project, suggesting BDSP candidates to the SME, and providing reassurance to the SME in terms of overseeing all aspects of the BDSP managed project. In this role SMEDA should also coordinate all aspects regarding payment of subsidy to the SME, if a subsidy has been agreed, and finally;
- Where gaps emerge in terms of either the type and/or capacity of BDSPs operating in Pakistan or the range of skills they offer, SMEDA should be active in working with BDSPs to offer tailored BDSP capacity building and training programs.

We recommend the implementation of a BDSP recruitment drive and this has been included within the Implementation Plan.

### 4.7.1 Marketing and Promotion

At an early point in this project it became clear that SMEDA management recognized there was an issue in terms of Pakistan SMEs awareness and understanding of SMEDA, and the services it was able to offer. The management team understood that there was confusion in the market in terms of 'What SMEDA is' and 'What SMEDA does'.

This view is fully reinforced in the feedback we have received from SMEs and BDSPs. In summary, SMEs and BDSPs collectively made the following observations:

- Awareness of SMEDA is generally low, however, this varies region by region and not surprisingly, awareness appears higher in regions or sectors where SMEDA activity has recently been highest.
- There is confusion about the services SMEDA offers. In some cases, SMEs still believe SMEDA to be a funding agency. Awareness of the SMEDA Training Program appears relatively high.
- Views on the image of SMEDA vary. On the one hand, SMEs are very complimentary about the SMEDA role and services provided. Perhaps a cynical reaction might be that

those SMEs don't understand the full range of SME support services which a Development Agency should offer. On the other hand, some SMEs were openly dismissive of SMEDA and the benefits of the services SMEDA offered.

- BDSPs understand these issues. However, not surprisingly they would welcome a much stronger working relationship and association with SMEDA, particularly as they view this as a bridge to SMEs, and an opportunity for fee generation. Of course, greater SME awareness, understanding and uptake of SMEDA services and wider use of specialist BDSPs would be in the interest of all.

We recommend that SMEDA develop and implement a Marketing & Promotion Plan. This Plan should be clear on:

- Messages with regard to SMEDA as an organization, its regional structure, and the services it provides to all categories of SME.
- The promotional and media channels which will be used to strengthen awareness of SMEDA nationally, regionally, and within key sectors. Examples may include; national press, TV (likely to be extremely expensive), regional press, through industry associations, industry and trade press.
- Through SMEDA Provincial Offices and in line with a future focus which is more proactive in approaching SMEs, a series of regional 'SME awareness building seminars', and mail-shots to targeted SMEs would be useful.

Marketing & Promotion campaigns of this nature can be technically complex. There may be merit in considering the benefits of contracting this out to a specialist Advertising/PR/Communications agency.

#### **4.7.2 Capacity Building and Training**

##### **SMEDA Staff**

The challenges SMEDA faces in driving this Strategy forward are significant. The Strategy includes a new range of BD services, different mechanisms for delivering these services, and a new Organization & Management Structure covering changes in both the regions and Head Office. On top of this, we have emphasized the need to consider a more proactive approach toward targeting and working with SME's on site, and a more reactive stance in dealing with micro businesses and start up's. This in itself will require a determined change in mind set and 'approach to work' particularly within the SMEDA management structure.

To ensure SMEDA and its staff are fully equipped to adjust to these changes, and are adequately trained to deliver a new range of services through different delivery channels, our view is that a Capacity Building & Training Program be developed.

It is beyond the remit of this project to recommend specific reallocation or repositioning of individual staff. If the new organization structure regarding delivery of BD services is accepted, then inevitably new positions require to be filled. This will be through reallocation or recruitment of staff where additional resource is required, or where a particular specialism cannot be staffed by existing resources.

The focus of this Capacity & Building Program should be on:

- Head Office
- SMEDA Provincial and Satellite Offices
- BDSPs

Head Office: We have recommended the creation of two new management positions BDSP Management, and Marketing & Promotion Management.

The BDSP Manager will have responsibility for:

- Designing and implementing the BDSP recruitment drive.
- Developing and managing the BDSP selection, assessment criteria and procedures for selection and performance monitoring
- Developing and managing a user friendly BDSP database (building on the database which already exists). This database must be fully accessible by the SMEDA provincial and satellite offices.
- Developing and managing contract protocols for SME projects where a BDSP is appointed, and particularly where a level of SME subsidy is agreed toward the project cost.
- Ongoing maintenance and development of the database to strengthen the 'pool' of BDSPs on a regional, sector, or specialism as SME needs and support requirements change over time.
- Overseeing all ongoing BDSP training and capacity building to ensure the 'pool' of BDSPs available to the BDS division has a range of technical, sectoral and project management skills to support effective SME project management.

The Marketing & Promotion Manager will have responsibility for:

- Developing and managing the execution of a Marketing & Promotion Plan, with the objective of reversing the evident decline in awareness and understanding of SMEDA and its services.
- Using all relevant media and promotion channels to create and maintain awareness of SMEDA amongst SMEs, on a sector and regional basis
- Supporting the SMEDA regional offices in local initiatives to target specific categories of SME.
- Coordinating joint or cooperative marketing initiatives with SMEDA partners and stakeholders. Particularly Industry Associations and Chambers of Commerce.
- Developing and managing the provision of all marketing support materials such as; brochures/leaflets, newsletters, promotional PP presentations, SMEDA display boards etc. Finally, ensuring the SMEDA website is continually 'refreshed', and used as powerful tool for ongoing marketing and promotion initiatives.

Under the Head Office category, whilst this position already exists, we also recommend that more weight be allocated to the provision of Market & Industry Information. The current library already has a range of useful Market/Industry/Product/Technical information sources, however, knowledge of what is available, and how this can be accessed via SMEDA regional offices to support SMEs, is not as well understood as it should be. In addition, there is some form of 'information sharing' agreement in place with [REDACTED]. Again, this offers access to useful information; however, there is little evidence of it being used.

In line with the new range of BD Service Families, we recommend that:

- The existing directory of SMEDA information sources be better signposted, with explanatory notes on how to access the information, and use it for the benefit of SMEs
- A review of the current information sources (directories, journals, pre feasibility studies, market reports etc) be reviewed and strengthened where necessary.
- Access to the SMEDA information base via the website should be improved, particularly in support of the Online – Business Guides referred to earlier.
- Sector specific portals should be created offering companies (and other users), access to sector specific sources of information.

#### **4.7.3 SMEDA Provincial and Satellite Offices**

As already covered, the new SMEDA structure proposed will require changes in terms of relocation of staff and, possibly, some recruitment. Within Outreach, where we have proposed a model where SMEDA move from 22 'single person' RBCs, to a fewer number (12) of more fully resourced Satellite Offices, staffed by SME experienced advisors, a Training Program for selected staff will be required.

This Program should focus on SME Advisors in Satellite Offices, and selected staff in Provincial Offices. We recommend the Program include modules on:

- SME diagnostic tools, managing SME business reviews, how to understand and prioritize business needs.
- Familiarization with SMEDA BD Service Families
- Access, availability and use of market/industry/technical information via SMEDA
- Selecting and Managing BDSPs
- Local marketing and targeting of SMEs to introduce SMEDA services. (More Proactive, Less Reactive)

### **4.8 SMEDA BDS Pilot Program**

A recurring theme in the recent Advisory Committee meeting (10 December 2012) was the need for SMEDA to focus and, as part of this, the need for a definable program, product or initiative which SMEDA could use as a 'Pilot' to reconnect with SMEs in Pakistan.

