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Developing Future Vibrant SME Sectors in Mongolia

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ABBREVIATIONS AND ACRONYMS

USAID	United States Agency for International Development
BPI	Business Plus Initiative
QSDC	Quality Supplier Development Center
SME	Small and Medium Enterprises
NGO	Non Governmental Organization

TABLE OF CONTENT

EXECUTIVE SUMMARY

The work reflected in this report is the result of a limited 19 day mission to Mongolia. Comments contained in the report are based on meetings with 19 companies, 6 State Organisations, 12 NGOs, a broad review of current literature covering industrial sectors in Mongolia and an overview of the current institutional infrastructure driving industrial development within the country.

After an initial review of 18 industries 12 industry sectors were chosen as part of a model to consider which sectors the QSDC should concentrate on:

- Meat Processing
- Dairy Processing
- Leather
- Textiles
- Hospitality
- Non Alcoholic Beverages
- Horticulture
- Transport & Logistics
- Light Engineering
- Technical Services
- ICT
- Construction

As these sectors were so different in terms of general characteristics of: size, growth patterns, employment levels, capital intensity, value added, etc, the Specialist developed a business model that the QSDC can use to compare sectors now and in the future. It will also assist the QSDC to identify factors which if improved may increase the competitiveness of the whole sector.

The model is based on the GE McKinsey Nine Box Matrix developed in the early 1970's. The nine-box matrix was developed as a systematic approach for large multi-national corporations to determine where best to invest its resources. Rather than rely on each subsidiary's projections of its future prospects, the company can judge a unit by two factors that will determine whether it's going to do well in the future: the attractiveness of the relevant industry and the unit's competitive strength within that industry. This was adapted to consider the attractiveness of the relevant industry and the industry sector's competitive strength within Mongolia.

Once a working model was developed two workshops were conducted with both QSDC and Business Plus Initiative (BPI) staff. These meetings tested the accuracy of the model, fine honed it and were used to reach agreement on which the industry sectors the QSDC would propose to USAID as being the optimum sectors to concentrate on in the future.

It was also recommended to USAID that the QSDC allocate its time resources so that 50% of its resources should be concentrated on 3 key sectors emerging from the sector model, 30% of its time on the next 3 most promising sectors and finally 20% of its resources would be reserved for critical, dynamic or innovative businesses that may approach it for assistance.

Details of how the Sector Model was developed and implemented are addressed in Section 4 and Annex A of this report.

This report also outlines a range of business tools that is recommended the QSDC should use in order to apply a systematic approach to developing both client companies and overall business sectors.

Recommendations

The specialist recommends:

1. That for the foreseeable future the QSDC allocates its resources across industry sectors, as follow:

Figure 1: Proposed Resource Allocation

2. That the QSDC provides its clients with advice and assistance across the following six business processes:

- Management
- Marketing
- Innovation
- Operations
- Finance
- People Development

utilizing the business tools that are outlined in Section III of this report and as detailed in Appendices C to J.

3. That the QSDC install a tracking system to: collate information on prospects and clients, be a central source of information and to assist in ongoing evaluation as project moves forward. The Specialist believes that a commercially available CRM system can be adapted to suit the needs of the QSDC and this could be implemented for a negligible cost. His thoughts are outlined in Section 6.

SCOPE OF WORK

The Quality Supplier Development Center (QSDC) is a Mongolian non-governmental organization founded by private sector representatives and supported by the U.S. Agency for International Development (USAID)-funded Business Plus Initiative (BPI) project. The primary objective of the QSDC is to increase the competitiveness of Mongolian companies, enabling firms to overcome barriers to increasing sales and meeting the growing buyer demand within the country.

In close consultation with USAID and the BPI project, QSDC is: 1) realigning its programming model; and, 2) preparing to graduate to the next phase of operations, where it would be ready to seek out and receive direct grant support from international donors. QSDC has phased out lending through its revolving TAF and it is transitioning to the provision of comprehensive technical assistance packages to eligible suppliers that incorporate lessons learned over the past year.

The objectives of this assignment were to:

- Identify high potential growth sectors which could be supported by QSDC to maximize the organization's impact in fostering SME development in Mongolia.
- Develop a menu of interconnected services that QSDC can provide to SMEs within the identified priority sectors which the organization can start implementing during the transition to a new technical and organizational model.
- Identify partnership opportunities for QSDC in assisting high growth sectors.

The High Growth Sectors Specialist will provide the BPI project chief of party the following deliverables, developed, and refined collaboratively with QSDC team:

1. A report on identified high growth potential sectors recommended for QSDC attention in the delivery of technical assistance and the provision of selective innovation grant assistance.
2. A report outlining proposed tools and a range of services that QSDC could provide to high potential SMEs within the identified priority sector to allow these SMEs realizing their potential and therefore maximizing SMEs increased sales and growth.

This report is submitted in fulfillment of the above deliverables. In addition, the specialist:

- Conducted two workshops with the QSDC and the BPI staff in the use of the Sector Model,
- Presented his findings in PowerPoint to Daniel Miller, Director, Office of Economic Development and Governance, USAID, and
- Undertook a case workshop with QSDC staff covering a live client case.

What the Specialist has also tried to do through this report is to give the QSDC a guidebook covering a wide range of knowledge accumulated over many years in relation to development of Micro, Small and Medium Enterprises.

SECTION I: INTRODUCTION

Generally all macro-economic research agrees that growth and employment generation can be sustained only through increases in productivity at the aggregate level. It is also generally accepted that productivity at the level of the aggregate economy depends on the underlying productivity of all firms in the economy. This is the case whether one is looking at large formal firms or small informal firms.

Except for Singapore and Hong Kong no country has been able to transition out of poverty without raising productivity in its agricultural sector. What is required is a successful structural transformation where agriculture, through higher productivity, provides food, labor, and even savings that assist in the processes of urbanization and industrialization. A dynamic agriculture sector raises labor productivity in the rural economy, increase wages, and gradually eliminates the worst dimensions of absolute poverty. The other side of the coin, however, is that this process of structural reform also leads to a decline in the relative importance of agriculture to the country's overall economy, as the industrial and service sectors grow even more rapidly, partly through stimulus from a modernizing agriculture and migration of rural workers to urban jobs.

The question of how to build economic growth that delivers jobs, creates prosperity and funds social services independent of the mining sector has become more critical for Mongolia as the price of commodities fluctuates. To succeed, Mongolia's SMEs must work to be broadly competitive with peer nations, and world-beating in a few and very specific areas. This is not the case today. Competitiveness is a combination of productivity (the output created from a given set of inputs) and the cost of those inputs. In most industry sectors, Mongolia's competitiveness is poor. Mongolia is clearly competitive in only one sector – mining – however, mining will not create the level of employment required to pull the economy forward. Mongolia can improve its competitiveness by either boosting productivity or reducing input costs.

Mongolia possesses major reserves of 80 different minerals including copper, gold, coking coal, iron ore, fluorspar, molybdenum, and crude oil. The Oyu Tolgoi mine, in particular, is potentially the world largest copper mine. The Mongolian economy has relied on its mining sector and the high prices of minerals in international markets for economic growth. However, the mining sector does not create the large number of jobs required by Mongolia to significantly improve the living standards of its people. To do so, it requires the development of a competitive and high value-added manufacturing sector.

The manufacturing sector is small and accounts for only 4.3 per cent of gross domestic product. Of the total economically active population of around 1 million people, only 48,000 are employed in the manufacturing sector. The small overall population limits the size of the domestic market. The challenge is thus to identify those manufactured products that it is feasible to support initially, in the sense that they use local raw materials, can be produced economically and can compete either with imports.

The QSDC should work, in the main, with companies producing products which require unique Mongolian raw materials, design or processes.

SECTION II: PICKING INDUSTRY SECTOR

Introduction

There were two major challenges faced by the consultant in identifying potential high growth sectors to recommend to the QSDC. These were the fact that:

- Little hard quantitative data exists in relation to industry sectors within Mongolia, and
- Accepted anecdotal evidence in a number of cases turned out to be false.

An example of this is the national livestock herd. "There are multiple perceptions and expectations of the livestock sector in Mongolia. One common perception evokes a romantic vision of nomads preserving timeless cultural practices living off the land. An alternative view of the sector regards herding as an outdated, unsustainable activity and that herders represent the outcasts from a modernizing economy, destined to remain on the land pursuing vulnerable livelihood strategies that trap them in poverty. Yet another view sees opportunities for rapid intensification of the sector and significant scope for increased productivity, increased trade and increased herder incomes in a modern livestock sector[i]."

The increase in livestock numbers following privatization and the increase in livestock numbers since the drought and *dzud* of 1999 to 2002, clearly indicate that the livestock sector is maintaining itself in terms of livestock numbers. The number of livestock is estimated to be between 43 and 51 million animals, however, the feedback from meetings with meat processors and exporters is that while the national herd has roughly doubled over the last 25 years, the number of animals slaughtered hasn't increased by any measureable amount. So while there appears to be an abundance of supply of raw material, in actual fact this may not be the case.

The same applies to many of the agri-business industry sectors that were evaluated.

Initial Review

At the outset 18 industry sectors were considered as part of this study. The following 6 sectors were dropped after an initial review:

• Agriculture	It was decided that, with the limited resources that QSDC will have at its disposal, it should concentrate on food processing sectors and not on primary producers
• Mining	Mining as an industry in Mongolia is based on large multi-nationals.
• Telecoms	Telecoms is a vibrant industry in Mongolia but it is, in the main, based around a small number of very large service providers
• Renewable Energy	The Government of Mongolia is very interested in creating a vibrant renewable energy sector based on the abundance of wind energy, however, the sector is based around very large capital intensive projects
• Tourism	It was decided that Tourism in general is too wide spread for QSDC to get involved in and that Hospitality, as a sub-sector, provides better opportunities for QSDCs particular service offerings
• Retail	Retail was dropped as its growth is almost totally dependent on the health of the economy and that if QSDC were to work with some retailers it could be to the detriment of others

This left twelve industry sectors that were reviewed for this study:

- Meat Processing
- Dairy Processing
- Leather
- Textiles
- Horticulture
- Transport & Logistics
- Light Engineering
- Technical Services

- Hospitality
- Non Alcoholic Beverages
- ICT
- Construction

Sector Analysis Model

The 12 sectors under review operate in different market, have diverse resource requirements and have different growth potentials. It was decided therefore to develop a Sector Analysis Model to be able to:

- Analyze the various industry sectors and decide which sectors should receive more time and resources,
- Develop growth strategies for adding new sectors over time, and
- Decide which sectors should no longer be retained.

The Specialist chose the General Electric multifactor portfolio model developed by in the early 1970's by GE in conjunction with the management consulting group McKinsey and Co as the base for his model. This model was adapted to allow the comparison of the 12 chosen sectors in terms of their Competitive Positioning compared to the overall Market Attractiveness in Mongolia. Although the analysis is subjective because it was carried out as an iterative process, involved the staff of the QSDC as well as a number of staff from the BPI and utilized all available hard data. The Specialist therefore believed that the output of the model is quite accurate in its analysis.

To assist in the understanding and evaluation of each sector the Specialist identified for each potential sector: its raw material input, potential client types for QSDC and who the final end customers might be for the output of the chosen sectors. These are outlined in Figure 2 below:

Raw Material	Industry Sector	Potential QSDC Clients	End Customers
Animals, packaging	**Meat Processing**	Slaughter houses, cooked meat producers	Shops, restaurants, hotels
Raw milk	**Dairy Processing**	Milk, yoghurt, cheese, ice cream producers	Shops, restaurants, hotels
Animal hides	**Leather**	Wet-blue hide, crusted hide, shoe & garment producers	Coat, shoe, bag manufacturers
Cashmere, wool	**Textiles**	Manufacturers of sweaters, scarves, skirts	Shops, boutiques, online
Raw vegetables, packaging	**Horticulture**	Raw, prepared, cooked veg	Shops, restaurants, hotels, distributors
Food, paper	**Hospitality**	Manufacturers of food products, napkins, laundries	Hotels, restaurants
Water, concentrate, packaging	**Beverage – Non-Alcoholic**	Producers of local beverages	Shops, restaurants, hotels, distributors
Fuel, repairs	**Transport / Logistics**	Logistics companies, transport companies	Mines, manufacturers, government, construction, hospitality, retail
Metal, small parts	**Light Engineering**	Producers of gates, railings, Repairs to: motors, equipment, etc	Construction, mining, transport
	Technical Services	Engineering & architectural design companies	Construction
Computers	**ICT**	Software, telecoms, computer repair companies	Government, businesses, private parties
Plastics, steel, copper wire, glass	**Construction**	Pre-fabricated doors, windows, plastic pipes, electrical products, wire, blocks, lintels	Construction companies

Figure 2: Industry Sectors

Included in Annex B is an overview of each of the 6 sectors that evolved out of the Sector Model work.

SECTION III: DEVELOPMENT TOOLS

INTRODUCTION

Despite their best intentions, many companies fall short of their resource-productivity goals. Why? Success requires a thorough change-management effort. Managers must set meaningful and achievable goals, and persuade often reluctant organizations to embrace and pursue them. They must secure the buy-in of their employees as well as equip them with the necessary skills and also deploy the new management systems needed to improve the way the organization functions. McKinsey spent three years surveying some 600,000 managers, 7,000 senior executives, and leading academics to explore why some transformations fail and others succeed. The results showed that successful transformations are based on three core elements that drive one another like interlocking gears.

- First are technical systems, meaning the assets and equipment a company owns, and the processes people perform with those assets, to create value.
- Second is management infrastructure—the formal structures, processes, and systems that companies use to manage people and the technical systems.
- Third are mind-sets and behaviors, or the attitudes that drive behavior individually and collectively.

Successful companies apply a comprehensive approach that encompasses all three, making them better able to implement and sustain changes to improve resource productivity.

Over time the QSDC needs to look at tackling these three interlocking issues with their clients. With some clients, such as advanced ICT companies they may immediately start to address these issues in a short time frame. With other clients, such as food producers, it may take more than two years to win the trust of CEO's in order to even raise some of these issues at a discussion level.

A HOLISTIC APPROACH TO DEVELOPMENT

The QSDC has had excellent results in assisting companies to implement quality procedures and to invest in training and assets. The writer believes that the QSDC should now widen its remit to cover a range of Business Development Skills.

Figure 3: Holistic Development Model

Execution is critical to success. Execution represents a disciplined process or a logical set of connected activities that enables an organization to take a strategy or plan and make it work. Without a careful, planned approach to execution business goals will not be attained. Developing such a logical and repeatable approach, however, represents a formidable challenge to management.

If execution is central to success, why don't more SMEs develop a disciplined approach to it?

Research has shown that up half of firms that go bankrupt do so primarily because of their own deficiencies rather than externally generated problems. They do not develop the basic internal strengths to survive. Overall weakness in management, combined with a lack of market for their product, cause these firms to fail

The main reason for failure is inexperienced management. Managers of bankrupt firms have generally been shown to not have experience, knowledge, or vision to run their businesses. Even as firms age and management experience increases, knowledge and vision remain critical deficiencies that contribute to failure

The management of new firms face a learning curve. In the early stages of life, internal deficiencies are so prevalent that most bankruptcies occur for these reasons. Management must master the basic internal skills – general and financial knowledge, control, communications, supervision of staff, and market development – or it will fail solely or primarily from the weight of these problems. As a surviving business grows, a new set of problems arise that are associated with the increased complexity of running an older and often larger firm. Managerial issues such as: the poor use of outside advisors, a lack of emphasis on quality, an unwillingness to delegate responsibilities, departure of key personnel, and personal problems associated with the owner/manager become relatively more important factors contributing to failure as a firm ages[ii].

SME managers need to be generalist and gain basic skills and knowledge in managerial functions such as planning, organizing, leading and controlling. They also need to gain an overview of finance, marketing, competition and so on. If he/she does not pay enough attention to these issues, eventually he/she cannot delegate responsibility for particular areas and will fail under the burden of undiscovered and emerging problems. These areas become, with the growth of a business, more complex and intricate and demand more attention.

The writer therefore suggests that the QSDC expands its range of assisted programs and develop a holistic approach to developing and expanding its clients. This wider range of tools and services is detailed below:

Management

- ***Mentor Program***

  It is proposed that the QSDC establish a Mentor Network to help companies identify and overcome obstacles to growth. Mentors can provide tailored advice, guidance and support, to help SMEs develop, grow and build management capability. Mentors should be senior executives, drawn from the private sector, with a proven track record in business. They will act as a confidential sounding board, advising SME managers on key operational and strategic issues. The Network should be regularly refreshed with CEOs and senior executives with high levels of achievement and with proven skills in marketing, strategic development, organization development, R&D, funding and first-time exporting across all the sectors that the QSDC will be concentrating on.

  It is envisage that a mentoring assignment would consist of four hours a month, delivered in one or two sessions, over a period of six to twelve months. Companies would choose a Mentor from a short-list of Mentors with the experience to meet their stated needs. It is proposed that the companies would not be charged for the Mentor and that the QSDC would only cover the out of pocket expenses for the Mentor.

  All Mentors will be required to sign a strict confidentiality agreement with the QSDC. Outline details of how to operate a Mentor Programme are contained in Annexes C and D.

- ***Key Performance Indicator (KPI)***

  KPIs are a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals. KPIs vary between companies and industries, depending on their priorities or performance criteria. One important factor in deciding a KPI is that it must have the ability to provide recommendation(s) for action which can hugely impact the business bottom-line.

It is proposed that the QSDC develops a training program to assist companies establish a small number of KPIs that will benefit both the management of the company and the QSDC at a later stage to understand if a company is moving forward, standing still or worse going backward. KPIs are not financial in nature and therefore it should be easier to get clients to buy into them.

