

**Provincial
Small Business
Management
Training in
Indonesia :
The IPPM/PPK
Program**

Prepared for The U. S. Agency for International
Development under contract number PDC-I096-I-12-4159-00

Russell H. Betts

March 1986



Development Alternatives, inc. 624 Ninth Street, N.W. Washington, D.C. 20001

EXECUTIVE SUMMARY

The following paragraphs, lifted in their totality from the final pages of chapter four of this report, must suffice as an executive summary. This is because I have run out of time in this brief but intense four-week visit to write any further summarization. The interested reader is referred to chapter four, where all especially relevant conclusions and recommendations are underlined in the text. Those excerpts speak more completely to the range of issues involved than anything I might attempt to compile, and are certainly essential supplements to what is contained in the following few paragraphs.

The recommendations contained in this report are wide ranging and comprehensive. In many ways, they describe a process that should be followed during project implementation rather than a blueprint which can enable the implementation to begin. This is because sustainable projects normally are based on process rather than blueprint, on learning by doing rather than doing what one is told. But notwithstanding all of that, the process has to start somewhere. What is now needed, therefore, is agreement on a set of activities which can be undertaken beginning immediately. These activities should set the pattern for future PPK activities, and should result, in the near future, in a proposal to AID which can serve as the basis for a revised AID/IPPM grant agreement, and thus for the future course of the outreach program.

Specifically, this near-term action plan should comprise four major elements, all of which I would hope will have been fully addressed before I return to Jakarta two months from now. These are:

1. An on-going market analysis capacity needs to be initiated which can provide PPK and IPPM with currently-lacking information regarding mid-term and long-term market demand and prospects for small-business training products and services.
2. Flowing from such market analysis, a strategic planning process for PPK needs to be inaugurated, which will form the basis for the development of:
 - a. Marketing plans;
 - b. Program planning for outreach operations, and;
 - c. A PPK program development plan.
3. A necessary prerequisite to any program planning for outreach operations, will be the inauguration of a program of regular dialogue with appropriate personnel from the NGO community.

4. These activities, taken together, should provide the necessary basis for the fourth action which should be taken prior to the end of May, which is that a proposal should be prepared for AID's consideration, incorporating the recommendations contained in this report and outlining a new PPK outreach program for small business management training. This proposal should give evidence of having dealt, among the many others suggested throughout this chapter, with the following matters:

a. Ways of funding NGO programs at the margins, to affect their directions, rather than attempting to set up new "regional NGOs";

b. The establishment of a training schedule for course in Jakarta. These and all others should not be fully subsidized from AID grant, but instead should seek means of leveraging that support as much as possible to assure participation from other sources;

c. The development of strategy, policy, procedures, etc. for any institution building efforts which might be attempted. These should specifically deal with outstanding commitments by PPK to UNSRAT in Manado and Yayasan Persada Indonesia in Surabaya, and should establish, among other things, performance criteria and escape clauses in the event of non-performance;

d. Linkages and mechanisms for working with specific Jakarta-based NGOs, especially those with wide networks and demonstrated or inchoate interest in small business management development, and;

e. Plans and proposals for filling any gaps in the PPK program which might result as a consequence of Mr. Young's departure. Also needed are plans for an orderly disengagement of Mr. Young in the remaining weeks of his consultancy.

I will return to Indonesia at the end of May, and look forward to being able to assist however possible in the processes which these recommendations hopefully will stimulate. It would be highly desirable if, by that time, matters had moved forward to the point where a proposal for AID could be finalized and project negotiations could be completed during my short (2-3 week) visit.

TABLE OF CONTENTS

	page
EXECUTIVE SUMMARY	i
CHAPTER ONE: INTRODUCTION	1
CHAPTER TWO: IPPM AND ITS SMALL BUSINESS MANAGEMENT DIVISION	3
CHAPTER THREE: FINDINGS AND OBSERVATIONS	13
Transition Time	13
Program Directions	14
Program Content	16
Staff	19
Finances	20
Outreach Program	21
Establishing Self-sustaining "Regional NGOs"	24
Universities	24
The AID Project	25
Conclusion	25
CHAPTER FOUR: RECOMMENDATIONS	27
Guiding Principles	27
General Issues	28
Program Directions	28
Market Research and Marketing	29
Program Content	31
Staff	33
Finance	34
Outreach and AID	35
Goals and Objectives	35
NGOs	38
Other Outreach Target Groups	41
Adjusting the AID Grant	43
Near-Term Activities	44
Conclusion	46
APPENDIX	I-1

CHAPTER ONE

INTRODUCTION

The task order for this assignment specifies that I "assist the Small Business Management Department of the Institute for Management Education (IPPM) in Jakarta in initiating an outreach program designed to strengthen regional non-government organizations (NGOs) in management training. The purpose of the program is two-fold: to improve the financial stability and management capability of the NGOs themselves, and to teach the NGOs how to instruct rural (sic -- see below) small businesses in basic elements of business management." The task order specifically notes the considerable small business management training expertise currently available within IPPM's Small Business Management Department for use in various aspects of the proposed outreach program, and specifies that my main responsibility will be to add a solid provincial development and NGO development perspective to the outreach program design and implementation.

The task order also provides that my work on this assignment be divided into two segments. During the first, lasting for four weeks, the task order specifies that I:

1. Recommend revisions in the outreach program design which will make it more effective and realistic in terms of NGO development and utilizing NGO staff for small business management training;
2. Help interview, assess, and select eight (8) regional NGOs throughout Indonesia who are best qualified and willing to participate in the outreach program, and;
3. Advise IPPM on staffing needs, costs, and best approach to start up the outreach program.

The task order further specifies that I return to Indonesia for a follow-up two week visit, approximately 2 months after the initial visit, to do the following:

1. Assess IPPM's progress to date on implementing the outreach program, and
2. Recommend changes as may be necessary in the design, staffing, financing, or selection of NGOs for the program.

Discussions with the responsible AID officials at the beginning of the first of these two visits revealed that AID's expectations were in fact somewhat broader than indicated in the scope of work.

- o First, AID's intent is not that the IPPM program focus solely on rural small businesses, as stated in the task order, but instead that it address more generally issues of

small business development in the non-Jakarta areas of Indonesia.

- o Second, AID is not committed in this program exclusively to strengthening the NGO role in small business development through IPPM. Instead, it is concerned with arriving at an understanding of the appropriate current role and future potential for NGOs in IPPM's program, possibly in comparison with alternative channels.

The assumption is that the NGO linkage can and should be a critical component of IPPM's effort. But at the same time, AID itself is prepared to have this assumption tested further and systematically compared with other approaches. A key criteria will be the potential of any interventions which are attempted to sustain themselves following the completion of AID assistance to the effort through IPPM. AID's higher concern therefore is to strive to assure the most effective and efficient use of existing AID financial assistance to support the emergence and/or consolidation of a program capable of self-sustaining contributions to small business management training programs throughout Indonesia outside of Jakarta by whatever delivery mechanisms are determined to be the most appropriate.

This report on my initial four-weeks of working on this assignment incorporates, to the extent possible, consideration of the broader scope of interest expressed above. It benefits greatly from discussions with a broad range of persons concerned generally with issues of small business development, management education, and the Indonesian NGO community, both during this and the earlier periods over the past 15 years when I have lived in or visited Indonesia. Nonetheless, the observations and suggestions are my own, and at this point probably represent an incomplete and inadequate treatment of a broad and complex set of issues. On this, I beg forgiveness from anyone who reviews this document: a learning process necessarily is involved here, and there may well not be any fixed or final "answers" to the various questions which must be posed.

My intent has been to contribute to the ongoing process of experimentation and discovery which has characterized the evolution not only of IPPM but also of many of the NGOs which are mentioned in this document. I have had the privilege of following closely the development of many of these organizations since their creations, and believe this is basically consistent with their dominant modes of operation.

Thus, any negative comments contained in the pages which follow, and there are several, are offered not for the purpose of criticizing, but instead are posed as potential challenges to be considered and then discarded if incorrect or inappropriate or dealt with as necessary in order to overcome legitimately identified short-comings in current perspectives, procedures, or plans.

CHAPTER TWO

IPPM AND ITS SMALL BUSINESS MANAGEMENT PROGRAM

The evolution of IPPM's Small Business Management Program (Pembina Pengusaha Kecil -- PPK) is fully documented elsewhere and will be well known to any readers of this report. Therefore, only relevant background material is highlighted here in order to place subsequent discussions into their proper historical perspective.

1) Although the IPPM has a commercial appearance and charges fees for its services, the institute is fundamentally a development agency. In fact, IPPM's corporate mission, as stated in its charter, is "To assist development by promoting the achievement of economic and social justice for the Indonesian people, by the development and implementation of scientific management knowledge, and noble social-cultural values, infused with the spirit of Pancasila." (Memberi sumbangan kepada pembangunan menuju tercapainya masyarakat Indonesia yang adil and makmur melalui pengembangan dan pengamalan manajemen berdasarkan ilmu pengetahuan dan nilai-nilai sosial budaya yang luhur dijiwai oleh Pancasila.") Many of IPPM's past activities, and those planned for the future, find their motivating spirit and their justification in this philosophy.

It is especially important to be aware of this when taking measure of IPPM's past evolution, as well as of its current capabilities and future needs. That some of its programs or activities would not make much sense when measured against standard Western business schools models really is not always relevant to IPPM. The institute has its own unique sense of mission, one which has been applied more or less consistently throughout its history, and one which must be respected by any organization wishing to affiliate with its activities. It is prepared to take risks in undertaking experimental programs which it believes have developmental significance, even if their pay-back, or profit projections, are tenuous at best.

2) This is the case with the PPK program, which is dedicated to making possible the availability of business management training or technical assistance appropriate to the economic capacities and needs of the non-formal small business sector. The people who comprise this sector possess limited skills and financial resources but, frequently by dint of circumstances, must necessarily attempt to earn their livelihood through the broad array of economic activities at the lowest rungs of the trades and services ladders. This is development work in the most challenging sense of the term. Although IPPM would of course prefer that the program cover its own costs and not become a drain on the comparatively limited resources available to the institute, it is well aware that this is not an undertaking which promises early repayment of its program development investments, let alone provide any excess income to cover future ongoing

costs, program expansion needs, or related support services. It is to the institute's considerable credit that it has nevertheless committed itself to such a program.

3) The available data all confirm the powerful need for such programs in Indonesia (as elsewhere around the world) at the present time. For example, nearly two million new workers enter the Indonesian labor force each year, and it is estimated that over half of these are unable to find employment of any kind in the formal agricultural, industrial, or commercial sectors. Frequently, their only option is to create their own jobs through entry into the non-formal sector. Under the circumstances, it is not surprising that the sector is large and growing rapidly. In Jakarta alone, for example, it is estimated that 35 percent of the population currently is involved in and sustained by non-formal economic sector activities, and that approximately the rupiah equivalent of US\$1,200 million is estimated to be circulating in the Indonesia's small-business sector at any given time. While some of these small and non-formal businesspeople are quite successful, many are not and the majority continues to live close to the survival line. And these mini-businesses fail with stunning frequency, most often due to inabilities to handle financial, accounting, budgeting, or cash flow aspects of business. When this happens, there are few options available for the failed small-business operator other than to try again or to turn to extra-legal means for support. The potential this situation represents for social and/or political unrest is significant.

Under such circumstances, it is little wonder that various authorities have suggested that Indonesia's economic success will be determined not by its capacity to industrialize or exploit its various and abundant natural resources, but instead by its accomplishments in agriculture and small-holder business. Nor should it be surprising that the Government of Indonesia is therefore reported to be deeply concerned with the testing and implementation of whatever programs or interventions give promise of being effective in stimulating more dynamic efforts in these areas.

But these sectors, and especially small-holder business, have proven to be especially difficult to deal with. Unlike in the industrialization arena, where the introduction of the appropriate high technologies and the infusion of sufficient capital frequently are sufficient to assure that production quotas can be attained, in the small-holder business sector one necessarily has to deal with complex problems of modifying existing social and economic systems, personal behavior patterns, and the inefficiencies of extremely low economies of scale. These are human, not technological, problems, and therefore are inherently ... and infinitely ... more elusive in their solutions.