We propose a program which we believe could satisfy this aim. We propose a BDS Pilot Program modeled on a highly successful, EU funded SME Competitiveness Program run in Croatia over the last 2 years, but also incorporating components of similar SME Development Programs run by Development Agencies in other countries. We believe this program could be adapted for Pakistan, and in terms of strengthening long term SME competitiveness delivered through SMEDA intervention, could have a real impact on SME growth

### **4.9 Case Study SMEPASS**

The program run in Croatia was known as SMEPASS ([www.smepass.hr](http://www.smepass.hr)). It ran from December 2010 to November 2012. The 'invitation to tender' for SMEPASS 2, designed to run from May 2013 to December 2015, has now been announced, which is a reflection of the success of SMEPASS 1. A visit to the website above provides details on the program. ('click' on the English language button).

### 4.9.1 Setting the Scene

The starting scenario for the SMEPASS program in Croatia has many similarities with the current situation in Pakistan. In particular:

- An economy dominated by SMEs, in turn dominated by micro businesses (<10 employees). In Pakistan, the proportion of micro businesses is approximately 96%. In Croatia, it was approximately 98%.
- A culture where there is a reluctance to use external advisors, and a lack of awareness and understanding of the services and benefits which Development Agencies and external advisors can offer.
- A high number of SMEs based in rural, remote locations typically operating in traditional industry sectors.
- A nervousness of providing too much information to external agencies or advisors, and;

Recognition that Government Bodies and SME Development Agencies in Croatia are not resourced either financially or in staff resources, to provide direct support to help SMEs grow. As such a fundamental objective of SMEPASS was to begin the process of creating a higher understanding with SMEs, of the benefit of using advisors

#### 4.9.1.1 SMEPASS Some Facts

- SMEPASS was a pilot program funded by the EU (Euro 3.7m). Participation was free to SMEs (more on this later)
- 200 SMEs were supported on highly customized individual projects using carefully selected local consultants. The average consultant days input per SME per consultant was 9. The minimum was 2, the maximum was 20.
- The 200 participating SMEs came from all 20 counties in Croatia. In excess of 15 industries/sectors were represented. Approximately 65% of all projects were marketing, market prioritization, export, sales and distribution channel focused.
- On completion of the program more than 25% of participating SMEs, who had no prior experience of working with external advisors, were clear in saying they would use external advisors again, and would be willing to consider paying for these services.

#### 4.9.1.2 SMEPASS How did it Work

SMEPASS was managed over 5 key Phases:

##### Phase 1: Promotion and SME Applications

- SMEPASS was promoted nationally and regionally. TV, Radio, press, regional seminars were used. In retrospect, TV was highly expensive and was undoubtedly of some benefit, but offered questionable value for money.
- A lot effort was put into designing a very straightforward application form for SMEs to complete (less than 10 minutes). This application form could be completed on line, through a SMEPASS appointed call center, and through other channels

##### Phase 2: Recruitment of Consultants and Advisors (Equivalent to BDSPs)

- Assorted databases were available. There was also 2 Associations of Management Consultants in Croatia. We developed a master list for initial targeting.
- BDSPs were asked to complete and submit a profile on their experience, qualifications, industry and management experience.

- From this we selected a number for interview. We placed approximately 100 'approved for use' on the SMEPASS database and actually used 60 – 70 on SME projects.

### **Phase 3: Evaluation of SME Applications**

- We established a panel to evaluate, and score SME applications on a monthly basis. Scores were weighted and we used a bonus point system for certain categories of SME. For example; we wished to focus on technologically innovative manufacturing companies, certain industry groups, and certain counties which were designated as 'economically disadvantaged'. These categories earned a marginally 'weighted' higher evaluation score.
- In total we had approximately 500 applications of which 200 were accepted.

### **Phase 4: SME Project TORs – Appointment of BDSP**

- Once accepted onto the program, TORs were prepared for each SME detailing the exact objectives of the project, the required stages of work, and the days input budgeted for the project. These TORs also included a specification regarding the experience we required from the appointed BDSP. This was used as a search mechanism on the BDSP database.
- In the case of each SME project 3 BDSP candidates were assessed and scored. The first choice was recommended to the SME. Sometimes, the second choice was considered.
- Once the selection was made, the SME was required to sign a MOU which was taken as acceptance that the TORs reflected his project needs, and he was comfortable in working with the appointed BDSP.

### **Phase 5: Project Management and Contractual**

- Each project had a mid point and project completion meeting managed by an independent M&E advisor.

Each project required that a Final Report be prepared and be signed by the SME and the SMEPASS program management team, before the BDSP could submit his invoice.

#### **4.9.2 Implementing SMEDA BDS Pilot Program**

Throughout the Strategy document we have emphasized the importance of SMEDA supporting SMEs on support projects customized to their specific needs, using selected BDSPs. Our recommendation is that the BDS Pilot Program be launched as a program to test SMEDA's capacity to deliver this type of SME customized support in the longer term. Put another way, in the longer term this model of support will be a core means of service delivery central to SMEDA support delivery, and will cease to be a 'program'.

The BDS Pilot Program offers a number of important benefits:

- It is a highly practical vehicle to introduce the SMEDA BDS division to their future 'facilitator' role of targeting 'high growth potential' SMEs, diagnosing their real business support needs, customizing a support project, selecting a BDSP with relevant experience, and overseeing management of the project.
- It is an approach which is highly responsive to an SME's needs, allocating 'packaged' support more likely to have an impact on the growth of that SME.
- The BDS Pilot Program will require to be launched nationally and regionally, as such it will be an excellent promotional medium to launch SMEDA, addressing the serious awareness, and SME understanding issues evident in the market.

In conclusion, the Organization & Services Strategy provides SMEDA with a solid platform on which the future development of the organization can be steered. The Strategy had been designed in direct accord with SME needs, and against the current capacity and capability of SMEDA, as an organization. To summarize the Organization & Services Strategy:

- Proposes a new organization and management structure to underpin a new focus in SMEDA direction, a new range of BD services, and a new model for delivering these services
- Recommends a new range of BD Service Families, giving SMEDA the means by which they can respond to the 'real' constraints to growth and support needs of SMEs in Pakistan
- Includes a stronger, more demand responsive, and more proactive delivery mechanism which SMEDA can use to select and target 'high growth potential' SMEs locally, on a sector specific basis
- Offers a model for identifying, screening, and working with qualified BDSPs to deliver highly customized support to SMEs
- Integrates future Marketing & Promotion of SMEDA to raise awareness and understanding of SMEDA and its services nationally, but also to market SME support toward SMEs locally, and;
- Includes recommendations regarding the type of internal Capacity Building & Training which will be required to meet the challenges of the Organization & Services Strategy.

The next section of our report details a 3 Phase Implementation Plan designed to act as a 'road map' for driving this Strategy forward.

# 5. Implementation Plan

## **SMEDA 2020 - 3 Phase Program**

We recognize the challenges involved in driving this Strategy forward. The Implementation Plan is designed to offer SMEDA management a practical tool and reference point for implementing the key recommendations and actions included within the Organization & Services Strategy.

At an early stage in the project, in discussions with the 'then' CEO, we were asked to look at a 7 year horizon for implementation of the Strategy. We agree with this timeframe and have recommended a 3 Phase Implementation Plan as structured below, covering this timeframe.

