

FIRMA 2000

A

BUSINESS DEVELOPMENT SERVICES

CASE STUDY

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FIRMA 2000

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FIRMA 2000 CONSORTIUM IMPLEMENTING PARTNERS

CARESAC – Polska S.A.[®]

The CARE Small Business Assistance Corporation is a developmental venture capital fund that offers long-term equity investment capital and technical assistance to private, Polish-owned small and medium enterprises and joint venture partnerships.

Foundation for the Development of Polish Agriculture

The FDPA is an independent Polish foundation established in 1988 to provide advisory services and technical assistance to agribusinesses.

National Business Incubation Association

The NBIA is a membership organization comprising business incubation professionals. It provides research and networking resources to its members and sustains a broad public relations program. The focus of activities is on developing and maintaining “best practices” in business incubation worldwide.

Pricewaterhouse Coopers

An international consulting firm actively involved in the process of transition in CEE since 1990, PwC developed and delivered tailored training courses in business management topics, including strategic planning and financing and adapted its internal training courses on consulting business management and technical consulting engagement skills for Polish SMEs.

Small and Medium Enterprise Foundation

SMEF, a para-public NGO founded by the Polish Ministry of Industry and Trade, operates with a high degree of independence. A governing board comprising primarily private and NGO sector representatives determines its policies and practices. Its primary goal is to increase the competitiveness of the SME sector by strengthening existing BSOs, improving the regulatory and informational environment, and developing innovative sectoral and cross-sectoral programs for groups of SMEs having similar developmental problems.

Society of Manufacturing Engineers

An international professional society dedicated to serving its members and the manufacturing community through the advancement of professionalism, knowledge, and learning. It has 70,000 members in 70 countries; sponsors expositions; offers over 400 courses and clinics to manufacturers each year; and provides assistance to programs such as FIRMA 2000.

SUMMARY

FIRMA 2000, a three and one half-year, USAID-funded project was initiated in 1996 and implemented by a consortium headed by ACDI/VOCA. The project was designed to strengthen the ability of Poland's business support organizations (BSOs) to help small and medium enterprises (SMEs) increase their incomes by improving their planning, management, production, and marketing capabilities. Thirty-eight BSOs, 131 consultants, and 223 SMEs received direct technical assistance and training under the project, but FIRMA 2000's activities reached out to thousands more enterprises operating in Poland's business sector.

FIRMA 2000 did not fund the BSOs, providing TA and training only to build their capacity to market and deliver their services to the SMEs. When the project was designed, donors were in the process of drastically reducing subsidies and competition in the market was rapidly increasing. In this environment, Poland's business support organizations were forced to improve their services and to price them competitively. These factors proved crucial to the success of FIRMA 2000, as did the decline in the number of state-owned firms being privatized, which the for-profit BSOs had worked with primarily privatization issues.

Project management emphasized the selection of BSOs, and consultants who would work through them, that demonstrated a real, long-term commitment to providing Poland's SMEs with market-driven business development services (BDS.) The small and medium enterprises that applied for assistance under the project had to agree to accept and act on the advice they received and, just as importantly, to pay for it. Other important factors in SME selection were growth potential; a focus on industries in which Poland had a comparative advantage for building exports; and activities in sectors with underdeveloped market opportunities.

Essential to program success were both the development of a market for support services and business and industry specialists who could transfer their expertise to local consultants and enterprises. FIRMA 2000 recruited U.S. volunteers and consultants, experts in their fields, to assist and train the BSOs and consultants. Teaming with the American specialists in providing TA to the enterprises gave the Polish consultants valuable, on-the-job experience.

FIRMA 2000 also provided all participants with training in

- ◆ Basic and advanced consulting skills;
- ◆ Quality business and financial management skills;
- ◆ Industry specific product development and enhancement, production techniques, and costing and pricing;
- ◆ Marketing, export trade, and ISO 9000 standards and requirements;
- ◆ Leadership, creative thinking, and many more topics relevant to their needs.

The project held 218 workshops and seminars that were attended by 3,689 participants (50% women). Outside the project, the Polish consultants provided technical assistance to an additional 5,772 clients and training to more than 25,000 others. Training of trainers courses significantly affected BSO training activities, with organizations that had never before provided training doing so on a regular basis by the end of the project.

FIRMA 2000 effectively increased the flow of capital to SMEs by:

- ◆ Providing specialized training on financial topics for the BSO consultants;
- ◆ Organizing networking meetings and finance-related conferences for BSOs and consultants, SMEs, banks, and other financial institutions and specialists; and
- ◆ Publishing a “Guide to SME Financing in Poland.”

The project provided a great deal of business information to the SMEs — producing and disseminating a bimonthly newsletter, surveys, management development aids, press releases and full-length publications on relevant topics. Even after the project ended, several BSOs continued publishing newsletters, citing their value in promoting services to new and old clients.

From its inception, FIRMA 2000 had a special focus on the needs of Polish businesswomen, carrying out studies; organizing special events; and publishing reports on the status and needs of women entrepreneurs and managers. Highlights were a five-day International Trade and Study Mission attended by Polish women business leaders and a Washington State Governor’s Executive Women’s Council delegation led by U.S. Senator Patty Murray; and a roundtable discussion on the role of women in the new economy that featured First Lady, Hillary Clinton. The project also worked closely with The Polish Association of Women Entrepreneurs (PAWE) and the International Forum for Women.

Overall, there was a very high level of participation in the program. The BSOs and consultants recognized the value of the services FIRMA 2000 provided them and most used every opportunity to improve their organizations. It was no surprise that there was a correlation between those that took full advantage of the program and positive financial performance.

The comprehensive FIRMA 2000 monitoring and evaluation system revealed that, by the end of the project, 70% of participating BSOs had reached or passed financial breakeven. Another 15% were within 20% of breakeven, while the rest were sustainable with internally-generated operational revenues supplemented by investment income and/or donor funding.

The FIRMA 2000 experience demonstrated that not only can BSOs recover their costs of delivering training and consulting services to SMEs, but they can earn a respectable margin, as well.

In addition, 74% of the SMEs assisted by FIRMA 2000 BSOs reported a marked increase in sales and 69% had higher profits. The majority also reported that they had improved their ability to market their services; were offering new and/or improved products and services; and had upgraded their personnel policies and procedures.

When the project ended in March 2000, FIRMA 2000 staff invested in FIRMA 2000 Sp.z o.o., now a legally registered, private sector joint stock company that is continuing to strengthen the capacity of Polish BSOs and consultants to assist the business sector. The new company is also pursuing a number of cross border and regional development and business initiatives.

I. BACKGROUND: A BDS Vacuum

Since the early 1990s, small and medium scale enterprises (SMEs) have been at the forefront of Poland's economic transformation. These businesses account for 90% of registered firms; employ more than 60% of the labor force; and generate approximately 50% of the GNP. They are engaged in a wide range of activities — from food processing, textile manufacturing, lumber milling, restaurants and hotels to metal recycling, furniture making, horticulture, breweries, chocolate factories, and shops for jewelry, clothing, farm and garden implements and other items. Some are involved in cross-border and regional trade with neighbors such as Ukraine, Romania, and Russia and all face challenges that include little or no access to credit, a lack of information and knowledge of modern management and marketing techniques and skills, and outdated technologies and equipment. Exacerbating these problems are an unfavorable taxation system and the absence of a coherent government policy or framework to aid in their development.

Prior to 1995, the majority of donor activities focused on developing and strengthening a dynamic SME sector by providing direct, firm-level assistance; improving the enabling environment; and increasing access to financing. However, there was little or no attempt to improve the capacity of Polish business support organizations to provide these types of services.

The Business Support Project, renamed Project FIRMA 2000¹ soon after project inception, was funded by USAID and implemented by a consortium headed by ACDI/VOCA, as a performance centered business support and development program in 1996. Consortium members PricewaterhouseCoopers, the National Business Incubation Association, the Society of Manufacturing Engineers, the Foundation for the Development of Polish Agriculture, and CARESBAC provided assistance in the form of training materials and trainers, industry-focused training manuals and advisors, local contacts and consultants, and equity investments.

The program was designed as a practical, cost-effective model to help Poland's business support organizations (BSOs) evolve into viable institutions that could provide the high quality business development services these small and medium enterprises needed to stabilize, develop, and prosper. During the life of project (LOP), FIRMA 2000 worked with a total of 44 organizations² that were a mix of:

- ♦ Private sector business consulting firms;
- ♦ Non-governmental organizations (NGOs), assisted, and in many cases established, by international donor agencies; and
- ♦ Organizations created and owned by local governments to develop the local economies.

¹ During the first quarter, the name FIRMA 2000 was adopted because Business Support Project proved too cumbersome when translated into Polish. FIRMA connotes small and medium businesses and 2000 the advent of the new millennium and the renaissance of the small and medium enterprise (SME) sector in Poland. The project will be referred to as FIRMA 2000 throughout this paper.

² Initially, 38 BSOs were selected to participate. Seven later exited FIRMA 2000 and in the last year, six more joined the project network as affiliates.