4) Sporadic and generally unsystematic efforts have been made in recent years to address such issues through a variety of

training programs and other activities. At last count, there were 42 separate Indonesian Government agencies officially charged with variously defined responsibilities for promoting small business (a situation which, it is reported, did more harm than good because of the confusion it engendered in the minds of those in need of assistance). One especially noteworthy effort has been attempted for the past several years by the Government of Indonesia (GOI), through a management training outreach program implemented through the network of management institutes in the faculties of economics at most of the provincial state universities. However, neither this program nor most of the others undertaken by other entities (e.g., NGOs or private industry) are reported to have succeeded in effectively providing skills-oriented business management training at the lower levels. Thus, this pressing need remains unmet.

5) Although the PPK program was not officially established until 1982, in fact IPPM has been interested in the development of small-scale enterprise since the institute began operations in 1968. One verification of this is the fact that the current program coordinator, Drs. Prayitno Djojopawiro, was a member of the original intake class of management students at IPPM and did his field work (as did his classmates) analyzing the needs and aspirations of the small businesses which operated along the streets and alleys in the neighborhood of the original IPPM building on Jalan Buli Kemuliyon in Jakarta's Tanah Abang area.

The specific event which stimulated the creation of the PPK program was the receipt, in 1981, of two directed interest-free loans from socially-oriented businessmen (one from Solo and the other from North Sumatra) in the total amount of Rp 100 million for the express purpose of enabling IPPM to help strengthen the economic circumstances of groups of iron working craftsmen in Batur, in Central Java. The funds enabled IPPM to provide assistance in introducing new design elements into the iron works which were traditionally produced in that area, and to then undertake marketing efforts on behalf of the craftsmen who produced them. This was a highly successful venture which opened a large, new, and previously untapped market (including foreign exports) and enabled full repayment of the original loans from project profits within only two years. This activity, which continues successfully to the present day, persuaded IPPM that appropriate interventions in the small business sector could have a powerful impact in stimulating sustainable income generating and employment producing activities.

Shortly afterwards, IPPM's managing director, Ir. Johannes Sadiman, held discussions with a small scale business development specialist, Mr. Alwyn Young, who was then working as a consultant on similar issues to the Government of Malaysia. These discussions led to a visit by Mr Young to Jakarta (where he had worked as a short-term consultant to IPPM in the late 1960s) and, subsequently, to his preparation of a formal written proposal for the establishment of the Small Business Management Department. Thus a special program within IPPM was established which could

undertake relevant activities in a systematic manner. The IPPM allocated, from its own resources, a total of Rp 200 million to support the development of the new program, while funding for the provision of Mr. Young's services, initially for two years, concurrently was obtained through the Ford Foundation.

6) Although this initial financial support was crucial to the creation of the program, IPPM did not effectively provide all of the other elements of institutional support which were especially needed during this inaugural phase. In particular, a succession of three inappropriate program coordinators were appointed, occasionally with lengthy gaps between the departure of one and his placement by the next, before more effective program coordination was provided through the appointment of Drs. Prayitno over two years later, in 1984. This period also was one in which IPPM top management was able to pay relatively little attention to the program, due primarily to the absence (or overseas graduate study programs) of nearly all top echelon managers directly below Mr. Sadiman himself. Partly in response to this situation, in late 1983 the Ford Foundation extended Mr. Young's contract for two additional years, to the end of 1985. This appears to have been in recognition of the likelihood that, in the absence of adequate IPPM management support, the PPK probably would collapse upon Mr. Young's departure. (Mr. Young's term was subsequently re-extended via USAID financing, for another six months through mid-1986, to help facilitate inauguration of the AID-funded outreach program which is described below.)

7) Throughout this period, Mr. Young, acting largely on his own, developed the curriculum for the program and oversaw the development of the staff, both largely from scratch. The curriculum which Mr. Young developed drew heavily on his considerable experience from other developing countries. The new staff was recruited from among recent college graduates who applied for training under the program and who, in nearly all instances, were young people with no prior operational experience dealing with small business development.

The orientation of the program was, and remains, on small business, rather than industry, agriculture, or other production activities. The functional management content is similar to that in traditional management courses, but it is shaped as presented so as to be relevant to small businesses, and is heavily weighted toward field-oriented experiential training rather than toward classroom lectures and theory. Business techniques include banking and credit, loan economics, simplified accounting (Cash Entry Only System, or CEOS), and a long list of such important topics as how to select a business site, promotion of the business, inventory control, and so forth. Application of skills includes carrying out a survey of small businesses, and provision of technical assistance.

8) The initial training vehicle for PPK was a 50-week course, designed with the dual objectives of training both

trainers for the program itself and personnel to work in industry, commerce, and the financial institutions as small business consultants, that is, people able to audit and analyze the problems of small business and then know how to solve them. The expectation was that banks would need such people to serve as small enterprise loan officers, and that larger commercial enterprises also would see the value in employing them to assist with the identification and development of small enterprise suppliers or end-product franchisers. It was anticipated that the agencies employing these people would reimburse IPPM for its costs in training them (IPPM fully subsidized the program, including providing living stipends to the trainees, whom it initially selected on a competitive basis), and that such financial arrangements would cover the costs of the program, thus making it financially self-sustaining. As it turned out, the market apparently was not ready for people trained in such skills, or perhaps they were incorrectly marketed by IPPM. Whatever the case, few people were placed after their training: fourteen of the original 20 trainees were hired by IPPM as trainers and staff, and only two found positions relevant to their training in the commercial sector.

A second 50-week course with 30 participants repeated this experience: eleven trainees ended up working for IPPM (but not as trainers, because those positions already were filled). Many, but not all, of the rest ultimately were placed with outside agencies, but only after extraordinary placement efforts by Mr. Young and Drs. Prayitno. Clearly, PPK's 50-week course was not tapping an urgent market demand which would provide the basis for program cost-recovery. In fact, it was a big money loser.

9) This led to the development and introduction of the condensed 13-week course, which covered the same topics as the 50-week course, but less intensively. The aim of this course was defined as being to provide an appreciation of the small business problems and solutions to officials of banks and government departments that deal with small businesses; to junior and middle management executives of large companies that deal with small businesses as agencies, franchisees, etc., and to professionals of institutions desiring to work with and help small businesses. It was recognized at the time it was being developed that 13 weeks was too short a time to develop skills in the participants, but it was felt to be sufficient time for them to at least become aware of problems faced by the small business owner/manager, and that this would have generally beneficial consequences.

Although its creation was justified as noted above, Mr. Young reports that in fact this course emerged in part because any alternative to the 50-week course was urgently needed and, more instrumentally, because of a request from a foreign donor agency, The Konrad Adenauer Stiftung, which was looking for an alternative venue to the university-based management training programs which it had been unsuccessfully, in its opinion, attempting to encourage.

This 13-week program enjoyed greater success than its predecessor, in large part because support for it already was assured for at least its initial presentations through donor organizations such as the Konrad Adenauer Stiftung (KAS) and The Asia Foundation (TAF).

Since its' inauguration, the 13-week course has now been conducted five times. In the process 90 people have been trained in the basic technical skills involved in small business development. Thirty-five of the participants were personnel from 20 Indonesian NGOs, and their course expenses were paid by with KAS and TAF support, both of which have long had institutional interests in NGO development, and by USAID. Another 31 participants were from 16 regional universities, and 6 participants came from three government departments. KAS and TAF also paid course fees for these 40 people. An additional ten participants came from six government and one private banks, and six other participants were sent by private companies that have links with small enterprises. These 16 people so far are the only participants in the 13-week course who have not been funded by foreign donor agencies.

The 13-week course was not without its difficulties, especially during the second and third sessions, when teacher morale was low for a variety of reasons and the students nearly revolted because they felt that the course was poorly presented, badly organized, and largely irrelevant to what they felt they needed. Such problems reportedly have now been resolved, but the experience damaged IPPM's reputation among some NGOs, a fact which needs to be dealt with (and of which PPK is clearly aware) in any future outreach program which is contemplated involving NGOs.

10) The third training product which was developed was the Cash Entry Only System (CEOS) course, designed to provide simple accounting skills (the same as those covered by the other two courses) to unemployed young people. The materials comprising this course are intensely practical, relevant to Indonesian small business, and easy to learn and apply. In fact, it is an ideal system for small shops, bengkels, etc. However, sponsors are essential for any such program, as unemployed young people certainly can't themselves pay for the training. However, sponsors, at least the foreign foundations, are unlikely to find this program attractive because of its limited capacity to foster systemic change. Because of such considerations, one early assessment of this program concluded that there was no ground, other than unfounded hope, that this program could become institutionalized. This is a challenge with which PPK is attempting to deal, and the fact IPPM is persevering can be cited as further verification of its intent, if possible, to act consistently with its developmental mandate.

11) Concurrent with PPK's development, another set of interests and concerns were emerging within AID/Indonesia which

would become relevant to all of this. As AID moved increasingly toward its privatization perspective beginning in the early 1980s, it started to explore the possibility of providing support to IPPM as Indonesia's preeminent non-governmental agency concerned with business management training in and for the private sector. By 1983, AID had decided that it would provide a package of support to IPPM which included both institutional upgrading, largely through MBA and PhD level scholarships to key staff members, and provision of assistance to enable IPPM to inaugurate an outreach program for provincial small business management development, drawing substantially on the PPK's capacities.

Concurrently, and starting even earlier, AID had become increasingly interested in the role of private voluntary organizations, PVOs or NGOs, in promoting Indonesian development. Beginning as early as the mid-1970s, and had begun implementing a program of support to Indonesian NGOs. This was done initially through American intermediaries such as TAF, but by the early 1980s increasing attention was being focussed on selected Indonesian groups that had demonstrated their capacities to effectively manage AID assistance, largely in support of their own institutional strengthening and programmatic outreach activities.

The confluence of these separate lines of thought (private enterprise plus NGO support) led AID to link the two in its grant to IPPM. The result was a modest attempt, as a relatively small component of a larger effort, to link IPPM's business management training program in Jakarta with a disparate group of NGOs whose principal prior activities and substantive focus had been on social services delivery activities principally in Indonesia's provincial rural areas or, in some instances, particularly impoverished urban areas. It was an interest match-up with significant potential consequences for all parties. But as later sections of this report will suggest, it was not as easy or as simple a marriage as appears to have been anticipated at the time it was arranged.

12) Approximately US\$776,000, or 20 percent, of the US\$4 million grant contract which ultimately was signed was earmarked to enable IPPM to undertake a 3-pronged outreach program intended to make possible the transfer to other institutions of IPPM's training and consulting experience and expertise. The first of these three prongs, "Outreach I", was provision of funds to promote the institutional development of private management institutes outside Jakarta by enabling the transfer of capability to deliver selected IPPM short management training programs to up to three provincial management training institutions. The curriculum material was to remain focussed at medium and small businesses, but was not necessarily restricted to the course offerings of the PPK. The first of the three institutions to be assisted was identified as the Lembaga Pembinaan Manajemen Sumatra in Medan, and the AID/IPPIM contract specified that two others would be identified, one each in 1986 and 1988, by mutual

agreement between IPPM and AID. A total of US\$124,000 was earmarked for this activity, of which \$58,000 was planned for training at IPPM in Jakarta and the remaining \$66,000 was earmarked for IPPM technical assistance activities in support of the three provincial centers.

The second prong, "Outreach II", was intended to expand IPPM's expertise in small business consulting to other interested organizations by enabling IPPM to provide yearly training for up to ten trainees from each of six selected institutions over the six year life of the project. The AID/IPPM contract indicated that IPPM had already chosen Yayasan Dian Desa in Yogyakarta and the Pusat Pengembangan Manajemen Sriwijaya in Palembang as the first two institutions to be assisted beginning in 1984. Yayasan Dian Desa was and remains a prominent NGO; the institute in Palembang originally was a Lembaga within Sriwijaya University, but subsequently became a private organization. As with Outreach I, up to four other institutions were to be chosen, two each in 1986 and 1988, by mutual agreement between IPPM and AID. In this component, the large majority of the money (US\$309,000) was planned for training at IPPM in Jakarta, and only \$102,000 was reserve for IPPM technical assistance in support of provincial activities.