Phase 1: 2013 - 2014 Initiating Change

Phase 2: 2015 – 2017 Developing SMEDA

Phase 3: 2018 - 2020 Maturity

The Implementation Plan presented graphically below, highlights the key actions necessary under each component of the Strategy, already covered in the report. The scheduling of these actions is synchronized across the three Phases. Clearly, in terms of scheduling, the focus of activities is concentrated in Phase 1 (2013 – 2014).

We strongly recommend that at this stage SMEDA regard this merely as a model to develop and refine. Ultimately SMEDA must assume ownership of the Strategy and the Implementation Plan. As already covered, we fully recognize the significant challenges that Implementation of the Organization & Services Strategy pose. For this reason, although this is SMEDA's Strategy & Plan, we recommend that should SMEDA be comfortable with this, an External Technical Assistance team should be deployed to provide specialist input, guidance, and mentoring to key SMEDA managers tasked with the responsibility of 'making this happen'. This team should operate at both a Head Office and Provincial level.

In terms of the structure of an External Technical Assistance Team, SMEDA may wish to consider a model such as that outlined below:

- Team Leader (International Consultant) positioned between SMEDA CEO and GM BDS division.
- 1 x International Consultant and 1 x Local Consultant supporting Manager Training and Manager SME Business Information
- 1 x International Consultant and 1 x Local Consultant supporting Manager BDSPs and Manager SME Marketing
- 1 x Local Consultant based in each of the 4 Provincial Offices

We have revisited the new organization structure below, but have included an imprint of how and where an External Technical Assistance Team could integrate within the new SMEDA structure, and provide technical guidance to SMEDA managers, if SMEDA believed this to be of benefit.

## 5.1 Proposed Mechanism for Implementation Support from External TA Team

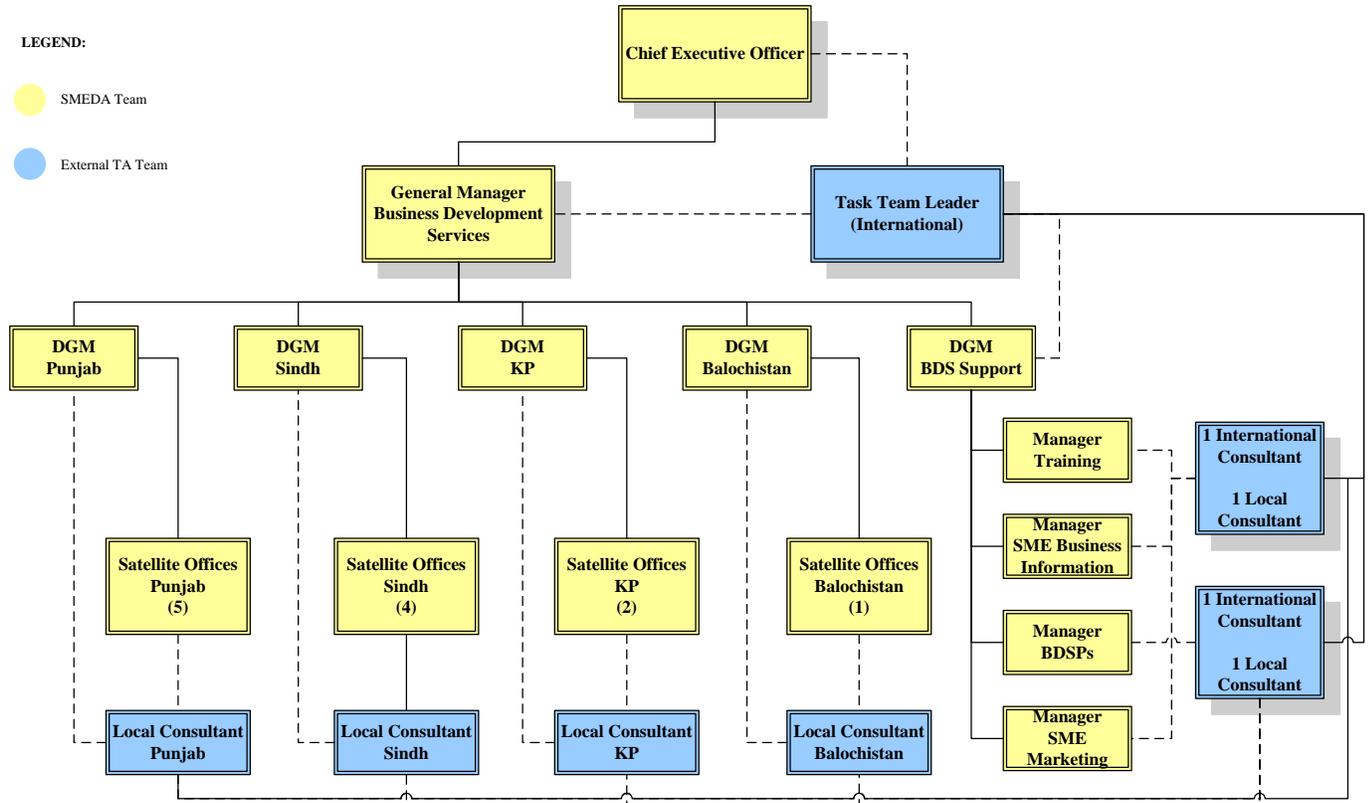


Figure 7 External TA Team

## 5.2 Proposed Implementation Timelines

Table 1 Implementation Timelines

ACTIVITIES	PHASE I - Initiating Change							PHASE II - Developing SMEDA			PHASE III - Maturity		
	2013			2014				2015	2016	2017	2018	2019	2020
	Q2	Q3	Q4	Q1	Q2	Q3	Q4						
<b>Implementation - Planning &amp; Preparation</b>													
Strategy - Presentation/ communication with staff													
Establish internal SMEDA Project Team													
Establish Technical Assistance - External Team													
Develop detailed timelines, with deliverables schedule													
<b>BDSPs Recruitment Drive</b>													
Review existing BDSP Database, other info sources													
Define required BDSP categories													
Develop recruitment media plan													
Develop profile template for BDSPs													
BDSP Screening, selection, ranking process													
Collate BDSP directory													
Identify gaps in BDSP capacity - by SME need, region etc													
BDSP training programs													
Ensure access/usage of DB understood within SMEDA													
Ongoing development, strengthening BDSP DB													
<b>BDS Organization &amp; Management Structure</b>													
HR - Confirm individuals in key management positions													
HR - Job Specifications for BDSP Manager/SME Info and Services Manager													
HR - Confirm SME Advisors in Provincial/Satellite Offices													
HR - Review current Job Specifications in light of BDS Strategy													
Agree plan and schedule for Phasing out RBCs, Phasing in Satellite Offices.													
Implement Plan													
<b>BDS Service Families</b>													
Develop service content in BD Service Family Menus													
Integrate SME 'user friendly' BDS business guides into SMEDA Website													
Review/adapt SMEDA SME Training Programs to be consistent with BD Service Families													
Orientation of BD services throughout SMEDA													
Ongoing BD service development, intro new services													