At program inception, there were in Poland approximately 400 BSOs (not including for-profit firms) of widely varying quality, resources, and sophistication. Donor-funded programs, each with its own set of objectives, created many of these non-profit organizations, and their target markets and services reflected the donor's objectives.

The for-profit BSOs were targeting and assisting state-owned companies with privatization (another area supported by donors and the Polish government). The non-profit BSOs, however, were offering only generalized services such as business planning and very basic consulting services that were targeted primarily toward business start-ups. None of these BSOs were viewed by established enterprises as a source of consultants or training since:

- ◆ most could not adequately explain their services;
- ◆ they did not understand the characteristics of the SME sector;
- ◆ they found the concept of defining a target market for a particular service foreign;
- ◆ few had a well-developed marketing strategy or outreach plan and fewer still had materials for promoting their services;
- ◆ almost none had a professional training capability; and
- ◆ most focused on internal management issues to the detriment of sales, and managers rarely expended much effort on ensuring the timely and efficient delivery of effective services — their primary revenue generating activity.

Two Walls, No Roof — A New Beginning

As communism was crumbling around him, the mayor of Zelów, a rural Gminy (province) of 13,000 about 200km west of Warsaw, visited Western European countries to see for himself how people there lived and worked and to determine what he and his neighbors should strive for in developing their community. As one skilled in identifying appropriate skills and partners, he gathered round him those he called “the unsatisfied” because he thought that only they could do what was needed while also giving others the hope and courage that could help stabilize the community and make it economically self sufficient. He set up a rural entrepreneurship school to “fish out” the leaders and together they created *The Foundation for the Development of the Zelów Community*.

The only affordable building the group could find had no roof and two walls. Optimists all, they said that two walls were better than none and set about repairing it. They developed programs that would create favorable conditions for economic and social development; diminish unemployment; and promote ecological and cultural programs in their community and they secured funding from the EC, USAID, and the World Bank for several initiatives:

- ◆ An incubator to provide rental space with telephone reception, conference rooms, a library, access to business and industry-specific information, copy machines, tax assistance, and other services;
- ◆ A seed capital fund for start-up enterprises and a guarantee fund (up to 80%) for loans to existing businesses;
- ◆ Advisory and training services for entrepreneurs; and
- ◆ Social programs such as a canteen to feed the poor, a pre-school, a vocational school, computers for schools, and a café.

In just eighteen months, these activities helped create 300 jobs and by mid-2000, these programs were not only continuing to service the community — all had grown, they were sustainable, and many were profitable. Vision, energy, and the desire and will to develop the community are what helped the Zelów Foundation become a model for other programs in Poland and the region.

The Zelów Foundation was one of the first chosen to participate in the FIRMA 2000 project.

These internal weaknesses were further intensified by the fact that the majority of small and medium sized Polish entrepreneurs saw no reason to pay for business development services. What could a stranger, even an experienced business owner or consultant, do for them that they could not do themselves? After all, they knew their business best.

It is difficult to convince a small firm with limited resources to commit relatively large sums of money for consulting services unless they can be certain of the value of those services. Another part of the problem was the fact that previous projects had provided volunteers and not charged for their services. Why should they now pay for volunteer services? The project had to convince business owners and managers that:

- ◆ Training and technical assistance in strategic planning, management, and leadership;
- ◆ Help with product enhancement, development, and marketing;
- ◆ Assistance in finding investors, partners, and credit; and
- ◆ Aid with taxes and legal issues...

...Could help their business prosper; *and, that they should pay for these services* — many of which had not been needed in the centrally planned economy and were, therefore, new to the entrepreneurs, BSOs, and consultants.

Exacerbating the situation was the fact that, about this time, small shops, individuals, and banks were also beginning to sell business planning and loan packaging services. The market economy had arrived in Poland; competition was growing; and the BSOs had to find ways to improve and market their service mix in order to attract and keep new clients. They could not survive otherwise.

II. PROJECT FIRMA 2000

Goals and Objectives

The twin goals of the Business Support Program (FIRMA 2000) were: 1) to strengthen Polish business support organizations to provide quality assistance to Polish SMEs and 2) to provide training and technical assistance to selected small and medium sized enterprises to improve their planning, management, marketing, and production capabilities.

Objectives included the development of a market for business support services; effecting a change in the government- and donor-dependent mindset of BSO and SME managers and staff; and the inclusion of women entrepreneurs, managers, employees, and consultants in all phases of program implementation.

Key Components

The program emphasized five major areas of activity:

- ♦ technical assistance and training
- ♦ communications
- ♦ links with banks and other financial institutions
- ♦ advocacy
- ♦ monitoring and evaluation

Project Approach: Developing a Market

Early on, FIRMA 2000 management realized that the project had to develop a market for business development services (BDS) if it were to succeed. One means was to follow the example of American consulting firms that often use training workshops and seminars to attract and identify potential new clients. In its first year, FIRMA 2000 management helped the BSOs develop “service samplers” — focused, short-term instruments with very precise deliverables — as a prelude to selling clients longer-term, more complex consulting projects. Such “loss leader” services included seminars on the potential impact of ISO 9000 requirements on Polish SMEs; the importance of effective communications; and an overview of sales and marketing techniques.

Also effective were FIRMA 2000’s efforts to help the BSOs and consultants:

- ♦ Define and market their services;
- ♦ Understand the SME market and assess clients’ needs; and
- ♦ Address those needs.

All project activities were directed at building and strengthening the capacity of these participants to provide SMEs with high quality, useful services. The key instrument for aiding the BSOs and consultants was a team of one U.S. volunteer or consultant and two to three Polish consultants.

How Did the Project Work?

FIRMA 2000 created a business support network that linked all the players — the BSOs, the Polish and U.S. consultants, and the SMEs — to a service and information *hub*. Activities were centralized at the FIRMA 2000 project office to promote economies of scale and increase the probability of sustainability for the network and its participants. All project staff were involved in this effort, helping to establish and maintain:

- ♦ ***Active channels for communication and dialogue*** – internet / email connections, workshops and training courses, newsletters, field visits, and regional meetings;
- ♦ ***Methods and media for collecting and disseminating information*** – databases, activity reports and surveys, performance evaluations, newsletters / info bulletins, PR events, workshops / seminars, training events; and
- ♦ ***Shared infrastructure and services*** – the BSO newsletter “wire service” and specialized management development tools.

Services the *hub* provided included:

- ♦ ***Management Development Tools*** – production and dissemination of briefs covering topics such as focusing marketing efforts, managing cash flow, and improving staff productivity (Annex 1.)
- ♦ ***Newsletter*** – production of a standard newsletter distributed to BSOs by email, similar to a *wire service*. The BSOs supplemented the material with information relevant to their industry focus and geographical area and articles featuring local client success stories (Annex 2.)
- ♦ ***Advocacy*** – gathering information from participating businesses and organizations to enable the Small and Medium Enterprise Foundation (SMEF) to dialogue with government regarding enterprise development concerns.
- ♦ ***Focus on Women Entrepreneurs and Managers*** – organizing conferences for women in business; working with a new association of women entrepreneurs; and conducting research (and publishing a report) on women managers in Poland (Annex 3).

Since the project provided no funds, the BSOs were faced with a steep decline subsidies in addition to increased competition from individuals, banks, and small shops. If this had not happened, the project most likely would not have been able even to get their attention, let alone compel them to improve their services and price them to compete in the marketplace. Crucial to FIRMA 2000’s success were both this refusal of donors to continue subsidizing NGOs and the decline in the number of state-owned firms being privatized which forced the for-profit BSOs to seek clients elsewhere.

III. METHODOLOGY, PRODUCTS, and SERVICES

SELECTION OF PARTICIPATING ORGANIZATIONS, CONSULTANTS, AND ENTERPRISES

To join Project FIRMA 2000, potential partners first had to undergo a stringent application process. Oral interviews and comprehensive selection criteria, different for each, then helped identify the BSOs, consultants, and SMEs that would ultimately be chosen to participate in the program.

Business Support Organizations

USAID and consortium members all considered BSO selection as crucial to the success of the project. Only those judged sufficiently developed to eventually benefit from the project were chosen.

The screening process for selecting BSOs was exceptionally rigorous, lasting nearly seven months. Prior to joining FIRMA 2000, all staff, including the Chief of Party and the PwC trainers, had, in their careers, provided some form of assistance to nearly 30 Polish business support organizations. All of these became potential participants. Seventy-six other for-profit and non-profit institutions submitted written applications to the program. A total of sixty were invited to be interviewed and make oral presentations and, of these, forty-six were chosen as finalists. Consortium and USAID personnel participated in the interviews and a committee of project personnel and an advisory panel of Polish small and medium enterprise specialists made the final selection. BSOs were selected against a comprehensive scoring system that took into account their:

- ◆ Business profile – types of clients and services offered,
- ◆ Strategy for carrying out SME focus consulting,
- ◆ Institutional capacity to deliver high-level professional consulting services to demanding private sector clients,
- ◆ Staff skills and experience,
- ◆ Service delivery capacity — ability to assess client needs and offer advice, pricing policies, number of clients,
- ◆ Financial performance and level of sustainability,
- ◆ Legal status and organizational structure, and
- ◆ English language capability.