The starting point for choosing which performance indicators are key to a particular company should be those that are advantageous to the Senior Management in managing their business. Many owners / CEOs tend, if they manage anything, to use financial performance indicators, even though they may be communicating strategies such as maximizing customer experience, or attracting and retaining the best and brightest people.

A challenge is whether the KPIs currently used by the Senior Management are those that allow them to assess progress against stated strategies, and when reported externally, allow Banks, customer and the QSDC to make a similar assessment. In addition, KPIs will to a degree be conditioned by the industry in which the company operates. For example, a company in the retail industry might use sales per square foot and customer satisfaction as a key performance indicator while a small engineering company may use output per machine or output per man hour.

Further details on key performance indicators are contained in Annex E.

- *Networking*

Networking events should be great for QSDC in that they: raise its profile, find new clients, disseminate information, obtain feedback from existing clients and provide a low cost high value service to its clients.

For Mongolian business people, networking should be a key activity that should be fun, but also critical to their personal growth and business development. Small business is all about networking, building relationships and taking action.

Building a successful business takes a lot of time and drive, so it should be good for QSDC's clients' to have a network of friends and associates to draw energy from and keep them going. Networking events should be marketing by QSDC as great for sharing ideas and knowledge. Whether it's asking for feedback or discussing their point of view, it will help QSDC's clients to expand their knowledge base and allow them to see things from another perspective.

It is also likely that within a sector or non-sector specific group there will be companies who have already been where QSDC's less experienced clients are today. This provides QSDC's clients with an opportunity to learn and avoid some of the common pitfalls more experienced clients have already encountered.

It's natural that networking should result in opportunities. Whether it's a referral, offer partnership or request for service or product.

QSDC clients should be aware that being visible and getting noticed is a big benefit of networking. By regularly attending business and social events, people will begin to recognise what each company does. This can you help them to build their reputation as a knowledgeable, reliable and supportive company by offering useful information or tips to people who need it.

- *Business Plan*

For QSDC's clients who are looking to raise money either from banks or non-banking groups it is essential that they are taught how to prepare good business plans. They should not rely on consultants to prepare their business plan. If they do, then they will be unable to discuss and defend their plan when they meet with banks, NBFIs or even the QSDC. It is suggested that the QSDC run training programmes to teach clients the essentials of creating a business plan. It may also be beneficial if clients present an overview of their plans, without the financial details, at networking events. This would be good exercise both to see what their peers think of the plan but also so that clients can see that a business plan should be presented as a short, to the point, document and not an overly over-worded script. A short business plan outline is included in Annex F.

Marketing

It is proposed that the QSDC establish a number of short courses, to be delivered by consultants, to assist SMEs to correctly positon their marketing effort. It is also proposed that for the faster moving companies, such as IT clients, that some individual consultancy programmes should be offered.

- ***Value Proposition***

  The ability to convey a value proposition is essential for any business hoping to clearly communicate to customers why they are different, better, and worth purchasing from. It's especially important for small business owners making their name for the first time, because without brand recognition, they have to paint a very clear picture as to why they are worth people's time. The major challenge is that the majority of SMEs are unable to articulate their value proposition and therefore may lose business that they should otherwise have got. Developing a strong value proposition not only makes it easier to connect with target audiences but it establishes a foundation upon which a company's marketing and sales activities can be built upon. It also provides employees with a consistent and cohesive way to talk about what they're doing.

- ***Web site***

  Many of the SMEs met by the writer did not have a web site, or if they did, it was of poor quality. Many small business owners view their business as a totally offline entity, pursuing traditional means to promote themselves and win new customers. However, regarding any business (from the largest enterprise to the sole trader, or anything in between) as purely offline is a risky strategy to take when customers are spending more and more of their time online. The key to making the most of the web is making a business as accessible as possible, letting people interact with it in a way that suits them, whenever they want to. Making the most of online tools doesn't necessarily mean trying to go global, quite the opposite in fact. It can be a very successful route to building relationships at a local level, which is crucial to the success of so many small businesses. Focusing on your online touch-points means building relationships with customers and potential customers, and turning that online connection into offline custom: loyal, engaged customers who come back time and again.

Innovation

Innovation is a broad term that encompasses virtually any new development in firms. It can involve creating or re-engineering products or services to meet new market demand, introducing new processes to improve productivity, developing or applying new marketing techniques to expand sales opportunities, and incorporating new forms of management systems and techniques to improve operational efficiency.

From a study of 2,100 executives from SMEs in 21 countries more than half (51%) of survey respondents cite driving innovation, cost reduction, and efficiencies as strategic initiatives most important to their future growth[iii].

Companies who are looking to accelerate their growth and to do this successfully, must focus on the changing needs of their customers and produce better products and services than their competitors. This leads to a sustainable growth in profits and puts the company back on the right trajectory for long term success. Innovation is a process, which when used effectively, gives a company real competitive positioning. It delivers areas of differentiation through new processes, new products, new channels, new services and solutions and most importantly allows companies to break into new markets and access global customers.

According to the OECD, innovation is the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations of a company. In other words, innovation takes place not only when technologies are developed but also in business practice, workplace organization and a company's external relations.

All organizations need to improve their innovation process, as it is the lifeblood of future revenue streams. The reality however is that most organizations, particularly SMEs find it difficult to understand how innovation can be effectively managed. Research & Development (where it exists!) is often seen as the only department directly responsible for innovation and other areas of the business do not contribute. However, companies need a framework for understanding and managing innovation in order to achieve individual, product, service and process innovation to significantly improve overall business performance.

The most common barrier to innovation is resource limitations, primarily due to lack of available finances, secondly due to lack of manpower, and thirdly due to lack of time. This barrier can only be broken when an organization decides to innovate and makes the resources available. After resource issues the next barriers are largely perceptual, namely too high risk and a belief than innovation is not necessary. These perceptual barriers disappear rapidly if the management are highly educated and are starting to compete in a global environment. Finally, a lack of technology and a lack of qualified personnel provide the final obstacles to innovation within SMEs[iv].

It is proposed that the QSDC develops initially group programs to introduce innovation concepts to companies and then at a later stage instigate individual consultancy projects where it perceives that the company needs to innovate and that there is a an owner/manager buy-in to an innovation process. Similar to Lean innovation is a culture and a way to do business and not a once off project.

Details of an Innovation System are outlined in Annex G.

- **SWOT**

  Innovation and creativity are considered by many as key factors of business success and prosperity. However, analysis indicates that generally only one from six ideas achieve the goal and return profit to a business. How to determine the potential success in innovative ideas is an important job for owners and senior managers. Many tools and methods are used to evaluate ideas but one of most clear and direct tools to evaluate different success factors of innovative ideas is a SWOT Analysis.

  A SWOT analysis is one of the methods that is used to evaluate strength (S), weakness (W), opportunities (O) and threats (T) involved in innovative ideas and strategies. It can be applied to products, services and strategies. Those four factors evaluate both internal and external factors related to a specific project, service or strategy.

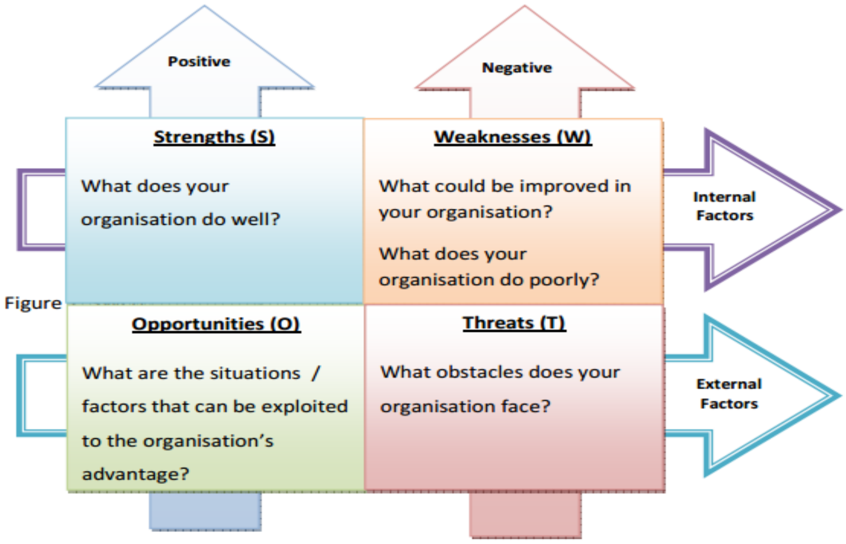


Figure 4: SWOT Analysis

The internal analysis includes both strength and weakness factors, while the external analysis includes opportunities and threats factors. Classifying the related factors of product success under the SWOT umbrella helps owner/managers to identify the strong and weak points and subsequently helps to determine the right decision to turn a specific idea into a new product/process/service offering.

Companies do not necessarily have to have all the factors met on the same level in order to identify the opportunity. Strategies can focus on two factors rather than the four factors. For example, the company may find a profitable opportunity in a specific project and decide to overcome the weakness to take the project to the production level.

The organization can form the strategy based on the different factors as following:

- **Strength-Opportunity (S-O)** – strategies target the opportunities that fit well with the innovative product strength.
- **Weakness-Opportunities (W-O)** – strategies targets overcoming the weakness to build opportunities for the new product or service.
- **Strength-Threats (S-T)** – strategies aim to identify the methods to use the product's strengths to reduce the threats and market risk.
- **Weakness-Threads (W-T)** – strategies which builds a plan that prevent the product's weakness from being influenced by external threats.

The SWOT analysis tool can be used for two different approaches. The first approach is an icebreaker tool used during strategic planning meetings. The second approach is as a tool for building strategy or exploring innovation.

The SWOT analysis depends on asking questions and finding answers related to each factor; strengths, weakness, opportunity and threats.

Strengths

- What are the advantages of the new product or service?
- What are the product advantages over similar competitors in market?
- What strength points do people see in the product or service?
- What are the product's unique selling factors?

Weakness

- What weakness could be improved in the design?
- What issues should be avoided?
- What are the factors that reduce your sales?
- Does the production process have limited resources?

Opportunities

- What are the opportunities for the new product?
- What are the trends to take advantage of?
- How can we turn strengths into opportunities?
- Are there any changes in the market or government which can lead to opportunities?

Threats

- Who are the existing or potential competitors?
- What are the factors that can put business into risk?
- What issues can threaten the product on the market?
- Will there be any shifts in consumer behavior, government or market that can affect the product success?

SWOT analysis can be conducted with a group of companies to get an understanding of how it is applied as an innovation tool and then later it can be applied on an individual company basis.

Further details on applying a SWOT analysis are contained in Annex H.

Operations

Business operations are those tasks and activities that an organization undertakes to produce the services or goods that it provides to its customers. Efficient operations help companies reduce costs, satisfy health and safety requirements and quite often improve customer satisfaction

Efficiency is important because efficient operations keep expenses down. Although operations don't directly affect revenue, they do directly affect the company's cost of doing business, so operations strongly influence its ability to be profitable. Indirectly, efficient operations might enhance revenue if they increase customer satisfaction, which can help increase sales.

The QSDC is already working effectively in the area of Operations having assisted companies to implement:

- ISO Standards,
- HACCP procedures,
- Health & Safety procedures, and
- Six Sigma programs.

The writer believes that these training and consulting programs should be continued and widened to include "Lean Six Sigma". The core idea of Lean is to maximize customer value while minimising waste. Simply, lean means creating more value for customers with fewer resources.

To accomplish this, lean thinking changes the focus of management from optimising separate technologies, assets, and vertical departments to optimising the flow of products and services through entire value streams that flow horizontally across technologies, assets, and departments to customers.

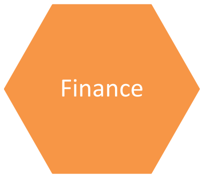
Eliminating waste along entire value streams, instead of at isolated points, creates processes that need less human effort, less space, less capital, and less time to make products and services at far less costs and with much fewer defects, compared with traditional business systems. Companies are able to respond to changing customer desires with high variety, high quality, low cost, and with very fast throughput times. Also, information management becomes much simpler and more accurate.

A popular misconception is that lean is suited only for manufacturing, however, lean applies in every business and every process. It is not a tactic or a cost reduction program, but a way of thinking and acting for an entire organization.

Businesses in all industries and services are using lean principles as the way they think and do. Many organisations choose not to use the word lean, but to label what they do as their own system, such as the Toyota Production System or the Danaher Business System. This is to drive home the point that lean is not a program or short term cost reduction program, but the way the company operates. The word transformation or lean transformation is often used to characterize a company moving from an old way of thinking to lean thinking. It requires a complete transformation on how a company conducts business. This takes a long-term perspective and perseverance.

The QSDC should identify Lean Consultants in order to offer a wider range of cost saving services to its clients. Further details on Lean are contained in Annex I.

Finance



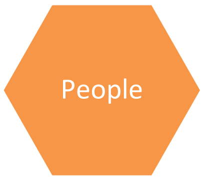
The strengthening of SMEs is crucial to achieve broad-based and sustainable growth in Mongolia. Nevertheless, SMEs are constrained by a number of problems, among which access to finance is identified as one of the most difficult barriers to growth and development. As far as the banking sector is concerned, loans provided by commercial banks tend to be short-term, expensive and require very high collateral.

Lending to SMEs is perceived as risky by commercial banks because of the low capitalization of most SMEs and the lack of immovable assets. This is also partly due to the lack of capacity at commercial banks in implementing cash-flow based lending mechanisms.

QSDC should not be seen as a provider of capital but an enabler of expansion. QSDC should provide grants towards competitiveness improvement and business growth, however, as much as possible this assistance should be used to try and leverage finance from banks, the Micro Finance Development Fund and Non-Banking Finance Institutions.

The QSDC should enter into discussion with the leasing houses to establish whether the QSDC could pay grants directly to the leasing house in order to both reduce the overall cost of the equipment to be leased but also reduce the leasing interest rate as the risk associated with lease will be significantly reduced.

People



Poor management skills in SMEs are recognized as an acute problem worldwide: the OECD working group on SMEs has identified managerial weakness as a key factor in the failure of small businesses. In a typical micro or small business in a developing country it is often clear that owners are not implementing many of the business practices standard in most small businesses in developed countries. Formal records are not kept, and household and business finances are mixed together. Marketing efforts are sporadic and rudimentary. Some inventory sits on shelves for years at a time, while more popular items frequently are out of stock. Few owners have financial targets or goals that they regularly monitor and act to achieve. Often one sees similar traits in medium size firms, with few firms using quality control systems, rewarding workers with performance-based pay, or using many other practices typical in well managed firms in developed countries.

Much of the tradition in business training courses has been focused on teaching particular practices that firm owners can implement in their firms. However, another school of thought is that the attitudes and personalities that business owners bring to the business are equally, if not more, important. Reports have found that where one of the main objectives of trainers is to change owners' personalities to "turn them into entrepreneurs", the training intervention did lead to measurable and significant changes[v].

Existing training offers and programs have in the main been designed and organized from the point of view of larger companies and they simply don't fit into the organizational needs of smaller companies. It is important for the QSDC to avoid solutions which are too complex, as they are difficult to implement. One-week training courses should not necessarily begin on Monday and finish on Friday – this may not respect the rhythm and needs of client companies. Flexibility of training (for instance, spreading these five days over several months) may be much better suited to the needs of QSDC's clients. However, it is necessary that this be based on good organization, not on improvisation.

Workers and employers in SMEs do not generally see the need for training and lifelong learning. It is often because they have never taken the time to fully assess which skills are needed by using adapted tools and formalized procedures. The QSDC should consider offering assistance towards an external assessment of needs. This may be the key to raising employers' and employees' awareness of the importance of skills and continuous learning. Everything starts with a good diagnosis. If diagnosis is offered at a low or no cost, employers are much more likely to be interested.

The involvement in networks as highlighted in the Management Section above, will also enable SMEs to engage more effectively in ongoing training and competence development. Such networks can help them find access to information, increase the awareness of the importance of anticipating change, and develop training. Networks can be organized on a local basis, generally with a strong sectoral dimension; in some cases, communities of practice can be set up. As good practice illustrates, clearly defining aims (for instance, improved working conditions in the construction sector or the development of quality in rural tourism) or finding solutions for typical problems (lack of resources or organizational constraints in developing apprenticeships) are important elements in making programs and initiatives effective and suitable.

It is also proposed that a main feature of QSDCs future programs is that they be based around learner centered approach of facilitation of learning processes, which is in contrast to traditional top-down classroom-style training

Facilitators promote self-learning and help owner/managers develop critical thinking skills and retain knowledge that leads to self-actualisation. This style will train them to ask questions and will help develop skills to find answers and solutions through exploration. It will challenge the consultant/trainer to interact more with owner/managers and prompt them toward discovery rather than lecturing facts and testing knowledge through memorisation. Therefore when the QSDC is appointing trainers care will have to be taken to identify if they have the necessary skills to be a facilitator.

In assisting people in learning processes, the facilitator may have to play different roles:

- to be a **moderator** in working groups, workshops debates, etc;
- to be an **expert** in process management;
- to **train** on specific methods and tools;
- to **coach** participants

"Tell me and I forget; show me and I remember; involve me and I will understand"

Chinese Proverb

Details on the role of a Facilitator are contained in Annex J.

