

CHAPTER 4

Enterprise Support Services and Sustainable Entrepreneurship

ESS assist entrepreneurs and business groups to improve their enterprises. They build upon and combine the latest insights and techniques on enterprise development and incorporate several tools to strengthen institutional and organisational development.



ESS

- *assist entrepreneurs and business groups to improve their enterprises;*
- *assist enterprises to address internal and external concerns; and*
- *help to provide a conducive, institutional, and market environment for enterprise development.*

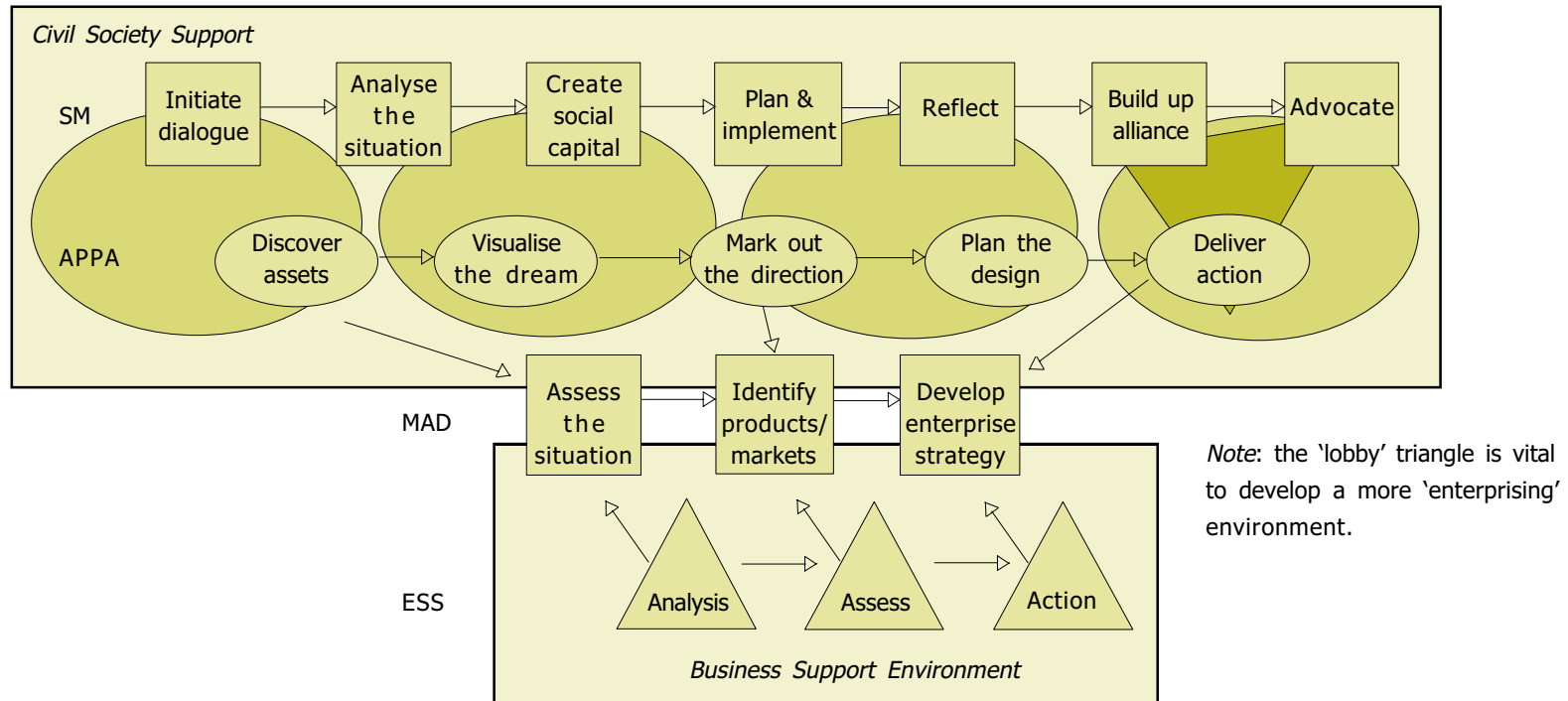
Introduction

Enterprise development improves a country's economy and provides people with a livelihood through employment. Within an economy, a healthy and efficient small enterprise sector enhances the mobility of resources and food security. Increased opportunities help small enterprises to perform better, foster networks of businesses, and improve the quality of jobs. Small enterprises have the capacity for innovation and growth and are a potent force for development.

