

Business Edge: Status and Disposition

Business Edge (BE) is a branded training program for managers in small and medium enterprises (SMEs) that IFC began in Vietnam in 2001 and is now available in ten other countries in Asia and the Middle East. Successful and highly regarded, the program has been well subsidized by IFC and other donors. As of June 2007, 660 trainers and approximately 100,000 participants had received training. This issue of *Monitor* summarizes conclusions of an external, independent evaluation of BE's quality, cost-effectiveness, competitiveness, and impacts to contribute to discussions on the program's future. The review found BE to be overall well managed, of high quality, and effective as well as cost-effective. BE has also proved remarkably adaptable to different environments without losing its unique character.

Business Edge (BE) uses blended learning approaches, consisting of short training seminars and more than 30 stand-alone workbooks. In Cambodia and the Middle East, the program also sponsors television programs. The program is noted for its interactive, practical, and application-oriented style of delivery. Carefully trained and licensed trainers deliver BE material through licensed partner organizations, usually small for-profit training companies. The program is available in Vietnam, Cambodia, Lao People's Democratic Republic, Sichuan and Xinjiang provinces of China, Egypt, Saudi Arabia, Oman, United Arab Emirates, Yemen, Palestine, and Jordan. Dedicated IFC staff manage the BE brand through IFC's Mekong Private Sector Development Facility (MPDF), Private Enterprise Partnership-China (PEP-China), and Private Enterprise Partnership-Middle East and North Africa (PEP-MENA).

In June 2006, at IFC's request, independent consultant Malcolm Harper undertook an evaluation of BE's effectiveness and efficiency, in which he also considered whether BE might increase its impact if it separated from IFC entirely. To this end, he met with trainees, trainers, and staff of partner institutions as well as staff at IFC facilities and headquarters. Some of these interviews took place during site visits in Vietnam, Cambodia, China, and Egypt and included in-depth interviews with 14 trainees, six trainers, and seven partners. The review took a broad look at the BE program in the context of its institutional IFC "home," its markets, and current thinking on business development services.

What is Business Edge?

Business Edge is an SME management training program focusing on many of the functional and operational deficiencies that prevail in such enterprises. Its comprehensive training program consists of 36 management courses on five different topics (marketing, human resources, production and operations, finance and accounting, and productivity skills), a delivery methodology (training of trainers, trainer manuals, etc) and an advisory component. The program's delivery vehicles are private training institutes, which enter into an agreement with IFC and in turn adopt Business Edge as part of the business model and offer it to the SME public. IFC accredits these institutions, trains their trainers, and provides hands-on support in helping them deliver the program.

HOW EFFECTIVE IS BUSINESS EDGE?

In general, the review demonstrated that BE is an effective, high-quality SME management training program. Its interactive, practical, and application-oriented style of delivery is unfamiliar and welcome in the markets where it is delivered. The BE program is well managed, and competently monitored and evaluated. The program is cost-effective, as measured by relating total costs of BE



(including MPDF contributions) to concrete benefits derived from the training for client businesses. BE training products have also been presented in many different ways; therefore, BE has proved remarkably adaptable to substantially different environments without losing its essential ethos.

HOW DOES BE COMPARE WITH INTERNATIONAL BEST PRACTICE?

The BE program appears fairly consistent with international best practice in SME management training, as defined by a panel of experts organized by the consultant. Aspects that appear to adhere to such best practice include the following:

- The BE material and the trainers work successfully with both small and large businesses.
- All BE courses combine highly participative, carefully structured classroom sessions and workbooks that cover the same or complementary topics.
- Rigorous BE trainer selection, training, and accreditation and regular assessment procedures ensure effective course delivery.

Initial subsidization of SME management training is common around the world; however, best international practice suggests that it is preferable and more appropriate to concentrate the subsidies at the “top” of the value chain. BE is heavily subsidized, mostly at the top of the value chain within the MPDF, PEP-China, and PEP-MENA programs (i.e., material development and partner capacity building are subsidized, but actual service delivery to customers is on commercial terms). IFC has little concern for cost recovery at its level. IFC heavily subsidizes the BE program and—for reporting purposes—nets very modest revenues against costs. The balance of support comes from a wide range of donors who wish to alleviate poverty and are not directly involved in donation allocation within a facility. The fees charged for trainer training and partner registration cover direct costs, but earnings are currently small relative to costs.

BE does differ from international practice in making little use of colleges and universities as training partners or providers, possibly due to the traditional theoretical and academic bias of most tertiary learning institutions in poorer countries and tendency for newly established business schools in these countries to focus on the needs of large businesses and multinationals.