SECTION IV: TRACKING SYSTEM

There is a need to implement a better way for the QSDC staff to track their relationship with its clients. A system is required that is capable of being accessed both inside and outside the office and from both laptop and smartphone. It should be able to:

- Accurately capture and safely store prospect/client details.
- Record client interactions; whether it's an initial discussion, organizing training, details on grant applications and approvals, outgoing and incoming information.
- Enable and promote selling of training courses.
- Ensure staff have the most up-to-date and accurate information about clients, programs and consultants.
- Provide reliable pipeline information and generate accurate forecasting.
- Drive client service, ensure consistent client experiences and increase client satisfaction.
- Measure and increase effectiveness.
- Offer management analytics.
- Support partners, consultants, etc and track their value.
- Help demonstrate results through all activities.
- Assist in operational and M&E reviews – identify what works and what doesn't.

The author believes that there are a number of CRM (Customer Relationship Management) software packages available either low cost or free that could be adopted quite easily to the future requirement of the QSDC.

Note: *The QSDC should consider seeking advice from Ganbold CHINZORIG, in the Information Technology, Post and Telecommunications Authority in relation to a suitable CRM system. Prior to joining the Authority he owned a software company that developed CRM software.*

SECTION V: BUSINESS GROWTH

Small businesses vary widely in size and their capacity for growth. They are operated in different business sectors, they differ in organisational structures, they have different levels of cash requirements and off course their management styles vary dramatically.

However, numerous studies show that they experience common problems arising at similar stages in their development. These points of similarity have been organised into various frameworks by different experts over the years. These models increases the understanding of the nature, characteristics, and problems of businesses ranging from a small food producer with two or three minimum-wage employees to a computer software company experiencing a 40% annual rate of growth.

For the QSDC an understanding of these phases may aid in assessing the current challenges being faced by its clients; for example, the need to upgrade an existing computer system or to hire and train second-level managers to maintain planned growth.

A business model should help in anticipating the key requirements at various points—e.g., the inordinate time commitment for owners during the start-up period, the need for delegation and changes in managerial roles when companies become larger and more complex and how to best match the services of the QSDC with the specific requirements of a client and a particular point in their development.

A good framework should also aid QSDC's partners and consultants in diagnosing problems and matching solutions to smaller enterprises. The problems of a 6-month-old, 2-person business are rarely addressed by advice based on a 30-year-old, 100-person manufacturing company. For the former, cash-flow planning is paramount; for the latter, strategic planning and budgeting to achieve coordination and operating control are most important.

The following model developed by Neil C. Churchill[vi] and Virginia L. Lewis[vii] is a relatively easy to understand the framework that evolved from work the writers did on delineating the five stages of development shown in the following graph. Each stage is characterized by an index of size, diversity, and complexity and described by five management factors: managerial style, organizational structure, extent of formal systems, major strategic goals, and the owner's involvement in the business.

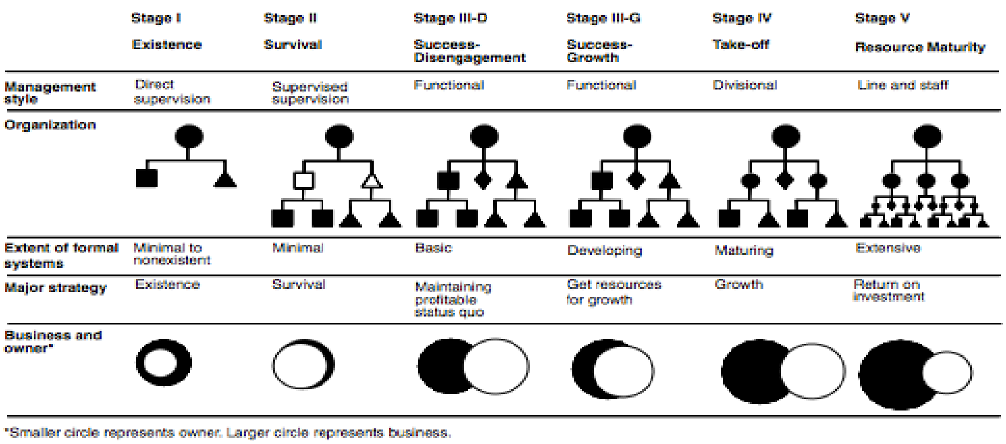


Figure 5: The Five Stages of Small Business Growth

STAGE I: EXISTENCE

Goal: Get monthly cash flow to the point of consistent breakeven

In this stage the main problems of the business are obtaining customers and delivering their product. Among the key questions are the following:

- Can they get enough customers, deliver their products, and provide services well enough to become a viable business?
- Can they expand from that one key customer or pilot production process to a much broader sales base?
- Do they have enough money to cover the considerable cash demands of this start-up phase?

The organization is a simple one - the owner does everything and directly supervises subordinates, who should be of at least average competence. Systems and formal planning are minimal to nonexistent. The company's strategy is simply – remain alive. The owner *is* the business, performs all the important tasks, and is the major supplier of energy, direction, and, with relatives and friends, capital.

Companies in the Existence Stage range from newly started restaurants and retail stores to high-technology manufacturers that have yet to stabilize either production or product quality. Many such companies never gain sufficient customer acceptance or product capability to become viable. In these cases, the owners close the business when the start-up capital runs out and, if they're lucky, sell the business for its asset value. In some cases, the owners cannot accept the demands the business places on their time, finances, and energy, and they quit. Those companies that remain in business become Stage II enterprises.

Some might think this is the startup stage of a company. But in fact, there are many businesses that have existed for years and still cannot breakeven month to month. Businesses at this stage need better owner maturity, company systems, or both to create consistent monthly cash flow.

STAGE II: SURVIVAL

Goal: Consistently achieve owner established profit requirements

In reaching this stage, the business has demonstrated that it is a workable business entity. It has enough customers and satisfies them sufficiently with its products or services to keep them. The key problem thus shifts from mere existence to the relationship between revenues and expenses. The main issues are as follows:

- In the short run, can the company generate enough cash to break even and to cover the repair or replacement of capital assets as they wear out?
- Can they, at a minimum, generate enough cash flow to stay in business and to finance growth to a size that is sufficiently large, given their industry and market niche, to earn an economic return on their assets and labor?

The organization is still simple. The company may have a limited number of employees supervised by a sales manager or a general foreman. Neither of them makes major decisions independently, but instead carries out the rather well-defined orders of the owner.

Systems development is minimal. Formal planning is, at best, cash forecasting. The major goal is still survival, and the owner is still synonymous with the business.

In the Survival Stage, the enterprise may grow in size and profitability and move on to Stage III. Or it may, as many companies do, remain at the Survival Stage for some time, earning marginal returns on invested time and capital, and eventually go out of business when the owner gives up or retires. The "mom and pop" stores are typical of this category, as are manufacturing businesses that cannot get their product or process sold as planned. Some of these marginal businesses have developed enough economic viability to ultimately be sold, usually at a slight loss or they may fail completely and drop from sight.

STAGE III: SUCCESS

Goal: One of two possible choices exists. It is based on the owner's desire – grow or just sustain the business' success created to this point.

The decision facing owners at this stage is whether to exploit the company's accomplishments and expand or keep the company stable and profitable, providing a base for alternative owner activities. Thus, a key issue is whether to use the company as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company. Behind the disengagement might be a wish to start up new enterprises, enter semi-retirement or simply to pursue other outside interests while maintaining the business more or less in the status quo.

At this stage the company has attained economic health, has sufficient size and product-market penetration to ensure economic success, and earns average or above-average profits. The company can stay at this stage indefinitely, provided environmental, government or infrastructure changes do not destroy its market niche or ineffective management reduce its competitive abilities.

Organizationally, the company will have grown large enough to, most likely, require functional managers to take over certain duties performed by the owner. The managers should be competent but need not be of the highest caliber, since their upward potential is limited by the corporate goals. Cash is plentiful and the main concern is to avoid a cash drain in prosperous periods to the detriment of the company's ability to withstand the inevitable rough times.

At this stage, the first professional staff members come on board, quite often a financial controller in the office and perhaps a production scheduler in the plant. Basic financial, marketing, and production systems are in place. Planning in the form of operational budgets supports functional delegation. The owner and, to a lesser extent, the company's managers, should be monitoring a strategy to, essentially, maintain the status quo.

As the business matures, the company and its owner quite often start to move apart, to some extent because of the owner's activities elsewhere and to some extent because of the presence of other managers. Many companies continue for many years in this stage. The product-market niche of some does not permit growth; this is the case for many service businesses in small or medium-sized, slowly growing communities or for franchise holders with limited territories.

If the company cannot adapt to changing circumstances, as has been the case with many companies faced with the down-turn of the current, it will either fold or drop back to become a marginally surviving company.

Alternatively, the owner consolidates the company and marshals resources for growth. The owner takes the cash and the established borrowing power of the company and risks it all in financing growth.

Among the important tasks are to make sure the basic business stays profitable so that it will not outrun its source of cash and to develop managers to meet the needs of the growing business. This second task requires hiring managers with an eye to the company's future rather than its current condition.

At this stage systems should also be installed with attention to forthcoming needs. Operational planning is in the form of budgets but strategic planning is extensive and deeply involves the owner. The owner is thus far more active in all phases of the company's affairs than in the disengagement aspect of this phase.

The shift at this stage is to profitability. The owner has invested time and money into the business at this stage. Now he/she need to begin getting a return on investment (ROI). That means going beyond just making enough to keep the doors open and they must begin creating systems in their business that consistently generate profits. Their level of business knowledge needs to increase or the business will stagnate

If it is successful, the company proceeds into Stage IV.

STAGE IV: SUCCESS

Goal: One of two possible choices exists. It is based on the owner's desire – grow or just sustain the business' success created to this point.

In this stage the key problems are how to grow rapidly and how to finance that growth. The most important questions to be addressed, are in the following areas:

- Delegation: can the owner delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex enterprise? Further, will the action be true delegation with controls on performance and a willingness to see mistakes made, or will it be abdication, as is so often the case?
- Cash: will there be enough to satisfy the great demands growth brings (often requiring a willingness on the owner's part to tolerate a high debt-equity ratio) and a cash flow that is not eroded by inadequate expense controls or ill-advised investments brought about by owner impatience?

The organization is usually, at least in part, divisionalized at this stage into sales and production. The key managers must be very competent to handle a growing and complex business environment. The systems, strained by growth, are becoming more refined and extensive. Both operational and strategic planning are being done and involve specific managers. The owner and the business have become reasonably separate, yet the company is still dominated by both the owner's presence and stock control.

This is a pivotal period in a company's life. If the owner rises to the challenges of a growing company, both financially and managerially, it can become a big business. If not, it can usually be sold, at a profit, provided the owner recognizes his or her limitations soon enough. Too often, those who bring the business to the Success Stage are unsuccessful in Stage IV, either because they try to grow too fast and run out of cash, or are unable to delegate effectively enough to make the company work

It is, of course, possible for the company to traverse this high-growth stage without the original management. Often the entrepreneur who founded the company and brought it to the Success Stage is replaced either voluntarily or involuntarily by the company's investors or creditors.

If the company fails to make the big time, it may be able to retrench and continue as a successful and substantial company at a state of equilibrium or it may drop back to Stage III or, if the problems are too extensive, it may drop all the way back to the Survival Stage or even fail. High interest rates and uneven economic conditions have made the latter two possibilities all too real in recent times.

This is a key turning point for a business. It is where QSDC may find many of its clients mired between success and survival. Many owners are in survival mode but believe they've created success. The business consistently generates profits, but the OWNER does it, not systems which is a critical difference between survival and success. In a success stage, the business owner can disengage from the business and it will continue consistently generating a profit. This ability is what gives a business real value. Without it the owner has just created a job for themselves. It will difficult, if not impossible, for them to sell their business in this condition.

STAGE V: RESOURCE MATURITY

Goal: To diversify into other markets or find related products to sell to the existing customer base

The greatest concerns of a company entering this stage are, first, to consolidate and control the financial gains brought on by rapid growth and, second, to retain the advantages of small size, including flexibility of response and the entrepreneurial spirit. The business must expand the management team fast enough to eliminate the inefficiencies that growth can produce and professionalize the company by use of such tools as budgets, strategic planning, management by objectives, and standard cost systems and do this without stifling its entrepreneurial qualities.

A company in Stage V has the staff and financial resources to engage in detailed operational and strategic planning. The management is decentralized, adequately staffed, and experienced and systems are extensive and well developed. The owner and the business are quite separate, both financially and operationally.

The characteristics of this stage are big and lethargic. The company has again reached a plateau. It has saturated its market or outgrown its management teams' ability to manage its growth. Companies in this stage often cannot react to major shifts in the market and die as a result. But, well managed companies in this stage begin to diversify in ways that allow the company to continue to grow. They accomplish this by moving into other markets or finding related products for their existing customer base. These other initiatives are really other entities in earlier stages in the growth cycle. So you see different parts of the company and different stages of the growth model.

Key Management Factors

Several factors, which change in importance as the business grows and develops, are prominent in determining ultimate success or failure of a business according to Churchill and Lewis.

They identified eight factors in their research, of which four relate to the business and four to the owner. The four that relate to the company are as follows:

1. Financial resources, including cash and borrowing power.
2. Personnel resources, relating to numbers, depth, and quality of people, particularly at the management and staff levels.
3. Systems resources, in terms of the degree of sophistication of both information and planning and control systems.
4. Business resources, including customer relations, market share, supplier relations, manufacturing and distribution processes, technology and reputation, all of which give the company a position in its industry and market.

The four factors that relate to the owner are as follows:

1. Owner's goals for himself / herself and for the business.
2. Owner's operational abilities in doing important jobs such as marketing, inventing, producing, and managing distribution.
3. Owner's managerial ability and willingness to delegate responsibility and to manage the activities of others.
4. Owner's strategic abilities for looking beyond the present and matching the strengths and weaknesses of the company with his or her goals.

As a business moves from one development stage to another, the importance of the factors changes. They alternate across three levels of importance:

- Key variables that are absolutely essential for success and must receive high priority;
- Factors that are clearly necessary for the enterprise's success and must receive some attention; and
- Factors of little immediate concern to top management.

In the early stages, the owner's ability to do the job gives life to the business. Small businesses are built on the owner's talents: the ability to sell, produce, invent, or whatever. This factor is thus of the highest importance. The owner's ability to delegate, however, is on the bottom of the scale, since there are few if any employees to delegate to.

As the company grows, other people enter sales, production, or engineering and they first support, and then even supplant, the owner's skills, thus reducing the importance of this factor. At the same time, the owner must spend less time doing and more time managing. He or she must increase the amount of work done through other people, which means delegating. The inability of many founders to let go of doing and to begin managing and delegating explains the demise of many businesses in Stage III and Stage IV.

The owner contemplating a growth strategy must understand the change in personal activities such a decision entails and examine managerial needs. Similarly, an entrepreneur contemplating starting a business should recognize the need to do all the selling, manufacturing, or engineering from the beginning, along with managing cash and planning the business course. These are requirements that take much energy and commitment.

The importance of cash changes as the business changes. It is an extremely important resource at the start, becomes easily manageable at the Success Stage, and is a main concern again if the organization begins to grow. As growth slows at the end of Stage IV or in Stage V, cash becomes a manageable factor again. The companies in Stage III need to recognize the financial needs and risk entailed in a move to Stage IV.

The issues of people, planning, and systems gradually increase in importance as the company progresses from slow initial growth (Stage III) to rapid growth (Stage IV). These resources must be acquired somewhat in advance of the growth stage so that they are in place when needed. Matching business and personal goals is crucial in the Existence Stage because the owner must recognize and be reconciled to the heavy financial and time-energy demands of the new business. Some owners find these demands more than they can handle. In the Survival Stage, however, the owner has achieved the necessary reconciliation and survival is paramount; matching of goals is thus irrelevant in Stage II.

A second serious period for goal matching occurs in the Success Stage. Does the owner wish to commit his or her time and risk the accumulated equity of the business in order to grow or instead prefer to savor some of the benefits of success? All too often the owner wants both, but to expand the business rapidly while planning a new house or a long vacations involves considerable risk. To make a realistic decision on which direction to take, the owner needs to consider the personal and business demands of different strategies and to evaluate his or her managerial ability to meet these challenges.

Finally, business resources are the stuff of which success is made; they involve building market share, customer relations, solid vendor sources, and a technological base, and are very important in the early stages. In later stages the loss of a major customer, supplier, or technical source is more easily compensated for. Thus, the relative importance of this factor is shown to be declining.

The changing role of the factors clearly illustrates the need for owner flexibility. An overwhelming preoccupation with cash is quite important at some stages and less important at others. "Doing" versus "delegating" also requires a flexible management. Holding onto old strategies and old ways is bad for a company that is entering the growth stages and can even be fatal.

Applying the Model

This model can be used to evaluate all sorts of small business situations, even those that at first glance appear to be exceptions. Take the case of franchises, which may in the future be highly applicable to Mongolia. These businesses begin the Existence Stage with a number of differences from most start-up situations. They often have the following advantages:

- *A marketing plan developed from extensive research.*
- *Sophisticated information and control systems in place.*
- *Operating procedures that are standardized and very well developed.*
- *Promotion and other start-up support such as brand identification.*
- *They also require relatively high start-up capital.*

If the franchisor has done sound market analysis and has a solid, differentiated product, the new venture can move rapidly through the Existence and Survival Stages – where many new ventures founder – and into the early stages of Success. The costs to the franchisee for these beginning advantages are usually as follows:

- *Limited growth due to territory restrictions.*
- *Heavy dependence on the franchisor for continued economic health.*
- *Potential for later failure as the entity enters Stage III without the maturing experiences of Stages I and II.*

One way to grow with franchising is to acquire multiple units or territories. Managing several of these, of course, takes a different set of skills than managing one and it is here that the lack of survival experience can become damaging.