Constraints to developing enterprises may be found in their internal capacity; access to markets, capital, and services; or in external factors such as hindering policies or poor infrastructure. Enterprise Support Services (ESS) have formulated various strategies to overcome these constraints and facilitate the development of enterprises. Thus, ESS improve the performance of an enterprise, its access to markets (finance and technology), and its ability to compete.

Essentially, ESS aim to facilitate a sustainable livelihood for micro and small entrepreneurs in rural areas. The services use the 'Triple A' approach: Analysis, Assessment, and Action. This is the final (but not last) stage in the continuum of entrepreneurial capacity development that starts with Market Analyses and Development (chapter 3) for

Transforming Initiatives Toward Enterprising Activities



establishing sustainable entrepreneurship. ESS again use the techniques of Social Mobilisation (chapter 1) and Appreciative Participatory Planning and Action (chapter 2) to reorient participants and help further strengthen their working capacity as a group.

For enterprises to survive and grow, they need to be part of a network and might need to enter into partnership with one or more of the other players. Partnerships and networks are established for a variety of reasons and have the potential to develop the provision of informal and formal support services.

CLASSIFICATION OF ENTERPRISES

An enterprise is a business undertaking that takes risks so as to gain profit. Enterprises can be classified according to their level of development. They range from survival enterprises to large enterprises. Based on their level of development, different strategies for enterprise support can be distinguished. For example, if a programme decides to focus on survival enterprises, which are mainly engaged in part-time, income-generating activities, a community development approach suffices. SM (chapter 1) of this toolkit is particularly helpful in supporting this approach;



however, the more an enterprise progresses from a survival to a large enterprise, the greater the need for an integrated package of ESS. The figure on the next page briefly outlines the various kinds of enterprises with appropriate support strategies (refer to the table) that can be applied.

MICRO-FINANCE

Micro-finance has evolved as an economic development approach and as a sector intended to benefit people with low incomes. It is mainly oriented toward making financial services more accessible to household and micro-enterprises. In order to guarantee the provision of these financial services in the future, micro-finance aims at the sustainability of micro-finance institutions (MFIs). Financial services generally include savings and credit; however, some MFIs provide insurance and payment services. Many MFIs provide social mediation services, such as helping to form groups; developing self-confidence; and training in literacy, health care, marketing, bookkeeping, and management. Thus, the

definition of micro-finance often includes both financial and social mediation aspects. There is a tendency to encourage MFIs to separate financial services from non-financial social mediation services, and this internal adjustment increases efficiency and transparency.

In the past decade, micro-finance has been recognised as an effective intervention for three reasons.

- The services provided can be targeted specifically at the poor and poorest of the poor.
- These services can make a significant contribution to the socio-economic status of the targeted community in general and of women in particular.
- The institutions that deliver these services can develop into sustainable organisations with steady growth outreach within a few years.

BUSINESS DEVELOPMENT SERVICES

Business development services (BDS) refer to a range of non-financial services provided to enterprises at various stages of development. Offered on either a formal or an informal basis, these services improve the performance of an

'Triple A' Approach to ESS

Stages	Objectives
Analysis	Collects information at various levels
Assessment	Identifies strategic options and strategies
Action	Gains insight into implementation