The third prong, "Outreach III", was intended to enable IPPM to support efforts of Indonesian private and voluntary organizations (NGOs/PVOs) to gain experience and skills to support their increased involvement in providing assistance to small business development activities. This was to be done through provision of an average of 10 scholarships per year to enable NGO personnel to attend the Jakarta sessions of the 13-week Small Business Consultant Development Course. No provisions were made in the contract regarding selection of institutions to be assisted. The entire sum of US\$231,000 was reserved for training at IPPM in Jakarta.

This original grant agreement thus anticipated that over the life of the program approximately \$535,000 would be expended in efforts to strengthen selected provincial management training institutes, while only \$231,000 or 30 percent of the outreach budget was to be used for the purpose of upgrading their NGO institutions' capacities to implement programs relating to small business development. Similarly, nearly US\$600,000, or almost 80 percent of the funds were specified for training in Jakarta, with the 20 percent balance for IPPM technical assistance support for provincial activities.

Little is said in the grant agreement regarding utilization of funds to strengthen IPPM's own capacities relevant to these outreach activities. In fact, the impression is left that AID anticipated that IPPM and the PPK program already were well developed and therefore were to be used as a delivery system for, rather than the target of, development assistance. This is inconsistent with the basic goals and purposes of the project, as specified in the original grant agreement, where it is explicitly

emphasized (in the opening paragraph of the project proposal, which is incorporated as Appendix One) that specific activities of the project would include, among others, the ... "creation of an outreach capacity" at IPPM.

14) On 1 November 1985, IPPM submitted a request to AID to substantially revise its outreach activities under the AID program. That proposal collapsed the three sets of activities specified earlier into a more-or-less unified attempt to "create", in eight "regional NGOs", the capacity to conduct IPPM's 13-week course and other, unspecified, small business development activities. The exact nature of these NGOs was left unspecified and none were specifically identified, but the wording of the request suggests that they might include both university entities and PVOs, most of whom had sent participants under KAS or TAF sponsorship to earlier PPK training sessions in Jakarta. In fact, the letter specifically indicated that IPPM now had to "select the NGOs to be developed", and indicated that in doing so it would welcome cooperation with AID officials.

While AID was to pay the entire costs of the program, the proposal outlined mechanisms whereby the local institutions which were to be supported could collect fees on the initial courses which would be conducted primarily by IPPM personnel (with local counterparts to learn through an unspecified process), and that these funds could then enable the regional NGOs to continue similar training activities following IPPM's departure from the scene. The expectation, clearly, was that IPPM could help establish regional NGO training centers which would be self-sustaining to a degree which PPK had not yet even begun to achieve for itself.

AID has not yet responded comprehensively to this proposal, (approximately 3.5 months later), and in fact the request for my consultancy appears to have been stimulated primarily by AID's desire to understand more fully what was happening before issuing any such approval. In fact, AID's one written response, dated 14 November 1985, suggests the desirability of specific groups being selected before any contract amendment is prepared, and then specifically links AID's further reaction on this matter to my proposed visit. Presumably on this basis, the provision of my services was approved by Ir. Sadiman.

Notwithstanding this fact, since November the PPK has inaugurated a program which is very loosely based on the revised November 1985 proposal for project revision. It has made commitments to support efforts to establish PPK-type programs in previously untested organizations in Manado (an adjunct of the Faculty of Economics at Sam Ratulangi University, operating through that university's Lembaga Pangabdian Masyarakat) and Surabaya (a young private foundation which previously has worked primarily in the area of legal education). Such activities appear to be roughly comparable to what was proposed in the November letter.

Concurrently, however, PPK also has undertaken or committed itself to, several activities which are not consistent with either the programs envisioned in the original AID grant documentation or those proposed in the November letter. These activities, largely ad hoc support to several local training programs by a wide variety of NGOs in Central Java and West Sumatra, are perhaps valid in their response to real needs and opportunities. They certainly conform with the spirit of IPPM's intent for the PPK. But they do not at the moment comprise a coherent, focused, or integrated program.

And finally, PPK has not made plans to conduct training programs at all in Jakarta -- due, it is rumored, to KAS's withdrawal of support because of its own funding limitations and also because of a (mistaken) perception that AID is interested in funding only non-Jakarta based outreach activities.

16) So the question is, "What now?" Clearly, AID and IPPM need to come to mutual understandings regarding the directions and priorities of the PPK outreach program. In doing so, various questions need to be asked, such as: Is the program evolving in appropriate, or optimal, ways? What adjustments might be needed, or what major revisions should at least be considered? What success (or failures) might be anticipated from past and projected efforts? What further response is required from AID? From the PPK?

Answers to many such questions can flow from the more detailed examination of related matters, which follows.

13

CHAPTER THREE

1 FINDINGS AND OBSERVATIONS

The comments in this report lay more emphasis on problems and difficulties than the actual record of the PPK program probably deserves. For this I apologize. It is not my intent to be unnecessarily critical of a good idea which, to date, has been boldly conceived and rigorously pursued. Merely by having evolved to its current level of accomplishment and delivery capacity, the program has achieved much of which it can be proud.

Having said that, however, it must also be acknowledged that there is much that remains to be done. The great majority of the negative comments contained in this document concern matters which have not yet been attended to, not because they have been neglected so much as because they have not been relevant until recently. Thus, we are not really dealing with matters which have been handled incorrectly so much as we are with those which constitute the PPK's major future challenges. The concern here is solely with attempting to help move the program to the next higher level of effectiveness. In this context, the challenge is to identify the program's weaknesses given anticipated needs and opportunities and then deal with these without at the same time undermining the program's many existing strengths. The recommendations contained in the final chapter of this report are offered in the hope that they can do that.

Transition Time

Such an exercise may be especially important for the PPK at the present time, because the program is rapidly approaching (and in fact in some ways already has reached) an important crossroads. Relevant factors include the following:

1. The program has developed since January 1982 to the point where many of the basic elements of capacity now exist. Staff have been trained and are in place; a curriculum has been set; procedures have been standardized; many of the basic elements of program continuity are beginning to appear; and after years without having an effective coordinator, the program now appears to have one. Most of the pieces are in place for effective operations.

2. The IPPM general management is beginning to demonstrate its intent to focus more on PPK than it has at any time in the past. Dr. Andreas Danandjaja has been appointed head of a new

3. This chapter is based on notes made during the course of the first three weeks of my visit. They have been edited only slightly. They are incomplete and impressionistic, and probably contain errors of fact and interpretation. Hopefully they can serve some useful purpose notwithstanding this.

directorates combining all of those elements of IPPM's activities relating to outreach, research, public education (i.e., non mid- or senior-level management), including the PPK program, and is committed, with strong evidence of support from other senior management in IPPM, to the integration of these programs in ways which will strengthen the capacities of each.

3. And finally, the creator of the PPK program, foreign consultant Mr. Alwyn Young, is about to complete his long assignment with IPPM and to move on to other challenges. Mr. Young's departure will signal the end of an important era for PPK, thus unavoidably signalling the beginning of a new one.

Under these circumstances, the program clearly should expect more institutional attention from IPPM than it has received at any time during its short history. And this attention is likely to be especially intense in the forthcoming weeks due to the need, explained elsewhere in this report, to bring PPK outreach activities more closely in line with the terms and conditions of AID's grant agreement with IPPM (or vice versa).

As the following paragraphs will elaborate, there are a wide range of issues to be considered, and a few serious problems to be solved regarding the PPK's goals, objectives, processes, and procedures. AID's request that I be here now was timely: hopefully my inputs to this process can be helpful.

Program Directions

IPPM has created in the PPK program the capacity to prepare training materials and conduct training programs relating to the development of the small business sector. Courses have been held, and people have been trained. A thoroughly researched and exhaustively documented data base on actual circumstances and conditions of small business in Jakarta has been compiled, and the capacity to create similar data bases elsewhere has been institutionalized. And the program's reputation is becoming strong, as witnessed by the growing demand for PPK products and services (but unfortunately only on a donated basis) which is occurring. These are important accomplishments.

Unfortunately, such accomplishments do not mean that a viable institution -- or, perhaps more accurately, an institutional process -- has been created. For this to occur, more is required: a sense of purpose, goals and objectives, assurances of continuing financial viability. The PPK still has to develop these. In fact, it would appear that the PPK does not currently have any clear sense of where it is going, or why. It suffers from program drift, largely a result of being overly responsive to sponsor preferences at the expense of identifying its own sense of market or developmental priorities. It doesn't know who its primary clients are, nor is it clear regarding where its priority target training groups are likely to be located. There is, in sum, no long-term or strategic planning, no process

for establishing consensus on goals and objectives, and no procedures for assuring a logical progression in the program's development. While products continue to be delivered (i.e., courses held, people trained, etc.), this situation is compromising the PPK's ability to get a handle on its future. The consequences are especially acute in relationship to the Outreach Program it has begun to implement using AID funds.

Several factors help account for this situation:

1) The program existed throughout its inaugural years largely removed from of the mainstream of IPPM concern. In the absence for much of the time of effective Indonesian project coordination, an outsider, Mr. Young, was essentially in charge. Notwithstanding the IPPM's commitment to the underlying concepts, the program was permitted to go its own way, with relatively minimal management oversight or financial support. It became, inadvertently and largely by default, a step-child.

2) The directions of the program have been determined primarily by external factors, especially Mr. Young and foreign donors. There has been something of a symbiosis between the two: Mr. Young has been notably effective in liaising with foreign donor groups, which has led to a series of collaborative efforts, frequently in response to those groups expressed, sometimes somewhat particularistic, requirements.

Concurrently, however, Mr. Young has been somewhat less effective in dealing with the Indonesian system. Perhaps this was more properly the function of counterpart IPPM personnel, but these weren't there for too much of the time, and therefore until recently to the extent anything was done it was done by Young. One consequence has been that the program has been less than effective in determining Indonesia market interests and requirements, and in positioning itself relative to these needs.

Another consequence has been that objectives have been established for the program based on who will pay, in the short-term, for what kinds of programs. Thus, the 50-week course has been essentially abandoned, because the anticipated clients proved unwilling to pay for the training costs. It has been replaced by the 13-week course, largely in response to some specific program needs of a foreign donor, the Konrad Adenauer Stiftung. Since that time, nearly all activities of the PPK (other than those covered by the balance of IPPM's original subsidy for the development of the program) have been funded by foreign donors. And the program orientation has submissively followed along.

Thus, being reactive has undercut PPK's original, and quite unequivocally stated, objectives, and this in turn has contributed substantially to its lack of direction. Essentially, PPK is now concentrating only on doing what it believes its foreign sponsors will pay for. Attempts to understand the Indonesian market and to seek means of creating a market demand

for a product and services which obviously are crucially needed by the society at large have been abandoned. The absence of long-term strategic planning is perhaps an inevitable result. In a sense, PPK has become "project-ized".

PPK's original set of objectives were premised on some persuasively argued theoretical arguments which seem not to have been based on any realistic appraisal of the market. PPK was going to train people to become small business loan officers, who would be readily absorbed by the banking sector, or enterprise development officers, who would find a ready market for their newly acquired skills among middle and large businesses which needed to develop small-scale component suppliers or franchise outlet retailers. But this turned out not to be the case. Whether it was because the calculations were fundamentally wrong or because the concept was ahead of its' time is not certain: but what is certain is that after PPK developed the product, the anticipated market was not there. A new market needed to be identified. Foreign donors became the sponsors, and considerations of longer-term market forces within the Indonesian economy took a back seat.

