

Stage II: Assessment

OVERVIEW

After selecting potentially viable sub-sectors and analysing information, Stage II helps to plan out the necessary intervention. Assessment involves the following steps: strategic orientation (SO), identification of enterprise support services, market assessment of identified services, design intervention, and selection of partners. Through this process, we are able to come up with inputs that can be used for designing the intervention. During this stage, market assessment forms the basis for selecting support services.

Assessment

- *formulates strategic options for intervention based on external and internal analyses;*
- *identifies enterprise support services that address constraints for enterprise development; and*
- *provides insight into the existing and potential market for such services and identifies opportunities and problems related to that market.*

METHODOLOGY

Step 1: *Arrive at a number of alternative strategies using the SO tool.* The SO is one of the tools used to formulate and select strategic options that are based on strengths, weaknesses, opportunities, and threats (SWOT). These are analysed and serve as a basis for formulating strategies. Please refer to the next page.

The SO can be approached using a two-step level: using the SWOT analysis and then the strategic orientation matrix.

The combination of external and internal analyses is called SWOT analysis. The following is a description of the different elements of SWOT.

Strength: an internal characteristic that contributes substantially to the realisation of the organisation's mission. It includes any existing internal asset that will help to take advantage of opportunities and fight off threats.

Weakness: an internal characteristic that negatively and substantially influences the functioning of the organisation. Weaknesses are internal conditions that erode the organisation's position, hamper cooperation with others, or obstruct the exploitation of opportunities.

Opportunity: an external fact or development that, if taken advantage of, can substantially contribute towards the realisation of the organisation's mission.

Threat: an external fact or development that has or can have a substantial negative effect on an organisation's performance.

Strategic options can be formulated that take advantage of opportunities or reduce threats depending on the

opportunities and threats. A few options have to be selected based on predetermined criteria or by voting. Options are further selected by matching them with the strengths and weaknesses in the strategic orientation matrix.

Step 2: Identify enterprise support services. Once strategic options have been formulated, the next step is to identify support services that address constraints and opportunities in the development of enterprises. The BDS matrix helps to analyse the existing provision of services and, for each constraint, the services as well as the (potential) provider can be identified. An ESS market assessment of various services will help to select the right service market.

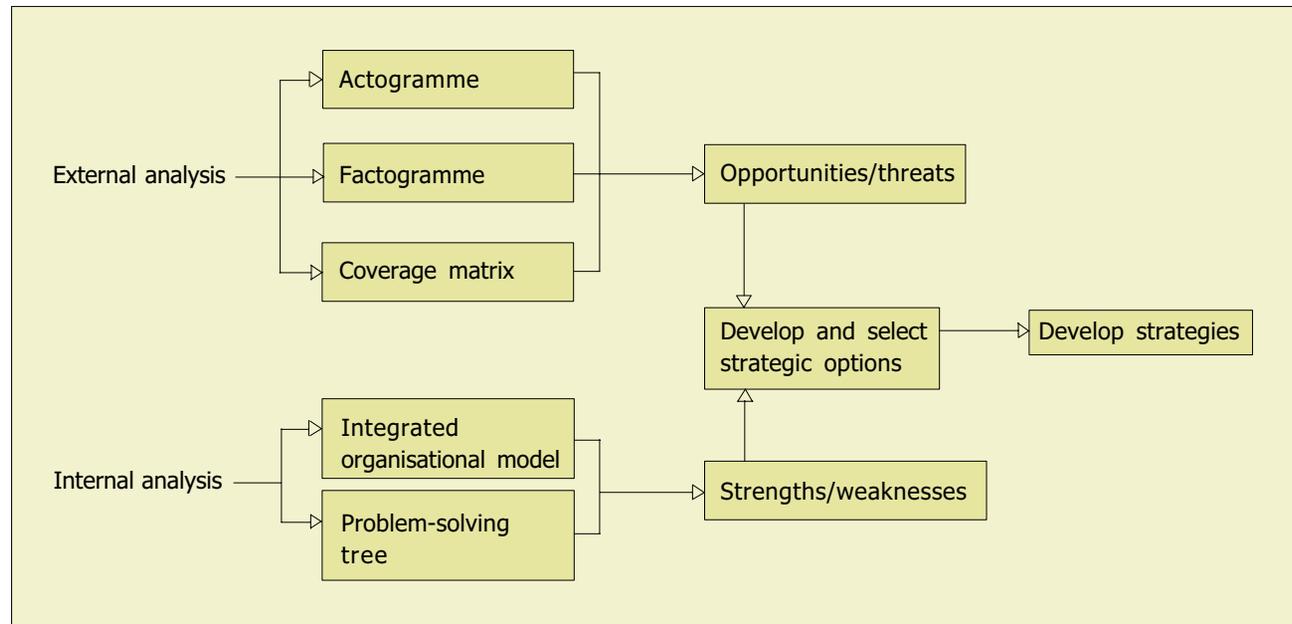
Step 3: Carry out ESS market assessment. This assessment creates insights into the existing service market for certain services and products and helps to identify problems and opportunities related to that market. It will be the basis for the design of the intervention. Understanding the market for a particular service involves knowing several aspects, i.e., demand, transaction, supply, technology, etc.