Another seeming exception is high-technology start-ups. These are highly visible companies – such as GABIT Bazar's computer software businesses, Infinite Solutions – that attract much interest from the investment community. Entrepreneurs and investors who start them often intend that they grow quite rapidly and then go public or be sold to other corporations. This strategy requires them to acquire a permanent source of outside capital almost from the beginning. The providers of this cash, usually venture capitalists, may bring planning and operating systems of a Stage III or a Stage IV company to the organization along with an outside board of directors to oversee the investment.

The resources provided enable this entity to jump through Stage I, last out Stage II until the product comes to market, and attain Stage III. At this point, the planned strategy for growth is often beyond the managerial capabilities of the founding owner and the outside capital interests may dictate a management change. Again this is evident In Infinite Solutions, where their US partners now have a large say in how the business is run. In these cases, the company moves rapidly into Stage IV and, depending on the competence of the development, marketing, and production people, the company becomes a big success or an expensive failure.

The problems that beset both franchises and high-technology companies stem from a mismatch of the founders' problem-solving skills and the demands that "forced evolution" brings to the company.

Besides the extreme examples of franchises and high-technology companies, there are many companies that appear to be at a given stage of development, whereby they are in fact at, on closer examination, actually at one stage with regard to a particular factor and at another stage with regard to the others. For example, a company may have an abundance of cash from a period of controlled growth (Stage III) and was ready to accelerate its expansion, while at the same time the owner may be trying to supervise everybody (Stages I or II).

Although rarely is a factor more than one stage ahead of or behind the company as a whole, an imbalance of factors can create serious problems for an entrepreneur. Indeed, one of the major challenges in a small company is the fact that both the problems faced and the skills necessary to deal with them change as the company grows. Thus, owners *must anticipate and manage the factors as they become important to the company and this is where the QDSC can provide critical advice and assistance.*

A company's development stage determines the managerial factors that must be dealt with. Its plans help determine which factors will eventually have to be faced. Knowing its development stage and future plans enables managers, consultants and the QSDC to make more informed choices and to prepare companies for later challenges. While each enterprise is unique in many ways, all face similar problems and all are subject to great changes. It will be the ability of the staff in the QSDC to transfer knowledge gained in dealing with client's issues and problems in one business sector to other business sectors that will put real value on what it brings to the table when it is working closely with future clients.

Further details on this area are contained in Annex K.

ANNEX A: APPLICATION OF SECTOR MATRIX MODEL

In the 1970s, the Boston Consulting Group (BCG) developed the Boston Matrix , which uses market growth and market share as a way of screening opportunities, so that organizations can choose the ones that are likely to give the best results. In the BCG 2x2 Matrix, the more of each dimension your product line has, the more attractive it is – and, therefore, the more you should invest in it.

General Electric (GE) liked the visual part of BCG's matrix, but not the dimensions. GE therefore asked its consulting firm, McKinsey & Company, to create a model that better suited GE's needs. The result was the 3x3 GE-McKinsey Matrix (also called the McKinsey Matrix, the Business Strength Matrix, or the Nine-Box Matrix).

Models or visual representations are very useful in group understanding of an issue and are also useful for identifying problems to be addressed in the future. What the Specialist has attempted to do is to adapt the GE McKinsey Matrix to allow the QSDC compare different industry sectors in Mongolia to allow decisions to be made about which are the optimum sectors to work with and also how best to apply its resources to best affect.

Using the Tool

Step 1. Determine industry attractiveness of each business sector.

- **Make a list of factors:** the first thing that is needed is to identify, which factors to include when measuring industry attractiveness.
- **Assign weights:** weights indicate how important a factor is to business sector's attractiveness. A number from 0.01 (not important) to 1.0 (extremely important) should be assigned to each factor. The sum of all weights should equal to 1.0.
- **Rate the factors: t**he next thing is to rate each factor for each of business sector. Values are chosen between 1 to 9, where '1' indicates a low sector attractiveness and '9' a high sector attractiveness.
- **Calculate the total scores:** the total score is the sum of all weighted scores for each business sector. Weighted scores are calculated by multiplying weights and ratings. Total scores allow comparing industry attractiveness for each SME group being considered.

This is not an easy task and one that usually requires involving a lot of discussion and review.

Step 2. Determine the competitive strength of SME group

'Step 2' is the same as 'Step 1' only this time, instead of industry attractiveness, the competitive strength of each SME group is evaluated.

- **Make a list of factors:** choose the competitive strength factors from a list of factors.
- **Assign weights:** weights indicate how important a factor is in achieving sustainable competitive advantage for the SME group. A number from 0.01 (not important) to 1.0 (extremely important) should be assigned to each factor. The sum of all weights should equal to 1.0.
- **Rate the factors:** rate each factor for each of SME group. Choose values between 1 and 9, where '1' indicates a weak strength and '9' powerful strength.
- **Calculate the total scores.** See 'Step 1'.

Step 3. Plot the SME groups on a matrix:

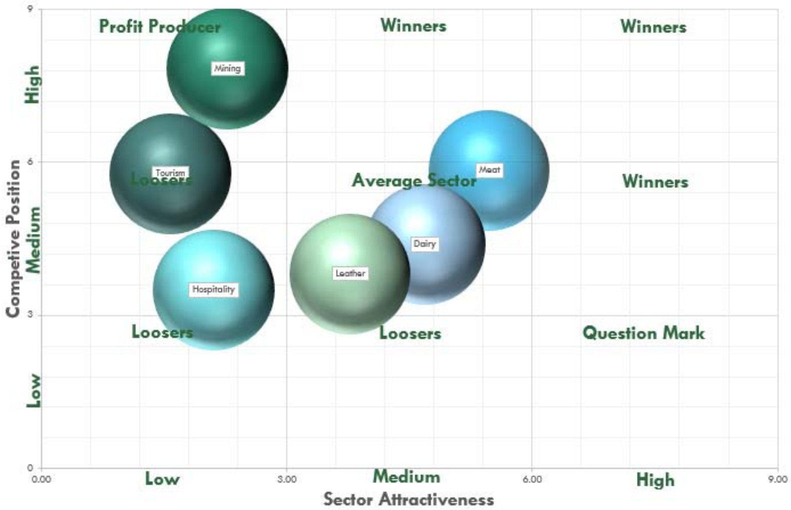


Figure 6: Plotting the Matrix

With all the evaluations and scores in place, the SME groups can be plotted on the matrix. Each group is represented as a circle. The size of the circle, in this form of the model, corresponds to the proportion of employment that that sector represents within Mongolia. For example, if 'SME group 1' generates 10% of employment and 'SME group 2' generates 20% of employment then the size of a circle for 'SME group 1' will be half the size of a circle for 'SME group 2'.

Step 4. Analyze the information

There are different implications that should follow, depending on which boxes the SME groups have been plotted. There are basically three groups of boxes: **winners, loosers and average**. Each group of boxes indicates what the QSDC should do with SME groups in each box.

	Winners	**Profit Producers / Average / Question Mark**	**Loosers**
Work with or not	Definitely work with	Work with if situation of the SMEs can be improved	Not work with

Figure 7: Sector Model Decision Box

Work with box: the QSDC should work with businesses that fall into these boxes as they promise the highest returns in the future. These businesses will require a lot of work because they'll be operating in growing industry sectors and will have to maintain or grow their market share. It is essential to provide as much resources as possible so there would be no constraints for them to grow.

Profit Producers / Average / Question Mark boxes: the QSDC should work with these SME's only if the staff has resources and time left over from the "Work With" group and if they believe that businesses have the capacity to grow in the long-term. These businesses should be often considered last as there's a lot of uncertainty with them. The general rule should be to work with the businesses which operate in large markets and there are not many dominant players in the market, so the work would help to easily win larger market share.

Loosers box: The businesses that are operating in unattractive industries, don't have sustainable competitive advantages or are incapable of achieving it and are performing relatively poorly fall into these boxes. What should the QSDC do with these businesses?

- First, if the business generates significant employment, the QSDC should treat them the same as the business that fall into the 'profit producer' box of the matrix. This means that the QSDC should work with these business just enough to keep them operating to hold the employment. In other words, it's worth working with such business as long as resources put into them into it generates agreed metrics.
- Second, business that are losing employment should not be touched.

Step 5. Identify the future direction of each SME group

The Matrix only provides the current picture of industry attractiveness and the competitive strength of the SME Group and doesn't consider how they may change in the future. Further analysis may reveal that time and resources invested into some of the business can considerably improve their competitive positions or that the industry may experience major growth in the future. This affects the decisions that will be made about how the QSDC works with one or another SME group.

For example, evaluations may show that the 'SME Group 1' belongs to the "Winners" box, but further analysis of an industry reveals that it's going to shrink substantially in the near future. Therefore, in the near future, the business may be in loosers group rather than the winners box. Would the QSDC still invest as resources in 'SME group 1' as it would have invested initially? The answer is no and the matrix should take that into consideration.

The QSDC should, on an ongoing basis, attempt to determine whether the industry attractiveness will grow, stay the same or decrease in the future. The staff should also discuss occasionally, as a group, whether the SME group's competitive strength will likely increase or decrease in the near future. When all the information is collected this should be included in the existing matrix, by adding the arrows to the circles. The arrows should point to the future position of SME group.

The following table would show how industry attractiveness and SME competitive strength may change in 2 years.

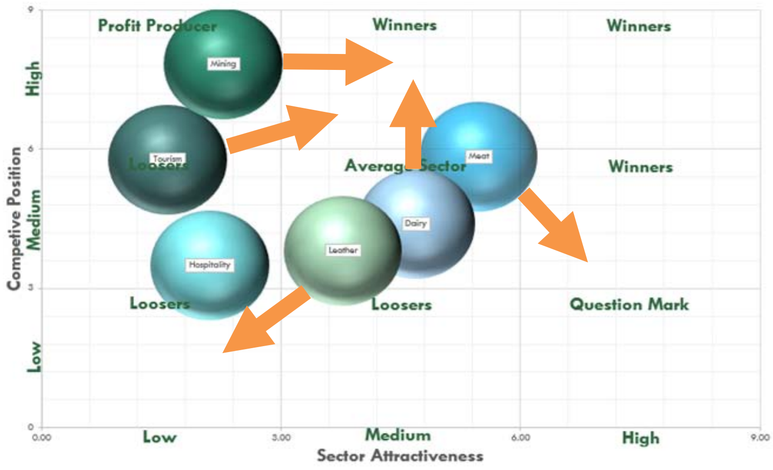


Figure 8: Matrix changes over time

Step 6. Prioritization of work

The last step is to decide where and how the QSDCs time and resources should be invested. While the matrix makes it easier by evaluating the SME group and identifying the best ones to invest in, it still doesn't answer some very important questions:

- Is it really worth working with some businesses?
- How much time and resources exactly to invest in each SME?

- Where to invest into business (more to training in quality, marketing, management development, etc) to improve their performance?

Doing the matrix and answering all the questions takes time, and effort, but the Specialist believes it is an important management tool that significantly facilitates decisions.

ANNEX B: INITIAL SECTOR DEVELOPMENT

Mongolia has a number of highly distinctive features because of its geography and history. The large, and in many parts inaccessible, land area and small population give it an extremely high land/labor ratio and make transport costs a relatively significant element in manufacturing costs. In addition, its land-locked location presents major barriers to foreign trade. Transport costs are high even by the standards of other Central Asian land-locked economies, due to the difficulties in modernizing the rail network because of the cost of upgrading so many tracks. These high transport costs provide natural protection for producers selling in the small domestic market, but at the same time make it more difficult to export, particularly goods with low value-to-weight ratios.

The QSDC due to its small size and budget will only ever be active with a few hundred clients over the next four years. Therefore in choosing the sectors for it to concentrate on it the Specialist looked at sectors that offered the opportunity to develop niche players and also offered opportunities to develop synergies with other chosen sectors. Through networking and cross-sectoral training the QSDC should strive to build a small ecosystem whereby firms it will be working with should be introduced to and encouraged to work with QSDC clients in other sectors. So ICT clients should be encouraged to seek customers within the Meat, Leather, Hospitality, Leather, and Horticulture sectors. Likewise Hospitality clients should be encouraged to develop links with ICT and Meat clients. And so on.

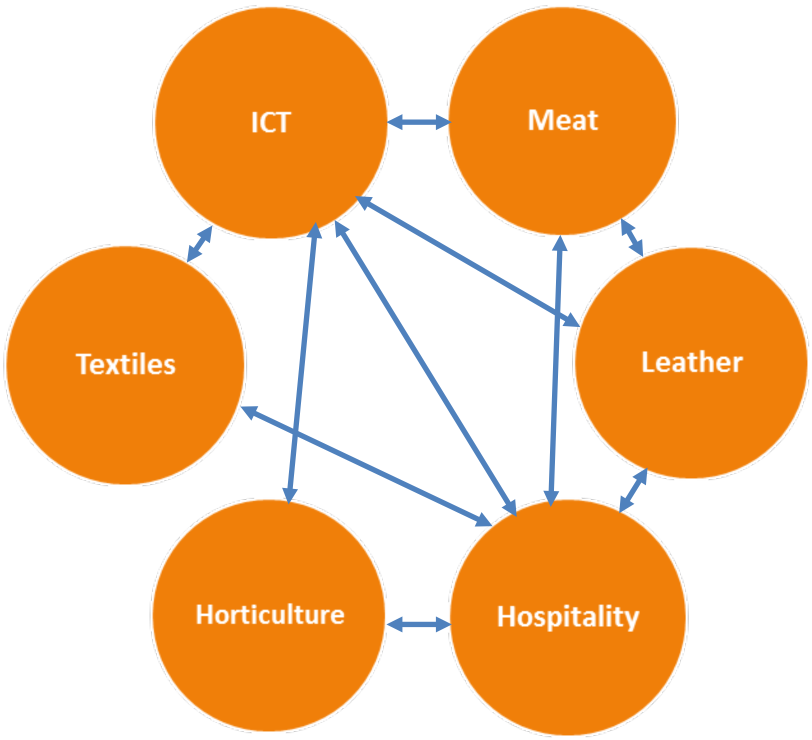


Figure 9: Interconnected Sectors

Sector	Meat Processing
Raw Material	Animals, raw meat, packaging
Potential Clients	Slaughter houses, transportation companies, cooked meat producers, ready meal producers

Sector Overview

Mongolia annually produces 200 to 250 thousand tons of meat from 8 to 9 million slaughtered livestock annually. There has been very little increase in meat production over the last 20 years despite the annual herd more than doubling to somewhere between 43 and 50 million animals. There are 42 meat processing plants of which only 10 plants operate continuously. Over the last 10 years output from these meat processing plants has doubled, however, at around 24 thousand tons it is still only 10% of the annual slaughter. The majority of animals (90%) are slaughtered in local slaughterhouses under poor hygiene conditions.

Exports of meat from 2008 to 2013 dropped from 10.3 to 3 thousand tons. Meat product are mainly exported to Russia (horse, beef), Arab countries (mutton, lamb), China (mutton, goat) and Japan (horse). Five types of livestock are raised in Mongolia: sheep (44%), goats (43%), cattle (6%), horses (6%) and camels (1%).

The northern and eastern areas of the country are the most populous in terms of livestock and this creates transport issues. The meat food chain in Mongolian is almost completed unregulated and most meat is transported with little or no heed to temperature control. Meat safety, quality and hygiene are compromised due to poor temperature control in the supply chain.

Inconsistency of demand and supply has led to a threefold increase in meat prices between 2001 and 2009.

There is a lot of meat produced in Mongolia, purely due to the abundance of animals. However, if you look at the amount of meat produced per animal, the production productivity is low. Much of this is due to cold winters. During the winter most livestock lose up to 30 to 35% of their bodyweight. This means that most animals are slaughtered in late Autumn or early winter, which makes the industry highly seasonal.

The quality of meat from the meat processing plants, in general, is considered poor by first world standards. This is mainly due to processing methodologies and the fact that the majority of meat is frozen very soon after slaughter.

Opportunities

Besides Russia the export markets are looking for higher quality meat cuts. There are many NGOs working on improving the livestock production side of the Mongolian meat industry. QSDC can provide valuable inputs to: meat processing procedures; maintenance of the cold chain process from slaughter, through chilling, dispatch and transport; and the production of value added products.

Rationale

High quality meat cuts in Europe, the Middle East and Japan receive in excess of ten times the value of meat in Mongolia. While it may take many years to get to a situation that Mongolian meat can trade alongside international producers, there is already a pent up unsupplied demand for quality meat cuts within Ulaanbaatar from the newer restaurants, especially the foreign owned and run establishments such as the Rosewood chain of restaurants

Sector	Textiles
Raw Material	Wool
Potential Clients	Tanneries, Knitting Companies, Finished Garment Manufacturers

Sector Overview

According to the Mongolian Wool & Cashmere Association Mongolia produces 1,200 tons of camel wool, 19,000 tons sheep wool, 4,000 tons of cashmere and 250 tons of yak wool each year.

After China, Mongolia is the world's second largest raw cashmere producer. Of the estimated 54 cashmere processing facilities operating in the country, 48 are joint investments with foreign countries (26 with China, others with USA, Japan, Italy, the UK and Switzerland). Mongolia currently only uses 15%-20% of its domestic raw cashmere supply. The remaining quantity is exported to China. Traders buying for the Chinese market tend to offer higher prices than domestic processors. Compared to Chinese cashmere, Mongolian cashmere is considered to better because of its length (35-37 mm in length). The quality of scoured cashmere and woven cashmere products meet international standards and many locally made products have international quality certificates. There are approximately 45 factories operating in the wool processing industry both domestically and foreign owned. Of these, 18 engage in early-stage processing and 27 in the production of final products

The majority of wool processing (70%) is sheep wool. Mongolian sheep wool is coarse and consequently, in the main, it is processed into felt carpets and rugs. More than 716,000 square meters of pure woollen carpets are produced, predominately from two major carpet producers (one in Ulaanbaatar and one in Erdenet). 20% of the output is exported. Sheep wool is also used for felt and boot production. In recent years, the production of wadding items for blankets, mattresses, and mats has rapidly developed. The capacity for scouring, spinning, knitting, weaving and felt making is far in excess of current production.