A related set of problem confronting PPK concerns financial considerations. The PPK program is nowhere near being able to support itself as a cost-center. It needs to be heavily subsidized. AID's grant helps provide that subsidization in the short-term, at least partially, but as the program is currently being implemented this support is a palliative only, and is not helping address the issue of long-term sustainability of the program. In fact, the distinct impression one gets is that PPK's primary objective at the moment is to spend AID's money: this is diverting the program from thinking meaningfully about its longer-term developmental requirements, both for itself and for its potential client entities. The USAID program in particular as presently being implemented (to the exclusion of the many other things the program probably should be contemplating) is diverting the program from other needs, other potentially important clients, and other program directions.

Program Content

I have reviewed the course materials for over half of the modules in the 13-week course. These materials seem good generally. In particular, the concepts and basic principals seem sound. Whether or not the various instructional samples would be appropriate in all instances is difficult to tell, and an appraisal of this would require analysis of the backgrounds and needs of the people receiving the training. Also, without opportunities to observe a range of training programs in a wide variety of situations, it is difficult to pass further judgment on the curricular presentations themselves.

If I recall correctly, standard procedure at IPPM has long been that curricular materials are submitted to the Institute's

officially constituted Dewan Kurator for review and comment. It does not appear that this has been done with the PPK curriculum. This may be further indication of the extent to which that program has fallen outside PPK's mainstream. Or it may only demonstrate the extent to which PPK type of training materials really are significantly different from those normally presented at IPPM: perhaps the Dewan Kurator would not have felt itself competent to comment professionally on such training materials.

There is no feedback evaluation mechanism to enable future curriculum development to benefit from the reactions, and more importantly the experience in applying the materials, from the people who have undergone training. Thus, the program is not set up to learn from its own experience, and that's probably bad.

The program content concentrates, by conscious design, on the trades and services sectors rather than on production or marketing activities. The rationale for this is carefully presented in the available program documentation, and the logic of the approach is persuasive. Put simply, that's where the greatest needs and opportunities lie, and that's where most new small businesspeople are inevitably going to turn in their efforts to create jobs for themselves. But one has to wonder, given the interlinking nature of such things, whether or not there might be some need, at some point, to also incorporate materials relating to design and production issues², and especially to marketing (which to me seems a significant shortcoming in the current offerings). Mr. Young suggests that marketing is poorly represented in the curriculum because that is the area he knows least well. If true, then this indicates two program deficiencies: a) the possibly non-responsiveness of the program to the full range of needs in the small business sector, and b) the absence within the program of locally-knowlegable skills to assist Mr. Young in program and curriculum development.

Another apparent problem: the program does not appear to really know who it is trying to teach, or to do what. The curriculum presumably was developed primarily for the purpose of training the originally intended clients: i.e., bank small business loan officers and small business consultants. Now it is training rural development officers in NGOs (the primary background and interest of whom lie largely in social service

² Interestingly, most of the success stories which can be told about small business interventions in Indonesia point to the probability that design innovations and external assistance in obtaining access to markets may be among the most important variables in actualizing a process ... and that skills training relating to good small business management practices (accounting, inventory control, etc.) have had little or no impact in such instances. Examples include the IPPM Batur iron works project and the LP3ES/ITB rattan furniture project originating near Semarang. There are others. Yet the PPK course does not deal substantially with either product design or marketing. Why not?

delivery issues and community actuation/motivation), university teachers (who can be expected to be more interested in theory than in practice), and even occasionally (as in a current program with YIS in Solo) unemployed first time entrants to the non-formal sector who want to become small scale entrepreneurs.

Has the program content been altered commensurately with this evolving clientele? There is no indication that it has. Is the curriculum so universalistic that it really can handle all of these multiple levels? I doubt it. So what's happening? How do the trainers handle this? What inputs can they make, either on an ad hoc basis as they teach or more formally through a curricular adjustment process?

An additional and crucially important dimension to this concerns the relevancy of the program content to the kinds of issues which may constitute the primary concerns of many of the trainees, especially if, as at present, those trainees continue to come from the NGO community. As noted, NGO folks come out of a tradition which has focussed on social service delivery to the bottom rungs of the society, usually in rural areas. More recently there is growing concern among Indonesian NGOs with economic issues, couched specifically in employment and income generation terms. However, that emphasis thus far has remained on community dynamics and on the lower rungs. From a training perspective, this retains the focus of NGO activities on such issues as community actuation, pre-cooperatives formation, "motivasi", community rural credit mobilization, and a host of related matters.

Such a NGO perspective is not yet prepared intellectually or experientially to deal with the concept of wealth generation by individual small businessmen. That concept is still too crassly commercial, or capitalist, for many NGOs, whose roots remain in community, as contrasted to individual, developmental action. And yet such individuals in fact constitute precisely the target of attention of PPK-type training programs. The gap between these two perspectives is a real one. PPK can not automatically assume that NGO personnel attending its courses are philosophically in tune or operationally prepared to deal with the PPK thrust, and its' curriculum and trainers should be prepared to deal with that.

However, this gap is also a bridgeable one. sooner or later, largely because even many NGOs increasingly recognize that community economic viability is unlikely without wealth generating activities within the community, and that individuals even more often than groups are the principal creators of such wealth. Although most Indonesian NGOs are not yet prepared to operationalize that understanding in new programs designed for a new clientele, the likelihood is that increasing numbers of them ultimately will find their way there. A key challenge confronting PPK is to help build the necessary bridges to help them along that road.

This, in fact, is also perhaps the main developmental opportunity which working with the NGOs presents to PPK: I.e., the opportunity to help that community towards activities focussed on addressing one of the most crucial challenges to confront Indonesian development.

And finally, the PPK program assumes a pre-existing level of motivation to become a small business person, plus some capacity to mobilize resources to that end. These in fact may be highly valid assumptions for important segments of the small business sector, and in fact might help delimit the target community for PPK-type training. But concurrently these assumptions may not be valid for the majority of the people in those segments of the economy and the country where most NGOs currently are focussing the majority of their concern and their efforts. This raises further interesting challenges for defining program compatibilities between PPK and currently dominant NGO perspectives.

Staff

The staff are said (by Young) to be quite good. But the fact remains that they are relatively junior and inexperienced. This can be overcome by time and by further appropriate training and integration into the life stream of the program. Various support services would be useful to accelerate this.

There is no institutionalized process by which existing staff can be replaced when there is attrition. Thus, sooner or later PPK will need to deal with problem of staff replacement. Where will the program get these replacements? It can not import trained trainers from other parts of IPPM, both because of the prestige factor and because the program perspectives are different and therefore importation of non-small business types could lead to "program creep" - i.e., infiltration into the program of ideas and procedures from the larger business perspective which may well be irrelevant to small business concerns.

Similarly, there are no really experienced small businessmen among the training staff to give the program real-world authenticity. How might such people be persuaded to get involved, assuming that the program would find it desirable to have them? The good ones will mostly be too busy running their businesses and making money. Failures you don't want. Therefore, if the program someday decides it wants to supplement its staff with such people, it may need to look for the good ones with a social conscience, or perhaps with a latent desire to train, perhaps on a part-time basis.

How well should the staff be expected to perform in a provincial outreach program? If the assignments relate strictly to training, then presumably their skills are transferrable provided the training materials are sufficiently relevant to

local circumstances and needs) and everything will be fine. If the outreach program takes place within a provincial university setting (leaving aside for a moment whether or not it should -- see below), will these Sarjana-level trainers be credible? It is fairly common knowledge that some university types can be quite status oriented: PPK has had experience with this among provincial university people who have attended its courses in Jakarta. Similarly, PPK staff may be at risk of seeming inexperienced (as they were in the 2nd and 3rd 13-week course) when dealing with NGOs in the provinces which have existing training programs and field-experienced trainers. Whether or not this emerges as a problem will depend largely upon how effectively the PPK trainers can impart knowledge and skills which their trainees want and value. Thus, it becomes a management problem -- but one which must be addressed.

If, on the other hand, the outreach program gets into complex institution building activities (as suggested in the 1 November 1985 project revision proposal) then that's a whole new ball game, with new rules, needs, and expectations. No matter how good the staff are at training in their fields of expertise, they are likely to be too junior and inexperienced to be effective in creating institutional clones of PPK in the provinces. Where does the management depth and development expertise come from to do that?

Finances

PPK has been constantly losing money since the time of its inception, even if Young's salary (via Ford Foundation) is not entered into the calculations. Is something wrong in this, or is it inherent in any such program and therefore inevitable? Maybe training always needs to be subsidized? This issue requires close examination. Mainstream IPPM short-courses have been able to cover their costs. But obviously small-businessmen don't have corporations behind them to pay course fees for them, and they won't/can't pay themselves.

One of the larger challenges facing PPK therefore is to find means by which someone will pay for at least some of its services, so that these fees can help offset the costs of subsidization for those who can't/won't cover their own training costs. Perhaps donor sponsors can do some of this. But the program is in trouble if it must rely completely on such support, especially if that reliance leads it to stop exploring the other alternatives.

This is what has happened with PPK, and that's bad. The financial tail seems to be wagging the substantive dog. Program drift is the result. As a consequence, PPK is not really engaged in strengthening itself or building its own future markets: instead, it is just servicing the programmatic needs of current sponsors. In doing so, it is focussing on spending money as it becomes available. This may serve help keep staff occupied and

therefore relatively happy, but it does not seem a proper contribution to sustainable development activities.

Outreach Program

There is no evidence of strategic planning for PPK's outreach program. Planning seems to be done mostly on an ad hoc basis, primarily in response to targets of opportunity and requests or suggestions from former trainees. There does not appear to have been any preparatory program market analysis to determine key geographical or economic sector areas in which to undertake activities. There are no specific criteria upon which to base program decisions. And there is no mid- or long-term PPK program development plan to guide its relationships with outreach clients.

Most importantly, given the orientation of PPK outreach program, there has been little effort made to learn everything which could be known as the basis for informed decisions concerning outreach in support of the NGO community. Given the fact that IPPM had not had any substantial prior experience dealing with the NGO community before the inauguration of this program, it is particularly important that an adequate information base be established. This has not occurred. Notwithstanding claims to the contrary in the AID grant documentation, for example, IPPM has conducted no survey of NGO availability. There is no evidence of adequate efforts on the part of PPK management to learn about NGO perspectives and capabilities with respect to PPK outreach initiatives. And no attempt seems to have been made to engage in any dialogue with the NGO community for the purpose of coming to better understandings regarding NGO expectations, or that community's receptivity to substantive collaboration in any PPK initiatives.

Fortunately, as suggested elsewhere in this document, there are ample reasons to be optimistic about the potential for meaningful and productive cooperation between PPK and the NGO community. But this cooperation will not be effortless, and the more PPK learns about the NGOs the easier it will be for it to deal effectively with the issues which may otherwise prove troublesome. One of those sets of issues, the divergence between prototypical NGO philosophical and operational perspectives and those of the PPK approach, has already been discussed.

Another NGO constrain concerns the limited manpower base of many of them. Although the sector contains some truly outstanding organizations, most groups within it have a wide range of internal organizational problems. Many suffer from inexperienced staff and high turnover, largely because of low salaries and insufficient job security. Nearly all have weak management and accounting systems, stemming from the inclination to organize around specific projects rather than for institutional continuity. This has the potential of creating any number of headaches for PPK outreach program administration,

depending upon the particular type of collaboration which is attempted. The PPK should know as much about such matters as it can in order to avoid unnecessary problems.

Perhaps most importantly, few NGOs have ever had experience relating to such economic issues as entrepreneurship development and small business management. They readily admit that they don't know what they're doing in this area, and acknowledge that they therefore are likely to be reluctant to embrace a PPK approach too readily, too rapidly, or too thoroughly. A distancing will remain, and probably this is appropriate given the NGOs legitimate desire and need not to neglect or abandon their historical areas of interest and their traditional clientele.

This relative NGO naivete concerning business and/or entrepreneurial activities may in fact turn out to also be one of their greater assets in support of the fulfillment of PPK/AID objectives. This is because most NGOs are increasingly beginning to understand the need to become productively involved in income and employment generating activities, and they are willing to try to learn. To the extent that this occurs and become advocates, then they bring powerful assets to the whole enterprise. These assets including commitment, good access to communities, dedicated people imbued with the spirit of service to development, and experience dealing with the lower rungs of society.