HOW DOES BE DIFFER FROM ITS COMPETITION?

BE differs from similar programs in certain critical aspects:

- In contrast to the International Labor Organization’s “Start and Improve Your Business” (SIYB) program and

the “Creation of Entrepreneurs, Formation of Enterprises” program (CEFE), formerly of GTZ, BE is directed at managers in formal and established businesses, rather than new entrepreneurs. BE also has more potential for sustainability at the point of delivery, because delivery partners are mainly private businesses and SME clients are able and willing to pay a price for BE training that covers at least variable costs. Some owner-managers do attend BE courses (indeed, there are specific courses for such attendees), but the main market has been employees or middle managers.

- Although BE based its first 20 workbooks on Institute of Leadership and Management (ILM) material, ILM targets first-line supervisors in companies of any size in contrast to BE’s focus on SMEs.
- Luton University’s Knowledge@Work Leadership and Management programs and the Cranfield Business Growth and Development Program require subsidy at the client level. This is also true of the SIYB and CEFE programs. BE does not and, therefore, has more potential for eventual sustainability at the point of delivery.

HAS BE TRAINING HELPED SMES?

BE training can reasonably be assumed to provide good value to its clients, because they pay for it and come back for more (see box). It is important to assess BE training quality independently of client willingness to pay, however, because the training is subsidized and SME managers are motivated to take BE training by other factors than a desire to improve performance—for example, compensation for good performance or confirmation of ability.

Customer Care in Cambodia

As deputy manager of the quality control department at Phnom Penh airport, Huon Soknymph had always wanted to improve his management ability. He took a one-day BE training course on customer care and later a BE course in effective management at a local private university, paying the fees himself. Soknymph has applied the delegation skills he learned. For example, delegating preparation of a weekly quality of service report to a subordinate allowed Soknymph time to prepare training material for a course he will teach on service quality for recently recruited staff on expanding Siem Reap airport. Soknymph plans to use case studies and other participatory activities in the training that he himself enjoyed in the BE courses he has taken.

Customer repeat purchases and client feedback through surveys and less structured group and individual meetings all indicated BE training is of high quality in content and delivery method. This is an outstanding achievement, because the distribution system has successfully popularized and depersonalized the delivery of the product without damaging its quality.

In addition, BE's training of trainers program is universally admired and applicable far beyond equipping trainers for the SME sector. Without compromising quality, this distribution system has successfully standardized delivery of the product to not depend on any individual trainer.

BE as a Life-Long Tool

Phan Van Hieu comes from a long line of teachers in Vietnam, but for financial reasons joined the Tu Dong Elevator Company. Over time, he helped build the company's success, ultimately acquiring 10 percent of the company's equity. Van Hieu was impressed by a BE marketing workbook that he had bought from a bookshop and enrolled in the BE trainer training program. The training opened his eyes to a wholly new approach to learning. He now uses BE training for the 72 staff in his department, and spends several evenings and weekends every month as a BE trainer for other organizations. He is a teacher at heart, and feels he is serving the community by offering this training.

IS THE BE VALUE CHAIN EFFECTIVE?

The BE wholesale delivery model shows that business development services can profitably be delivered by independent private businesses, but no evidence exists that fee revenue can cover the costs of originating the materials and training and of supporting and monitoring the trainers and training partners. The fee earnings to IFC facilities are insignificant compared with the costs. Separation of BE from IFC facilities would substantially reduce costs of program delivery and increase revenues; however, no SME management training program exists (in developed or developing countries) in which program development costs have not been subsidized.

A unique feature of the program is the BE brand, which has been deliberately managed to promote the overall value proposition. The brand has so far proved an effective device for holding the BE value chain together by marketing the intangible product of management training and disseminating good practice in both training and management as widely as possible. The BE brand is now firmly rooted and sufficiently robust to carry over to fields other than management.

DOES BE STRENGTHEN SUPPLY AND DEMAND OF SME MANAGEMENT TRAINING IN ITS MARKETS?

BE is supported by workbooks, television programs, and other media. BE training is sold to SME clients and larger businesses by licensed training partners and trainers. The fees paid by these clients cover the variable costs of the training and workbooks. BE has thus contributed to generating effective demand for good quality training and shown that its supply can be a profitable business.

ARE SUBSIDIES FOR BE A GOOD INVESTMENT?