ACTIVITIES	PHASE I - Initiating Change							PHASE II - Developing SMEDA			PHASE III - Maturity		
	2013			2014				2015	2016	2017	2018	2019	2020
	Q2	Q3	Q4	Q1	Q2	Q3	Q4						
<b>BDS Pilot Program</b>													
Pre launch planning													
Briefing SMEDA Provincial/Satellite Offices													
Prep SOPs, templates, formats etc													
SME recruitment - Promotion Campaign													
Managing SME applications													
Initiating SME projects, BDSP contracts													
SME Project Management, Monitoring & Evaluation													
Wrap Up'- Analysis of pilot program performance													
<b>Marketing &amp; Promotion Plan (MPP)</b>													
Job specification new M&P Manager													
Allocation/recruitment of Manager													
Develop M&PP													
Launch MPP nationally, regionally													
Develop Provincial Office marketing plans targeting SMEs													
Ongoing promotion, PR, awareness building													
<b>Capacity Building &amp; Training</b>													
Initiate internal Training Needs Assessment (TNA)													
Develop training program - focus on Provincial/Satellite Offices													
Ongoing training for BDS division staff													
<b>Performance Management Program</b>													
Agree all KPIs and performance measures													
Ensure all staff are briefed on provincial, office, and individual KPI/performance measures													
Develop and integrate management information and reporting protocols													
Periodic reports on performance against agreed KPIs/Performance Measures													
<b>Longer Term Development Goals</b>													
Graduate to Account Manager structure in the regions													
Create network International Linkages													
Create SMEDA overseas offices													
Progressive reduction in SME subsidies. Greater SME recognition of benefits of BDSPs, willingness to pay													

### 5.3 Indicative Costs – Implementation Plans

Although the Scope of Work (SoW) for this project did not specify the need to include projected costs for implementation of the SMEDA Organization & Services Strategy, our view is that the project would be incomplete without an indicative scale of what the possible implementation costs might be.

Of course, we understand that within the parameters of SMEDA's current operating budget, the indicative implementation costs shown below could not be considered. Throughout development of this Strategy, our goal has been to prepare and present a realistic Strategy and supporting Implementation Plan, which SMEDA management can accept and present to key stakeholders as they see fit in order to consider future funding for SMEDA.

We have prepared what should be regarded very much as high level, indicative costs only which are relevant to the key action areas highlighted in the Implementation Plan. We stress that should SMEDA fully commit to this Strategy and Implementation Plan, then more detailed budgeting should be carried out in the Planning & Preparation stage included in the Plan.

The table below highlights the consolidated, indicative costs for each key action area. A more detailed breakdown of costs, and how these were derived, is presented at Appendix 12.

**Table 2 Consolidated Indicative Costs for Key Areas**

<b>Cost Head</b>	<b>Cost (USD)</b>
BDS Pilot Program	1,160,000
SMEDA Marketing and Promotion Program	318,268
BDSP Recruitment & Screening	62,062
Capacity building and training	163,200
External Technical Assistance	866,400
Satellite Offices	839,876
Business Information Acquisition/management	50,000
<b>Total Program Cost</b>	<b>3,459,806</b>

## 6. Performance Management Program

In this section we include a series of recommendations regarding types of KPIs and targets SMEDA should consider. These KPIs are consistent with the key points of focus, and future direction we have outlined throughout the Organization & Services Strategy report.

However, targets and KPIs are meaningless unless there is a clearly understood model throughout the management structure, against which performance against these KPIs is continually assessed. Currently, there is limited evidence of any KPIs or performance measures being used or being periodically assessed in SMEDA. The purpose of this section is to present the types of KPIs and measures which SMEDA should consider, and a model which the management team should consider as a means of monitoring performance.

### 6.1 SMEDA's Target Market

The KPIs, which SMEDA management agrees, should reflect the new focus on proactively targeting selected SMEs, and working with them to manage customized support projects.

As referred to in the recent Advisory Committee meeting (10 December 2012), 'best available' information suggests that Pakistan has approximately 3.2m SMEs. We understand that it is extremely difficult to get an accurate 'fix' on the actual figure.

Of the 3.2m SMEs, approximately 96% could be termed micro businesses. As now agreed, whilst SMEDA will continue to respond to micro business enquiries and 'walk ins', this category of SME will no longer be a point of focus for SMEDA, particularly in terms of its future marketing and targeting activities toward SMEs.

On this basis, and as a starting point in giving a more meaningful definition of SMEDA's future client base, we recommend that SMEDA concentrate future efforts on the 4% of SMEs which, by definition, could be termed 'Small' and 'Medium' sized businesses. This leaves SMEDA with a potential client base of approximately 128,000 SMEs in Pakistan (4% of 3.2m SMEs). This gives a good base on which targets can be agreed and disseminated down from Head Office, to Provincial Offices, to Satellite Offices, and to individual SME Advisors based in Satellite or Provincial Offices.

The relative spread of this 128,000 SME target base across each of the 4 SMEDA Provincial Offices should be determined by SMEDA, but should reflect the density of SMEs located in each of the Provincial Office catchment areas. So, for example, a spread of targets such as that highlighted below may be considered:

<u>Provincial Office</u>	<u>Target SMEs</u>
Punjab	70,000
Sindh	40,000
KPK	9,000
Balochistan	9,000

This model gives a highly practical method for each Provincial Office DGM to allocate targets for each of his Satellite Offices on a local, and 'sector by sector' basis. In other words, as it should

be, future SME support and development is left to the local management of SMEDA Provincial Offices.

In terms of the introduction of 12 Satellite Offices operating alongside SMEDA Provincial Offices, we can see what level of impact the SME Advisors could have in terms of targeting SMEs in this potential client basis. Let us assume:

- 12 x Satellite Offices with an average of 3 SME Advisors in each office. Total 36 x SME Advisors.
- Each SME Advisor visits 'on site' 5 x selected SMEs per week. Total = 180 per week (a modest target when compared against an Account Manager targets in more established Development Agencies).
- Total per month = 720. Total per year = 8,640

This calculation assumes a modest number of SME visits per SME Advisor per week, and it does not include additional SME visits which may be made by Provincial or Head Office based SME focused staff. It would be reasonable to assume 10,000 new SME introductions to SMEDA per year.

## 6.2 KPIs and Performance Measures

Allocation of measurable KPIs is necessary, particularly within the Outreach Division. There are also ways in which the level of usage of Online SMEDA services, particularly use of Business Guides, and request for market/industry/technical information, can be monitored. It is harder to use quantifiable KPIs in the Central Support and Policy & Planning Divisions, and indeed this is beyond the remit of this study.

As a priority, SMEDA needs to start breaking this client base down on a provincial basis. Clearly, the dispersion of these 128,000 SMEs, in terms of density by region, city, town and by sector is reasonably well known by SMEDA. Each SMEDA provincial office needs to work toward a database of target SMEs in their province. This database is essential as a platform for future SME marketing and targeting activity.

KPIs should be agreed and allocated on a Top Down and Bottom Up basis.

- KPIs should be set by SMEDA Head Office
- Allocated to Provincial Offices
- Set for Satellite Offices
- Set for individual SME advisors, based at Satellite Offices

We recommend a number of KPIs where a target performance figure is agreed, and measured in terms of performance by Provincial Office, by Satellite Office, and by SME Advisor (based in Satellite Office). This list is not intended to be a final list, but simply a starting point in terms of the specific KPIs the SMEDA management team should discuss and agree:

- Number of new SMEs approached 'on site' to introduce SMEDA services
- Number of SME diagnostics, business reviews carried out
- Number of customized SME support projects initiated using an appointed BDSP
- Number of completed BDSP projects
- Number of training events managed and number of SMEs participating in each event

- Number of BDSP training events, and number of BDSPs attending.