The NGOs also represent a powerful training resource: one recent survey (copy to be forwarded with this report) identifies 90 NGOs throughout Indonesia which claim a capacity to provide some form or other of training. (Depending on how they are counted, there are said to be between 400 and 2,700 development-oriented NGOs in Indonesia.) Given the non-exhaustive nature of the survey, there undoubtedly are many more. Although many of these groups will have other agendas and priorities and therefore will be uninterested in participating in PPK-type activities. Many others will constitute an important potential resource for disseminating training on small business management and related issues ... once they themselves learn how to do it and are persuaded of its value and relevance.

PPK should learn about and establish relationships with these training networks. For starters, it should consider making contact with: a) the current WAHLI/YIS/Bina Swadaya initiative to provide management upgrading for NGOs using the technical assistance services of the Management Institute of Manitoba; b) the excellent training facilities operated by, among others, Bina Swadaya, YIS, LSP, LPJES, or PEM, and c) the incante NGO trainers network being proposed by Mansur Fakh, Roem Topatimasang, Russ Dilts. I have left written materials concerning each of these possibilities with the PPK, and have discussed various possibilities with both Drs. Prayitno and Mr. Young.

So far, only limited discussions have taken place with key NGO leaders, and even then these frequently occurred because of initiatives from the NGO side rather than from PPK. During the past weeks, I have attempted to get some momentum going on this matter by bringing people and ideas together; much more needs to be done by PPK on a regular and planned basis.

There also does not appear to have been much recent effort made to establish regular or continuing dialogue with those business interests, banks, and others who might be persuaded to develop an interest in the PPK's outreach capabilities for provincial training. In fact PPK's contacts with this community seem to have been limited to efforts to place graduates of the 50-week course (which may have been an inappropriate way to inaugurate a PPK marketing program) plus various initiatives by Mr. Young to market the program among representatives of the expatriate community in Jakarta. Opportunities to provide training to paying customers may well have been lost because of this. (Two examples which I have been able to bring to the attention of the PPK are the Central Java Enterprise Development Project and the Financial Intermediaries Development Project, both financed by AID, and both potential customers for PPK-type services. PPK had never heard of either prior to my arrival, despite the fact that both of those projects and the AID grant to IPPM all originated from the same office within AID.)

Part of the reason for this neglect of marketing outreach may lie in some fallacious assumptions that the package of training available through PPK should speak for itself, and thus generate its own demand. This is not, and is unlikely ever to become, the case. Another possible explanation concerns the desire of IPPM management to retain a low-key posture for the program, due to a belief that a more aggressive stance would generate more demand for services than the program could deal with effectively. While this latter concern may well be true, the response to it might more properly have been not in maintaining a posture which was so low that the necessary information for comprehensive program development could not be obtained, but instead in developing a strategic plan which would enable the program to set priorities and thus effectively marshal its available resources only for those activities which were truly important to it. I.e., the program needs a strategic plan which will enable it to say no to proposed activities which do not conform with its priorities.

The bottom line on marketing outreach is that PPK simply can not afford to focus all of its efforts and energies on its training package and on servicing its donor sponsors. In order to become financially viable, it needs to get out into the marketplace and aggressively generate some paying business. As a business world, PPK needs to begin applying some of those survival skills to its own situation.

Establishing Self-sustaining "Regional NGOs"

This concept, which is the core of the 1 November 1985 proposal for project revision, is flawed in its assumptions and is unrealistic. To the extent that it really aspires to create new capabilities in new and untested provincial institutions, it is unlikely to work. It will divert PPK from other activities which promise higher cost-benefit. It will force the program to attempt to accomplish something in unknown and often unpredictable provincial circumstances which it has not yet been able to accomplish for itself right here in Jakarta.

Except perhaps in special circumstances, which can emerge only after considerable preparatory work to enable people and organizations to get to know one another's dedication and capabilities, it should be abandoned. Even when such special circumstances emerge, to be done properly any such program will be labor intensive and will require management monitoring and backstopping support which PPK is not currently capable of providing. As IPPM should know well from its own failed efforts in the mid-1970s to create several new regional management training institutes at provincial universities, regional NGO institution building is not merely a matter of training a few people, dropping a bit of money on their follow-up activities, and then watching everything work as hoped.

PPK will be better advised to seek means of working collaboratively with existing organizations, to incrementally assist in acquiring the perspectives and skills of the program. The pay-off potential is far greater, and such an approach leaves PPK with the potential for also focussing on its own need to engage in institution building and marketing much closer to home -- within PPK itself.

Universities

PPK has demonstrated some interest in working with provincial universities as "Regional NGOs" through the cooperative relationship it is currently forging with Sam Ratulangi University (UNSRAT) in Manado. There may be good reasons for this specific affiliation, although that perhaps should be examined carefully before proceeding too much further.

The general issue of university involvement in the PPK Outreach Program needs to be examined. First, assuming agreement that the ultimate objective of PPK outreach is to promote actual small-business development, the capability of universities to provide appropriate training must be questioned. University education tends to be highly theoretical and divorced from actual business or commercial realities, and personnel there are conditioned toward classroom lectures and are disinclined to go to the field. Thus, people don't really learn to do anything in Indonesian universities, but instead, if anything, to think about things. This is not what PPK-type outreach activities should be

75

about. Universities are not likely to provide a credible training milieu for such programs. The PPK program as currently set up is a field training program with minimal theory. It needs to stay that way.

Any proposed university-based PPK outreach projects should be approached with real caution ... if they must be approached at all. It should go without saying, of course, that circumstances might exist in some places where a university-based program actually does provide a unique opportunities to achieve PPK-type objectives. Such cases should be treated as exceptions to the general rule.

The AID Project

Under the circumstances described above, it should not be surprising that some of the PPK's past and present outreach activities have not all gone as well as might have been desired. In fact, several of the activities specified in the AID grant documentation have never happened at all (e.g. support to Yayasan Dian Desa and to Pusat Pengembangan Manajemen Sriwijaya and continuing course to train NGO personnel at IPPM/Jakarta), while a variety of activities have been initiated were not contemplated in those documents and which do not really appear to have been fully authorized within the grant (e.g., support for the creation of new "regional NGOs" in Manado and Surabaya). Such issues need to be sorted out between IPPM and AID.

Other inconsistencies or confusions exist which also need to be clarified, for example the status of Outreach I and its' relationship with PPK outreach activities. Notwithstanding the wording of IPPM's 1 November 1985 proposal, which suggested that all three previous Outreach components be collapsed into the one entirely new attempt to create the eight new "regional NGOs", there continues to exist within IPPM (and perhaps also AID) a belief that Outreach I is still alive as a separate entity. Perhaps it does, despite the fact that the original beneficiary in Medan has faltered, and probably should be abandoned. In the meantime, however, IPPM has begun and is continuing a program of support to a new group in Surabaya under Outreach I. Concurrently, PPK has now also committed itself to institutional development support to the Yayasan Perdana Indonesia in Surabaya under the new but not-yet-approved integrated outreach strategy (which I have suggested by abandoned). Does support to two separate institutions in the same town make sense? Maybe it does, but some clarifications are needed.

Perhaps the bottom line on all of this is that the AID grant may be causing IPPM to try to sell a product in the provinces which hasn't yet had a chance to prove itself right here in Jakarta. To whatever extent that is valid, then some reorientation in the emphasis of PPK priorities (and of the AID grant in response to those priorities and its reading of PPK's potential capabilities) seems called for.

These and many related matters need to be sorted out between IPPM and AID.

Conclusion

Notwithstanding all of the foregoing, PPK remains a good program, especially when dealt with on its original terms. It possesses considerable capacity which did not exist less than four years ago. But times have changed, and the AID grant and PPK outreach aspirations have altered those original terms. There are now new challenges to face, and PPK has a ways to go before it will be able to deal with those with maximum effectiveness. The final chapter of this report offers a series of thoughts regarding possible ways of dealing with those issues.

21

CHAPTER FOUR

RECOMMENDATIONS

The various relevant issues can best be addressed at two separate levels: first in terms of the PPK program generally, and second in terms of those which are relevant to USAID/Indonesia's support to PPK's outreach program specifically. Many of the general items in the first category will of course crucially affect various specific issues in the second.

Guiding Principles

There are two fundamental criteria against which all aspects of the PPK program should be measured: relevance and sustainability. Program relevance can be measured by the extent to which it positively influences development promoting and strengthening capacities within the small business sector. Further refinement of this definition would require clarification regarding who the program clients are and how they might be expected to contribute to this process. Programs which do not achieve relevance are merely sound and fury, frequently signifying nothing. Too often, they are a waste of time, talent, energy, and money.

Sustainability, on the other hand, must be measured by the degree to which activities begun (or reinforced) under an externally-supported program are able to continue after that support is terminated. Sustainability does not mean merely the capacity to continue to produce quantifiably measurable outputs (e.g., numbers of courses held or people trained): instead, it concerns the ability to have continuing relevance to changing developmental needs, or to changing clients. There must be real substance, not just empty form. Process, not product, is at stake.

Too much international development assistance has not led to development activities which can be sustained at the conclusion of that assistance. This is unfortunate, especially in any human resources arena such as small business development, where failure to achieve sustainability too frequently leads to human frustration, disillusionment, and demoralization, irrespective of whatever short-term gains might appear to have been accomplished during the period of project assistance. Once again, funds, time, and talent have been wasted.

Within this general context, the following recommendations deal first with issues concerning IPPM/PPK generally, and are broken down into five categories: 1) program direction, 2) market research and marketing, 3) program content, 4) staff, and 5) finance. The subsequent section then turns to issues relating more specifically to the outreach component of the AID grant to IPPM, and deals in sequence with questions concerning: 1) goals

and objectives, 2) NGOs, 3) other outreach target groups, and 4) adjusting the AID grant. The report then concludes with some suggestions regarding specific activities which AID and/or IPPM/PPK should attempt to inaugurate during the coming two months, prior to my next visit.

General Issues

Program Direction

It is crucial that PPK undertake a strategic planning program, with an emphasis on defining overall program goals, objectives, and identity. Given the magnitude of the needs and opportunities which currently exist in the realm of training for and promotion of small business development in Indonesia, failure to do this will assure continuing program drift. This, in turn, will dissipate energies and staff capabilities, will confuse and thus hamper efforts at relevancy, and will practically assure that sustainability will remain elusive. The PPK program can not be, and should not attempt to become, all things to all people concerned with small business development in Indonesia. It must lead from its' and IPPM's known strengths (training and the preparation of training packages), and must do so in ways which will assure the maintenance of quality. Above all, it should strive to take greater control of its own future by defining its own goals and objectives, all within the context of probable future opportunities and capabilities. External support is likely to remain important, at least in the short-term, but it ought not be allowed a predominant role in determining program development and priorities.

Such a strategic planning exercise can become a complex undertaking. The following paragraphs suggest several specific components which probably should be included in the effort. One crucially important component is the need for careful thought regarding how Mr. Alwyn Young's departure, currently scheduled for mid-1986, will affect the evolution of the program, and how IPPM/PPK might wish to use Mr. Young to best advantage during his remaining time in Indonesia. IPPM/PPK also needs to think carefully about, and plan for, the various gaps in the program which his departure will create.

Market Research and Marketing

Strategic planning cannot proceed intelligently in the absence of a thorough understanding of the market environment within which IPPM/PPK hopes to deploy the services of its' program. In order for this occur, IPPM needs to become more active than currently is the case in identifying and analyzing the range of potential markets for PPK products and services. The program has been much more inclined to assume the need was great (it is, but that's no excuse for inattention to marketing) and to then go about its business of curriculum and staff development

in the apparent expectation that its products would be appropriate to needs and that clients would ultimately come seeking those products.

One early consequence of this approach was an apparent misreading of market demand for small business loan officers and consultants among banks and larger businesses. Another has been the extent to which the program has now essentially been backed in to a situation where its priorities are being determined by a market demand perceived to be emanating predominantly from foreign donor agencies.