The rationale for selection was also based on the BSOs’:

- ◆ Geographic location and links with Partner Cities sites;
- ◆ A significant local market or a clear strategy for developing one; and
- ◆ A fee-for-service versus grant operating philosophy.

Some organizations had good physical resources such as a building, but limited staff capability. Others had computers, a training facility, or competent staff, but their infrastructure was weak. Project management selected higher performing BSOs when possible, which helped ensure the success of the program. However, in particular geographical areas, or in places where few organizations existed or a targeted industry (agribusiness, manufacturing, non-bank finance) was situated, weaker BSOs were chosen. Most importantly, FIRMA 2000 emphasized the selection of BSOs that demonstrated a real, long-term commitment to providing SMEs with market-driven business support services.

A total of 38 business support organizations around the country (excepting the three largest cities) were selected to participate. Although most were located in towns and small cities, many of their clients resided in rural areas. Over the LOP, seven organizations exited the program — three formed strategic alliances with other BSOs, three changed their strategic objectives and no longer met FIRMA 2000 criteria; and one was liquidated. During the final year of project implementation, six additional organizations joined the project network as affiliates.

BSO Assessments and Workplans

Following the selection process, a team of Polish and U.S. specialists conducted an in-depth, on-site assessment of the BSOs that provided them with insight into each organization's management and consulting capacity as well as a baseline reference point for evaluation purposes.

The assessments highlighted the fact that many BSOs were unable to attract an adequate number of fee-for-service SME clients. This was due primarily to their inadequate service line and their poor marketing and outreach efforts. These weaknesses were exacerbated by their failure to understand the needs of the small enterprise sector.

Following the assessments, FIRMA 2000 staff developed implementation plans that addressed critical issues and prescribed preliminary training and technical assistance activities for each BSO. These initial plans were revised numerous times over the course of the program, particularly once the consultants had been selected and program staff fully understood their skills and level of expertise.

Consultants

Consultants chosen to participate in the project would work with the BSOs. To be selected, they had to complete an extensive application on their work experience that included the types of client and assignments they worked with and the services they provided. They also were asked to comment on the results and impact of their interventions and were required to assess their consulting skills and define a marketing strategy. They were scored on:

- ◆ The methodology and tools they used;
- ◆ Their ability to communicate; and
- ◆ How they identified and tracked clients.

Program staff also developed a comprehensive scoring mechanism that looked at their — education, general work experience, consulting experience and services, practice areas, case study conceptualization and analysis, and English-language capability. Staff also discussed a case study with the consultants and this enabled them to determine his or her diagnostic and conceptual skills and ability to make recommendations based on available information.

The applicants' self-assessments indicated that a large proportion lacked many of the fundamental skills required for the complex consulting assignments the SME sector would need. Thirty percent indicated that they lacked the basic skills to analyze financial data with 36% unable to apply financial ratios and 39% incapable of preparing cash flow projections. In addition, 40% of

the consultants were not equipped to conduct even the most basic market research and 27% lacked the ability to analyze market data/conditions. Finally, 42% of the applicants had difficulty analyzing organizational structures; 69% could not analyze production processes and technology; 68% were unable to construct or manage a database; and 72% had no, or very limited, Internet skills. Project FIRMA 2000 management and staff had their work cut out for them!

Another requirement of the donor was that all selected Polish consultants be fluent in English to ensure that the U.S. consultants and volunteers and the SME clients could communicate well enough to allow them to chart a course of action that would address the firm's needs. English fluency also would allow information and technical skills to be transferred relatively easily from the U.S. specialist to the Polish consultant. This would result in the development of new skills and the strengthening of the BSO's capability to deliver better, more comprehensive services. Finally, English is fast becoming the language of international business and much of the available information is in English. This is especially true with the Internet.

In spite of the desirability of English-language capability, it was extremely difficult to identify *qualified* consultants possessing a level of English that would allow them to act as interpreters. Only 18% of the selected consultants had "excellent" English and they were usually quite young; their education often was not relevant to business; and they had very little actual consulting, and virtually no training, experience. The skill level of the selected consultants, and their competency in English, had a far-reaching impact on the original program design. Nearly one year into the project it became clear that the approach (and budget) would have to be radically altered to meet this unanticipated challenge. The section on Volunteer and Consultant Assistance, below, addresses this issue.

Three hundred forty-four consultants applied to the project; 183 were interviewed; and 131 (43% women) were selected to participate. There was a high retention rate with only 22 eventually leaving the program — twelve that never fully participated and ten who were employed by BSOs dropped for incompatibility with the project.

Small and Medium Enterprises

In selecting the SMEs to would participate in FIRMA 2000, management considered the following criteria:

- ◆ Agreement to accept and act on advice;
- ◆ Ability and willingness to pay for services;
- ◆ Potential for growth;
- ◆ Business activities in sectors having clear, though under-developed, market opportunities; and

Affordable Elegance

One of the enterprises the Zelów Foundation, a FIRMA 2000 BSO, assisted was established by a husband and wife who detected a gap in the market for attractive and reasonably-priced women's lingerie. In 1996 they began producing a line of exclusive products based on expensive French designs. In just four years they have captured the mid-priced market in Poland and have begun exporting to other Eastern European countries as well as to France and Germany.

Initially operating out of the Foundation's incubator with a couple of seamstresses, the business has since moved to a much larger space and now employs 80 women. Their goal is to employ 200 workers and reach even more markets. Though they have graduated from the incubator, the owners continue to use, and pay market rates for, services such as an ISO 9000 audit and assistance with the certification process.

The owners said that the mentality of workers has been slow in adjusting to the new economic reality. The women who work in the factory still see their jobs not as an activity that provides them a living wage and a degree of independence but, rather, as a social event. Such an attitude makes it difficult for management to operate the business efficiently but they can see that even this is changing and they expect the business to become even more prosperous in future.

- ◆ Focus on industries in which Poland had a comparative advantage for building exports.

Although the BSOs had been working with SMEs before joining the project, they did not bring these clients with them to the project, claiming that those SMEs weren't interested in participating in FIRMA 2000. However, the situation was far more complex and it presented program management with an interesting and somewhat difficult situation.

First, the SMEs did not want to pay for services provided by volunteers simply because similar programs did not charge for this type of assistance. This was exacerbated by evidence of mixed reviews regarding the quality of volunteer assistance, which served to undermine the value of their services. In addition, the BSOs viewed their role as "trainees" as possibly undermining their credibility with their clients.

Second, the SMEs wanted good value for their money and they considered a month-long volunteer assignment to be too long. They responded best to short, focused, cost-effective assignments that addressed a specific need. To attract more clients, FIRMA 2000 management re-engineered the program by launching an aggressive marketing campaign and helping BSO staffs and consultants to better understand the market, the SME sector, and to effectively articulate and sell their services. They also rethought the volunteer component of the program by shortening the assignments and making sure they concentrated on a particular felt need of the enterprise rather than on generic business development activities.

In all, the project offered 218 workshops and seminars that were attended by 3,689 participants from small and medium enterprises (50% women) and the Polish consultants provided technical assistance to 5,772 clients and training to more than 25,000 others outside the project.

PROGRAM IMPLEMENTATION

Training and Technical Assistance for BSOs and Consultants

The original program design anticipated PricewaterhouseCoopers delivering three core courses aimed at building the business and consulting skills of the BSO managers and consultants and five short courses on more specific business topics. The three core courses included:

- ◆ The Fundamentals of Business Consulting,
- ◆ Building a Consulting Business, and
- ◆ Diagnostic Skills and Techniques.

All were to be delivered to groups of 25-30 participants, in English. Technical assistance related to organizational development was to be provided by ACDI/VOCA consultants, and on-the-job training would pair the Polish consultants with U.S. specialists to give the former an opportunity to apply their new skills by delivering consulting services to clients under the guidance of experienced American experts.

However, this did not work as planned. The extreme range of capacity among BSOs and the spread in the Polish consultants' skills, experience, and English-language capability, made training groups of BSO managers and consultants far more difficult than initially imagined. Partici-

pants were unable to grasp or process the information at the same rate or to the same degree. Program management also knew that technical assistance tailored to the needs of individual BSOs and consultants would be extremely costly so they decided to design and conduct training workshops that could provide participants with the skills and knowledge they lacked. The challenge for the consultants and BSOs would then be to take what they learned in the workshops and use it to become more competent and efficient in planning and delivering their services.

FIRMA 2000 also provided follow-on technical assistance to the BSOs and consultants in the primary areas covered in the workshops: time / resource management; pipeline development; product / market diagnosis and focus; strategic selling and pricing consulting services; budgeting/ financial forecasting; and teambuilding and human resource management.

In addition to reinforcing the training, U.S. and Polish consultants, including Babson College MBA interns, worked with BSOs in the following areas:

- ◆ Market segmentation and services portfolio mix,
- ◆ Identification and assessment of core competencies,
- ◆ Capability statements,
- ◆ Strategic planning,
- ◆ Developing marketing plans and materials,
- ◆ Establishing on-line services and web-sites, and
- ◆ Writing consulting agreements.