An ESS market assessment should address the following questions.

Demand

- Which types of enterprises are using which services?
- What benefits are enterprises looking for from services?

Process of Strategic Orientation



- How aware are enterprises about services? Do they understand the benefits of the services?
- What is the size of the market?

Transaction

- How big is the market? What percentages of enterprises have tried a particular service?
- Why do enterprises use the service? Why do enterprises not use the service?
- What percentage of enterprises acquire services through fees for service transactions, services embedded in other commercial transactions, services paid for by a commercial third party, and free services?
- How are the services delivered? How do enterprises want services to be delivered?
- What are the service features that enterprises want? How satisfied are enterprises with the supply currently available?
- What is the cost paid by enterprises for services?

Supply

- What types of providers exist?
- What range of products is available?
- What are the strengths and weaknesses of current providers?
- What do enterprises use as substitutes for BDS providers?
- How many providers are there?

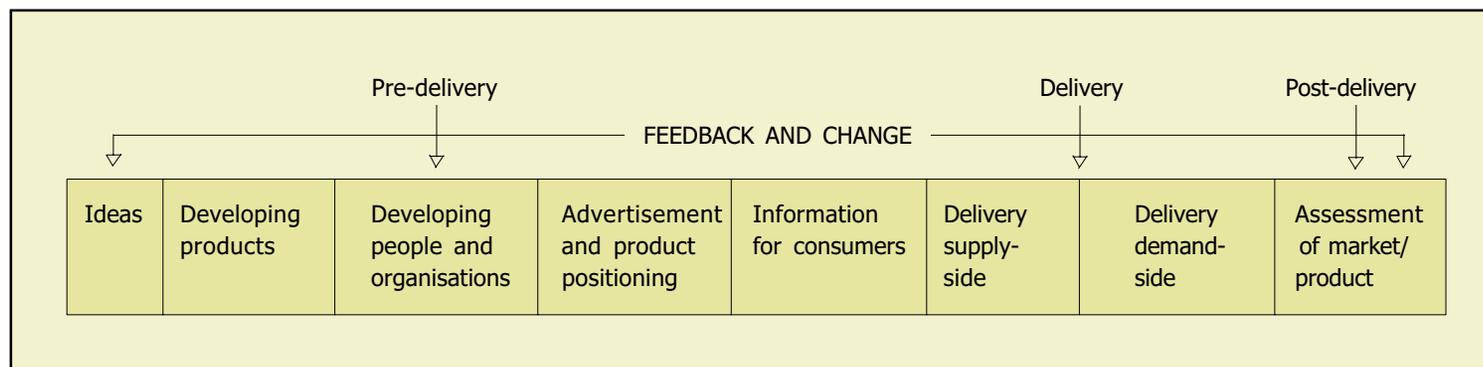
Analysis of this information will provide insights into the market about different services and give an indication of the major constraints of a particular service. More in-depth tools can complement this analysis; for example, the usage, attitude, and image (UAI) study; focus group discussions (FGDs); and suppliers' diagnostics. The UAI study is a consumer research tool. Please refer to guidelines for further information.

A starting point for the development and promotion of services is to consider the consumers of these services and the enterprises. They can provide specific information on

Potential for Intervention

Intervention Matrix		Supply for service	
		Weakly developed	Strongly developed
Demand for service	Weakly developed	Limited potential for intervention as there is nothing to build on.	Good potential for intervention as there is potential to build on (stimulate demand side).
	Strongly developed	Good potential for intervention as there is potential to build on (support supply side).	Limited potential for intervention as market is effective.

Phases in Delivery of Services



the services they need, their level of satisfaction with the present services (if any), and how they would like to see the services improved. The UAI study has been used to help choose BDS services and design intervention for market development.

Step 4: Design the intervention. The ESS market assessment is the basis for the selection of services to support. It will provide valuable input for the design of the intervention. Three things should be considered about the intervention: the potential for intervention, the desired focus of intervention, and the gap between the supply and demand. The potential for intervention will depend on the strengths of the market. This is in turn determined by supply and demand. The best starting point for an intervention is the market with a weak demand and strong supply or vice versa.