This is too passive, too reactive, and misdirected: the program would be better served by more anticipatory market research, designed to enable the evolution of an integrated set of activities tied closely to analysis of need and of potential future priority clients. Such an exercise should enable activities to be targetted to specific economic sectors or geographical areas, rather than, as presently, result from ad hoc responses to targets of opportunity presented by donor expressions of interest.

In addition to serving as an essential support tool to strategic planning, market analysis can also be crucially important to successful market outreach efforts, and here too PPK would benefit from greater effort. Good market analysis can help identify potential clients (either economic sub-sectors or specific agencies) and simultaneously can help generate the data which will be needed to persuade those clients, especially those able to pay, that they do in fact require the services which PPK is prepared to provide.

The emergence of a paying clientele, to help offset the costs of the subsidized training which PPK should continue providing, will occur only if PPK commits itself to a more concerted effort to make it happen. Thus, market analysis ought to lead to specific market outreach plans and action. In addition to those which should emerge from market analysis, several specific actions can be suggested on the basis of what we already know.

- o PPK, with all appropriate IPPM assistance, should re-examine the potential market represented by the banking system and by industry. Given the decentralization of the banking system which has occurred since the original PPK marketing effort (and the greater degree of liquidity and need for a higher volume of reliable loans to small businessmen which this has engendered, especially among the private banks), renewed efforts might yield improved results. Before beginning such an undertaking, however, marketing strategies need to be determined and campaigns need to be planned carefully.
- o PPK needs to learn about and then attempt to obtain contracts to conduct training for the diverse range of

potential clients which exist as a result of projects funded in part by foreign donor agencies. Two such activities come immediately to mind, both supported by USAID, both involving activities which could benefit greatly from the type of training PPK is able to provide, and both potentially with funds available from within their own projects to pay all costs for such training. These are the Central Java Enterprise Development Project (CJEDP), based in Semarang, and the upcoming Financial Intermediaries Development (FID) Project, with activities imminent in Bandung, Semarang, and Padang. Mr. Prayitno has now been introduced to the principals from CJEDP, and will have the opportunity to meet with the FID people in the near future. Other such projects undoubtedly are operational, and with appropriate research and marketing follow-up, IPPM might be able to create an important and profitable niche for itself in this important arena.

- c IPPM should consider other, more innovative, ways of conducting marketing outreach programs. There may be considerable merit in the idea of closer collaboration between PPK and IPPM's correspondence course division (KMM), especially if market analysis indicated the existence of market demand for appropriately modified products and services. In the same vein, IPPM/PPK might wish to investigate the possibilities of commercially marketing small business development games such as those occasionally found in western markets. These can be both entertaining and educational, and have the potential both to stimulate greater entrepreneurial/small business activities among the population and to provide a modest source of income which could help underwrite current subsidization costs of the outreach program.¹

- c Similarly, IPPM/PPK might ultimately wish to consider using the best of its trainers to give loss-leader promotional seminars or training programs to potential clients in the banking, industrial, governmental, or other sectors. Such a tactic is used successfully elsewhere (among financial agencies and real estate enterprises in the U.S. and Europe, for example) to generate new business, and might possibly also serve the same purpose in Indonesia. This, of course, would need to be investigated before it was attempted, and should be viewed as a long-term business development investment. Given the extent to which the management education field itself is widely recognized as offering

¹ A precedent for this idea exists in the "Chutes and Ladders" game which Yayasan Indonesia Sejahtera developed and (if I recall correctly) successfully marketed several years ago as part of the early national family planning campaigns.

major opportunities for entrepreneurial activity in Indonesia, at a minimum it would give PPK an excellent opportunity to itself gain experience as an entrepreneurial promoter of its own services.

- o. And finally, as part of its deliberations regarding how to fill whatever gaps in the program will result from Mr. Young's departure, IPPM/PPK needs to consider his success in dealing with, and obtaining support from, foreign donor agencies. Specifically, PPK should give thought to questions regarding whether, and how, such relationships will be maintained following Mr. Young's departure, and who will be responsible for assuring their appropriate continuation.

Program Content

The curriculum has received considerable attention over the past few years, and therefore already is a strong aspect of the program. Nonetheless, there always should be room for improvement, and as part of its strategic planning process, PPK should set criteria for further curricular development and strengthening. There are two aspects to this issue: quality and breadth, and PPK should be attentive to both.

As with all other aspects of the program, curriculum development should flow in part from careful consideration of the actual or potential markets for the training product. If, for example, following market analysis PPK considers training for bank loan officers to be a credible market opportunity, then appropriate steps need to be taken to assure that curricular content is properly geared to meet the priority needs of that market. If, on the other hand, it is determined that a principal market exists in addressing the needs of NGO trainers who previously had focussed primarily on community motivation related to more effective use of social services, then the course content may need to be adjusted in various small but potentially crucial aspects to best address the needs of this constituency. Although the basic concepts and principles currently enshrined in the program may remain fundamentally the same wherever PPK training is presented, different audiences have different perspectives and different requirements, and therefore other components of the program will need to be adjusted accordingly. Different study exercises (contohnya) will be essential for different needs and levels of sophistication. Other adjustments also will be required. The program needs mechanisms to assure its flexibility in dealing with this in timely fashion.

In addressing such issues, it will be important not to dissipate the energies of the program by diverging from areas of defined IPPM/PPK priority. Market analysis and strategic planning might suggest, for example, that it would be a poor use of PPK resources to develop study exercises relevant to the needs of unemployed youth in the villages who are attempting their

first entry into the non-formal small business sector. If this were the case, then it would be a waste of time and effort for PPK to produce materials responsive to such need. But on the other hand, proper analysis and planning might suggest that such materials will be required for future PPK activities, in which case resources would need to be devoted to their development at the appropriate time. The point is that such a decision should be made only on the basis of a rational and consistently-applied planning process.

When curricular needs are identified in areas where PPK determines it is unable to respond, thought should be given to identifying others, perhaps through the NGO networks, who would be prepared to do the necessary work in order to satisfy the needs of its own constituents, or those of others. This is one of several examples of how effective PPK networking with other concerned parties can have a synergistic effect on the promotion of the whole idea of business management training for the small business sector.

PPK also should consider the possible need to add new curricular materials, again based on the anticipated needs of future program clients. Several possible subjects were suggested to me in discussions during the past few weeks, including:

- o product packaging, especially for any courses taught to people who will be concerned with any production activities;
- o evaluation and follow-up techniques, either for training-of-trainers courses or for future small business consultants who will need to maintain continuing relationships with clients;
- o creative thinking, especially relating to how to identify and act on new market needs, and;
- o marketing, for practically any audience. Lack of such a module is, many people suggest, one of the principal current deficiencies of the PPK program.

Any modifications and additions to the PPK curriculum should not come only from market analysis of potential future opportunities. The other crucially important source for ideas and suggestions is evaluation, feed-back, and follow-up with past trainers, in order to learn from their experiences following completion of PPK training programs. If the skills learned have not been used, or not been used optimally, the PPK should know this, should attempt to find out why, and should use such information as the basis for constant modification and upgrading of the program. The PPK does not currently have the capacity to obtain such information, and should develop this capacity and then employ it consistently. Without this, PPK could become like too many other failed programs of other agencies in the past which did not learn from either their successes or their mistakes. Merely asking people at the end of a course what they

thought of it is not good enough: too frequently such an approach only provides inadequate or inaccurate impressions which lull people into a false sense of security regarding the real value of their training package.

One final recommendation concerning the program content: it will be especially important to assure that there is no backsliding following Mr. Young's departure. He has been especially rigorous on this, and program staff will want to take care not to relax after he has gone.

Staff

The training staff are crucially important to any program such as this. They are the front line troops upon whose strengths or weaknesses the reputation and therefore the success or failure of the program primarily depends. If they are good at all aspects of what they must do (and if they are deployed properly), then they will help create the future market for the program: if they are not, then any and all marketing, curricular development, or other efforts may turn out to have been a waste of time and money. In this context, it will be crucially important for PPK to pay continuous attention to the development, professional upgrading, and periodic replenishment of its teaching staff.

These comments should not be interpreted to imply any negative evaluation of current staff capabilities. I was unable to observe enough of the staff in training situations to make any valid assessments. However, those three that I did observe appeared competent, confident, knowledgeable, in control of their situations, and generally well-trained. Nonetheless, the fact remains that most staff members are young, relatively inexperienced, and lacking in extensive direct personal involvement in real-life small business creation and management. They obviously could benefit from appropriate staff development activities. Various options suggests themselves, such as:

- o training programs in relevant subject areas or teaching methods;
- o involvement in curricular development, either through upgrading/modification of existing materials or in the development of new materials;
- o involvement in program management assistance roles, and;
- o market analysis and research, possibly participation in related strategic planning activities, and direct involvement in market outreach work. One particularly challenging way to approach this latter possibility is, as already suggested elsewhere in this report, to have star trainers from PPK present loss-leader seminars to potential institutional clients as a means of generating new paying

business in the commercial or government sectors.

Concurrently, IPPM's management will want to continue considering ways of enhancing the perceived positions of the non-professional staff trainers within PPK. IPPM regulations require the possession of a Sardjana degree as a prerequisite for attaining professional status within the Institute. Such a degree is not really relevant to the skills needed among trainers within the PPK program, and in fact in some instances might actually be a hinderance to truly effective performance. Other mechanisms to enable the attainment of status and compensation comparable to that enjoyed by other training staff within IPPM would be useful in assuring PPK staff that the work they are doing has comparable worth.

One possibility which has been suggested is the introduction of an incentive system which would award creative entrepreneurship in support of program objectives such as, for example, exemplary initiative in developing new curricular materials, or successful efforts to generate new paying business for the department. After all, this program is designed to teach and promote entrepreneurial small business development. If the staff can be encouraged to find ways to practice what the program preaches, this can only benefit the whole effort.

Similarly, it would be desirable to have some "real" small business entrepreneurs on the teaching staff, to infuse the program with even more reality than currently is possible through its current emphasis on business games, role playing, and field work. Any addition of such people would, of course, have to be decided within the context of a strategic planning exercise.

In the same vein, PPK does not currently have any strategic plan to deal with the possibility of staff attrition. This will be needed, sooner or later, and it would be preferable to be prepared in advance. Ultimately the program may have to decide on the advisability of either running the 50-week course again, or of creating a crash training program which could equip new people, from wherever they are acquired, to be effective as trainers in the PPK program.

Finance

A complicating factor in applying the sustainability argument cited at the beginning of this chapter is that training, especially when it is designed to impact on small-scale entrepreneurs and business people (who practically by definition possess neither the excess financial resources nor the inclination to pay for their training), is unlikely to be able to avoid being subsidized to some degree or other. This seems almost inevitable, and will have to be accepted. Not only those who are willing and/or able to pay need help; in fact, it is precisely those who are least likely to be able or willing to pay who often could make greatest use of the kinds of help which PPK

could provide. Thus, the challenge facing PPK is to find a balance between paying and non-paying clients, so that the income from the former group can provide the necessary subsidies for the latter. In order to accomplish this, PPK must break away from its current tendency to allow the availability of foreign donor subsidies to become a substitute for the needed market analysis, strategic planning, and marketing which has been strongly recommended above. These donor funds can productively be used for a variety of purposes, but their existence ought not be allowed, as has happened with PPK, to become an excuse for not aggressively continuing to seek out other markets which will enable the program to get itself closer to financial equilibrium through receipt of incomes derived from training courses conducted on a paying basis in the marketplace.

A second challenge will be determining how best to utilize currently existing donor support in order to strengthen PPK itself and position it in the market so that it will later be able to maintain such equilibrium on a more self-sustaining basis. As presently being handled, the AID-funded PPK Outreach Program is not likely to contribute optimally to achieving such an objective.

Outreach and AID

Goals and Objectives

IPPM's outreach program has the potential, with support from the AID grant, to make a significant contribution to the advancement of small business management training in Indonesia. There are, however, few current assurances that it will live up to this potential. The value of its contribution will depend primarily on the way in which the program is implemented. If handled indecisively and on the basis of faulty assumptions regarding relevance and sustainability, its ultimate impact is likely to be marginal. If, on the other hand, it is implemented within the context of carefully derived, frequently verified, and a clearly established set of goals and objectives, then it might well have an impact far beyond all current expectations for its success.