Most importantly, these hands-on sessions with the specialists helped participants to develop and effectively deliver training programs and technical assistance interventions, skills the majority of them lacked when they joined the project. FIRMA 2000 also engaged local specialists to work on specific projects that assisted the BSOs with their marketing efforts:

- ◆ Formatting and printing corporate capability statements;
- ◆ Developing a cross-referenced directory of project BSOs and consultants;
- ◆ Conducting a national survey of SME training needs;
- ◆ Upgrading BSO client databases; and
- ◆ Developing new marketing materials.

The original PricewaterhouseCoopers consultant training program was greatly enhanced by using other U.S. and Polish consultants to develop and deliver highly specialized courses which could be tailored to the various capacity levels of the consultants. This resulted in thirty (30) different courses for consultant skill development conducted for 842 Polish consultants over the life of the project. On average, each consultant participated in at least eight courses.

The BSO managers were encouraged to participate in one of three U.S.-based study tours that would expose them to advanced business concepts and provide them with practical tools and techniques as well as a range of consulting products and services. Three U.S. universities provided training for the participants, each in a different specialization:

- ◆ Manufacturing technologies – Industrial Technology Institute, University of Michigan, Ann Arbor
- ◆ Organizational development and human resource management – Pacific Lutheran University, Tacoma, Washington

- ♦ Strategic management and marketing – Babson College, Wellesley, Massachusetts

BSO managers were selected based on the area of specialization that most closely fit their organization's core competencies. Program managers considered adding a finance program, but not enough BSOs qualified in this area to make it cost effective. Nine FIRMA 2000 staff also participated in these study tours with the BSO managers, which was in keeping with the program policy of developing the skills and capacity of project staff.

Project management also reconsidered the on-the-job (OJT) training in order to address three specific problems, mainly the:

- ♦ Appropriateness of using business volunteers to provide assistance simultaneously to more than one client, each having a different objective;
- ♦ Junior level of the majority of selected Polish consultants; and
- ♦ Inability of most Polish consultants to provide adequate interpretation services.

These issues are addressed in the next section on Volunteer and Consultant Assistance.

Volunteers and Consultants

The volunteers who assisted the SMEs came from American businesses and industries and each had at least 10, but more often 20 or so years of relevant experience. The business volunteers recruited by the program were generally well qualified to provide short-term technical assistance to small and medium-sized enterprises as most of them owned or managed small businesses. The recruitment process began with Polish BSO consultants writing detailed scopes of work for the proposed assignments and then sending them to the FIRMA 2000 office in Warsaw. From there they went to the ACDI/VOCA recruitment office in Washington, D.C.

Typically, USAID-funded activities that utilize U.S. volunteers expect them to provide services to one client at a time. However, under FIRMA 2000, volunteers were expected to provide TA to several SMEs while improving the skills of Polish consultants who also served as interpreters. It did not take long for the flaws in this methodology to become apparent. Most volunteers had trouble focusing their efforts not only on several SME clients, but also on their counterparts, the Polish consultants. This is hardly surprising since most volunteers are not professional consultants. However, even volunteers with a consulting background who were able to work with the Polish consultants and not exclude them from the learning process had difficulty juggling multiple, often diverse objectives.

USAID had mandated that *one* U.S. volunteer be paired with *one* Polish consultant. In practice, however, BSOs frequently had to use a team approach in delivering consulting services, particularly with complex assignments. The practice of pairing junior level consultants with those having several years experience is common in the consulting industry, but this was not taken into consideration during the design of the project. Additionally, the English-language requirement for consultant selection excluded many experienced senior Polish consultants from participating. After discussing this problem with USAID, it was agreed that 30 non-English-speaking, but technically qualified consultants could be included in the program. This change in program design had two important effects:

- 1) Delivering some courses in Polish improved the ability of all the consultants to absorb information by helping the skilled Polish consultants receive the information they needed to upgrade their own skills while also allowing them to share their knowledge with their younger, less experienced colleagues.

Yeast in the East

Nate Pollack, a baker from California, completed several volunteer assignments in Poland, helping bakers there develop new products and learn how to make their businesses stand out in a crowded field.

Nate is an extraordinary teacher and those he worked with said he changed their lives. Before meeting him, they could not imagine working 16 hours straight, but that's what he, and they, would do — creating and baking, laughing and talking from 4am to 10pm. His commitment to his craft and his clients was so great that many said working with him was almost a religious experience, an epiphany.

Perhaps his journey to Israel after WWII on the "Ship of Fools" gave him insight into the importance of helping others. Whatever the case may be, his work has positively affected many lives.

- 2) Including senior level Polish consultants in the on-the-job training also helped focus the volunteers on the dual tasks of working with the business and the consultants. Working with someone having similar experience enabled the U.S. and Polish specialists to discuss the assignment as equals and the younger consultants could benefit from this process of information exchange between two experts.

However, using Polish consultants with less than excellent English to interpret for U.S. specialists continued to present problems in more than half of the assignments. The project did not have the resources to hire professional interpreters and finally solved this dilemma by recruiting either Polish-speaking U.S. consultants or experienced, non-English speaking, local consultants with knowledge of the appropriate western techniques and technologies. This change allowed the project to directly assist the BSO consultants who were working with the enterprises and to provide them with the skills requested and defined by their organizations.

Training and Technical Assistance to Small and Medium Enterprises

Another mandate was that FIRMA 2000 assist SMEs directly. Project management emphasized training for the enterprises because it can be an excellent way to identify potential clients for consulting services. To design a training program that Poland's small and medium enterprises would consider useful, FIRMA 2000 conducted a national survey of their training needs in the spring of 1998, mailing 18,484 survey questionnaires to SME senior executives. More than one thousand companies responded.

Project trainers designed courses such as Leadership and Teambuilding, Finance for Non-Financial Managers, Effective Communications, Performance-Based Compensation Plans, Activity-Based Costing, Quality Management Systems, and Consultative Selling. They conducted 218 workshops and seminars, which were attended by nearly 4,000 participants from small and medium enterprises (50% women). BSO staffs and external Polish trainers also trained more than 25,000 additional participants over the course of the program.

FIRMA 2000 had a significant impact on BSO training activities — fifteen organizations that had never provided training before participating in the project began doing so by the EOP and twenty-three were conducting training on a regular basis as part of their services.

PRODUCTS and SERVICES

Increasing the Flow of Capital to SMEs

As mentioned above, the BSO consultants were generally weakest in the area of finance even though access to capital is critical for the development of the private sector. FIRMA 2000 tackled this problem aggressively by providing specialized training for BSO consultants in cash flow analysis, accounting, bookkeeping, audits, etc., and by organizing networking meetings with banks and finance-related conferences and publishing a *Guide to SME Financing in Poland*.

FIRMA 2000's first initiative was to give BSOs desiring to provide finance-related services to their clients a better understanding of the thought processes and considerations of investors and

bankers. Project staff organized a two-day workshop in which six BSO consultants presented information on real projects with which they were working to a panel of investors and bankers. The panel responded on the spot with feedback about the presentations and about the level of interest they might have in each of the projects, including the reasoning for their response. In all cases, there was a particular focus on the role of the consultant and what more was needed from the point of view of both investors and entrepreneurs.

This initial workshop was applauded by all of the participants and within six weeks, half of the project-assisted SMEs had secured financing valued at 3,000,000 PLN (over \$730,000).

These workshops also generated a demand for more such fora and FIRMA 2000 followed-up with a second initiative, a series of BSO/Bank Seminars, Enterprise Forums that attracted 171 bankers from 97 banks, to allow participants to:

- ♦ Exchange information and generate ideas regarding the best practices and products for banking in the SME sector;
- ♦ Develop specific strategies to improve both the flow of financing to SMEs and the banks' ability to profit from doing business with the sector; and
- ♦ Develop better knowledge of, and stronger relationships between, the BSOs, banks, and guarantee funds.

Twenty-nine branch banks, two specialized funds, and Bank Gospodarstwa Krajowego (BGK), the administrator of a national loan guarantee program, participated in the first round of seminars held in eight cities across Poland. The sessions provided an opportunity for thirty-five BSO financial consultants to meet with more than 50 bankers. These contacts also benefited their SME clients. In addition, BIŚE S.A. (Bank for Local Initiatives), the largest Polish bank doing business in the SME sector, later signed agreements with three BSOs to serve as *intermediaries* by identifying prospective clients and, for a fee, analyzing their loan applications.

During these seminars, it became clear that many outdated and negative impressions continued to limit communication and cooperation among bankers, BGK, and BSO consultants. Although the banks had developed new products and approaches for small and medium businesses, the SMEs still viewed them as unapproachable and inflexible. Similarly, BGK had greatly simplified its processes and was granting significant loan guarantees, but entrepreneurs remained suspicious and apprehensive about working with it. And while consultants had been developing more sophisticated and professional skills, banks still saw them as not adding value to the enterprises. The seminar discussions plainly indicated that the high cost of credit was NOT the primary issue; the primary issue was SME access to credit. A fresh perspective and more frequent communication among all the players was needed.