Although there is around 1,200 tons of camel wool produced the herd is in decline. Most is used to make ropes and animal halters, bags and as insulation in traditional quilted jackets. The three biggest companies in Ulaanbaatar together process approximately a quarter of Mongolia's camel wool, about 310 tons a year.

Opportunities

With companies involved in the whole wool industry from scouring to finished designer products there is a range of opportunities for the QSDC to get involved in improving processing efficiencies, increasing quality, assisting to develop strategies and creating marketing plans

Rationale

Mongolia currently only uses 15-20 percent of its domestic raw cashmere supply. Work is ongoing at both Government and NGO level to improve the branding of Mongolian wool, especially cashmere. At the very least Mongolia should carry out more primary processing.

Sector	Hospitality
Raw Material	Food, bottle water, napkins, unskilled, semiskilled and skilled labour
Potential Clients	Hotels, restaurants, food producers, laundries

Sector Overview

The travel and tourism sector in Mongolia is in its early stages of development. Although official statistics claim that almost 458,000 international visitors arrived in Mongolia in 2011, the "actual" number according to UNCTAD is a lot lower. Over 40% of the gross visitor number consists of Chinese and Russian nationals – border traders, construction workers etc. – using tourist visas to gain entry for local employment. Of the remaining 334,000 international visitors, 244,000 are business travelers and UNCTAD believe only 90,000 are leisure tourists.

The tourism sector, perhaps given its cross-cutting nature across many other sectors, the egos in play, personal agendas, and the political appointment of mid-level government officials, has not been an easy one for any donor to work in. There have been numerous changes in the past 10 years to the structure of public sector institutions and significant growth in the number of associations and NGOs working in tourism.

There are estimated to be 340 hotels in the country of which 34 are rated 3 to 5 star, 37 are rated 1 to 3 star and the remaining majority are unrated. In addition, there are 200 tourist camps.

The travel and tourism sector employs an estimated 36,700 workers with most of these employed in hotels and restaurants.

The expected growth of business travel over the next few years is not yet matched by the planned capacity increases of business travel facilities in Ulaanbaatar. Driven by the growth of the mining sector as it recovers, business travel activity is estimated to more than triple by 2020.

Opportunities

Currently there are limited linkages between tourism and other economic sectors such as agriculture. There are opportunities for the QSDC to assist the development of meat processing facilities aimed at supplying high-end product to the expanding 5 Star hotel sector as well as the growing number of restaurants aimed at catering for the business traveler.

The hotel, restaurant and specialized sub-supply service sectors are capital-intensive. All these operations require a combination of increased capital and skilled labour. Currently not many specialized service providers exist in Mongolia, thus the QSDC may be in a position to support new initiatives which would in turn contribute to entrepreneurship building and lead to an increase in the number of professionally run business entities.

Rationale

Increased demand for higher quality accommodation and related services will potentially create a sufficiently large demand pool for specialized suppliers such as providers of cleaning, dry-cleaning, food preparation and ICT services. Specialized suppliers may improve the quality and efficiency of hotel and restaurant operations and thus may increase visitors' satisfaction with the provided services and thereby raising the likelihood of repeat visits. Hence, if the QSDC targets sub-supply industries that add higher value it may improve the overall travel and tourism sector in Mongolia.

Sector	Horticulture
Raw Material	Vegetables, packaging
Potential Clients	Vegetable processing, freezing and cooking companies

Sector Overview

Mongolian currently imports 40% of its vegetable requirements, with many imports coming from Europe. The agricultural policy of the Government has successfully increased vegetable output from 80,000 tons in 2008 to an approximate current output of 100,000 tons. Fruit production has also increased dramatically in the same period from 384 tons to around 2,000 tons. The Government action plan is to make the country 80% self-sufficient in vegetables within the next 4 years.

Although the direct value added and employment generated by vegetable processing is relatively low, it has a greater degree of indirect effects as it creates greater degree of linkages with other sectors of the economy. The fruit and vegetable processing industry comprises cleaning, grading, drying, cooling, freezing, fermenting, juicing, canning, bottling and packaging activities. The industry has both backward and forward linkages with other sectors of the economy. At each stage of processing, it requires a significant volume of inputs from other sector and industries such as packaging and transport.

With market prices high in winter months for short-storage vegetables such as tomatoes and cucumbers, small commercial greenhouses are now developing around Ulaanbaatar. An efficient, 0.5 ha greenhouse can easily produce more vegetables than 2.0 hectares of field grown vegetables. Current field tomato yields in Mongolia are 2 to 3 kg per sq meter. However, greenhouse yields as high as 14 kg per plant, 20 to 40 kg per sq meter, are now being seen from some of the new entrepreneurial growers. Passive solar greenhouses started their first growing season with success in 2011. Greenhouses can be used from mid-March for direct hardy vegetables seedling (radish, lettuce, turnip, spinach) as these cultivations have a good germination even with low soil temperatures (5/7°C) and can withstand light negative night temperatures. Greenhouses can then be used from the beginning of April for sensitive vegetables/fruits transplantation (tomatoes, cucumber, sweet pepper). Although Mongolia has extremes of temperature it also has more than 250 days of sunshine each year which makes it ideal for passive solar greenhouses.

Opportunities

The main opportunities are bottling, canning and freezing facilities in order to make best use of the short growing season.

Rationale

Increased output and demand will create the need for more efficient processing companies and companies with a wider range of processing capabilities.

Sector	ICT
Raw Material	Skilled Staff
Potential Clients	Software producers, System Integrators, hardware maintenance companies, communication firms.

Sector Overview

There are currently about 17,900 kilometers of fiber-optic cables running throughout Mongolia, covering around 70% of current and potential users. Roughly 40,000 kilometers of fiber-optic cable is necessary for full coverage, according to figures released by the ICTPA. There is a connection with both the Russian network to the north and the Chinese one on the southern border.

While there are over a 1,000 companies operating in the ICT space the vast majority of them are involved in the telecommunications side of the industry and are large companies. Somewhere between 80 and 100 private companies are listed as being involved in software development. However, according to both industry leaders and the Director General Policy in the IT Authority only around 30 companies are active in the sector. The Information & Communication Technology Authority estimates that over 2,000 developers are currently involved in customized software and application development in Mongolia. It is understood, however, that 20% are employed in the public sector and of the remaining 80% the majority are working in maintenance in the larger private companies. The majority of software companies are system integrators, however, a number of the more entrepreneurial companies have developed some interesting products and exciting companies such as Infinite Solutions have started to develop.

To facilitate the growth in ICT industry, the Mongolian government partnered with the Government of Korea to establish the National Information Technology Park in Ulaanbaatar to provide incubator services for newly established software companies

Opportunities

The opportunities for the QSDC are at both the firm level but especially at the sector level. The software industry needs to get more organized and this is where the QSDC can become a driver of networking events and business development training. There is a Mongolian Software Industry Association's (MOSA), however, the web site is only available in Mongolian, has no list of members, does not come up on a "google.com" search and does not appear to have been updated since 2014.

Rationale

As in most every other country, every sector of Mongolian life will see an increase in technology in the future. This technology will be supported and developed by both international and local domestic companies. All the main industrial sectors: mining, hospitality, retail, agri-food, will all have a requirement for IT support. New local start-ups are starting to appear and the longer established companies are looking to develop exports. The software sector is still very small and is embryonic in nature therefore the business development skills that the QSDC can provide will be essential to the growth of the sector.

Sector	Leather
Raw Material	Hides, Chemicals
Potential Clients	Tanneries, shoe, garment and small leather product producers

Sector Overview

The Mongolian leather sector has seen very little development over the last 25 years. Many tanneries operate under contract to Chinese traders. Most of these tanneries use Chinese chemicals, which do not meet international safety and environmental standards.

Obviously Mongolia produces the same number of hides as animals slaughter, so the output of raw material is somewhere in the 8 to 9 million hide range. Various reports indicate that only 25% of the hides are used locally the other 75% being exported raw or semi processed (i.e. wet blue).

The quality of skins is to have deteriorated markedly in the past ten years, since dipping baths and drugs used for treatment of state-owned herds in the past were abandoned, however, traders don't seem to have any difficulty finding markets for raw hides in China.

It is difficult to identify exact numbers, however, it is estimated that currently there are 25 companies of various sizes processing raw hides and anything up to 190 firms making final products from these raw materials. Many of these companies are micro businesses using the offcuts from the main leather plants to make gloves, belts, etc. Most of the primary processors are estimated to be operating at somewhere between 10% and 40% capacity.

In addition, to the Government providing MNT 110.4 billion from the Samurai bond to fund projects revolving around animal skins and final production industries, in mid-2014 MVO Nederland and various Dutch companies from the leather industry (Stahl, Macintosh Retail Group, OAT Shoes, MYOMY, DNR), announced that they had entered into a partnership to support tanneries in Mongolia with making their production process sustainable and more environmentally safe.

Opportunities

The real opportunity is to work with the likes of MVO Nederland to improve the quality of the tanneries. Next is to work with many of the small micro companies, as a group, to bring new technical skills, quality procedures and marketing/business skills to bear in order to improve the overall competitiveness of the sector.

Rationale

A raw hide is produced every time an animal is slaughtered. It seems appropriate that if the QSDC is proposing to work with the meat processing industry that it also tackles this by-product sector. Inherent leather skills must still exist from the time Mongolia's vertically integrated, large-scale leather processing complexes used to produce 5.1 million skins, 4.1 million pairs of shoes, and 180,000 leather coats per year, constituting 6.5 percent of total industrial output in the early 1980's.

ANNEX C: MENTORING

Mentoring is where a more experienced person cares for and trains a less experienced, in a non-judgmental manner by coaching, counselling and imparting knowledge. Essentially it is an intentional and nurturing process which fosters the growth and development of the Mentee towards full maturity. Mentoring taps a basic instinct most people share – the desire to pass on their learning, to help other people develop and fulfil their potential.

Mentoring is not only a valuable modern business tool but is also an age-old tradition, valued by countless generations. In recent times, the mentoring tradition has been followed through craft apprenticeships, modern day "buddy" arrangements and facilitated mentoring programmes.

Mentoring is used by organisations of every size and type, across the public, private and voluntary sectors. It is used, for example, to:

- Help new employees acclimatise to the working environment
- Facilitate better communications between different business units or management tiers
- Promote and support changes in the culture of an organisation
- Enhance cross cultural communications and understanding

Mentoring can be described as a partnership between two people. It can be seen as a process of on-going support and development, which tackles issues and blockages identified by the mentee.

What Is The Difference Between Mentoring And Coaching?

There is considerable debate about the use of the terms 'mentoring' and 'coaching'. It is therefore important to have clear definitions as a base for mentoring or coaching programmes. This assists in clarifying and communicating to others the focal purpose of the mentoring scheme. It also helps to identify key components that may need to be included in any supporting training programme.

A mentor is commonly described as a critical friend, or guide who is responsible for overseeing the career and development of another person outside the normal manager/subordinate relationship. A coach on the other hand is someone who plans an intervention "designed to improve the performance of an individual in a specific task.

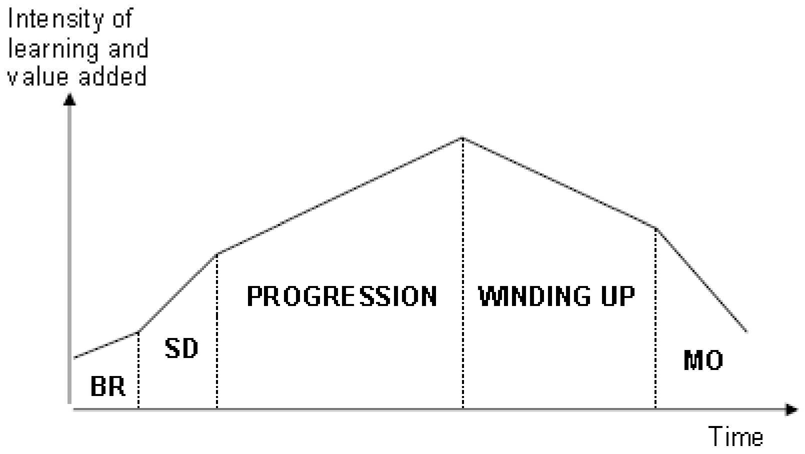
Coaching	Mentoring
• Focus on task	• Focus on progress
• Usually short term	• Usually longer term – sometimes for life
• Explicit feedback	• Intuitive feedback
• Develops skills	• Develops capabilities
• Driven by coach	• Driven by mentee/learner
• Shows you where you went wrong	• Helps you to work it out yourself

Figure 10: Coaching / Mentoring

Mentoring is:

- One-to-one, off-line
- Confidential
- Understanding and trusting
- Developmental
- Building capacity & intangible skills
- Person focused
- Partnership and friendship
- Mutual, 2-way learning relationship
- Building self-reliance

Mentoring schemes either have a finite lifetime or allow participants to find their own timing. It is recommended that the QSDC sets a time limit so that its clients do not become dependent on the mentor and also so that the mentor and his/her company are aware of the time resources required to complete the task before committing to provide the resource. Whichever approach is used, research has shown that a mentoring relationship moves through five recognisable phases, as shown below:



BR = Building Rapport, SD = Settling Down, MO = Moving On

Figure 11: The Mentoring Lifecycle Model

A business mentor is "someone whose hindsight can become your foresight"

Business mentoring – what is it?

Business mentoring is often confused with management consulting and business coaching, but it is different:

- **Management consulting:** is based on the expertise, knowledge, skill set and technology of the consultant. The consultant's skill set is focused on building their own internal resources, in order to apply them for the client company's benefit.
- **Business coaching:** assumes that the client has the necessary capability and helps them to discover it for themselves.
- **Business mentoring:** targets the personal development of people who are well versed in their fundamental technical skills but need extra assistance in other skills areas, expertise or knowledge.

Business mentors lever their knowledge and experience by providing advice, counsel, network contacts and political and cultural know-how, together with ongoing personal support and encouragement. The business mentor's interest is to foster the development of the mentee and his/her business.

At its best, business mentoring is a process that activates the skills of the mentee within their current role and helps groom them for their next, hopefully in a larger expanded business. Business mentoring helps them to produce high quality decisions that define them, their authority

and their effectiveness. A business mentor provides a confidential sounding board, thinking room, and support for working through crucial and often complex decisions.
The quality achieved in a business mentoring program often hinges on the expertise of those establishing the program in achieving the right fit between mentee and mentor. The best results are often achieved when the mentor and mentee like and respect each other and where the personal chemistry is right.

What are the benefits for the business mentor?
The primary beneficiary of a business mentoring program will be the mentee, but those who mentor can find themselves benefiting in unexpected ways. In the most successful business mentoring relationships there is always something in it for the mentor, not just for the mentee.
Benefits for the business mentor can include:

- Personal development – growing by growing others
- Increased job satisfaction
- Honing of skills such as coaching, listening, giving feedback and adapting your leadership style
- Development of self-knowledge and self-awareness.

While these may be "softer" benefits, there are also hard benefits that QSDC's mentor may achieve:

- Clients sharing their network of contacts with the mentor,
- The mentor's visibility being raised within parts of his/her organization that would not otherwise be aware of him/her.

What are the benefits for the mentee?
A business mentor, by virtue of their experience, will be able to help the mentee steer through major decisions. Perhaps more importantly, the business mentor will help the mentee to understand some of the more informal ways of getting things done and some of the unwritten and unstated ways of working and therefore develop the mentee's professional expertise and career.
The business mentor is someone with whom the mentee can discuss and work through concerns or opportunities that they may not want to expose to staff within their business.
The mentee may feel that they are working in an environment that does not fit with their preferred ways of working. They may not even be aware of this, perhaps just having an undefined feeling of things not being quite right. Talking with someone such as a business mentor, who can bring a wider perspective, may help the mentee to recognize what is happening and identify the culture that is right for them.

What makes a good business mentor?
A good business mentor will have certain characteristics.

- He/she will have a strong desire to help others to grow and develop. Ideally, they will have a track record in developing others.
- He/she will have a strong understanding of how organizations work (formally and informally), and ideally a knowledge and understanding of the key players in the mentee's business sector. They will combine this with an understanding of what the drivers of the wider industry are.
- He/she may feel that they have more to offer than they are currently contributing.
- He/she will have strong listening skills.
- He/she will be self-aware.

- He/she will be able to understand and deal with cultural and gender differences and be sensitive to these differences.

He/she honest with themselves: if this is not something that sparks them, then do not take them on as a mentor – it will not be fair on the mentee, or fair on themselves.

The practicalities of business mentoring

There are some things that as a business mentor, he/she will need in order to optimize the return on their and the mentee's time:

- He/she must make them self available and accessible to their mentee. Where they have contracted to meet every so often, they should be sure to honor that commitment.
- He/she may need to provide some initial structure to the business mentoring relationship, particularly if the mentee is relatively inexperienced.
- He/she must follow through on any actions they pick up in their meetings, thereby demonstrating to the mentee their commitment and their professionalism. "Do as I do" is a good motto for the business mentor.