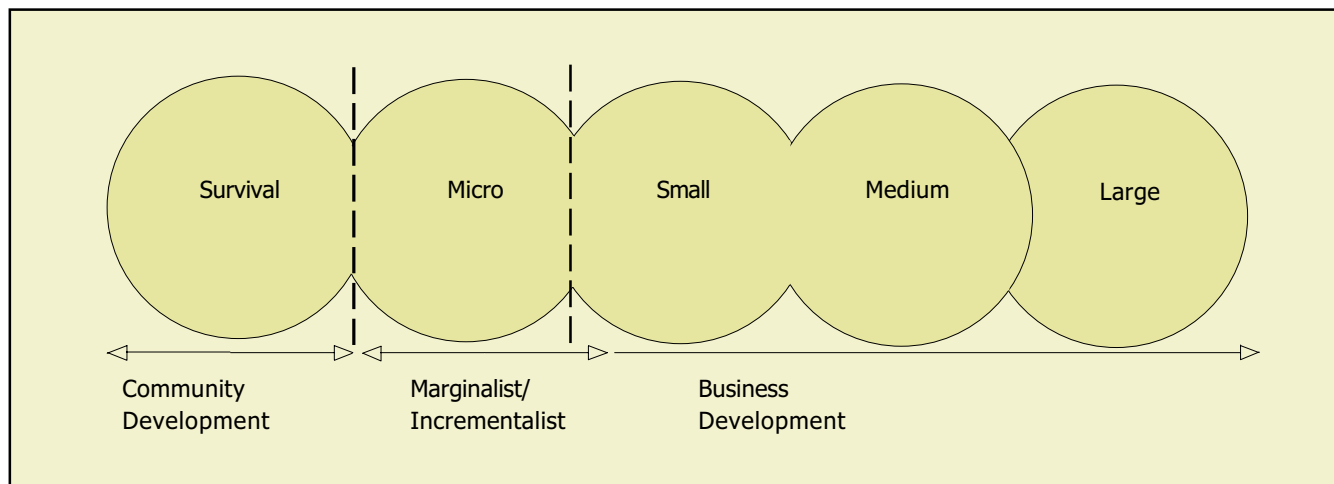
enterprise, its access to markets (finance and technology), and its ability to compete. BDS can help overcome constraints such as saturated markets, outdated technology, inadequate skills, and regulatory constraints. The BDS field is presently undergoing a shift in paradigms and approaches. New and emerging models of BDS put greater emphasis on reaching large numbers of enterprises by establishing sustainable market-based services. There is a wide range of services, but in general seven categories can be distinguished that are presented in the table on page 107. The types of BDS that are necessary and need to be supported will, amongst other things, depend on the size of the enterprise and will be identified during the sub-sector analysis (stage I, step 2).

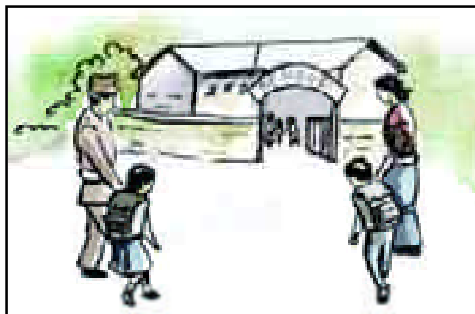
Note: ESS differ from BDS in the sense that they include both financial (micro-finance) and non-financial services.

Support Strategies

- Community Development: creation of a socioeconomic environment in which these units can survive by self-employment in income-generating activities.
- Marginalist/Incrementalist: strengthening more capable micro-enterprises with low-cost business development interventions.
- Business Development: relatively more costly interventions to begin formalisation, gain access to formal institutions and enter into dynamic growth.

Classification of Enterprises





PLAYERS IN BDS MARKETS

There are different players involved in BDS markets and these are briefly presented below.

Enterprises. The demand side of the market comprises of micro and small enterprises that are mostly profit oriented and are the actual or potential clients of BDS providers.

BDS providers. They provide services directly to enterprises. They include private businesses, business membership organisations and associations, non-government organisations (NGOs), and national or sub-national government agencies.

BDS facilitators. They support BDS providers. For example, they develop new service products, promote good practice, and build provider capacity. BDS facilitators work on the demand side, for example, they educate enterprises about the potential benefits of services, or provide incentives to try them.

Donors. They provide funding for BDS projects and programmes.