The most significant result of the first banking tour was the shattering of old biases regarding the potential for capital to flow to the SME sector. Polish banks were beginning to develop market potential and a basis for profitability in small and medium businesses and BGK was developing a significant role for itself in this area. The banks were clearly interested in BGK's new program and the seminars provided them an opportunity to discuss the possibilities. For the first time, consultants and bankers began working together to break down the financial barriers that SMEs faced and everyone began thinking, and acting, as allies.

A third series of seminars was organized for BSOs not providing financial services to their clients, but willing to act as screening agents for local banks. This reinforced the very first FIRMA 2000 BSO/Bank Seminars and, this time, businesses were invited to participate. Fifty-five bankers from twenty-four banks throughout Poland met with forty-three entrepreneurs and twenty-three BSO consultants during these seminars. Discussions on "Can You Repay Your Loan?" focused on techniques for determining a firm's ability to repay a loan. The seminars encouraged a high level of interaction that helped develop a common language, foster understanding, and build relationships among the consultants, businesses, and banks. Spontaneous and open discussions of bank-client relationships also went a long way in improving communication between all parties.

The fourth financial initiative was the organization of the first conference in Poland designed to increase SME access to venture capital by facilitating links with Poland's investment community. Consultants, entrepreneurs, journalists, and venture capitalists (representing 90% of all venture capital firms in Poland) gathered to hear venture capital professionals talk about all phases of the process, from "What VCs Need To Know About Your Business" to "The Exit: Options and Experiences." In addition, a leading Polish entrepreneur spoke about how he developed his company with the assistance of venture capital financing.

FIRMA 2000 also recruited Polish financial specialists to write a comprehensive *Guide to Financing Small and Medium-sized Companies in Poland* covering all aspects of business finance, from loans to leasing. The project published the guide and distributed copies through the BSO network and at the Venture Capital Conference.

By the end of the program, sixteen BSOs were offering finance-related services to their clients. Over the life of the program, they reported that 1,670 SMEs had sought their assistance in obtaining financing.

Communications – Business Information for SMEs

On a regular basis, FIRMA 2000 collected and disseminated to BSOs and SMEs a wide range of information, including a bi-monthly newsletter, surveys, management development aids (annex 2), press releases, and full-length publications on topics relevant to SME development.

When the project was designed, it was estimated that only about 1,500 SME clients/year would receive the project newsletter, "MIS". However, the BSOs chose to distribute the newsletter more widely over the life of the project, 14 issues of the bimonthly newsletter were sent to SMEs for a total of 42,035. The BSOs developed and mailed 55 additional issues. The BSOs and SMEs alike rated the publication highly. Prior to FIRMA 2000, only three BSOs had ever published a newsletter. In addition, there were repeated requests by other national and local business publications to reprint the management development inserts included in each issue. This led to media alliances that increased FIRMA 2000's outreach significantly. One such example was the collaboration with the *InfoCourier* (5,000 subscribers) which published a monthly "MIS" article that, in effect, provided the project with free advertising. A sample copy of "MIS" is contained in *Annex2*.

“MIS” also became a cost-effective way for a number of collaborators – the Cooperative Bank Development Project, EXPROM II, CARESBAC, EURO INFO, Fundusz Mikro, the Foundation for Development of Polish Agriculture, etc. — to reach a highly select group of SME decision-makers. Regular columns on regulatory and legal issues helped keep entrepreneurs abreast of the major policy issues that might affect them and provided BSOs with the information they needed to support their advocacy efforts. MIS management development inserts covered topics that ranged from managing cash flow to improving networking skills. Though the project is now ended, several BSOs continue to publish a newsletter, citing its value in promoting their services to old and new clients alike.

In addition to the “MIS” management development inserts, FIRMA 2000 published a series of books and guides in Polish:

- ♦ *Export Guide for Small and Medium Size Companies*³ – Covers all aspects of exporting to the U.S. and contains contact information for trade associations, Polish-American Chambers of Commerce, and World Trade institutions.
- ♦ *Target Marketing*⁴ – Teaches entrepreneurs to understand and outsmart their competition; protect ideas; use demo/psycho-graphics; build customer loyalty; find their niche; create an identity; and satisfy customers.
- ♦ *Human Resources: Mastering Your Small Business*⁵ – Teaches employers how to motivate, reduce turnover, handle problems, encourage staff, and reward achievement.
- ♦ *Guide to Financing Small and Medium-sized Companies in Poland*⁶ – Essential financing resource by Polish finance specialists covers all stages of business development and all aspects of business finance.
- ♦ *The Start-up Guide, 3rd edition*⁷ – Gives would-be entrepreneurs a step-by-step, 12-month plan for starting a small business, including tips on using the Internet to find low-cost resources.
- ♦ *Business Planning Guide, 8th edition*⁸ – A practical, hands-on guide to business plans that helps readers find and use Internet resources.

³ David Soyka, FIRMA 2000, a USAID-funded publication, 1999 (63 pages)

⁴ Linda Pinson and Jerry Jinnett, Upstart Publishing Company, 1996 (178 pages)

⁵ Jill A. Rossiter, Upstart Publishing Company, a division of Dearborn Financial Publishing, Inc., 1996 (372 pages)

⁶ FIRMA 2000, a USAID-funded publication, 1999 (126 pages)

⁷ David H. Bangs, Jr., Upstart Publishing Company, a division of Dearborn Financial Publishing, Inc., 1998 (211 pages)

⁸ David H. Bangs, Jr., 1998 (247 pages)

Project staff also assisted the BSOs in obtaining media coverage by highlighting their services and their access to U.S. specialists. Over the LOP, the organizations and FIRMA 2000 were featured in 657 stories in Poland and 30 in Ukraine. The Wall Street Journal Europe and several U.S. newspapers also covered the project.

The FIRMA 2000 Website (www.firma2000.pl/), in Polish and English, includes profiles of the BSOs, a map with their locations, and continuously updated information on conferences, publications, etc. Four months after the project ended, up to 200 visitors per month were checking the site. Although the majority are from Poland, there has been an increase in the number of foreign readers from the U.S., the UK, France, Germany, Japan, Canada, Denmark, Norway, Belgium, Sweden, Ukraine, Russia, the Czech Republic, Argentina, Macedonia, Finland, the Netherlands, and Saudi Arabia. Most are interested in the newsletter and BSO locations. The website is now managed by FIRMA 2000 SP z.o.o., the successor organization to the project.

Advocacy for Policies in Support of SMEs

While not a major objective of the program, FIRMA 2000 actively encouraged BSOs to advocate on behalf of the sector whenever possible. “MIS” carried a regular column devoted to policy and regulatory reform and all of the BSOs were provided with information regarding the SME Parliamentary Commission, including its purpose, responsibilities, and activities, and contact information for members.

In cooperation with another project, FIRMA 2000 carried out training in lobbying and designed info-bulletins to improve understanding of the importance of advocacy activities.

BSO Networking

FIRMA 2000 regularly promoted networking among BSO managers with the express intent of helping them create strategic alliances so they could offer uniform services to enterprises around the country. The project provided the BSOs with tools to help them structure the ways in which they could work together but also to ensure standards of fair play among competing organizations. More than half of the participating BSOs developed service relationships with at least one other business support organization as a direct result of this effort.

Cross-Border Initiatives

FIRMA 2000 was a pro-active, opportunity-seeking program and its cross-border initiatives exemplified this attitude. Following is a list of notable training and support programs the project was involved in designing, organizing, and implementing for, and with, other countries and organizations in the region.

- ♦ *Poland-America-Ukraine Cooperation Initiative (PAUCI)* – When the governments of Poland, the U.S., and Ukraine signed a tri-lateral agreement to promote commercial, cultural, and political ties, FIRMA 2000 and BSO consultants assisted Ukrainian organizations deliver

training to local SMEs. They also sponsored visits to Ukraine by Polish enterprise executives to develop closer business ties.

- ◆ *Training-of-Trainers (ToT) Program for Ukrainian NEWBIZNET Consultants* – FIRMA 2000 organized and delivered a 6-day ToT program on *Business as a System* for Ukrainian NEWBIZNET consultants and translators designed to help form teams of Ukrainian and Polish trainers who could develop and deliver training for Ukrainian SMEs.
- ◆ *Training for Bulgarian Bakers and Confectioners* – A FIRMA 2000 BSO provided a 12-day training program for five Bulgarian Bakers and Confectioners who visited the Association of Bakers, *Polagra*, the food processing trade show, the Bakery Industry Research Institute, food processing schools, and related enterprises.
- ◆ *First CEE Bakers Forum* – More than 80 participants, including those from Albania, Bulgaria, Belarus, Lithuania, Macedonia, Romania, and Ukraine attended this Forum on association leadership and issues of common concern organized by a FIRMA 2000 BSO and the Polish Bakers Association.
- ◆ *Training for Ukrainian Dairy Specialists* – Participating BSOs organized a 12-day training program for seven Ukrainian milk processors, including a site visit to the International Cheese Company to view its micro-loan program, which a project staff member helped design and implement.
- ◆ *Bulgaria Participant Training* – Following participation in a 10-day FIRMA 2000 training program, a Bulgarian fruit and vegetable processor imported high quality glass jars, bottles from Polish manufacturers.
- ◆ *Macedonia Incubator Training* – Two BSOs, with assistance from FIRMA 2000, designed and conducted a 5-day program for eight managers of newly formed business incubators in Macedonia.
- ◆ *IESC Lithuania Sustainability Training* – Local IESC staff of a for-profit management consulting firm aimed at providing TA and training to Lithuanian SMEs visited Poland to learn more about FIRMA 2000's operations and methods for assisting Polish BSOs to achieve sustainability.