Other areas where KPIs should be considered include:

### **SME usage of Online SMEDA services (Business Guides, Access to Market/Technical Information Sources)**

- Dates should be agreed by which a fully operational series of online BD Service Business Guides should be available
- Number of BD 'Business Guides' requested and dispatched to SMEs.
- Once established on the SMEDA website, tracking the number of requests for SMEDA Business Guides (by BD Service Family) received on line.
- On the basis of SME 'visit' numbers, setting periodic targets for future 'visits'
- Ongoing development goals for continually improving the website should also be set

### **6.3 Recruitment and Management of BDSPs**

- Dates should be agreed for all aspects of the BDSP recruitment drive, as outlined in the Strategy document.
- A definition should be agreed for what constitutes a fully operational BDSP database, and a date agreed by which this DB should be available.
- A model to continually review individual BDSP performance on a project by project basis should be introduced. This should be used to isolate and address any common themes of underperformance, across the entire 'pool' of BDSPs.

### **Marketing & Promotion – Strengthening the awareness and understanding of SMEDA services**

- The current, recognition, awareness and understanding of SMEDA is low. A figure of just over 30% awareness is frequently referred to. Although this figure was drawn from a relatively small SME sample size, as covered in the 2011 Independent Organizational Evaluation of SMEDA report.
- The impact of the Marketing & Promotion Plan we have recommended, in terms of raising the awareness and understanding of SMEDA services, should be assessed by a short survey using the 30% figure as a benchmark to assess whether awareness/understanding of SMEDA services has strengthened.
- Whilst difficult to disaggregate increased SME awareness in the provinces, between provincial office and SME Advisor efforts, and a wider Marketing & Promotion Plan, periodic assessment of regional awareness of SMEDA should also be considered.

Once these KPIs and other measures have been agreed and communicated to the relevant managers, a model to capture relevant data, and present it in periodic management reports is necessary. Senior management will use this tool to monitor performance against plan, and to take corrective action where underperformance is highlighted.

# 7. Appendices

## Appendix -1 Framework of USAID Assistance to SMEDA

### Framework of USAID Assistance to SMEDA

	Area of Intervention	Source	Activity	Action	Responsibility	Supervision
1	SMEDA Mandate	SMEDA Ordinance	Update SMEDA mandate in light of, international best practices, past practical experience and SME demands	Ordinance Review: Technical	Firms Project	Advisory <sup>3</sup> Committee
2	SMEDA Governance Structure	SMEDA Ordinance	Review and revise SMEDA's governance structure with greater autonomy for a Board Of Directors adequately representative of private sector	Ordinance Review: Technical & Legal	Firms Project	Advisory Committee
3	SME Policy 2007 and SME Bill	SME Policy 2007 and SME Bill documents	Review and revise SME Policy 2007 and the legislative instrument (SME Bill) in light of international best practices and SME problems/issues	SME Policy 2007 Review: Technical and Legal	Firms Project	Advisory Committee

4	SMEDA Goals/Targets and Functions	SMEDA Five Year Work Plan, World Bank Report, ADB TA Report, SME Baseline Survey	Design SMEDA's service menu and tools for delivery, including resource requirements, goals/targets and performance indicators, benchmarking against international best performing SME development organizations.	Engage senior SME Development Expert to review and recommend	Firms Project	Advisory Committee
5	SMEDA's internal capacity building, inclusive of HR and Financial Management System Manuals, etc	SMEDA's existing regulatory and training manuals for all subject areas.	<ul style="list-style-type: none"> <li>▪ Development / Improvement of Regulatory Manuals in the Following Subject Areas:                             <ul style="list-style-type: none"> <li>▪ Financial Management</li> <li>▪ Procurement</li> <li>▪ Human Resource / Administration</li> <li>▪ Monitoring and Evaluation</li> </ul> </li> <li>▪ Regulatory Manuals to Ensure Compliance with and Incorporation of Relevant GOP and USAID Rules, Regulations, Policies and Procedures.</li> </ul>	Initial Training(s) on Regulatory Manual; Manual Development; Training on Key Policies and Procedures; On-the-Job Training / Technical Assistance on Financial Management, Procurement, Human Resource / Administration and Monitoring & Evaluation	USAID project	Advisory Committee
6	Collaboration for Existing Value Chain Development Programs	Firms Project Work Plans	Collaboration between SMEDA and Firms Project for implementation of the latter's work plans for Agriculture Implements, Fruit Processing & Pulping, Weaving, Peaches, Potatoes, Marble Value Chain and Gems sectors. Building SMEDA's focal persons' capacity to replicate similar value chain development work for other sectors. Help SEMDA in identifying niche, avoid duplication and becoming an enabling body for the growth of the identified sectors.	SMEDA to review and provide feedback on related documents shared and identify/nominate focal persons to work with Firms Project	SMEDA and Firms Project	

## Appendix -2 One-to One meetings details

### Lahore Meetings

Name	Designation & Company	Sector
[REDACTED]	[REDACTED]	[REDACTED]

### Sialkot Meetings

Name	Designation & Company	Sector
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

### Gujranwala Meetings

Name	Designation & Company	Sector
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

### Karachi Meetings

Name	Designation & Company	Sector
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]

### Appendix -3 Focus Group Details

Participants Lists of FGDs with SMEs

Karachi FGD with Small SMEs

Sr. No:	Name	Sector	Designation

Karachi FGD with Medium SMEs

Sr. No:	Name	Sector	Designation
1.			



Hyderabad FGD

Sr. No:	Name	Sector	Designation
1.	[REDACTED]	[REDACTED]	[REDACTED]
2.	[REDACTED]	[REDACTED]	[REDACTED]
3.	[REDACTED]	[REDACTED]	[REDACTED]
4.	[REDACTED]	[REDACTED]	[REDACTED]
5.	[REDACTED]	[REDACTED]	[REDACTED]
6.	[REDACTED]	[REDACTED]	[REDACTED]
7.	[REDACTED]	[REDACTED]	[REDACTED]
8.	[REDACTED]	[REDACTED]	[REDACTED]
9.	[REDACTED]	[REDACTED]	[REDACTED]
10.	[REDACTED]	[REDACTED]	[REDACTED]
11.	Zain Abbas Khosa		

Islamabad/Peshawar FGD

Sr. No:	Name	Sector	Designation
1.	[REDACTED]	[REDACTED]	[REDACTED]
2.	[REDACTED]	[REDACTED]	[REDACTED]
3.	[REDACTED]	[REDACTED]	[REDACTED]
4.	[REDACTED]	[REDACTED]	[REDACTED]
5.	[REDACTED]	[REDACTED]	[REDACTED]
6.	[REDACTED]	[REDACTED]	[REDACTED]
7.	[REDACTED]	[REDACTED]	[REDACTED]

Participants Lists for FGD with Women Managed SMEs  
Lahore FGD

Sr. No:	Name	Sector	Designation
8.	[REDACTED]	[REDACTED]	[REDACTED]
9.	[REDACTED]	[REDACTED]	[REDACTED]
10.	[REDACTED]	[REDACTED]	[REDACTED]
11.	[REDACTED]	[REDACTED]	[REDACTED]
12.	[REDACTED]	[REDACTED]	[REDACTED]
13.	[REDACTED]	[REDACTED]	[REDACTED]
14.	[REDACTED]	[REDACTED]	[REDACTED]
15.	[REDACTED]	[REDACTED]	[REDACTED]