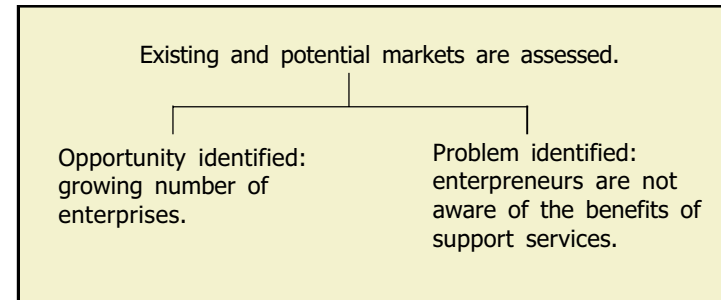
Government. Providing funding for BDS projects and programmes, their principle role is to provide an enabling policy and legal and regulatory environment for enterprises and BDS providers. They provide public goods such as basic infrastructure, education, and information services.

Business membership organisations such as business clubs, associations, and Chambers of Commerce are regarded as important catalysts for the development of enterprises. They have demonstrated that they can play an important role in advocating enterprise interests and provide services to a lesser extent.

Generally private businesses are successful BDS providers; however, it has been assumed that they mostly cater to larger enterprises. Their services are different from those provided by NGOs and governments (for example, business training and counselling).

GENDER AND ENTERPRISE SUPPORT SERVICES

There are some gender-based obstacles at various levels that interact and reinforce one another in the fields of micro-finance and BDS. The table on page 108 presents some common gender-based constraints at different levels. The household level refers to the social relations within the household — including the extended family, and these are constraints that exist due to a woman's lack of skills, experience, knowledge, and confidence. Other constraints presented are related to what the wider society imposes on women in terms of norms, behaviour, legal rights, and perceptions regarding the value of what they do.



Types of Business Development Services

Category	Description
Market access	All the services directly or indirectly relate to facilitating access to markets. These cover areas such as market research, market promotion, market information, and market linkages.
Training and technical assistance	Services include feasibility studies and business planning, management and technical training, counselling/advisory services, legal services, financial and taxation advice, etc. These can be provided on a collective basis or to individual enterprises.
Input supply	Services relate to the inputs that enterprises need such as facilitation of linkages, information, bulk buying, or improving providers' capacity to provide a regular supply of quality inputs.
Technology and product development	Design and development of technology and its dissemination or development by enterprises. This includes maintenance and supply of replacement parts.
Infrastructure or logistics	Services needed for operation such as storage facilities, transportation and delivery, telecommunications, information through print and radio, and computer services.
Policy/Advocacy	Services that concern the policy environment in which enterprises operate. These include analysis, interpretation, and communication of regulations as well as direct advocacy or training in advocacy and policy studies. Policy reform is an important service in certain cases.
Financing	Services that aim at facilitating linkages with (micro) finance services or create access to alternative financing mechanisms.

Gender Based Obstacles in Micro-Finance and BDS

	Individual	Household	Wider community/National context
Financial	<ul style="list-style-type: none"> Women lack access to BDS and financial services. 	<ul style="list-style-type: none"> Men's control over cash income and expenditure patterns 	<ul style="list-style-type: none"> Perception of men as controllers of money and loans.
Economic	<ul style="list-style-type: none"> Women undertake activities that produce low returns. Women have a heavy domestic workload. 	<ul style="list-style-type: none"> Gender division of labour Unequal access and control of land, labour, and inputs Unequal control of joint household produce and income 	<ul style="list-style-type: none"> Women are paid less for equal work. Women are bound in household work or low-paid jobs. Stereotypes of appropriate roles for women in the economy. Women lack access to markets for inputs and outputs.
Social/Cultural	<ul style="list-style-type: none"> Women are not literate or educated. Girls' education is not prioritised. 	<ul style="list-style-type: none"> Limited role for women in household decision-making Violence toward women 	<ul style="list-style-type: none"> BDS providers and financial services do not view women as a potential market. Women's mobility constrained by social norms. Negative attitude toward business women
Political/Legal	<ul style="list-style-type: none"> Women lack confidence to claim political/legal rights. 	<ul style="list-style-type: none"> Women lack legal rights to jointly owned household assets 	<ul style="list-style-type: none"> Women's legal rights to household assets not defined in law or useful for collateral. Women lack political positions to establish appropriate laws. Women lack legal rights to land (traditional and formal).