Women's Initiatives

A provision of the project was that 10% of the SMEs receiving technical assistance from FIRMA 2000 should be women-owned. However, in the first year-and-a-half, no women-owned enterprises requested assistance and the project was clearly failing to meet this target. In an effort to reach out to this group, FIRMA 2000 management conceived a plan to organize a national conference for women business owners. This turned out to be more difficult than anticipated because virtually no one in Poland had ever aggregated information on businesses by gender.

FIRMA 2000 management, working with interns from the Babson Institute, used a national database of SME-owners, checking off those with feminine first names to identify 2,700 women-owned SMEs. They then sent out surveys that alerted these women to the conference and requested information on themselves, firm size, type of business, number of employees, and topics they would like to hear presented. Nearly 10% responded and their input countered long-standing stereotypes regarding women-owned businesses and found that they are *not* primarily micro-enterprises concentrated in non-manufacturing activities such as trading and personal services serving only local markets and having little or no growth potential.

Another survey, this one of 22,000 women managers, collected data on their personal characteristics, how they perceived their position within the business community and society, their prospects and goals, difficulties that hampered their development, and their professional development needs. 1,892 women (9%) responded. The first conference for women managers took place in September 26-27, 2000.

FIRMA 2000 found that a great many Polish women entrepreneurs were occupied in manufacturing and internationally-oriented activities with high growth potential, including business and information services and exports.

The first National Women's Business Conference in Poland — *Profession-Businesswoman* — was held in September 1998. This unique gathering brought together nearly 150 Polish women business owners from all over the country to network, attend plenary sessions by keynote speakers, and participate in workshops. FIRMA 2000 promoted the newly formed Polish Association of Women Entrepreneurs (PAWE), convincing twenty-nine conference participants to join with the founders to build the association. In addition, within weeks of the conference, FIRMA 2000 was providing assistance to three women-owned SMEs and, by project end, 18% of businesses receiving TA and training were owned by women.⁹

In 1999, USAID agreed to add PAWE to the network of FIRMA 2000 BSOs, thus making it eligible for assistance. Project staff began working with PAWE to formulate focused vision and mission statements, define goals, create an appropriate organizational structure and operating policies, and design relevant programs. The Association also developed membership criteria and a dues structure, outlined core membership benefits, formulated a governance structure with six working committees, established criteria and procedures for setting-up chapters, developed promotional materials, and outlined an action plan. Two FIRMA 2000 staff seconded to PAWE as part-time professional staff helped organize an annual conference and raise corporate sponsorships to underwrite costs. Project assistance also enabled PAWE to develop a dues-paying base of 130 members by March 2000.

⁹ To many readers this may not appear to be a very great number. However, the Chief of Party, a woman, was exceptionally interested in and supportive of including as many women as possible in all aspects of the project. In addition to reaching out to women-owned businesses, she initiated women-focused conferences, roundtable discussions, trade missions, and research projects. She also made special efforts to ensure that up to half the women working for FIRMA 2000 and the BSOs, as well as Polish (43%) and U.S. consultants were women. A full 50% of the trainees who attended the FIRMA 2000 workshops and seminars were women.

In 1999, 221 women business owners attended the 2nd National Women's Business Conference for which PAWE and FIRMA 2000 organized a forum where women could improve their skills, share experiences, and network. Recognized professionals led conference workshops on a range of topics, from *Team Building* to *Preparing a Company for External Financing* and small group sessions provided an excellent opportunity for the women to meet others with similar interests and to participate in reciprocal learning activities. Another noteworthy conference success was the presence of corporate sponsors who contributed both financially and programmatically. Citibank, Nationale Nederlanden, and Ford together covered 33% of total Conference costs. Participant fees covered 42%, and FIRMA 2000 contributed 25%.

In addition to working with PAWE, in mid-1999 FIRMA 2000 designed, organized, and supported a five-day *Trade and Study Mission* that brought thirty women business leaders from Washington State to Poland to meet nearly 80 Polish counterparts. The mission created an opportunity for the participants to examine leadership issues as it opened doors to business linkages, the exchange of ideas, as well as exploration of the barriers women face professionally and ways to overcome these obstacles. The U.S. delegation, led by Senator Patty Murray, met with Polish women business leaders, government officials, academic professionals, and NGO representatives to compare successful businesses and programs in Washington State with those in Poland. In addition to site visits and small group meetings, FIRMA 2000 organized a one-day roundtable that gave all participants an opportunity to share ideas and experiences.

FIRMA 2000 also organized and moderated a roundtable discussion with First Lady Hillary Clinton in October 1999 to showcase the significant role women entrepreneurs have played in Poland's successful transition to a market economy. Mrs. Clinton was an active participant in interchanges with six women entrepreneurs during the hour-long panel. A panelist later commented that, "it was an exceptional moment in my life — that such a famous lady would come here to hear our experience in business." She called Clinton "a positive force" in helping the Polish entrepreneurs highlight their own success, as a way "to tell these women in the villages who don't think they can do it, that this is possible. All life is a risk, but they can look at us and want to try." In speeches throughout the day, Mrs. Clinton quoted a panelist's remark that "this opportunity is not only for us but for every woman in Poland — we ARE the opportunity."

Just prior to the end of the project, FIRMA 2000 conducted a study on the demographics, social and economic characteristics, success factors, management styles, and professional training needs of women managers in Poland. The research was conducted by a team of Polish and American researchers from Babson College in the U.S. and the Warsaw School of Economics. Detailed questionnaires were mailed to over 20,000 female managers throughout Poland and the resulting sample covered a broad cross-section of women representing a wide range of age groups, educational training, socioeconomic backgrounds, geographic regions, industries, companies, functional disciplines, and professional experiences. The results and analysis of the research concluded that:

- ◆ Female managers are an essential part of Poland's continued economic development and its social well-being;
- ◆ Women are underrepresented at the highest management levels and there is a significant pay gap between men and women in comparable positions;

- ♦ Respondents basically are satisfied with their compensation, strongly believe that they can be just as effective in managerial roles as men, and have developed effective management styles; and
- ♦ Women managers have well-defined needs in the areas of continuing education and professional training.

To address these points, FIRMA 2000 began working with the International Forum for Women to develop a training program and raise funds for a conference aimed at Polish women executives.

MONITORING AND EVALUATION SYSTEM

FIRMA 2000's monitoring and evaluation system was designed primarily as a management tool. Program managers used the system for day-to-day management of this complex program and it also became an important internal communication tool for all project staff. The Quarterly Performance Monitoring Reports included a level of effort matrix and BSO, consultant, and SME target trackers to help management track achievements and control the ways in which project time and financial resources were utilized.

FIRMA 2000's monitoring and evaluation system measured the performance of all project participants by tracking indicators that directly and indirectly affected a BSO's institutional viability, a consultant's professionalism and level of activity, and an enterprise's performance. A management information systems specialist on staff created a database using baseline data collected during the BSO and consultant application and selection processes and, for the SMEs, when they first requested assistance.

BSO and Consultant Performance Monitoring

Because qualitative data from site visits described only part of the picture, FIRMA 2000 relied heavily on quantitative data collection and analysis to focus on the strengths and weaknesses of the BSOs and make necessary and timely modifications to their implementation plans. Performance data for BSOs and consultants was collected quarterly and the tabulated results were linked directly to project deliverables and the USAID's strategic objectives. FIRMA 2000 staff also systematically analyzed longitudinal changes in BSO performance, generating performance tables for each BSO on a quarterly basis. This enabled them to identify emerging trends for both individual BSOs and the group as a whole. Over the life of project the aggregate data on BSO performance shows that the average:

- Income from all operations increased 275%,
- Overall fees from consulting services increased 114%,
- Fees from training/seminars increased 45%,
- Number of clients receiving consulting services per BSO increased 74%,
- Fees from consulting assignment/client increased 59%,
- Profitability of consulting services (absolute) increased 255%,
- Profitability of consulting services (margin) increased 223%, and
- Dependence on grants *decreased* 43%.

In addition, the number of BSOs:

- Engaged in consulting increased 35%,
- Engaged in training increased 71%, and
- Producing a newsletter increased by 85%.

The indicators used to track BSO performance covered the overall BSO financial status, program activities, management and staff development, resource and client development, policy intervention, and public education and relations. Consultants were required to report on the services they provided to their clients, new business development activities, and their own professional development. The Quarterly Performance Monitoring Report matrix aggregated this information, and staff produced a series of charts and graphs to illustrate a number of the indicators.