Participants Lists for FGDs with BDSPs  
Karachi FGD

Sr. No:	Name	Sector	Designation
1.	[REDACTED]	[REDACTED]	[REDACTED]
2.	[REDACTED]	[REDACTED]	[REDACTED]
3.	[REDACTED]	[REDACTED]	[REDACTED]
4.	[REDACTED]	[REDACTED]	[REDACTED]
5.	[REDACTED]	[REDACTED]	[REDACTED]
6.	[REDACTED]	[REDACTED]	[REDACTED]
7.	[REDACTED]	[REDACTED]	[REDACTED]
8.	[REDACTED]	[REDACTED]	[REDACTED]
9.	[REDACTED]	[REDACTED]	[REDACTED]

Lahore FGD

Sr. No:	Name	Sector	Designation
10	[REDACTED]	[REDACTED]	[REDACTED]
11	[REDACTED]	[REDACTED]	[REDACTED]
12	[REDACTED]	[REDACTED]	[REDACTED]
13	[REDACTED]	[REDACTED]	[REDACTED]
14	[REDACTED]	[REDACTED]	[REDACTED]
15	[REDACTED]	[REDACTED]	[REDACTED]

## Appendix -4 List of Commentators

[Redacted]

[Redacted]

[Redacted]

[Redacted]

## **Appendix -5 List of Relevant Reports**

- Framework for USAID Assistance to SMEDA
- Independent Organizational Evaluation of SMEDA (by World Bank)
- SME Development in Pakistan: Analyzing the Constraints to Growth (by Bari, Cheema and Haque)
- SME Development Report 2007-08 (by SMEDA)
- SME Baseline Survey, 2007 (by SMEDA) SME Development Report (by SMEDA)
- SME Genesis, Challenges and Prospects (by SMEDA)
- Small & Medium Enterprises in Pakistan (by Iqbal Mustafa & Farrukh Mehboob Khan, South Asian Journal)
- SMEDA – Journey Through the Decade
- Towards Gender Parity in Pakistan, 2011, International Labor Organization (ILO)

### Appendix-6 Summarized Work Plan

Activities/Milestones	Week ending																
	Oct-20	Oct-27	Nov-03	Nov-10	Nov-17	Nov-24	Dec-01	Dec-08	Dec-15	Dec-22	Dec-29	Jan-05	Jan-12	Jan-19	Jan-26	Feb-02	
<b>PHASE 1</b>																	
Project Planning																	
Secondary ata Review																	
Finalizing Research Design																	
Meetings with SMEDA, SMEs/Chambers/BDSPs																	
Focus Group Discussions																	
<b>PHASE 2</b>																	
Strategy and Service Menu development																	
<b>PHASE 3</b>																	
Performance Management Program Development																	
<b>REPORT WRITING</b>																	
Draft Report Submission																	
Final Report Submission																	
Presentation to Advisory Committee and Conclusion																	

## Appendix-7 Key Findings of Previous Studies

Summary Findings of the 'Independent Organizational Evaluation of SMEDA

Sample Distribution

- Sample size of 216 SMEs was used with the following distribution with respect to size:

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Total</b>
<b>No.</b>	105	73	38	216
<b>Share</b>	48.6%	33.8%	17.6%	100%

- 59% SMEs were from production/manufacturing, 33% from services and 8% from agriculture.
- Sample was distributed between 24 sectors (2 from agriculture, 16 from production/manufacturing and 6 from services).

Key Findings

General

- Common reasons for approaching SMEDA were 'new business startup (16%), sales and marketing growth (16%), informational purposes (14%), new business processes (11%), management improvement (11%), new product development (8%) and cost reduction (7%).
- Overall satisfaction with SMEDA's services was rated below average as per the SMEs which have utilized SMEDA's services.

Rating of SMEDA's Services by the interacting SMEs

- The most searched for services in consultant's database were Finance (24%), Training (21%), Marketing (16%) and Legal (13%). 64% of the respondents found the sought service while 48% actually obtained it.
- In Business Plan Development Service, the overall satisfaction was only 2.35 (on a scale of 1 to 5). Usefulness of the business plan was rated very low: 1.85 for obtaining credit, 1.93 for acquiring machinery, 1.82 for marketing and 1.82 for recruitment of HR.
- In training services, SMEDA's performance was rated above average (overall score of 4.04). Respondents were satisfied with the costs of the courses and felt that the trainers were qualified.
- SMEDA's rating in financial services was below average; scores of 1.0 for overall satisfaction, 2.3 for affordability, 3.0 for staff qualification and 2.0 in assistance for securing credit.
- For software and systems services (SMEDA accounting package SMAP, website development and virtual helpdesk), serviced clients were not satisfied; with average scores for SMAP as 2.88 and website 2.7.
- Through Information Resource Center (IRC) services, the most sought after information was business startup guides (18%), prefeasibility studies/regulatory procedures (16%) and business establishments in various sectors (14%). Overall satisfaction level with IRC was 2.82.

- Most sought after legal services included business registration guidelines (55%) and legal documentation (18%). Overall satisfaction rating was 2.75. The quality of services provided by Legal service providers was rated 3.0 which was higher than that given to in-house legal services (2.86).

#### Feedback of SMEs which have not Interacted with SMEDA

- Most common reasons for not interacting with SMEDA were doubts regarding effectiveness of services (34%), lack of awareness (30%), lack of skilled staff (17%) and no help needed (16%).
- Regarding SME demands for the kind of services, 34% of the respondents wanted training and seminars, 22% better guidance in business startups and 14% financial assistance.

#### Deficiencies in Services

- Impediments to improved service delivery were identified as lack of skilled employees (28%), doubts regarding effectiveness of suggestions (23%) and lack of access to capital (19%).
- Top six most important aspects of business for an SME in order of importance (on a 1-5 scale; with 1 the most important and 5 the least important) were Market and Technological guidance (2.18), Financial support (2.49), R&D support (2.88), Business Plan support (3.03), HR training (3.06) and Information (legal, regulation, etc.) (3.07)

#### Suggestions for Improvement

- SMEDA needs to market itself more aggressively.
- It should focus more on micro and small units.
- SMEDA needs to get established businessmen from various industries involved and get people specifically trained through institutes such as TEVTA.
- It should have a greater presence and expertise in the smaller cities of Pakistan.
- SMEDA should also provide greater support for women entrepreneurs running SMEs.
- SMEDA needs to act more like a merit based private body or should be made in to one as it has a very bureaucratic culture today.
- SMEDA is believed to suffer from a shortage of staff and resources, which has not allowed it to perform to its potential.
- SMEDA should be able to provide complete and comprehensive help to entrepreneurs in the business lines that it is working in.
- Foreign and local consultants with extensive experience should be provided to SMEs
- SMEDA should try to focus on a few sectors and have professionals with complete knowledge of these areas.
- Businesses should receive greater help in securing financing. SMEDA should be able to get an SME a loan at affordable interest rates. To do this, it could try forming some arrangement with a lending body.
- SMEDA should organize a greater number of business conventions.
- SMEDA should allow greater access to business fairs locally as well as abroad for SMEs.
- SMEDA could help with more cluster formation and provide greater support to existing clusters through raw material banks.