It is difficult to predict what impact the program might have if it were to continue to be implemented as at present. This is largely because there are too many mixed signals emanating from the project management regarding where the program really is going and what it really anticipates accomplishing. Several of the reasons for this were discussed in the previous chapter. Two other crucially important ones will be mentioned here.

First, there appears to be some confusion regarding what AID's assistance is intended to accomplish. I.e., is the purpose of the AID project to help IPPM/PPK develop its capacities to undertake outreach activities. Or is it assumed that PPK already

has those capacities and that the intent of the project is to utilize what already exists as a delivery mechanism for development assistance to others? PPK is acting as if the latter were the case: AID believes that the former is equally appropriate. Each interpretation implies a very different approach to the way activities are conceived, justified, and carried out. These diverging views need to be rationalized, and then incorporated into the grant documentation and into the PPK's strategic planning and program implementation. Both approaches have their appropriate place in the program, and both need to be included.

Second, assuming that it can be agreed that one basic goal of the PPK outreach program should be the creation and/or strengthening of provincial capacities to provide training and technical assistance services to small business development, then it will be important to identify and implement tactics designed to accomplish project objectives. At the moment two entirely separate and conceptually distinct sets of tactics are in evidence within PPK. Although significant differences between them exist, no clear distinctions currently are being made, and this both confuses and obscures implementation.

The first of these tactics basically comprises a range of institution building functions. It assumes the need to create new capacities where none previously existed. It has immense project implications for long-term planning, for continuity in support and backstopping, and for resource allocations. This approach currently is epitomized in the 1 November 1985 proposal for project revision and in current informal commitments PPK has made to create such new entities and capabilities in Manado and Surabaya. Done properly, this is likely to be a complex, expensive, and consuming undertaking. The historical record (both IPPM's via its failed mid-1970s provincial management education program and general development experience) suggests that the odds for sustainable success are low.

The second of these tactics are concerned with the enhancement or modification of existing institutional capabilities. The approach is to build on something that already exists, in the process attempting either to enable it to better accomplish its' own goals and objectives or, in the case of the PPK outreach program, to assist it in expanding or modifying its' goals and objectives and then building the capacities to reach new or different levels of accomplishment. This approach partially reflects some of the training for NGO personnel which was conducted earlier by PPK, as well as its current cooperation with organizations such as YIS, IWAPI, and others in Central Java and West Sumatra.

One especially attractive means of enhancing or modifying existing institutional capabilities is through providing appropriate assistance "at the margins". Depending on needs, this approach enables existing organizational capacities to expand services, broaden or deepen offerings, extend outreach to

wider geographical or demographic areas, and/or in some instances (as here) to broaden substantive perspectives into new operational realms. The essence of the approach is that entities receiving such support continue with their earlier activities while concurrently gained capacities relevant to new arenas for action. Thus, new activities are less inclined to dominate the life of the organization, and thus "projectization" of organizations (with all of the negative connotations of that word, such as lack of organizational continuity) is minimized.

The PPK, and the grant documentation which supports AID's assistance to its outreach program, needs to explicitly acknowledge these two significantly different approaches to the task at hand. It then also needs to develop policy guidelines regarding the circumstances under which either will be utilized. Although situations may arise in which it would be appropriate given specific circumstances and opportunities, attempts by PPK to create new "regional NGOs" committed to small business development activities should be rare, should be made with extreme caution, and should proceed only after extensive investigation, discussion, justification, and written agreement on mutual expectations.

Given the extent to which such procedures were not followed prior to the PPK's commitments in Manado and Surabaya, it would be advisable to reassess those two programs and, to whatever extent possible, put them on a proper basis before further commitments are made or resources are deployed. Concurrently, PPK must give some thought to how it will go about extricating itself if its expectations for the capacities it anticipates creating are not met. It is often too easy to pour good money after bad in ill-advised attempts to justify poor decisions by attempting to fix something which is unfixable. Neither PPK nor AID can allow such a thing to happen here.

A preferred course for the PPK would be one of working to incrementally move a broader and more diverse range of existing organizations toward acceptance and implementation of PPK-type activities in support of their own, possibly modified, goals and objectives. The discussions later in this chapter on NGOs and other potential target groups will suggest ways in which PPK might accomplish this.

There is one additional policy-level matter which needs to be included in any goal- and objective-setting exercise for PPK/Outreach. This which relates closely to the preceding discussion, and stems from the fact that PPK needs to establish selection criteria for project activities to be undertaken by the outreach program. Establishment of such criteria will require research into, and decisions on, among others:

- o Geographical location. PPK needs a rationale basis upon which to decide how best to deploy its resources geographically. One perspective argues the current focus should be on Java, which faces the gravest pressures from

labor market forces and which has the greatest number of resources available (NGO networks, training facilities, etc.) to optimize impact. Another perspective says the focus should be on the outer islands, because any success in increasing small business dynamics there will help relieve the flow of unemployed migrants to Java. Another dichotomy, which needs to be examined and to whatever extent possible resolved, is between implementing programs focussing on the largest urban areas, where the problem may already be unmanagable, and programs focussing in cities and towns of intermediate size, where project activities might have greater potential for meaningful impact.

o Sectoral focus. PPK also should determine whether or not it needs criteria for selecting specific economic sub-sectors upon which to focus. Market research could help determine if there are particular sub-sectors where special opportunities exist to make an impact through PPK-type activities. If there are, then PPK needs to examine ways of integrating such information into its planning and decision-making procedures.

o Target groups. PPK needs to come to some understandings about criteria for selecting groups with which to work. Especially when it is donating its' training services, which is essentially what is currently happening with the AID program, PPK can expect to receive far more requests for assistance than it could ever possibly service. It needs to protect itself from overextension, and from program dissipation. It needs some basis upon which to say no to requests, or perhaps to defer them for later attention. More importantly, PPK should have a rational basis, within the context of its strategic plans, upon which to measure the potentials for relevancy and sustainability. These criteria should include, among many others, continuity in operations, organizational capabilities, potentials for relevant and sustainable impact, integrity, and compatibility with IPPM's/PPK's philosophical perspectives.

NGOs

In pursuing the recommended strategy of working with established organizations and attempting to move them incrementally toward greater focus and capacity relating to small business development, by far the most attractive current target group for PPK's outreach program is Indonesia's NGO community. Many of these groups have the capacity, the interest, the access to relevant groups, and the potential to enhance the "spread effect" of such programs. Clearly, it will be to everyone's mutual advantage to retain significant NGO involvement in this project.

At the same time, PPK must come to understand fully and learn to deal effectively with the difficulties which can be

anticipated in working with the NGO community. It is a highly heterogeneous community with wildly varying interests, constituencies, and capacities. Selection of organizations with which to cooperate will not always be easy or straightforward. Moreover, the overwhelming majority of these groups are not currently committed to programs related to small business development, and although it seems highly likely that this is changing rapidly, the fact remains that the basic perspectives of the NGOs are, on balance, different than those of PPK. A continuing effort will have to be made to bring the two perspectives sufficiently close together that really meaningful and lasting collaboration will be possible. This should be one of the key objectives of the outreach program.

One matter of special concern in this context are those NGO groups, and there are many, which really exist only in order to implement projects for which they find sponsors, and which therefore do not have much organizational continuity. I.e., once the external support for any particular set of activities is completed, the activity stops and the organization moves on to whatever else it can obtain funding for. In such organizations, development activities become ephemeral, and the real function of the group is revealed for what it really is: an employment service, or income generating mechanism, for the personnel involved. The PPK program should take special care to avoid such "di-orolekkaned" organizations. This is a special vulnerability of new organizations, and constitutes another reason why PPK should be careful in any attempts it makes to create new "regional NGOs". It also provides further justification for working with well-established groups -- even though the prior existence within those groups of their own goals and objectives might initially make initial collaboration somewhat more problematic.

NGOs are highly desirable partners for PPK-type activities for a variety of reasons which have been enumerated elsewhere in this report. Basically, the Indonesian NGOs are a product of the country's long experience with associations established to achieve common, practical purposes for the common benefit of the society. Through that experience, precedents have emerged for working pragmatically as opportunities and needs arise. The wide spectrum of development-oriented groups which are a part of this phenomenon currently include philanthropic foundations, special-interest associations, cooperatives, educational or training institutions, credit unions and village savings pools, women's organizations, work brigades, citizens' associations, and service-user groups, among others. They constitute a highly heterogeneous group, with a wide variety of sectoral interests, geographical locations, philosophical perspectives, and levels of sophistication.

Overall, the sector represents considerable capacity and has the potential of becoming a truly important "partner in development" within the Indonesian context. Among the special assets they bring to any PPK-type undertaking relating to small

business development include their broad contacts with society, their willingness to experiment, their existing networks of contacts which offers a potential for dissemination and spread effect, and their concern about responding to key developmental concerns.

Concurrently, as also has been noted, the NGOs have various liabilities which must be addressed if collaboration with PPK is to be meaningful. In particular, they already have their own agendas and priorities, and even though many will be prepared to pragmatically experiment in attempting solutions to new definitions of need, they still have their earlier priorities and clientele, and should not be expected to abandon those. That is, PPK ought not expect to create clones of itself through its cooperation with NGOs, and it will not be able to impose its perspectives. Instead, the mode will need to be collaborative.

In order to achieve truly collaborate relationships with the appropriate NGOs, PPK needs to take several steps. First, PPK needs to make a concerted effort to come to know the NGO community far better than currently is the case. IPPM had not dealt extensively with this community before inauguration of the PPK outreach program, so there is much to learn. This will require that PPK take the initiative in meeting key NGO leaders and trainers and in inaugurating an in-depth dialogue regarding development dynamics within Indonesia, program priorities and foci, and means by which PPK might best establish the most productive and relevant relationships with the key groups.

Even though the outreach program should maintain its (non-exclusive) emphasis on activities outside the capital city, much of this discussion can and should take place in Jakarta. This is because several of the important NGOs with the most extensive national/provincial networks are based here. Thus, PPK needs to begin its process of familiarization by establishing appropriate relationships with those NGO organizations which have come to be known informally as the "Big Indonesian NGOs" -- the RINGO group. The currently acknowledged members of this group are well-known to anyone familiar with Indonesian NGOs, and a list is contained in my recent report on "Institutional Mechanisms to Raise Funds from Indonesian Private Voluntary Organizations", a copy of which is included in the packet of materials I am submitting to IPPM as an attachment to this report (see the appendix).

Among such groups, there are several which might be recommended for priority attention from PPK. Each has its special strengths and weaknesses, and each offers unique opportunities and challenges. Discussions with all would be required before PPK would know best how to incorporate them into its strategic planning. In no particular order of priority these groups include, but are not at all limited to:

- o Bina Swadaya, and its national PUSDIKLAT training center near Jakarta;

- o Yayasan Indonesia Sejahtera, and its Solo training center;
- o Wahana Lingkungan Hidup, especially with regard to the wide-ranging interests of its director, Erna Witcelar, in (among many other things) corporate fund-raising for the NGO community and its current leadership role in organizing a program of management upgrading for NGO;
- o The Pondok Pesantran movement, both as supported earlier through LP3ES and as currently epidomized through the work of PSM and NU, largely through the leadership of Abdulrachman Wahab and Nurcholis Majid;
- o LP3ES, through a wide range of its activities;
- o Lembaga Studi Pembangunan, and especially that organization's work with Kaki Lima under the leadership of Adi Susono;
- o Muhamaddiyah, possibly especially including its' women branch, Aisyiyah, and;
- o Pusat Pengembangun Agribusiness, which under Amin Aziz been involved in a range of management promotion programs relating to agribusiness.

Many more, possibly even more appropriate, organizations will emerge from the kinds of continuing discussions recommended here. This list only begins to suggest the range and depth of opportunity which might be identified through appropriate market-analysis oriented investigations.