SME Performance Monitoring

Baseline data for SMEs was collected when they requested assistance from FIRMA 2000. The primary indicators for the enterprises were sales, employment, profitability, productivity, and exports. One other indicator dealt with the number of modern business practices the assisted enterprise employed — quality management practices, and advanced technologies. Data was supposed to be collected quarterly by the BSO consultant who assisted the business, but, in the end, BSO staff performed this task. Management found that too many levels and individuals were responsible for collecting the data and decided that the BSOs should do this. This was a good decision as the organizations did an excellent job. The Chief of Party then analyzed the information for the quarterly reports.

During the final quarter, project staff surveyed the 223 enterprises that the consultant teams had assisted, and 135, or 61% responded. Results showed that the majority of SMEs assisted by FIRMA 2000 made steady progress over the life of project, with 74% reporting an increase in sales and 69% reporting higher profits. Likewise, the majority of survey respondents reported that they had:

- ◆ Improved their ability to market their services (71%),
- ◆ Offered new and/or improved products and services (93%), and
- ◆ Upgraded their personnel policies and procedures (66%).

When asked to quantify and describe the nature of the business linkages they had made, the overwhelming majority of enterprises reported *financial* — with a total of 516 such links made over the LOP. Although project managers did not define what they meant by *financial*, this number may also include simple contractual arrangements. This notwithstanding, it is worth noting that respondents reported five new licensing agreements, five new franchises, and one joint venture during the final year of project implementation.

IV. PROGRAM IMPACT

By the end of the project, the FIRMA 2000 Business Support Network consisted of thirty BSOs, seven affiliated organizations (five Energy Conservation and Pollution Control Centers, the Polish Association of Women Entrepreneurs, and the Polish Advisory Network) and FIRMA 2000 Sp. z o.o (the project successor company.) Overall, there was a very high level of participation in the program. BSO staffs recognized the value of the services FIRMA 2000 provided them and most took advantage of every opportunity to improve their organizations. It was no surprise that there was a correlation between BSOs that took full advantage of the program and a positive financial performance. Working hard and working smart pays off.

The BSOs retained 70% of the consultants (43% women) who started working with them at project inception, a relatively high percentage for the consulting industry.

MEASURING IMPACT

The primary indicators used to measure the impact of the project were:

- ◆ BSO financial sustainability
- ◆ Increased quantity and quality of BSO consulting services
- ◆ Increased flow of capital to SMEs
- ◆ Improved planning, marketing, and management increases SME capacity
- ◆ Amount of business information assisting SMEs in business development
- ◆ Number of women-owned businesses assisted; number of program activities focused on women; and number of women consultants/staff recruited by FIRMA 2000 and BSOs

These were broken down into series of secondary indicators for each group of participants: BSOs, consultants, and enterprises.

BSO capacity to provide technical assistance to SMEs strengthened

A BSO's sustainability is dependent on the skills and expertise of its manager and consultants. *FIRMA 2000* TA and training improved the technical skills of BSO managers and consultants, enabling them to better manage the consulting process, including identifying clients, marketing services, and performing needs assessments. *FIRMA 2000* also introduced new consulting and training products to help them expand their services.

By the end of the project 35% more BSOs were engaged in consulting activities and were providing services to 74% more clients. *FIRMA 2000* also had a significant impact on BSO training activities with 15 that had never done so before carrying out training; 23 conducting training during at least 60% of the LOP; and all earning higher incomes from training – at higher rates per trainee and per hour. By project end, 83 Polish consultants with significantly improved skills were still working with the BSOs; 26 others had im-

“Participation in trainings run by *FIRMA 2000* Polish consultants and American experts have given our staff the opportunity to extend their knowledge, gain professional experience and improve consulting skills — very needed when doing research or consulting projects. Courses like Creative Thinking, Strategic Management, and Consulting Skills have given them skills that are extremely valuable and vital for existing in the Polish consulting market.”
Elzbieta Syrda, Owner, American Systems of Marketing

proved their skills and many of those had started their own BSOs. In addition, twenty FIRMA 2000 consultants became certified as ISO 9000 Auditors of Quality Systems and thirteen achieved the higher level of certification of Quality Manager.

BSO Financial Sustainability – By project end, twenty-five BSOs were fully financially self-sufficient (21) or near financially self-sufficient (four). 70% had reached financial breakeven; four more were within 20% points of breakeven; and 18 had been sustainable and operating profitably for more than 18 months above breakeven. In addition:

- ◆ Average BSO margin of profitability went from –25% to +33%;
- ◆ Consultants' earnings exceeded expenses by 44%;
- ◆ 100% of the total operating revenue for 14 BSOs was generated from consulting and training activities;
- ◆ 83% of BSOs relied on grants for less than one quarter of their revenues, 20 (63%) received no grants (including 10 of the 18 non-profit organizations), and the 8 still receiving grants decreased their dependence on them to less than 30% of total income;
- ◆ Average margin on delivering consulting services increased by 223%;

FIRMA 2000 did not change its target clients and go up-market to achieve these results.

Increase Flow of Capital to SMEs – As a result of the FIRMA 2000 Enterprise Forums, BISE S.A. (Bank for Local Initiatives) signed agreements with three BSOs to identify prospective clients and analyze loan applications on a fee basis. In addition, sixteen BSOs offered finance-related services to clients and by project end had packaged 535 loans (319 closed) and consummated 91 equity deals worth more than \$22,000,000 secured from both equity and debt sources. Also, the:

- ◆ Average percentage of SME loans closed per BSO increased 38% (to 90%);
- ◆ Average volume of SME financing per BSO increased 1,200%; and
- ◆ Size of these deals increased 1,444%.

Improved planning, marketing, and management increases SME capacity and profitability

New approaches to business development helped entrepreneurs improve their management skills and obtain information on new product development and managing a range of products, planning and forecasting, measuring performance, and pricing. In 1999...

- ◆ 73% of survey respondents reported an increase in sales and 42% experienced an increase in their exports;
- ◆ 69% had increased profits;
- ◆ 38% hired additional staff;
- ◆ 66% improved their personnel policies; and
- ◆ 93% added new, or improved their standard, products and services.

The participating businesses also reported that, in the final project year, they had entered into 5 licensing agreements, 5 franchises, and one joint venture; and 18 had obtained new financing.

Business Information Assists SMEs In Business Development – FIRMA 2000 efforts resulted in thirty-three business links between Polish firms and those of other countries — seventeen

American; two Bulgarian; one Swedish; and thirteen Ukrainian. In addition, twenty-seven Ukrainian businesses submitted proposals looking for Polish partners.

Advocacy – Fourteen BSOs regularly reported involvement in advocacy and lobbying activities on behalf of the SME sector. They spent 7,334 staff hours over the course of the project to influence government policies or regulations, an increase of 117.6% over the LOP.

Educating the Public Regarding the SME Sector – Fifteen BSOs provided information regarding the SME sector on a regular basis with staff time devoted to these activities increasing by 152.7% over the LOP. The number of those participating in public education workshops and events grew from 27 to 53, an increase of 95.1%.

CROSS-CUTTING ISSUES

Gender

Given the important role women play in the development of the SME sector in Poland, FIRMA 2000 sought out and included women in all aspects of the project:

- ◆ Project staff makeup was 60% female,
- ◆ 53% of paid consultants hired by FIRMA 2000 were women,
- ◆ 47% of the 30 BSOs were woman-owned or managed,
- ◆ 43% of the 109 Polish consultants were women,
- ◆ 1,855 businesswomen (50% of all trainees) participated in project-sponsored training programs,
- ◆ 18% of SMEs receiving TA from a paired team of U.S./Polish consultants were women-owned

In addition, the Polish Association of Women Entrepreneurs and the International Forum for Women, two groups of women executives working to ensure that women-owners and managers continue to receive attention in Poland and are recognized for their contribution to the country's development.

BDS Market Impact

In general, it is fair to say that FIRMA 2000 had an overall positive impact on the market for business development services in Poland. Of the 350 or so business support organizations not chosen to participate in the project, some most definitely benefited from a “demonstration effect.” They received copies of “MIS” and socialized and networked with their colleagues who were working with FIRMA 2000 participants. Principles and staff of others attended some of the special seminars and workshops organized for Polish women entrepreneurs and managers. It is not known whether or not any were driven out of business by project generated competition.

The Evolution of FIRMA 2000

A year before the end of the project, the Chief of Party began working with the FIRMA 2000 Polish staff to help them consider the implications of establishing an Employee Stock Option

Program (ESOP) or "successor" organization. By August 1999, ten of the fourteen staff members

voted to incorporate FIRMA 2000 Sp. z. o. o. and each contributed funds to finance the requirements for incorporation. Equity was determined by identifying the factors necessary to support the organization's mission and the levels of expertise required for each.

The incorporation of FIRMA 2000 Sp. z. o. o. would enable on-going project activities, including the following, to continue:

- ◆ Building relations with Ukrainian counterparts;
- ◆ Facilitating cross-border trading initiatives and east-to-east training programs;
- ◆ Designing and conducting east-to-east participant training programs;
- ◆ Distributing six full-length publications;
- ◆ Facilitating inter-BSO alliances;
- ◆ Training Polish consultants and bankers; and
- ◆ Continuing the work of FIRMA 2000, the project, in providing assistance to additional Polish BSOs.