#### Summary Findings BD Services Related of SME Baseline Survey 2009

SME Baseline Survey 2009 was conducted with the objective of developing a baseline perception of SMEs on various issues and functions. The questionnaire consisted of 215 questions designed around the key postulates of SME policy i.e. providing a conducive regulatory environment for SMEs, improving their access to finance and promoting an entrepreneurial culture in the country.

The sample consisted of 1604 SMEs selected from 18 districts of the four provinces; with representation from manufacturing, trade, services and women entrepreneur sectors. The sample parameters included businesses with employment size of six to 250.

#### Key Findings

- SMEs predominantly hold the view that there are no technical services available to them in the areas of testing, quality control, R&D and technology. Those who have availed such services available from Government have expressed their satisfaction on quality.
- 64%, 60%, 67% and 68% respondents said that no help is available respectively for testing services, quality control services, R&D and technology improvement. For all of these categories, the percentage of firms responding that no help is available decreased with increase in size of the firm.
- Regarding obstacles in increasing production, the responses included access to finance (70%), unavailability of required raw material (35%), unavailability of machinery/technology (32%), uncertainty about future demand (29%) and unavailability of required labor (25%).
- 69% of the respondents were found to be unaware about marketing plan. Of the firms who were aware, 74.6% did actually have a marketing plan.
- Obstacles for startups in local and international markets are shown in the following tables:

#### Degree of Obstacles in Local Market (percentage)

<b>Obstacles</b>	<b>Insignificant (%)</b>	<b>Somewhat Significant (%)</b>	<b>Very Significant (%)</b>
Lack of information	5.7	33.5	60.7
Lack of information about business environment	6.5	48.7	44.8
Lack of trust	12.1	43.9	43.3
Wastage of time and resources on breach of contractual obligations	8.3	50.8	40.9
Cost of establishing business	8.3	26.8	64.8

## Degree of Obstacles in International Market (percentage)

Obstacles	Insignificant (%)	Somewhat Significant (%)	Very Significant (%)
Lack of information	6.3	29.6	64.0
Lack of communication to run business effectively	10.7	39.3	49.9
Lack of confidence	10.1	42.3	47.5
Wastage of time and resources on breach of contractual obligations	9.8	36.0	54.2
Cost of establishing business	7.3	31.5	61.2
Conforming to international standards	12.5	33.3	54.1

**Business Development Services**

- Over 70% respondents had not availed any business development service such as training, market information, trade leads or advocacy.
- The firms indicating having used business development services were generally satisfied with the quality of service.

Type of Service	Service Availed		If 'Yes' were you satisfied		If 'No' would you like to avail service	
	Yes	No	Yes	No	Yes	No
Business Contract Information	33.2	66.8	31.0	2.2	18.3	48.5
Company Registration	38.1	61.9	33.7	6.4	13.4	48.5
Business Plan Development	18.8	81.2	36.0	2.9	19.3	61.9
Leasing company	13.5	86.3	9.7	3.7	18.1	68.4
Market research	18.6	81.4	15.3	3.2	17.1	64.3
Seminars, exhibitions and event management	17.8	82.2	14.5	3.3	16.8	65.8
Legal advisory services	29.7	70.3	24.3	4.9	18.1	52.3
Tax consultation/related services	34.5	65.5	27.6	6.9	16.3	49.1
Selection and recruitment of HR	21.5	78.3	18.1	3.4	17.1	81.3
Training	20.1	79.7	15.8	4.3	19.4	60.5
Accounting Consultancy/Chartered Accountancy firm	11.2	88.8	8.8	2.4	15.6	78.2
Banking services other than financing	28.6	71.4	24.3	4.4	16.2	55.2
Product development and process improvement	22.4	77.6	19.0	3.4	19.0	58.7
Software development	11.1	88.9	8.7	2.4	15.1	73.8
Certification	13.0	87.0	10.3	2.7	16.3	70.8
Marketing services	22.6	77.4	19.4	3.2	18.4	59.0
Technology services	16.0	84.0	13.3	2.7	21.0	63.0

## Appendix-8 SMEDA Head Count Details

### Divisions-wise Head Count

Division	CEO Secretariat	Policy & Planning	Business and Sector Development Strategies	Outreach	Central Support	Total
Approved Strength	6	13	25	102	48	194
Actual Strength	6	8	16	74	34	138
Vacant	0	5	9	28	14	56

### Department-wise Head Count

Policy and Planning Division					
Department	General Manager	Policy Dev	Planning & Cord.	Research	Total
Approved Strength	1	4	5	3	13
Actual Strength	1	2	3	2	8
Vacant	0	2	2	1	5

Business and Sector Development Strategies Division							
Department	General Manager	SDC	Legal Cell	Technical Innovation	Financial Service	IIN/E-Service s	Total
Approved Strength	1	3	4	4	4	9	25
Actual Strength	1	2	3	0	4	6	16
Vacant	0	1	1	4	0	3	9

Outreach Division									
Department	General Manager	OR Support/W BDC	Punjab	KPK	Sindh	Bal	Trg. Serv.	ISC	Total
Approved Strength	1	6	31	16	18	14	4	13	102
Actual Strength	1	7	24	11	12	10	1	9	74
Vacant	0	0	7	5	6	4	3	4	28

Central Support Division								
Department	General Manager	DH	Accts	HR	Admin & PR	DC	MIS/IT	Total
Approved Strength	1	2	7	7	23	3	6	48
Actual Strength	1	2	4	7	16	0	5	34
Vacant	0	0	3	0	7	3	1	14

## Appendix-9 Major Heads of SMEDA's Budget

Major Head	Percent
Salaries	61.3
Travelling	14.5
Utilities	6.4
Rent	8.1
Communications	2.7
Others	7.0
Total	100.0

## Appendix-10 List of Regional Business Centers of SMEDA

Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan
<ul style="list-style-type: none"> <li>• Lahore</li> <li>• Faisalabad</li> <li>• Rawalpindi</li> <li>• Multan</li> <li>• Sialkot</li> <li>• Gujranwala</li> <li>• Gujrat</li> <li>• Sargodha</li> </ul>	<ul style="list-style-type: none"> <li>• Hyderabad</li> <li>• Sukkur</li> <li>• Larkana</li> <li>• Dadu</li> <li>• Ghotki</li> </ul>	<ul style="list-style-type: none"> <li>• Peshawar</li> <li>• Dera Ismail Khan</li> <li>• Mingora, Swat</li> <li>• Abbotabad</li> </ul>	<ul style="list-style-type: none"> <li>• Hub</li> <li>• Gwader</li> <li>• Loralai</li> </ul>

## Appendix-11 SMEDA's Menu of Existing Services

1. **Business Plan development services** are provided to enable existing and potential investors. This document is used by the SMEs to apply for loans or for managing an existing business more efficiently. SMEDA charges a nominal fee (PKR 10,000) for providing this service.
2. **E-Services/Industrial Information Network (IIN)** offer a wide range of e-marketing services, using digital technologies to help sell products and services.
3. **Financial services**
4. **Industry Support Program** is working with the objective to transfer technical expertise and knowledge to local industry through involvement of international and local experts
5. **Information Resource Centre (IRC)** caters to the information needs of SMEs and stakeholders. IRC maintains a collection of more than 3400 books, CD-ROMs/DVDs, leading newspapers and more than 20 journals of international repute.
6. **Legal services** to resolving legal problems through service providers, creating awareness of legal rights & responsibilities, enhancing capacities for improved compliance of laws, legal opinions to business queries, and interaction with regulatory authorities
7. **Technical services** to identify technology, machinery and equipment, etc.
8. **Training services** are offered by organizing need based programs, seminars, workshops, for raising awareness and capacity building of SMEs.
9. **Women Entrepreneurship Initiatives**
10. **SME Toolkit**