It must be reemphasized that few BINGO members (or other smaller NGOs, for that matter) are currently working specifically in the area of small business development. Discussions such as those recommended here are not initially merely for the purpose of identifying target clients. The intent is more purposeful, and the more basic objective is to inaugurate the kind of dialogue which will lead, over time, to meaningful collaborative efforts.

Other Outreach Target Groups

The down-side aspect of working with NGOs in any program such as this is that NGOs are highly unlikely to ever constitute a paying clientele for PPK's services. Cost-sharing is possible, even probable if handled properly, but this will not assist PPK in its institutional need to find ways of bringing its operational costs into some kind of equilibrium with its training subsidy outlays. Thus, as has been emphasized repeatedly, PPK needs to explore other market possibilities, both in Jakarta and through its outreach efforts, designed to create a future paying market for its services (and hopefully also those of groups it will work through under its outreach program). It should make

use of existing donor support to enable it to do this as part of PPK's institution building effort on its own behalf. PPK should not permit the existence of that donor support to divert its' attention from this imperative, which is critical to its own future existence.

Part of this process will consist of identifying the appropriate potential participants for training, with a calculated eye on developing the demand for future (paying) services. PPK should consider looking for such participants through a range of sources, and then involving them appropriately in on-going activities with the explicit objective of using them as a marketing entre for potential future business.

PPK might want to tap a wide range of sources in pursuing this tactic. A sampling of such sources follows. Some of these suggestions will be off base. My intent is only to suggest the diversity of opportunities, provided PPK would be prepared to make the necessary efforts to address them. Any decisions regarding specific targets or course of action must of course flow from market analysis and strategic planning. Groups representing a market potential might include, among others:

- o public enterprises - training units;
- o agricultura programs for managers involved in owners-to-be programs;
- o small business clinics and training centers;
- o other management training institute;
- o training of trainers programs;
- o trade or industry associations - many of which would like to associate with good programs to help validate their existence;
- o donor-assisted projects - e.g., FID, CJEDP;
- o banks and similar institutions - per original PPK plans;
- o businesses - especially those with potential need or interest in anak angkat arrangements, e.g., franchising, etc.;
- o educational curriculum planners - possibly focussing on vocational training center and sub-professional schools;
- o KADIN - especially through its Compartment of Small-Scale Enterprise;
- o HIPLI - the Indonesian Association for Training and Development, whose membership consists of training directors from public and private enterprise;
- o HIPMI - Association of Young Indonesian Businessmen, which on other occasions has expressed interest in entrepreneurship training;
- o HIPPI - Association of Indigeneous Businessmen of Indonesia;
- o Government Ministries - especially Education and Industry, and;
- o cooperative associations.

As just one example of what might be involved here, consider this last suggestion, the cooperative associations. In 1983, there were more than 5600 cooperatives, employing nearly 100,000

managers and supervisors. In effect, these cooperatives are part of the private sector, most of them operating with minimal GOI intervention. There are approximately 15 people with at least limited managerial responsibilities within each one, and all of these people could benefit by training. In fact, notwithstanding the fact that most of these were agriculture based, their managerial cadre in fact needed many of the same kinds of business management skills as are being offered by the PPK. Given the extent to which, as noted earlier, Indonesia might succeed economically in direct relationship to its success in agricultural and small scale enterprise, important results might be achieved through assistance in basic management training programs to cooperatives. This would call for a major organizational effort, and PPK might determine as part of its strategic planning that such an effort is outside of its interests or beyond its capabilities. But at least it should consider such possibilities in its planning processes.

Adjusting the AID Grant

IPDM/PPK clearly need to think deeply about how best to plan and implement its AID-funded outreach program, given existing capabilities and available opportunities. The original program as outlined in the AID documents was ill-formed and inadequate, and would have utilized resources in a sub-optimal fashion. The 1 November 1985 proposal for project revision, on the other hand, is unrealistic and unworkable, and if followed rigorously could easily lead to the application of resources and energy in ways that would have relatively little chance of achieving any lasting accomplishments. New goals, objectives, and procedures need to be determined, based on a combination of what actually has been happening and what can be learned about real needs, opportunities, and programming constraints. And then documentation needs to catch up with the program, hopefully through a process which reflects the various observations and recommendations contained in this report. To accomplish this, three basic things need to happen.

First, PPK and IPDM must, through a strategic planning exercise based on market analysis and appropriate related research and other activities, determine PPK program goals and strategies. This exercise should recognize the AID grant as an opportunity, not as a project obligation, and should lead to plans to use the resources it represents accordingly.

Second, IPDM/PPK should specifically incorporate into a revised grant implementation proposal to AID provision for using AID funds to support the institutional upgrading and development of PPK.

Third, the revised grant implementation proposal should abandon the outreach concepts imbedded in both the 1 November 1985 project revision proposal and in the original project proposal. It should instead propose a program based on a broader

range of activities, including both institutional development support to a more limited number of "regional NGOs" and, to a greater extent, the provision of incremental support to elements of the NGO community to assist and promote greater NGO involvement in PPK type of small business development. This latter type of assistance should be imbedded in specific selection criteria and performance expectations. An integral component of the approach to be employed should be the leveraging of AID money to extend outreach and impact. This means using AID assistance to stimulate financial and material support from other sources, thus leading to collaborative programs and the cooptation of commitment by others. It also moves away from the "total subsidization" syndrome, and enables a far wider spread effect in the application of donor assistance.

Although a valid and valuable program implementation concept, such leveraging also places special requirements on project implementation and management. It requires, for example, a thorough understanding of the core activities of any groups through which such leveraging occurs. And it necessitates far more thorough and rigorous financial and substantive record keeping than is the case with fully-subsidized activities. Thus, IPPM should consider whether or not it needs to add to its staff, possibly on a temporary basis, a development professional who is expert in dealing with NGOs and who is competent to handle such administrative and management matters. If it does, AID should be sympathetic to such a request.

Near-Term Activities

The recommendations contained in this report are wide ranging and comprehensive. In many ways, they describe a process that should be followed during project implementation rather than a blueprint which can enable the implementation to begin. This is because sustainable projects normally are based on process rather than blueprint, on learning by doing rather than doing what one is told. But notwithstanding all of that, the process has to start somewhere. What is now needed, therefore, is agreement on a set of activities which can be undertaken beginning immediately. These activities should set the pattern for future PPK activities, and should result, in the near future, in a proposal to AID which can serve as the basis for a revised AID/IPPM grant agreement, and thus for the future course of the outreach program.

Specifically, this near-term action plan should comprise four major elements, all of which I would hope will have been fully addressed before I return to Jakarta two months from now. These are:

1. An ongoing market analysis capacity needs to be initiated which can provide PPK and IPPM with currently-lacking information regarding mid-term and long-term market demand and prospects for small-business training products and services.

2. Flowing from such market analysis, a strategic planning process for PPK needs to be inaugurated, which will form the basis for the development of:

a. Marketing plans;

b. Program planning for outreach operations, and;

c. A PPK program development plan.

3. A necessary prerequisite to any program planning for outreach operations, will be the inauguration of a program of regular dialogue with appropriate personnel from the NGO community.

4. These activities, taken together, should provide the necessary basis for the fourth action which should be taken prior to the end of May, which is that a proposal should be prepared for AID's consideration, incorporating the recommendations contained in this report and outlining a new PPK outreach program for small business management training. This proposal should give evidence of having dealt, among the many others suggested throughout this chapter, with the following matters:

a. Ways of funding NGO programs at the margins, to affect their directions, rather than attempting to set up new "regional NGOs";

b. The establishment of a training schedule for course in Jakarta. These and all others should not be fully subsidized from AID grant, but instead should seek means of leveraging that support as much as possible to assure participation from other sources;

c. The development of strategy, policy, procedures, etc. for, any institution building efforts which might be attempted. These should specifically deal with outstanding commitments by PPK to UNSRAT in Manado and Yayasan Persada Indonesia in Surabaya, and should establish, among other things, performance criteria and escape clauses in the event of non-performance;

d. Linkages and mechanisms for working with specific Jakarta-based NGOs, especially those with wide networks and demonstrated or inchoate interest in small business management development, and;

e. Plans and proposals for filling any gaps in the PPK program which might result as a consequence of Mr. Young's departure. Also needed are plans for an orderly disengagement of Mr. Young in the remaining weeks of his consultancy.

I will return to Indonesia at the end of May, and look forward to being able to assist however possible in the processes which these recommendations hopefully will stimulate. It would be highly desirable if, by that time, matters had moved forward to the point where a proposal for AID could be finalized and

project negotiations could be completed during my short (2-3 week) visit.

Conclusions

There are important needs here that deserve the best that IPPM can give them (which can be a lot). PPK already has a fine start, but it can and must now do more. The real issue is that small business management education has a lot to offer in Indonesia at the moment -- much that can be of crucial importance to Indonesian development efforts and to the livelihoods of that large segment of the society which inhabits the non-formal small business sector. PPK needs to find ways to optimize its impact in this arena, and in order to do this most effectively, none of us can afford not to give it our best, frankest, and most sincere effort. That is what this paper has attempted to accomplish. Now the challenge is to get on with what all needs to be done.

Management education offers major opportunities for entrepreneurs in Indonesia. IPPM already is well aware of this, and its success at other strata of management over the years is strong testimony to what can be achieved. PPK must better emulate its own institution, and must practice what its' own curriculum advocates. PPK could productively become more entrepreneurial itself in selling/promoting its small business development products and services. The challenge is to assure that its current donor dependence will not have robbed it of the capacity to do so.

PPK needs to keep in mind that AID's support is scheduled to run for six years, through 1990. The PPK program therefore does not need to be in any great rush to disburse the available funds. It will be far better for all concerned if the program evolves rationally and in a fashion calculated to optimize impact, relevancy, and sustainability. The current rush to implementation needs to be replaced, at least in part, by efforts to assure that goals, objectives, procedures, and priorities all are firmly in place first. Such an approach can not help but improve the possibilities that the project will achieve its very considerable potential. All of the foregoing suggestions and recommendations are made with this primarily in mind. I trust they can be accepted in the spirit in which they are offered.

APPENDIX I

The following materials, most of which are discussed in the appropriate context in the text of this report, have been left with the Coordinator of the PPK program for IPPM's future reference. While directly relevant to the concerns and needs of the PPK outreach program, these materials are not exhaustive in any way, and in fact are only representative of the broad range of relevant materials which could prove useful.

- Betts, Russell, Institutional Mechanisms to Raise Funds for Indonesian Private Voluntary Organizations, Development Alternatives, Inc., February 1986.
- Bina Swadaya, Katalog Bina Desa: Profil Lembaga-lembaga Swasta Pengembang Swadaya Masyarakat, 1982 (to be updated soon).
- Cox, Grant "A Survey of Private Sector Training in Indonesia", for USAID, November 1985.
- Goldmark, Susan, and Jay Rosengard, A Manual for Evaluating Small-Scale Enterprise Development Projects, Development Alternatives, Inc., August 1985 (also available as AID Program Design and Evaluation Methods Report No. 6, November 1985).
- Holstein, William Kurt, and Roger W. Bancroft, "Management Training in Indonesia: A Strategy for the Bureau for Private Enterprise of the U.S. Agency for International Development", circa September 1982.
- Honadle, George, and Jerry VanSant, Implementation for Sustainability: Lessons from Integrated Rural Development, Kumerian Press, 1985.
- Lembaga Studi Pembangunan, "Survey and Assessment of NGOs in Indonesia", 1985. (This document is already with IPPM and therefore not available to me at this time, so I am uncertain of its' exact title, which is in Indonesian rather than English).
- Manitoba Institute of Management, "In-house Supervisory and Management Training and Development Needs Survey", 1981.

Manitoba Institute of Management, "Training and Development Needs Survey", developed by Al Holmes and Brian Trump, 1981.

Stand, John, and Mansour Fakih, "An Assessment of Indonesian NGO Small Enterprise Development Programs", published on contract to USAID/Indonesia, November 1984.

Topatimasang, Rcem, Bersama Untuk Berkembang, (Temukarya Pengembangan Pendayagunaan Sumber-Sumber Pelatihan LPSM/LSM, Published by P3M, April 1985.