In addition, management and staff could leverage and utilize the know-how and lessons learned from FIRMA 2000 to pursue new initiatives with other private sector development projects in the region.

V. LESSONS LEARNED

BSO Development

1. Prior to project implementation, the target market and service offering of most BSOs reflected the objectives of the donor program that provided it with the largest funding package. However, in 1996 all were faced with declining donor subsidies and increasingly competitive markets and FIRMA 2000 provided only technical assistance and training thus forcing them to focus their activities and put forth the extra effort needed to survive. Timing is everything and the lesson here appears to be that donors need to collaborate and come up with a common strategy of supporting the development of market-based business development services.
2. The most important FIRMA 2000 criteria for BSO selection were the leadership qualities and commitment of the manager. The only times project staff selected an organization without making these characteristics the top criteria when filling a geographical gap. More often than not this produced less than optimal results. If there is no real “buy-in” from top management of the BSO, specifically in the form of active participation in training programs and technical assistance, then substantive improvements have little chance of being implemented. There is a strong correlation between management commitment to objectives and the BSO's positive performance.

“Project FIRMA 2000 has had a very positive impact on the Koinin Regional Development Agency, both the organization and its consultants. And, Polish entrepreneurs have had a unique opportunity to get to know American standards of professionalism and learn to use them in practice. They have also gained knowledge of the most advanced industry trends.”
Dariusz Kaluzny, President

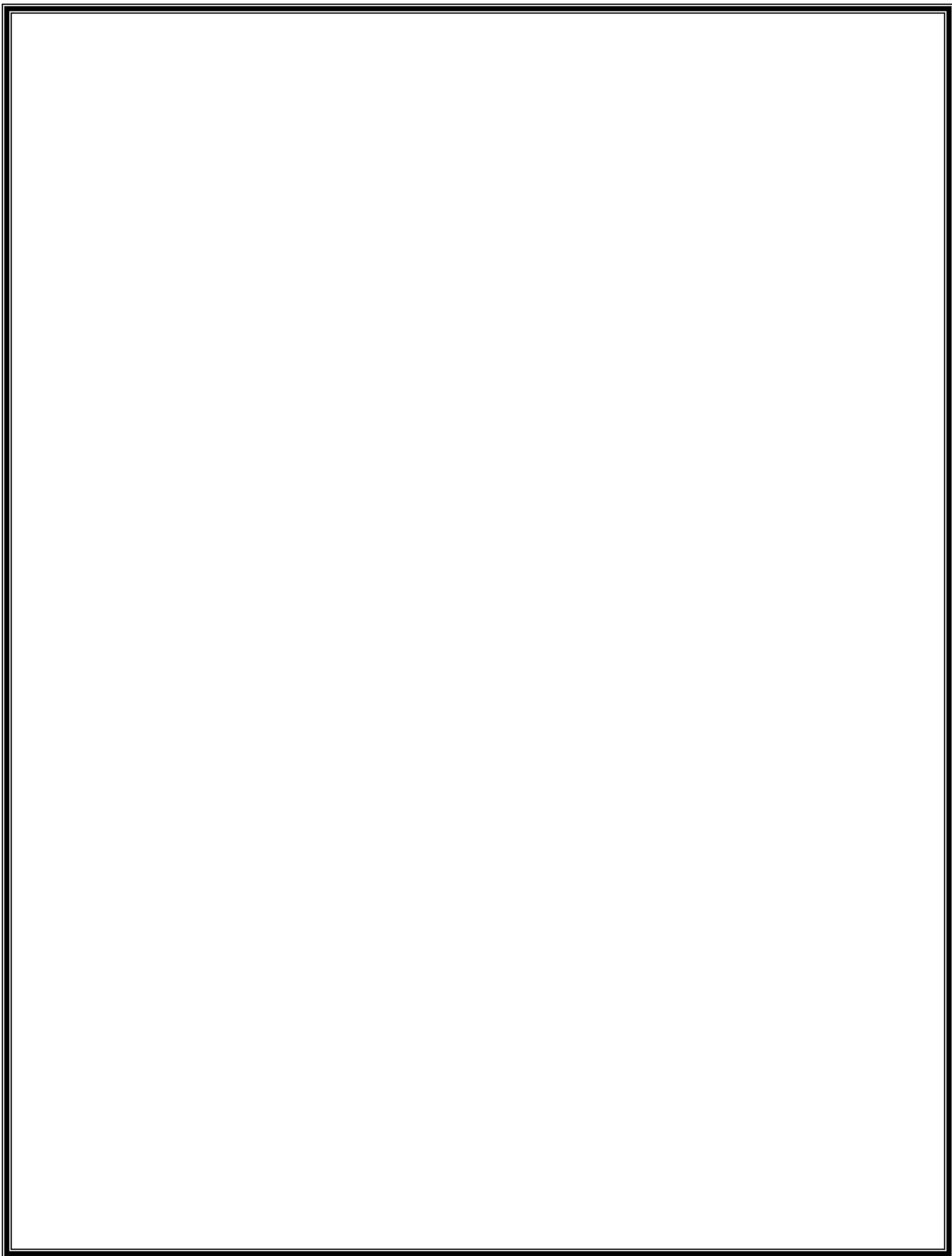
SME Development

3. While the for-profit BSOs recognized the importance of correctly assessing the needs of potential clients prior to fielding an advisor, the not-for-profit BSOs generally lacked the ability to do this. The more precisely the need was identified and the better it was matched with a potential advisor's expertise, the more likely the intervention was to succeed. Precise problem identification and subsequent appropriate matching with a consultant is a key element of successful consulting services.
4. FIRMA 2000 found that the cost and benefits of credit were not well understood by Polish consultants. And, the banking sector, unaccustomed to new business development practices, was doing little to reach and educate prospective borrowers. It became clear from the BSO/Bank/SME seminars that a little education can go a long way towards improving understanding on the part of all participants in the process. Improved dialogue among financial institutions, BSOs, and SMEs can significantly increase access to finance.

CROSS-CUTTING ISSUES

5. The study tours to the U.S. served to change the way of thinking of many BSO managers and also helped build important relationships between them and the FIRMA 2000 staff who participated. The participation of key FIRMA 2000 staff was an important element to the success of these visits.
6. Many of the SMEs and BSOs were well enough established to benefit from and contribute to networks of like organizations, both to share information and to influence the larger body politic. The business support organizations and enterprises highly valued the opportunities provided by FIRMA 2000 to get together, network, and exchange information and ideas. The networking meetings were the backbone of the many strategic alliances that ultimately were built among the BSOs.
7. It is inefficient, expensive, and confusing for the donor-funded SME programs to operate completely independently of one another. However, after several attempts to collaborate with other donor-funded programs, management concluded that this type of coordination can happen only when the donors themselves become involved by designing collaboration into their programs.
8. There are clear indications that increased cost recovery is possible without jeopardizing demand. This appears to be especially true in the area of training. The FIRMA 2000 experience demonstrates that not only can BSOs recover the cost of delivering training and consulting services to SMEs but they can earn a respectable margin as well. This is a particularly important finding for profit-oriented BSOs as they typically focus only on large firms. Donors should, however, keep in mind that firms having from 1-30 employees may still be unable to pay full fees and start-ups almost always require subsidized assistance. Because new business formation is so critical to the development of a healthy private sector, this cannot be over-emphasized.
9. Careful planning and matching of in-country needs and volunteer advisors are, of course, necessary to ensure a cost-effective program. However, with few exceptions, the donor requirement that volunteers provide technical assistance to several SMEs during their assignments and that they also train local consultants did not work well. Most of the volunteers were business people, not professional consultants and trainers, and training requires special skills to be done well. Evaluations indicated that a few did some training, but with less than optimal results. In countries such as Poland, where the market is quite sophisticated, the risk of delivering a sub-standard training program only increases when non-professional trainers are used.
10. It is far better to build BSO capacity than it is to provide direct firm-level assistance. FIRMA 2000's results demonstrate that both in the short-term as well as in the long-term, it is more effective to build the capacity of Business Support Organizations and local consultants to deliver firm-level assistance rather than have donor-funded providers deliver it. Many more SMEs can be reached and impacted; there is greater commitment to the objective of private sector development when current and future service providers are allowed to participate in its development; and it is simply more cost effective over the long-term to use local consultants.

Although FIRMA 2000 did provide direct assistance to a number SMEs, it was done with the intent of also providing BSO staff and local consultants with on-the-job training by a U.S. specialist. This could not have been accomplished in any other way.



Annex 1

Management Development Inserts:

- **Tips on How to Avoid Cash Shortages**
June Lavelle
- **Great Marketing Ideas to Grow Your Business**
Barbara J. Leff
- **Money In, Money Out: Understanding and managing cash flow**
June Lavelle
- **How to Conduct a Needs Assessment to Improve Employee Productivity**
June Lavelle
- **The Fundamental Principal of Great Management: Find out what you do well and do more of it; Find out what you don't do well and delegate that job to someone else**
June Lavelle

Annex 2

Sample Issue of “MIS”

Volume 1, Issue 1 July/August 1997

Annex 3

Polish Women Managers 2000: Survey Report