## Appendix-12 Details of Indicative Costs- Implementation Plan

### BDS Pilot Program - Managed by BDSPs

	No. of days	Cost per day (USD) Fee & Expenses	Cost per SME (USD)
Average consulting fee per SME	10	250	2,500

	No. of SMEs	Cost per SME	Total (USD)
Total Consulting Fee Cost	500	2,500	1,250,000

	% Share	Cost Sharing
SME Share (%)	10%	125,000

Net Consulting Cost			1,125,000
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#### Other Related Costs

Call Center Management			20,000
BDSP Recruitment/Selection			15,000
<b>Total Cost of BDS Pilot Program</b>	<b>125,000</b>	<b>2,750</b>	<b>1,160,000</b>

### SMEDA Marketing & Promotion Program

#### Phase 1 - Introductory

	Unit Cost (PKR)	Unit Cost (USD)	No. of appearances	Total Cost (USD)
National Press Ads (Sunday) (Quarter page)	440,000	4,536	12	54,433
National Press Ads (Weekdays) (Quarter page)	385,000	3,969	12	47,629
Radio Ads	3,000	31	144	4,454
<b>Sub Total for Phase 1</b>				<b>106,515</b>

#### Phase 2 - Launch of Services/Information

	Unit Cost (PKR)	Unit Cost (USD)	No. of appearances	Total Cost (USD)
Media Consultant (2 months)	200,000	2,062	2	4,124
Industry/Trade Press	80,000	825	6	4,948
Radio	3,000	31	300	9,278
Regional Seminars	300,000	3,093	12	37,113
<i>Promotional Materials</i>				
Design Package	200,000	2,062	1	2,062
General Brochures	100,000	1,031	1	1,031
BDS Business Guides	300,000	3,093	1	3,093
Roll up Standees	320,000	3,299	1	3,299
Boards/Signage	240,000	2,474	1	2,474
<b>Sub Total for Phase 2</b>				<b>67,423</b>

#### Phase 3 - Disseminate Results/Achievements

	Unit Cost (PKR)	Unit Cost (USD)	No.	Total Cost (USD)
Success Stories Documentary films	1,000,000	10,309	5	51,546
TV dissemination	200,000	2,062	40	82,474
<b>Sub Total for Phase 3</b>		-		<b>134,021</b>

<b>Total SMEDA Marketing and Promotion Program Cost (USD)</b>				<b>307,959</b>
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**BDSP Recruitment & Screening**

	Unit Cost (PKR)	Unit Cost (USD)	No.	Total Cost
Advertising and promotion	440,000	4,536	8	36,289
Screening and vetting	2,500,000	25,773	1	25,773
<b>Total BDSP Recruitment and Screening</b>				<b>62,062</b>

**Capacity Building & Training**

	No. of persons per	Days per person	No. of offices	Total training days	Cost per day (USD)	Total Cost
Satellite Offices	3	10	12	360	300	108,000
Provincial Offices	3	10	4	120	300	36,000
Head Office Staff	<b>10</b>	<b>4</b>	<b>1</b>	<b>40</b>	<b>300</b>	<b>12,000</b>
Head office BDS Team	4	6	1	24	300	7,200
<b>Total Capacity Building and Training Cost</b>						<b>163,200</b>

**External Technical Assistance**

<b>HR Cost</b>	No. of persons per	Days per person	Total Mandays	Fee per day (USD)	Total Cost (USD)
Team Leader	1	120	120	650	78,000
Key Experts (international)	2	120	240	550	132,000
Key Experts (local)	6	120	720	300	216,000
<b>Total HR Cost of External Technical Assistance</b>					<b>426,000</b>

<b>Travel, Boarding Lodging, etc. Costs</b>	No. of persons	No. of trips/nights	Man days/trips	Unit Cost (USD)	Cost (USD)
International air tickets	3	2	6	2,000	12,000
Local air tickets	6	4	24	300	7,200
Hotel nights	3	432	1,296	100	129,600
Per diems and danger money	3	432	1,296	225	291,600
<b>Total Capacity Building and Training Cost</b>					<b>440,400</b>

<b>Total External Technical Assistance Cost</b>					<b>866,400</b>
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**Satellite Offices Costs (Setting up and Operational)****Cost per office****Setup Cost**

Item	No.	Unit Cost (PKR)	Total Cost (PKR)	Total Cost (USD)
<b>Furniture &amp; Fixtures</b>				
Office Table (for In charge)	1	15,000	15,000	155
Wooden workstations (for staff)	3	15,000	45,000	464
Office chairs	5	10,000	50,000	515
Visitors chairs	10	5,000	50,000	515
Meeting room table	1	40,000	40,000	412
Meeting room chairs	8	8,000	64,000	660
Reception desk	1	15,000	15,000	155
Visitors sofa	2	25,000	50,000	515
Wooden file cabinets	3	20,000	60,000	619
Air conditioners (reversible )	2	75,000	150,000	1,546
<b>Total Furniture &amp; Fixtures Cost</b>			<b>539,000</b>	<b>5,557</b>

**IT Equipment Cost**

Item	No.	Unit Cost (PKR)	Total Cost (PKR)	Total Cost (USD)
<b>IT Equipment</b>				
Desktops with monitors	3	75,000	225,000	2,320
Laptops for SME Advisors	3	90,000	270,000	2,784
Printer/scanner/copier	1	50,000	50,000	515
Wireless router with installation	1	25,000	25,000	258
Multimedia equipment	1	100,000	100,000	1,031
Google Docs	5	5,000	25,000	258
Licensed Microsoft Office Software	5	30,000	150,000	1,546
UPS APC 650 Watts	5	12,000	60,000	619
Main UPS 1200 Watts	1	45,000	45,000	464
<b>Total IT Equipment Cost</b>			<b>950,000</b>	<b>9,794</b>

<b>Office Renovation</b>	<b>1</b>	<b>500,000</b>	<b>500,000</b>	<b>5,155</b>
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<b>Total Setup Cost per Satellite Office</b>				<b>20,505</b>
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**Operational Cost**

Item	Monthly Cost (PKR)	Yearly Cost (PKR)	Yearly Cost (USD)
Building Rent	40,000	480,000	4,948
Utilities	30,000	360,000	3,711
Vehicle Rent	35,000	420,000	4,330
Stationery supplies	15,000	180,000	1,856
Kitchen supplies	20,000	240,000	2,474
Repair & Maintenance	10,000	120,000	1,237
Security	50,000	600,000	6,186
<b>Total Operational Cost</b>	<b>200,000</b>	<b>2,400,000</b>	<b>24,742</b>

<b>Total operational Cost Per Satellite Office for two years</b>			<b>49,485</b>
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<b>Total Cost Per Satellite Office</b>			<b>69,990</b>
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No. of satellite offices	12
Total cost for establishing 12 offices (USD)	246,062
Total cost for operating 12 offices for two years (USD)	593,814
<b>Total Cost of Satellite offices</b>	<b>839,876</b>

**Cost of Business Information Acquisition/Management**

	USD
<b>Cost of Software/Subscription/Other info sources for SMEDA library</b>	<b>50,000</b>



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