Being a business mentor requires he/she to be highly skilled in listening, coaching, giving feedback and, where appropriate, pushing the mentee along faster than they think they can go. Furthermore, he/she will need to adjust their style as the mentoring relationship develops and according to the issue that are being addressing at any one time.

What makes a good mentee?

A mentee must, of course, be prepared to take feedback. But to get the greatest possible benefit from a business mentoring relationship, there are several other things a mentee must do.

- Own the business mentoring relationship: first and foremost, the mentee must own and take responsibility for the business mentoring relationship. No one has more interest in, or more to gain from, the progression of the mentee's business than the mentee.
- Be proactive in the business mentoring relationship: this means taking the initiative and setting the pace – with the agreement of the mentor. The mentee must look at the business mentoring process as a project they are managing: as with any project, they should set milestones and make sure that they are achieved.
- Manage the business mentoring agenda: the mentee, not the mentor, should define the agenda of the business mentoring program. If the mentee does not work out what it is they want to do, they are in effect handing it over to others to determine their direction.
- Set objectives for the business mentoring program: it is essential for the mentee to:
    - set himself or herself some objectives to work on during the mentoring relationship
    - discuss these objectives with the business mentor and obtain their agreement
    - write the objectives down and give the mentor a copy
    - review these objectives regularly with the mentor.
- Progress actions: the mentee also needs to make the business mentoring program action-oriented, and always follow through on those actions they agreed. It is reasonable to expect that the business mentor will do the same.

How to manage the business mentoring relationship?

QSDC must be systematic in managing the business mentoring relationship, focusing on three key areas:

a) The first meeting
b) The business mentoring contract

c) The ongoing business mentoring relationship.

a) The first meeting

The first meeting between business mentor and mentee serves four purposes:

- To get to know each other better: this can start with some introductions, followed by a brief run through what the business mentor and mentee have done in the past. This is important, not only as an ice breaker, but as a way for both parties to decide if they are happy to continue beyond the first meeting.
- To articulate and agree expectations: different or unrealistic expectations can be the cause of business mentoring relationships not working. Unrealistic expectations include:
    - the mentee expecting the business mentor to sort out their next business problem
    - the mentee expecting the mentor to make their own personal network of contacts available to them
    - the mentee expecting the mentor to tell them what to do – or, worse, to do it for them
    - the business mentor expecting the mentee to do exactly what they tell them.
- To set and agree ground rules**:** ground rules are things such as frequency and length of meetings.
- To set objectives: the mentee should come to the meeting with some draft objectives covering what outcomes they would like to achieve through the mentoring. These should be discussed and agreed with the business mentor.

b) The business mentoring contract

Before the first meeting, the mentee should be provided with a business mentoring contract by which both mentor and mentee will both work. This covers some important principles, such as confidentiality. It should also provide structure and ensure that the mentor and mentee have a common understanding of how they will work together.

The business mentoring contract should cover some or all of the following:

- Agreement to set frequency of face-to-face meetings and/or telephone meetings, with a schedule of dates prior to proceeding,
- Mechanisms for communicating between meetings (for example, email or phone)
- Duration of the business mentoring relationship
- A statement on confidentiality that applies to mentor and mentee – usually the Chatham House Rule[viii]
- Tracking and review of the business mentoring process and reporting back both to each other and to QSDC
- Objectives – a statement of what they are, plus dates for review
- Scope of the mentoring – it is usually best to be explicit about what is and is not included
- A statement from the mentee agreeing that they will be proactive and drive (project manage) the business mentoring relationship
- Date for final review and closure – although the mentor and mentee may decide to continue beyond formal closure, this should be discussed and agreed with the QSDC.

c) The ongoing business mentoring relationship

Both the mentor and the mentee have a role to play in managing the ongoing business mentoring relationship.

The deal for the business mentor is to honor the terms of the contract:

- Achieving agreed objectives and reviewing outcomes

- Attending the agreed meetings and not rescheduling
- Following through on any actions agreed
- Respecting confidentiality
- Exercising skills such as listening, giving feedback
- As the mentee and the relationship progress, stepping back and adapting their style to fit the new circumstances.

The mentee's responsibilities are:

- To be proactive, ensuring that the terms of the business mentoring contract are adhered to and that scheduled meetings take place
- To ensure that the objectives, jointly agreed at the first meeting, are being worked on and the outcomes tracked thereafter
- As they grow in confidence and experience, to take the lead and lessen any dependency they may have on the business mentor
- To aim to move towards closure on the formal business mentoring relationship
- Finally, to think about what they can do to make a contribution back to their mentor.

What remuneration can the business mentor expect?
It is proposed that the QSDC have a business mentoring contract for four hours a month, delivered in one or two sessions, over a period of six to twelve months.
It is proposed that there should be no payment for the work involved either on behalf of the QSDC or client companies, however, mentors should be reimbursed for out of pocket expenses at agreed rates and that these should be discussed and agreed prior to each mentoring contract.

ANNEX D. MENTOR RECRUITMENT PROCESS

The following is a quick guide to a proposed mentor recruitment process.

The Mentor Program should be operated by a full-time Mentor Program Manager within QSDC and a small number of external Coordinators (typically 3) who are senior business people.

The QSDC invites applicants to apply of the un-paid role of Mentor through advertisements, word of mouth or direct contact.

Enquiries / CVs are received by QSDC Mentor Program Manager who sends each applicant's information on the program. A record of all enquiries and their status is kept.

If the applicant wishes to progress their application, their CV is sent to the external Coordinators who have a working knowledge of key sectors. They give an independent view of the suitability of the person.

Coordinators review CVs on a regular basis (usually by conference call) and they consider the applicant's *skill set, client needs and current skills/sector gaps on the Network. They submit their findings on each applicant to QSDC Mentor Program Manager, who makes the final decision on each applicant.

If a decision is taken to recruit, the external sector Coordinator contacts the applicant to arrange to meet with QSDC Mentor Program Manager and arranges for the potential mentor to sign a confidentiality agreement. The Coordinator forwards to the QSDC Mentor Program Manager their view of the Mentor's Profile and forwards a confidentiality agreement to the potential Mentor.

The Program Manager and the Coordinator meet the applicant to discuss their recruitment to the Network (their motivation for mentoring, time and availability for mentoring, program terms of engagement, etc)

The applicant completes an application / profile form, signs and returns their Confidentiality Agreement and submits two referees who are contacted by the Coordinator and responses recorded. The new mentor is recruited only when all of these docs are received in QSDC.

The application is recommended by the QSDC Program Manager and approved by a QSDC Senior Manager.

A welcome Pack is sent to the new mentor and their bio is uploaded to a mentor Network Directory.

If a decision is taken not to recruit, an email is sent to the applicant outlining the reasons for not being recruited, and indicating that the applicants CV will be kept on our files if their skills / experience is required by a client at a later date.

*Mentors should ideally be recruited from entrepreneurs who have founded businesses and ideally scaled / traded, senior level (strategic versus operational) business people with strong international commercial business development experience and experienced consultants willing to work pro bono on the program.

ANNEX E: KEY PERFORMANCE INDICATORS (KPI)

KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of an organization. There should only be a few KPIs in an organization (no more than ten), and they have certain characteristics, as follow:

- **KPIs are non-financial measures**: KPIs are not expressed in monetary figures. When you put a dollar sign to a measure you have not dug deep enough. Sales made yesterday will be a result of sales calls made previously to existing and prospective customers, advertising, amount of contact with the key customers, product reliability, etc. Any sales indicators expressed in monetary terms are result indicators. In many organizations, a KPI may rest with certain activities undertaken with key customers, who often generate most, if not all, of a company's profit.
- **KPIs are measured frequently:** KPIs should be monitored and reported 24/7, daily, and a few, perhaps, weekly. A KPI cannot be measured monthly as this is shutting the stable door well after the horse has bolted. KPIs are current or future measures, as opposed to past measures. Most organizational measures are past indicators, measuring events of the last month or quarter. These indicators cannot be and never were KPIs. That is why a satisfaction percentage (e.g. 65%) from a customer satisfaction survey performed every six months can never be a KPI.
- **KPIs are acted upon by the CEO and senior management:** All good KPIs that make a difference should have the CEO's constant attention, with daily calls to the relevant staff. Having a potentially career-limiting discussion with the CEO is not something staff want to repeat.
- **KPIs are understood by staff:** A KPI should make clear what action is needed. In the case of an airline that is having a problem with late planes, a KPI communicated immediately to all staff that there needs to be a focus on recovering the lost time will result in: cleaners, caterers, ground crew, flight attendants and liaison officers with traffic controllers all working some magic to save "a minute here and a minute there" while maintaining or improving service standards.
- **KPIs are the responsibility of individuals:** A KPI is deep enough within an organization to be tied down to an individual. In other words, the CEO can ring someone and ask "why?" Return on capital employed has never been a KPI as it cannot be tied down to a manager; it is a result of many activities under different managers.
- **KPIs have a significant effect on the organization:** A KPI will affect most of the critical success factors (CSFs) and more than one balanced scorecard perspective. In other words, when the CEO focuses on the KPI and the staff follows the organization scores goals in all directions.
- **KPIs have a positive effect on other measures:** A KPI has a flow-on effect on other performance measures. Reducing late planes would improve performance measures around improved service by ground staff as there is less "firefighting" to distract them from a quality and caring customer contact.

Different types of performance measurements

There are four types of performance measurements:

- **Key result indicators (KRIs)**: give an overview of past performance and are ideal for the board as they communicate how management has done in the recent past.
- **Performance indicators (PIs)**: tell staff and management what to do.
- **Result indicators (RIs)**: tell staff what they have done.
- **KPIs (KPIs)**: tell staff and management what to do to increase performance dramatically.

The relationship between these four performance measures can be likened to the structure of an onion. The outside skin describes the overall condition of the onion; how much sun, water and nutrients it has received; and how it has been handled from harvest to supermarket shelf. The outside skin is thus a key result indicator.

The inner layers represent the various performance and result indicators, and the core is where you find the KPIs.

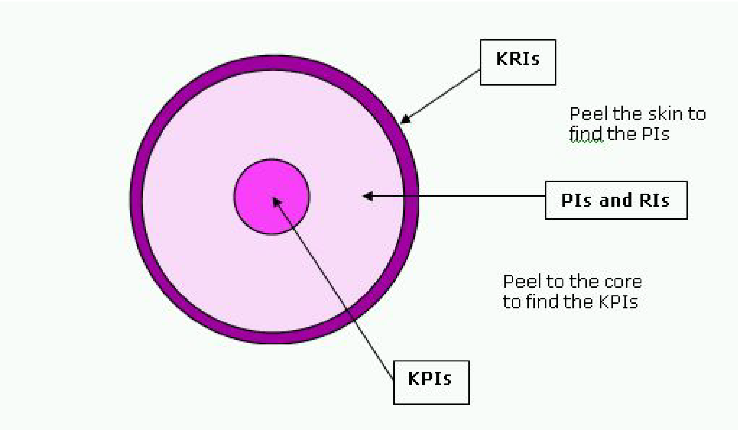


Figure 12: Performance Measures

The 10/80/10 rule of performance measures

An organization should have around 10 KRIs, up to 80 PIs and RIs, and 10 KPIs. Very seldom do there need to be more performance measures than these, and in many cases fewer can be used.

Key result indicators (KRIs)

The common characteristic of key result indicators is that they are the result of many actions. KRIs give a clear picture of whether you are travelling in the right direction and of the progress made toward achieving desired outcomes and strategies. KRIs do not, however, tell management and staff what they need to do to achieve desired outcomes. Only performance indicators and KPIs can do this.

Key result indicators are performance measures that have often been mistaken for key performance indicators. Key result indicators include:

- customer satisfaction
- net profit before tax
- profitability of customers
- employee satisfaction
- return on capital employed.

A car's speed provides a useful analogy. The board will simply want to know the speed the car (the organization) is travelling at. Management needs to know more information because the car's speed is a combination of what gear the car is in and the engine RPMs. In fact, management might be concentrating on something completely different, such as how economically it is driving – e.g. a gauge that shows fuel efficiency or how hot the engine is running. These are two completely different performance indicators.

Separating out KRIs from other measures has a profound impact on the way performance is reported. There is now a separation of performance measures into those affecting governance (up to ten KRIs in a dashboard) and those affecting management.

Performance indicators and result indicators

The 80 or so performance measures that lie between the key result indicators (KRIs) and the key performance indicators (KPIs) are the performance indicators and result indicators (PIs and RIs).

The performance indicators, while important, are not key to the business. The PIs help teams to align themselves with their organization's strategy. PIs complement the KPIs and are shown with them on the organization, division, department and team scorecards.

PIs could include:

- percentage increase in sales of the top 10% of customers
- number of employees' suggestions implemented in the last 30 days
- customer complaints from key customers
- sales calls organized for the next one to two weeks
- late deliveries to key customers.

RIs could include:

- net profit on key product lines
- sales made yesterday
- week's sales to key customers
- debtor collections in week
- hotel bed utilization in week.

Key result indicators replace outcome measures, which typically look at activity over months or quarters. PIs and KPIs are now characterized as past, current or future measures. What the new concept calls "current measures" are those monitored 24/7 or daily. The real KPIs in an organization are either current or future measures.

Past measures (Last week/last two weeks/month/quarter)	Current measures (24/7 and daily)	Future measures (Next day/week/ month/quarter)

Most organizations that want to create alignment and change behavior need to be monitoring what corrective action is to take place in the future.

In other words, if quality improvements are to happen, a company needs to measure the number of initiatives that are about to come online in the next week, two weeks or month if we want to increase sales. What is important to know is the number of meetings that have already been organized/scheduled with key customers in the next week, two weeks or month.

ANNEX F: BUSINESS PLAN OUTLINE

This outline provides a list of the main topics to include in a business plan. It should be adapted to reflect each business needs, type of clientele, products and services that are offered. It contains the minimum information required by financial institutions for assessing loan applications and potential investors.

Executive Summary

The executive summary is a snapshot of a company's business plan as a whole and touches on its company profile and goals.

Company description

The company description provides information on what it does, what differentiates its business from others, and the markets its business serves.

Market Analysis

It provides an overview of the industry sector that the company's business will be a part of, including industry trends, major players in the industry, and estimated industry sales. An examination of the primary target market for its product or service should be provided, including geographic location, demographics, its target market's needs and how these needs are being met currently. Also, an investigation of a company's direct and indirect competitors should be included, with an assessment of their competitive advantage and an analysis of how the company will overcome any entry barriers to its chosen market. This could be a simple as your butcher shop is the main provider in your part of town, that the market is growing due to new apartments being built in your area, that the apartments are being built for young families, which dictates the style of meat cuts that will be growing and who the other butcher shops and supermarkets are in your area and what they are offering.

Service or Product Line

What does the company sell? How does it benefit its customers? What is the product lifecycle?

Strategy and Implementation Summary

In this section a company needs to define its strategic position: What does it do for its target market, and what makes it the best? Furthermore, a company needs to outline how it is going to develop and maintain a loyal customer base. This should be specific. Include management responsibilities with dates and budgets, and make sure results can be tracked.

Organization & Management

An outline of a business's legal structure and management resources, including internal management team, external management resources, and human resources needs. Include summaries of the managers' backgrounds and experience—these should act like brief resumes—and describe their functions with the company.

Operational plan

A description of the business's physical location, facilities and equipment, kinds of employees needed, inventory requirements and suppliers, and any other applicable operating details, such as a description of the manufacturing process.

Marketing & Sales

How does the company plan to market its business? What is its sales strategy? Include a detailed explanation of the company's sales strategy, pricing plan, proposed advertising and promotion activities, and product or services benefits.

Financial Projections

If the company needs funding, providing financial projections to back up its request is critical. Find out what information is needed to include in the financial projections for your small business.

At the very least this section should include projected income statement and cash flow, and a brief description of the assumptions being made with the projections. The company's balance sheet, sales forecasts, business ratios and break-even analysis should also be included.

ANNEX G: INNOVATION SYSTEM

In general most SMEs are reactive based on their customer requirements, rather than proactive in their need to innovate. A number of key requirements are required in order to encourage proactive innovation within SMEs. These requirements are as follows:

- Problem Solving and Tracking
- Goal Visibility
- Action Visibility
- Alignment of Goals and Actions
- Accountability and Ownership
- Traceability
- Knowledge storage
- Change Control
- Communication
- Portfolio Resource Allocation
- Document Sharing
- Historical Information Archival
- Accessibility

Problem Solving and Tracking

Problem solving capabilities are extremely important for SMEs in order to maintain and upgrade their processes, methods, and products. These problems can be brought to attention by customer feedback, workshops, internal testing, review meetings, and other processes. A means of capturing problems should be made available to the organization. In addition to recording which problems exist, and the status of these problems, it is important to log how problems were solved, so if an issue re-occurs the previous solution can easily be found. A problem tracking system can dramatically increase the productivity and accountability of individual employees by providing a documented workflow and positive feedback for good performance.

Goal Visibility

The effective formulation of goals needs to be at the heart of an innovation management system for SMEs. It is especially important to have a clear set of performance metrics in place by which SMEs can monitor their performance and progress towards goals. It is equally important to make sure that the goals are known throughout the organization, and that a resource exists so that goals can be referenced. Poor goal formulation can result in unsuitable targets being set. Examples of good goals include

- increase market share,
- reduce product defects,
- reduce employee turnover, or
- reduce time to market.

Action Visibility

Tasks need to be tracked within an organization to ensure that management are aware of what processes are happening within an organization. Examples of actions might include:

- implement flexitime system,
- reduce systems down-time,
- cross-train employees,
- answer all customer queries within 2 hours, or
- improve quality control methods.