The existing market will face fewer distortions, if the intervention occurs at either the pre-delivery or post-delivery phase (figure above). These interventions maintain or promote competition in the market, are limited in time, and do not damage the relationship between (commercial) suppliers and enterprises.

Another consideration when designing the intervention is to differentiate between supply-side and demand-side interventions. Obviously, this choice is related to the outcome of the ESS market assessment.

Examples of demand-side interventions are information to raise awareness of the potential benefits of BDS and incentives to try them, such as vouchers and matching grants. Supply-side interventions include developing new products and services, technical assistance, and training or other capacity-building activities for service providers.

Step 5: Select service providers. It is necessary to select suitable partners who will be in charge of implementing the intervention plan. The following criteria should be taken into account when selecting a partner.

Business-like operations: successful service providers deliver services in a business-like manner. These providers are demand-led, entrepreneurial, focus on core businesses, and understand the needs of clients. Private, for-profit providers tend to demonstrate these characteristics best.

Build on what is already there: build the intervention on what is already in place; this will contribute to sustainability and ownership.

Subsidiary: delegate responsibility to the lowest level possible and to those who are closest to the enterprise, both geographically and socially.

Open access: technical assistance and incentives should be open to all market players in order to prevent distortion of the market.

Selecting provider(s) comprises of several steps.

- Firstly, the institutional analysis and BDS matrix presented in stage I will provide insight into the institutions providing ESS and will help to identify most local organisations that could be potential service provider(s) in the intervention.
- Secondly, the ESS market assessment (step 3) will help to identify the most critical support services needed.
- The third step involves matching the support services needed with the potential service provider(s). A rapid institutional assessment of potential service providers can help make a selection.

GUIDELINES

1. External analysis provides insights into opportunities and threats, whereas internal analysis looks into strengths and weaknesses. Other tools used for this analysis include the district mapping, sub-sector analysis, factogramme, actogramme, and the coverage matrix. Internal analysis can be supported by the integrated organisational model or a problem-solving tree of the organisation(s) concerned.
2. One of the key issues when formulating strategies is the expected leverage. Leverage refers to the ability to impact a large number of enterprises at the same time. Areas with potential for leverage include:
 - enterprise clusters (trade associations or geographic groupings that allow you to work with numerous small firms at a given location);
 - areas of policy constraint (elimination of restrictive practices and regulations that constrain the activities of a large number of entrepreneurs); and
 - key actors (organisations that supply inputs, purchase goods, or provide services to small firms).
3. Markets for different business development services are often very different; therefore, it is recommended to focus only on a few services.

4. The UAI study generates a broad, quantitative overview of a market and pinpoints specific market constraints and opportunities. The study looks at the market for a single service; however, it has been adapted to function as a tool to compare a variety of services and understand the BDS market in general. It gathers information through a survey of consumers, either enterprises in general or a specific segment. By using random sampling, the UAI study generates a statistically significant picture of the market. UAI surveys require skills in market research and statistical analysis, but a reasonably small sample of 100 to 500 can yield accurate data on the entire market.
5. FGDs are targeted discussions with groups of consumers managed by a facilitator. Discussions with service users reveal consumers' experiences with the services, their reasons for using them, their satisfaction with them, and what they want changed. Discussions with non-users reveal how non-users receive the benefits of the service elsewhere, why they do not use the service, what would make them use the service, and what service features they would like. A FGD is a qualitative tool that yields

specific ideas for marketing and improved services.

6. The suppliers' diagnostics tool helps to examine the supply-side of the market and helps to obtain providers' views of the market. Information needs to be gathered from a range of different providers: private BDS providers (big and small), informal providers, embedded service providers, government sectors, and NGOs. Suppliers' diagnostics can be carried out by interviews and observations of providers who offer a particular service.
7. Combining suppliers' diagnostics with the UAI consumer research tool helps to identify gaps between supply and demand.
8. Focus of intervention plays an important part in design intervention. Focusing on too many problems and opportunities at once might reduce the effectiveness of the intervention. Begin with a few related problems and opportunities and expand only when there is success.
9. During selection of provider(s), core components of institutional capacity can be analysed: vision, human resources, activities, and financial viability. The partner selection tool can be used for the selection of provider(s).

Use of Tools

Strategic orientation matrix, BDS matrix, UAI study, focus group discussions, suppliers' diagnostics, district mapping, sub-sector analysis, actogramme, factogramme, coverage matrix, integrated organisational model, problem-solving tree, and partner selection