By tracking actions, personnel are made aware of what progress is being made towards goals.

Alignment of Goals and Actions

It is important to ensure that it is known what effects all the actions within an organization will have on the various organizational goals. In order to do this, the actions should be aligned to the goals. If an alignment cannot be found for an action its value should be questioned and the decision to go ahead with it should be re-evaluated. If there are many actions that cannot be aligned with goals the organizational goals should be considered and perhaps modified. By aligning actions with goals, it is ensured that all activities within an organization are having a positive effect on the organization.

Accountability and Ownership

Each project should have somebody clearly taking ownership of the project and held accountable for the progress of each project. This helps to encourage good working practices and reduces the likelihood of personnel cutting corners or taking shortcuts. In addition, it can help to provide some responsibility and accountability at all levels so that if faults occur they can be traced back to the point of failure. This works both ways and projects that are successful reflect well on project owners. People are encouraged to take pride in their work and this improves the overall quality of the entire organization.

Traceability

There should be clear traceability from projects and actions to the overall strategic goals of the organization in a concrete and clear manner. By linking all stages of a process with the individuals responsible for each stage, responsibility is encouraged. If errors are made, the point at which the error occurred can be found and corrected facilitating recovery and correction of this error, and preventing it from recurring in the future.

Knowledge Storage

Ideally, knowledge generated through problem solving and brainstorming should be stored in a central depository. A clear documentation of all procedures is required in order to streamline the processes within an organization. The knowledge storage system should be indexed and catalogued and there should be means to browse and search the storage system. This increases the availability of knowledge and decreases the dependency on individuals, resulting in changes that are more efficient.

Change control

A mechanism should be provided to keep track of all the change initiatives that are taken place in the organization, to keep track of the resources that are consumed by each, and to keep track of the personnel responsible for each project. Once changes are completed, the information about why the change happened, how the change was performed, and what changes happened should be logged in the system. In addition to providing an accountable path for any changes that occurred, if a similar change needs to be performed in the future, a record exists as to how it was previously executed so that the new work can be done more efficiently.

Communication

A mechanism to communicate effectively should be developed so that there is no confusion between any messages being sent and that everybody is using the latest version of any change initiative. A communication of goals to all relevant staff, especially managers and personnel involved in the implementation, is necessary. Examples of online communication mechanisms include online discussion boards, e-mail lists, and online chat systems (i.e. Yammer.com). Discussion boards and email lists are examples of more permanent communications systems. Longer messages and replies can be formulated using discussion boards or email lists, however replies through these systems can take longer. On a discussion board all messages are listed and comments can be added. The messages can be managed in a hierarchical manner making the structure of the discussion easy to follow. In addition to discussion boards and email lists, online chat or messaging systems can be helpful as they allow personnel to reply instantaneously to a query. The advantage is that replies are very rapid and informal. Additionally, it can be instantly seen if the person being contacted is available. However, instant messaging systems can seem intrusive or distracting as a response is sought immediately.

Portfolio Resource Allocation

There should be a clear plan in terms of projects and the resources of the company. Management should not look at individual projects but at the portfolio of projects, so that resources are allocated appropriately to different projects and so that redundant systems and procedures are minimized.

Document Sharing

Organizations should have a central document repository so that the most up to date version is always available. This is important to ensure that decisions are correctly followed. As documentation is superseded the new version is accessible to all. In addition, if documents are contained in a central repository, they are always available, rather than being available only at the discretion of an individual or department. However, it is important to ensure that if multiple copies of a document are being worked on, that all the changes are reflected in the central copy. This brings about the requirement for some sort of locking system or a document sharing system. A version control system, such as Microsoft Visual SourceSafe, or the open source Concurrent Versioning System tool, can prove useful in this context. By providing a locking mechanism, it prevents one person from modifying a document while another is working on it, but allows access to the most recently published version to all users of the system.

Historical Information Archival

As documents are modified over time, information is updated and modified. Occasionally, a user may wish to refer to an older version of a document which may now be out of date. If versions are periodically saved and may be returned to at any point, the evolution of the document over time may be observed.

Accessibility

It is important to make sure that the information required by individuals within an organization is easily available to the personnel who need it, as they need it. Providing accessibility may mean something as simple as making sure that access to the knowledge base is made available to all relevant staff and is not unreasonably restricted, or ensuring that a server which is running an knowledge management system is consistently available during working hours. 2.6 Conclusions and Recommendations

ANNEX H: APPLYING A SWOT MODEL

Drawing a SWOT chart might look easy, but solving the problem it represents is far from trivial. Many companies use the simple SWOT framework and hardly ever stop to think about what the structure of the chart really means. Many management teams consider their work done if they can get the team members to agree on what to write in the four boxes. Unfortunately, the process quite often ends there.

Intelligent use of the SWOT tool requires training and experience. Because many teams find it hard to work and think along structured lines, "facilitators" can be excellent in workshops to assist in broadening the thought process. If they encounter mental blocks in the team, blank stares or other forms of psychological inertia, a good facilitator will introduce check lists in order to prompt thinking.

A trained facilitator will prompt the team to think about issues such as:

- Political effects
- Legislative effects
- Environmental effects
- IT developments
- Competitor intentions - various
- Market demand
- New technologies, services, ideas
- Vital contracts and partners
- Sustaining internal capabilities
- Obstacles faced
- Insurmountable weaknesses
- Loss of key staff
- Sustainable financial backing
- Economy - home, abroad
- Seasonality, weather effects`

A SWOT chart is more just four boxes on a page. Each box relates to the other. When developing a SWOT management are developing a statement about a problem. For example Opportunities are problems. The problem is how to exploit opportunities. Weaknesses are also problems. They must be overcome lest they prevent a company exploiting its strengths in the pursuit of the opportunities. Threats are problems, which may jeopardize capitalizing on strengths. Every SWOT chart is a conundrum and this is why many SWOT charts sit on shelves with the problem unsolved. Rarely if ever does a company develop a comprehensive strategy for dealing with the outcome of a SWOT workshop.

Systematic innovation and a problem-solving processes can move a management team beyond the basic SWOT analysis to provide a comprehensive approach to mobilizing a strategy for action. To get from SWOT to process change requires a comprehensive process.

If a SWOT is a problem, then the elements of the SWOT are the factors that combine to create the knot that the company wishes to solve. The problem with nearly every SWOT chart is that the relationships of the strengths, weaknesses, opportunities, and threats are rarely identified.

The following is an example of a business-to-business manufacturing company. The company has, in the past, relied on distributors to take its products to the end users. The opportunity, and therefore the subject of SWOT analysis, is for the company to build its own distribution network for certain market segments. Here is the SWOT the team developed for this problem:

Strengths	Weaknesses
• End-user sales control and direction • Right products, quality and reliability • Superior product performance versus • competitors • Better product life and durability • Spare manufacturing capacity • Some staff have experience of end-user • sector • Have customer lists • Direct delivery capability • Product innovations ongoing • Can serve from existing sites • Products have required • accreditations • Processes and IT should cope • Management is committed and confident	• Customer lists not tested • Some gaps in range for certain sectors • We would be a small player • No direct marketing experience • We cannot supply end-users abroad • Need more sales people • Limited budget • No pilot or trial done yet • Don't have a detailed plan yet • Delivery-staff need training • Customer service staff need training • Processes and systems, etc • Management cover insufficient
Opportunities	**Threats**
• Could develop new products • Local competitors have poor products • Profit margins will be good • End-users respond to new ideas • Could extend to overseas • New specialist applications • Can surprise competitors • Support core business economies • Could seek better supplier deals	• Legislation could impact • Environmental effects would favour larger competitors • Existing core business distribution risk • Market demand very seasonal • Retention of key staff critical • Could distract from core business • Possible negative publicity • Vulnerable to reactive attack by major competitors

Figure 13: Example of a SWOT Chart

The chart has a problem, a problem common to all such charts. It is difficult to see what to do next. There are between ten to twenty items listed under each heading. How do they impact one another? It is known that weaknesses counteract strengths and opportunities, but in a standard chart, each of the strengths, and each of the weaknesses are lumped together in the two-by-two matrix. This makes it impossible to see the wood for the trees. You simply have no idea, from the SWOT itself, how to move forward. For example, one of the strengths listed is 'Some staff have experience of end-user sector.' How exactly does that help? It clearly has some relationship to other items in the chart, for example:

'Staff with experience of end-user sector' may be able to counteract some of the weaknesses identified, such as 'customers lists not tested' and a 'need for more sales people'. Perhaps there are other connections. Could it be that the 'staff with experience of the end-user sector' could train the 'delivery staff' noted as a weakness?

The same principle can be extended to look at other dimensions of the problem. Could the 'staff with end-user experience' help in the innovation process to 'develop products for this sector,' which is one of the opportunities listed? Could they provide information to manage the 'seasonal variations' noted as a threat? The problem is complex and the number of permutations is large. Each of the entries in the two-by-two matrix could impact any of the other entries. Herein is the main weakness of a SWOT. The chart gives no insight into relationships between factors in the environment that give rise to the opportunities, and which, if not solved, will limit the ability of the company to exploit the opportunities. What's needed is not so much a list of items under each heading, but rather, a cause-effect model of why these items are strengths, opportunities, weaknesses and threats.

Simply listing strengths and threats is not enough. One needs to know why each of the strengths exists and what effects it can have on other aspects of the business. In a similar vein one needs to know how a threat arose and what its future impact will be. Unless one can understand the relationship between these elements, how one impacts the other, how they arise, etc., one stands no chance of moving forward to solve the problem. If all one is given is four lists, very little progress can be made. By contrast, using a cause-effect model, one can generate an execution strategy. One needs a cause-effect model, not a list on a two-by-two chart. The real works begins almost immediately.

Adding some relationships between factors greatly enhances the understanding and use of the model. The strength 'management is committed and confident' may counteract the weakness 'insufficient management cover'. The weakness of 'customers lists not tested' may counteract the strength of 'customer marketing list.' The strength of 'product accreditation' may counteract 'legislation could impact.' And again, 'local competitors have poor products' may counteract 'small footprint compared to competitors.' Here is an updated model with those cause-effect links added:

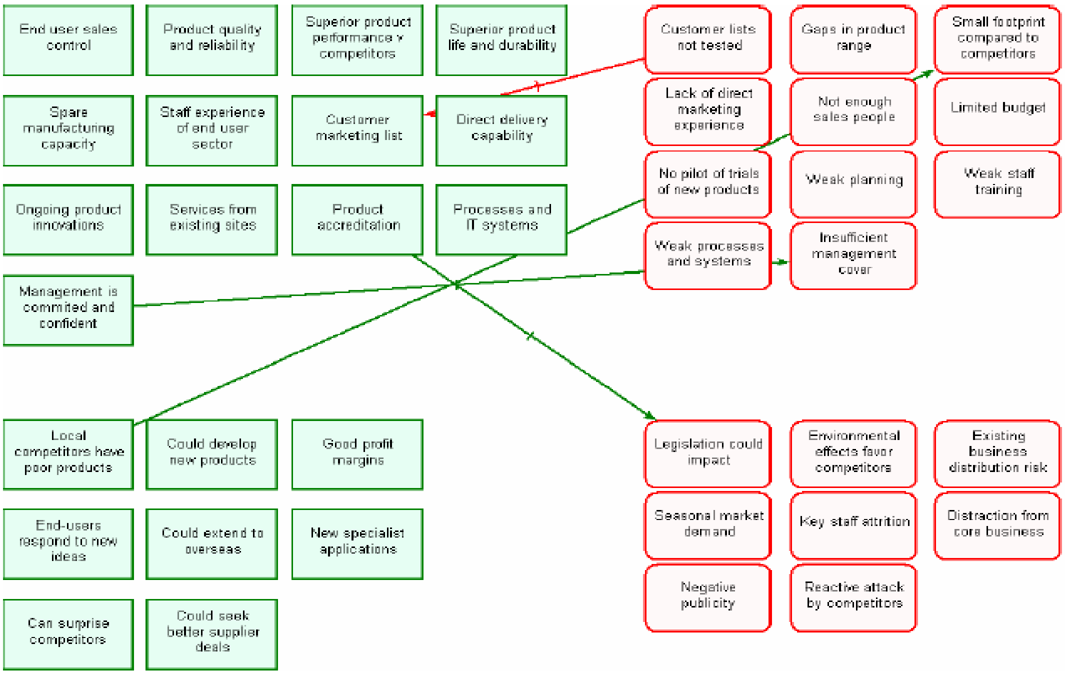


Figure 14: SWOT Model with Causal Links Added

The obvious opposing forces are now linked. However, this is often an indicator of a poor SWOT chart and a sign of weak thinking on behalf of the team. Quite often in a SWOT workshop someone shouts out a strength and someone else shouts out the opposite weakness. Someone shouts out an opportunity and someone else shouts out the corresponding threat. It is as if the team members are looking at the same resource but from different perspectives. The team, however, is not problem solving. They need to identify the contradictions that give rise to these different views.

The company's processes and IT systems are described as one of its strengths and also as one of its weaknesses. What does this imply? Perhaps there is something wrong with the processes and systems? Perhaps they are inflexible and need to be localized and customized for the new end market? Perhaps this would require a lot of work? Companies often fail to design business processes for reuse. At the same time, companies often use strong processes to enter new markets. How can both be achieved? The presence of a pair of opposing forces in a SWOT is often an indicator of a deeper contradiction:

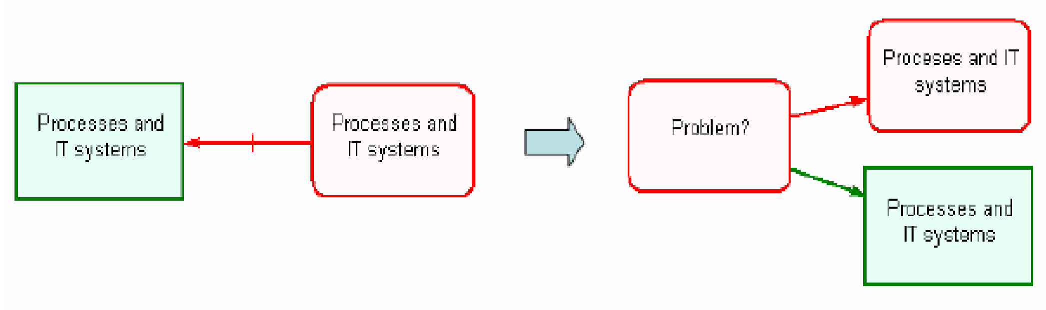


Figure 15: Opposing Forces Indicate a Deeper Contradiction

If the "processes and systems" are both useful and harmful, what aspect of their design has led to this? The real problem that the team must solve.

Innovation is a directed process of problem solving. Sustain the process and intensify it and a company will find solutions. Without it the company may find solutions by chance, but they will miss many opportunities to create positive change. Practiced with rigor and taught as a discipline to the majority of staff, it will force an organization to confront its problems in a way that reveals the contradictions at the heart of its ambition.

Organizations cannot rely on chance, ad-hoc creative acts, purpose-built labs or special staff with innovation status. Innovation is not the same as creativity or skills. Innovation is the process by which one learns from the past in order to solve problems in the present that can create a better future. Only by codifying and intensifying this process can organizations be more innovative and attract higher prices for their products and services.

ANNEX I: LEAN SYSTEMS

Lean tools and techniques are helping companies across the globe to address competitiveness issues within their businesses, building the capability of their people to identify issues and improve their operations.

Lean is shorthand for focusing on effectiveness and efficiency across all areas of a business. Lean works most effectively where it has become the way of doing business, where it is a fundamental part of the business strategy and not just "using some tools".

Lean Principles

The three key Lean Principles are:

- **Time:** time should be focused on to see how long it takes to do something, such as, to see how long it is before a customer gets their product or service after they ask for it. Time is easy to measure and is understood by everyone, it can play a very useful role as a guiding principle for Lean implementation.
- **Money:** a business exists to make money, money should be used as a key principle to help people "see" wastes and put a value on issues, problems and delays.
- **Effort:** refers to the amount of work that has to be expended to get a job done. Lean focuses on finding ways to reduce the effort required to get work done, to enable staff to do more value added activities

Lean Rules – People

- Fairness: the lean process needs to be fair, fair to both staff and the business.
- Firmness: once it has been decided how things should be done, they need to be done that way.
- Consistency: management need to be consistent with how they deal with people, problems and issues.

Lean Rules – Processes: Look, See, Understand, Do

Much of people's time in business is spent handling the "day job", doing what needs to be done. Lean techniques ask the question "What are we trying to achieve here?" and then help the questioner to see what is actually being done – the difference between the question and the answer is the gap that needs to be bridged.

- **Look** - look closely at your processes, go to the place where work is done and,
- **See** - see what is actually happening, how things are actually being done to service your customers to produce your products, it will often be quite different to what you think is being done.
- **Understand** - understand what is being done, what are the underlying principles that affect the outcome.
- **Do** - do something to improve the process. You don't have to make it perfect, just better than it is now.

Essentials for Effective Lean Implementation

The tools of lean range from the very simple such as Check Sheets and Run Charts to the very sophisticated such as Six Sigma and Total Productive Management. These tools and techniques are well known and available to all, but not everyone is able and ready for the hard work required to use them well. The following are five fundamental tools to help QSDC's clients start their lean journey to competitiveness.

- Process Mapping – What is being done in the company?
- Physical tracking – Where does material or paperwork go?
- Check Sheets – What is going wrong?
- Run Charts – Is it getting better or worse?

For clients of QSDC who aren't yet up to being capable, willing or inclined to implement Six Sigma these tools are a good introduction to Lean.

Practical experience has shown that, if a business wants to perform at a high level, then the basics of good operational performance need to be secure, throughout all areas of the business, from first customer contact, through design, manufacturing, administration and finance to final servicing of the product.

ANNEX J: THE FACILITATOR ROLE

Most adults learned in teacher-centered classrooms: teachers talked, students listened, except when called on to ask or answer questions about what the teacher had said. This traditional model assumes both the authority of the teacher and the ignorance of the students.

These methods are increasingly being replaced by teaching techniques that relate to the learners' life experiences and appreciate what they already know. Increasingly the learners, not the teacher, are at the center of the experience and share "ownership" for their own learning.

In this collaborative context, the word *facilitator* is more appropriate than *teacher,* for all concerned should be peers, engaged in a common effort towards a shared goal. Together they examine their own experiences and seek to come to individual conclusions. The goal is not some "right answer" or even consensus, but the collaborative exploration of ideas and issues.

Teaching Vs Facilitation

Teaching	Facilitation
• Teaching starts from teacher's own knowledge	• Facilitation starts by assessing the knowledge of the group
• Teaching follows a pre-set curriculum	• Facilitators address issues identified by the group and adopt new ides to the needs and culture of the group
• Teachers deliver lectures to a group – usually from the front of the room	• Facilitators use practical, participatory methods, e.g. group discussions and activities in which all members of the group participate
• Teachers are concerned with students understanding the right answer	• Facilitators encourage and value different views
• Teachers have a formal relationship with students, based on the status of the teacher	• Facilitators are considered as an equal and develop relationships based on trust, respect and a desire to serve
• Information flows in just one direction, from teacher to student	• Information flows in many different directions between the facilitator and individual group members

ANNEX K: HOW TO GROW

The following is based on the Harvard Business Review whitepaper entitled "The Five Stages of Business Growth" by Neil C. Churchill and Virginia L. Lewis. The approach is based on statistical research and reviews companies based on five growth stages:

1. Existence
2. Survival
3. Success
4. Rapid Growth, and
5. Maturity

The characteristics within each stage are:

- Description
- Stage Goal
- Stage Objectives
- Stage Challenges/Risks

Owner Growth Factors:

- Owner Goals
- Operational Abilities
- Managerial Abilities
- Strategic Abilities

Company Growth Factors:

- Financial Resources
- Personnel Resources
- System Resources
- Business Resources

The most significant finding from the Churchill & Lewis paper is the fact that both owner and company factors are critical to a business' growth. This means that owners must make changes in themselves in order for their business to grow. For the QSDC is important that when working with businesses that they must get owners to commit to growth within themselves both personally and professional. Then and only then will the ability to grow theses business not be just left to chance.

Too often an owner's presence is required in order for profitability to be maintained. If the owner takes an extended leave of absence the business' profitability suffers as a result. This means success is tied to the owner NOT the business. But, this scenario creates enormous risk for many more people than most owners would care to admit. The owner's family is at risk, the employees' jobs and livelihood are at risk, vendors and customers that rely on the company's products or services are also at risk. All of this is tied to one person – the owner.

This risk may be mitigated by transferring it from the owner and spreading it around within the business. This is done by creating business systems, which is a major objective of the small business growth model success stage. Establishing business systems or procedures is not usually a skill the average business person possesses. So, small business owners usually get stuck in no man's land and struggle between survival and success as a result.
The pages that follow outline what should be focused on as the QSDC assists an owner/manager to move his/her business through the stages of the growth cycle.

	Existence	Survival	Success	Rapid Growth	Maturity
Description	Some might think this is the startup stage of a company. But in fact, there are many businesses that have existed for years and still cannot breakeven month to month. Businesses at this stage need maturity in the owner, company systems, or both to create consistent monthly cash flow	The shift at this stage is on profitability. You have invested time and money into your business now you need to begin getting a return on investment (ROI. That means going beyond just making enough to keep the doors open. You must begin creating systems in your business that generate profits consistently.	A key decision point for the business. We find many of our clients here, mired between success and survival. Many owners are in survival but believe they've created success. Consistent profits lull owners into a false security. Frequently owners create this success, not systems. A test of a true success stage business is can the owner disengage from the business & it continue generating profit consistently? This ability is what gives a business real value. Without good systems the owner will find it difficult selling the business.	This stage is based on an owner's goal to grow the business set in the success stage. In the rapid growth stage large sums of capital are needed as the business takes on more and more customers thus needing more equipment and materials. Also, the number of employees to service these new customers seems ever expanding. Properly executed it is in this stage that a small business becomes big company. If not managed properly, this stage can be the death of a company.	The characteristics of this stage are big and lethargic. The company has again reached a plateau. It has saturated its market or outgrown its management teams' ability to manage its growth. Companies in this stage often cannot react to a major shift in the market and die as a result. But, well managed companies in this stage begin to diversify in ways that allow the company to continue to grow. They accomplish this by moving into other markets or finding related products for their existing customer base. These other initiatives are really other entities in earlier stages in the growth cycle.
Goal	Get monthly cash flow to the point of consistent breakeven.	Consistently achieve established profit requirements as set by ownership.	One of two possible goals exists based on the owner's desire – grow or just sustain the business' success created to this point.	To effectively manage finances so that growth does not outpace the financial resources of the business.	To diversify into other markets or find related products to sell to the existing customer base.

	Existence	Survival	Success	Rapid Growth	Maturity
Objectives	• It's all about survival • Assuring enough cash to meet financial needs • Market acceptance, determine a market exists for your product or service • Pursue one niche opportunity • Can enough customers be found to survive • Provided service well enough to be create customer loyalty • Expand beyond 1 key customer • Accomplish the necessary proper legal structure for company	• Key focus moves from cash to sales • Establish customer base and market presence by modeling profitable client needs • Focus on getting product/ service into the market. • Generate enough cash flow to break even & to finance growth • Hire people to help • Reality check: is the business on the right track, or does a different model create greater future asset value for this company?	• Run business in a more formal fashion • Plan for the storm • Seat executive team • Establish systems • Develop key people and management • Competent mgmt & key employee • Operational budget and strategy is monitored • Mgmt team & owner delegate more • Generate sufficient cash flow for strategy • Focus on market penetration & competitive edge Stability: • Owner disengages from business more • Owner begins spending more time away from day-to-day operation and focused on strategic projects • Consolidate company, develop efficiencies & marshal resources Growth: • Develop managers for growth & eye to future • Increase sales & customers • Exploit market niche	• Financing rapid growth is critical to this stage. • Owner delegation to improve managerial effectiveness. • Decentralized org. managers must be extremely competent. • Rely on talented mgrs & key employees keys to success • Company systems tested, altered & delegated, with strong strategic leadership from top management • Move into new markets • Partner with businesses complementing existing experience & capabilities • Add new products or services to existing markets • Expand existing business into new markets & customer type	• Move from an annual planning perspective to a MULTI-YEAR strategic perspective • Expand management to eliminate inefficiencies of rapid growth • Decentralize management • Retain advantage of size, nimbleness & flexibility • Growth causes inefficiencies ensure structure continues to grow & evolve. • Convert entrepreneurial spirit to a market aim • Strong market niches and competitive edge • Innovate to boost profit • Market branding and recognition strength • Anticipate market change & adapt better & faster than competition to maintain competitive edge • Planning & research of new products as if a seed or start-up stage

	Existence	Survival	Success	Rapid Growth	Maturity
Challenges/ Risks	• Enough cash to meet startup phase. • Time is finite & never enough to complete all tasks • Owner business acumen is low. Frequently avoid learning because they believe only big businesses require the skills • The mortality rate of organizations is high in this stage - over twothirds of all don't make it out of this stage.	• Misjudging time to market & money needs create problems • With rapid growth, management fails to monitor key indicators • If cash flow gets thin, disaster is around the corner. • Problems shift from existence to revenue & expense bringing new challenges. • Breakdowns will occur, plan for them. • Evaluate if cash flow can create asset ROI. • Owner growth is critical or business stays here forever.	• Company has grown beyond the CEO/ Owner's span of control. Delegation must be learned or business stagnates. • Issues bid for more time and money • CEO risks firm's future value by saving money on talent • Opportunities missed and momentum lost due to slow decision making process • Business growth outruns its cash. • If this stage is not navigated successfully, business may slide back to survival stage • Without integration of business systems, the size and	• Will there be enough cash for high demand of cash (high debt-equity ratio)? • If unsuccessful, business can fall back and find equilibrium in earlier stages. • Moving into unrelated businesses is disastrous • CEO risks losing firm by saving money on talent	• If company lacks innovative decisions & avoids risk stagnation is inevitable. • A major shift can damage company irreparably in this stage. • Not seeing the larger strategic picture could cause the "too little too late" syndrome

			complexity will not allow the company to attain efficiencies of scale. Competition will eat them for lunch.		

Owner Factors	**Existence**	**Survival**	**Success**	**Rapid Growth**	**Maturity**
Owner goals	• Company is driven by your passion, vision & energy	• Profitability: it is critical that the owner set a profit goal for the company to plan from and strive to achieve	• Owner's decision here is critical: growth or sustain profitability	• Committed to a growth strategy • Founding owner may opt out with an advisory role	• Owner is completely separate or only in an advisory role.
Operational Abilities	• Owner usually is an expert.	• Owner still controls ops or sales may have one key manager	• Owner MUST transition from "doer" to executive. • Delegate day-to-day tasks and focus 1, 3, and 5 years into the future.	•	• May act as consultant role when new ideas or changes are considered.
Managerial Abilities	• Trial and error is the name of the game	• Owner must begin to delegate, however strong direction and control still exist with the owner. • Trial and error	• Trial and error doesn't cut it anymore. • Learn how to train and delegate. • Growth: owner must become a	• If owner can rise to the financial & managerial challenges company can become a big business	• Executive or advisory role only.

		continues	professional manager • Stable & profitable: the owner begins disengaging from business.		
Strategic Abilities	• Strategy is usually lacking and by default becomes remain alive	• Owners financial abilities must evolve here concentrating on cash flow forecasting	• Growth: eye to the future looking out 3- 5 years. • Stability: methods to preserve capital and create passive income by focusing on an exit strategy	• Operational and strategic planning include managers	• Looking to new markets for future. • Company exit strategy to continue.

Company Factors	Existence	Survival	Success	Rapid Growth	Maturity
Financial Resources	• Financial focus is to consistently reach breakeven. **$$$ Sources:** • owner, friends, family • suppliers • Customers • government grants	• Formal planning is cash forecasting • cash takes pressure off • Credit is still difficult to come by. **$$$ Sources:** • owner, friends, family • suppliers • customers	• Cash flow mgmt & profitability key concerns to finance growth or retirement. • To grow use retained earnings & cash flow, leverage to finance **$$$ Sources:** • Banks • Profits	• Adequate financing • Establish expense & budget controls for strong cash flow. • Profitability planning systems **$$$ Sources:** • Joint ventures • Banks • Licensing • New investors	• Consolidate & control financial gains from rapid growth. • Strong financial resources • Cost systems

		• government grants	• Partnerships • grants • leasing options	• Partners	
Personnel Resources	• Owner does it all	• "Big Dogs" may emerge—loyal high producers who build the business exponentially in this time of rapid firs stage growth	• Hire supervisory staff and give them decision making training and authority • Hire new employees	• Skilled, experienced & competent mgmt structure	• Strong Managerial Talent • Bring on a Board of Directors and develop a larger strategic market orientation
System Resources	• Systems are minimal or non-existent	• Simple organization • Systems minimal with evolution & implementation in early stages. • System focus at this stage indicates high probability for success in future stages of growth.	• Create scalable systems for coming growth or to disengage from business • Better accounting and management systems	• Systems become more refined and extensive. • Performance control systems develop enterprise complexity • Effective financial planning, forecasting, modelling strategy	• Retain flexibility of entrepreneurship • Management by Objectives (MBO) System • Budget, operational & strategic planning • Extensive & well developed systems • Major decisions are made with the help of the Board of Directors • Risk management

Company Factors	Existence	Survival	Success	Rapid Growth	Maturity
Business Resources	• Is dependent on business, frequently are the personal assets of the owner	• Begin to establish a market • Assets may begin to increase if owner is "asset-aware" • Right business model could make business saleable	• Growth requires owner's deep involvement (verses disengagement) • Strong operational & strategic planning • Stability: using business assets to create on-going passive cash flow.	• Strong potential for business sale premium • Capacity for a big business	• Business assets are significant and provide a majority of the company's value.
QSDC Services	• Networking	• Networking • Mentoring • KPIs • Business Plan • Value Proposition • Web site • SWOT • People training	• Networking • Mentoring • KPIs • Business Plan • Value Proposition • Web site • Innovation • SWOT • Operations • Finance • People training	• Networking • Mentoring • KPIs • Business Plan • Value Proposition • Web site • Innovation • SWOT • Operations • Finance • People training	• Networking • Mentoring • KPIs • Web site • Innovation • SWOT • Operations • People training

ANNEX L: PEOPLE MET DURING VISIT TO MONGOLIA

Date	Forename	Surname	Company	Position
08 March 2015	David	Wilson	Nutag Partners	Research & Communications Advisro
08 March 2015	John	Edwards	Food & Agirculture Org UN	Senior Technical Coordinator
09 March 2015		Bolorchuluun	MFA	Director of Crop Sector Department,
09 March 2015	Oscar	Lujan Gimenez	Dyes New Mongolia	Leather Technician
10 March 2015	Bilguun	Ganbat	Ministry of Industry	DG, SME Policy & Regulation Dept.
10 March 2015	Tuvshinzaya	Gantulga	AMCHAM	Executive Director
10 March 2015	Tricia	Turbold	AMCHAM	Director of Development
10 March 2015	Muzaffar	Khakimov	EBRD	Associate Banker
10 March 2015	Eric	Guetschoff	EBRD	Senior Adviser
11 March 2015	Tuyen	Nguyen	Int. Finance Corporation	Resident Representative
11 March 2015	Laurenz	Melchers		Director QSDC (by SKYPE)
11 March 2015	Bayarsaikhan	Tugjjav	Mongolian Assoc. of Leather Industry	Executive Director
11 March 2015	Tuvshintugs	Batdelger	Economic Research Institute	Assoc. Prof. of Economics
12 March 2015	Steve	Potter	Wagner Asia	Managing Director
12 March 2015	Byambasaikhan	Damdinsuren	Coyotte LLC	Director
12 March 2015	Bolormaa	Luvsandorj	Golomt Bank	Chief Investment Officer
12 March 2015	Nansalmaa	Sanjmyatav	Nans Cashmere LLC	Director
13 March 2015	Javkhlan	Batbaatar	Oyu Tolgoi	Officer Supplier Development
13 March 2015	Munkhkhuyag	G.	Oyu Tolgoi	Reporting Analyst
13 March 2015	Magvan	Oyunchimeg	Mongolian Chamber of Commerce	CEO
13 March 2015	Gerelkhuu	D	Meat Export Co. Ltd	General Director
16 March 2015	Galindev	Batmunkh	GUM LLC	
16 March 2015	Demberel	Sanbuu	State Great Hural	MP
17 March 2015	Sanduisuren		Coyote LLC	
17 March 2015	Delgerjargal	Bayanjargal	Xac Bank	VP Retail Banking
18 March 2015	Tumentsogt	Tsevegmid	GE	CEO
18 March 2015	Ganbat	Tseepel	GBT Trading LLC	Director
18 March 2015	Tugsuu	Tseepel	GBT Trading LLC	Deputy Director
18 March 2015	Jim	Dwyer	The Bus. Council of Mongolia	Executive Director
19 March 2015	Gabit	Bazar	Infinite Solutions	President
20 March 2015	Tseesuren	B.	IT Zone	VP Software & IT Service
20 March 2015	Zolbayar	Z.	IT Zone	Project Coordinator
20 March 2015	Tsevegjav	G.	Xac Leasing	CEO
20 March 2015	Uuganbayar	Badamsuren	Interactive LLC	President & CEO
20 March 2015	Scott	Brown	USAID Mongolia	Senior Dev. Advisor
23 March 2015	Ganbat		Montulga LLC	
23 March 2015	Gantulga		Suu JSC	
24 March 2015	Bayasgalan		Aimag Administration	Dir., Development Policy Dep.,
24 March 2015	Sanduisuren	B.	Coyote LLC	General Director
25 March 2015	Stephen	Kreppel	Mongolian National Marketing	Director
25 March 2015	Gantulga	Bulgan	Milk Joint Stock Co.	CEO

25 March 2015	Ganbold	Chinzorig	IT, Post & Telecoms Authority	Director General Policy
26 March 2015	Urlee	Erdenee	Darkhan-Geomach Co. Ltd	Director
26 March 2015	Tsedev	Munkhjargal	Darkhan-Geomach Co. Ltd	Head of R&D
26 March 2015	Magsarjav	Enkhbaatar	Darkhan Meat Foods LLC	General Director
27 March 2015	Enerelt	Enkhbold	Asian Development Bank	Investment Officer

ENDNOTES:

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[iv] Kaufmann, A. and F. Todtling, How effective is innovation support for SMEs? An analysis of the region of Upper Austria. Technovation, 2002.

[v] The World Bank Development Research Group, Finance and Private Sector Development Team, September 2012

[vi] Neil C. Churchill is a visiting professor at the Anderson School at UCLA and a professor emeritus of entrepreneurship at INSEAD in Fontainebleau, France.

[vii] Virginia L. Lewis is a senior research associate of the Caruth Institute at SMU

[viii] When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed - See more at:
http://www.chathamhouse.org/about/chatham-house-rule#sthash.AQYLW80X.dpuf