Assessing the investment value of subsidies of the BE program is difficult, because initial developmental costs are high and because results may come far in the future and are not easily calculated. Every trainee interviewed, however, repeatedly used such words as "practical" and "applicable" regarding their BE training experiences. Additional earnings from changes trainees make—to their employers and possibly themselves—would presumably represent a good return on the total cost of their training and not just on the course delivery fees they paid. If increases in corporate profits, and individual earnings are considered returns on development investments, BE is probably cost-effective. It should be noted, however, that BE's style of SME training is no longer unique in some developing markets; although a case may be made for rural China, further foreign donor subsidy cannot be justified in urban China, where competition exists, but there is no poverty justification for further donor assistance.

DOES BE CROWD OUT COMPETITORS?

The answer varied among countries. In Cambodia, BE appeared unique in its approach. Although this type of training was earlier totally unavailable in Vietnam, a number of organizations have reportedly started offering similar interactive programs, catalyzed by the introduction of BE into the market. In Sichuan, training of this type was familiar, albeit somewhat more expensive than BE, and usually "imported" from Beijing or Shanghai; in a frontier province such as Xinjiang, such training is much more scarce. In Egypt, one or two suppliers of similar training were active, but much more expensive than BE. In Yemen, BE training was new and thus very popular. Several British suppliers of participative management training are active in Oman and other of the wealthier PEP-MENA countries.

Some clients as well as BE partners in Vietnam said that BE had led the way in management training of this type and encouraged entry of other training entities. BE's main impact on the market appears to be in developing training partners, and their clients are now willing to use local BE trainers. BE training, therefore, is not unique, but may have created much demand and thus the market, at least in Vietnam. If so, the program should continue in those markets, but without subsidies.

DOES BE ALLEVIATE POVERTY?

Most governments and donors have supported SMEs partly because they believe it helps alleviate poverty; some development agencies and donors now favor the value chain approach in the belief that SMEs are better addressed in the context of a particular industry. The BE approach is, however, essentially sector neutral, although the work of First Egyptian Engineering shows how it can be effectively blended with and support of sector-specific training (see box).

Blending BE with Technical Training

Dr. Inas Ghanem, an engineer, manages the training division of First Egyptian Engineering, a large technical consultancy business. She knew how difficult it was to persuade small business managers in technical fields to accept training in management, despite a real need. Inas enrolled in the BE trainer training program and was impressed by BE training methods. She later designed an experimental program called “Techno-Management Training,” which applied BE-type application-oriented training methods to diagnosis of both technical problems in diesel engines and management problems in small engineering companies. The combination has proved very successful; participants came to recognize the value of management training when bundled with technical skill training, and First Egyptian Engineering had added a valuable new training product.

BE is also somewhat scale neutral. Although the program is marketed as SME management training and the majority of trainees’ businesses are small because BE trainers and partners have agreed to spend most of their time with SMEs, managers from larger companies are not excluded. The BE workbook and training manual texts are clearly not designed primarily for people working in sole proprietor businesses. Furthermore, as partners and trainers grow in competency, they are more likely to sell training to large buyers as well as SMEs, so the benefits of BE training are certainly not confined to SMEs.

BE training can be justified as a good use of taxpayers’ money that is intended to alleviate poverty if it cost-effectively improves the management of the businesses whose employees are trained (which it does), if these improvements would not have happened anyway (which they

probably would have in some markets, such as Sichuan, but not in others such as Cambodia, Laos, or more remote rural areas of Vietnam, China, and some Middle Eastern countries) and if greater prosperity of the client firms leads to a reduction of poverty.

THE FUTURE OF THE BE PROGRAM

Given the results of the above evaluation, the reviewer presented arguments for and against the BE program separating from IFC:

For separation:

- IFC premises, employment terms, and institutional culture are fundamentally unsuitable for what must be a low-cost, results-oriented business.
- Some SME clients believe BE training provides a fast track to loans, and BE’s “project” image makes it difficult to charge economic fees.
- IFC is not a secure home for BE, whose brand requires indefinite continuity to succeed.
- Existing separation of the BE brand from IFC is in the long-term interest of all stakeholders, but it cannot be complete as long as BE remains within IFC.

Against separation:

- If BE is working well, why change its status with IFC?
- BE is highly visible and a well-regarded brand, which broadens IFC’s exposure and demonstrates its commitment to poverty alleviation through SME development.
- BE client businesses often have or can develop links with larger businesses that have been or may be financed by IFC.
- IFC is extending special credit lines to banks for “on-lending” to SMEs, particularly in Africa, and repayment performance of borrowing SMEs’ can be directly improved through BE training. Financing and training should be closely coordinated under the same institution.

Despite these latter arguments, the evaluator concluded that the BE program should separate from IFC and be handed to local training companies or NGOs at the provincial, national, or regional levels. He further suggested that an international BE foundation be set up to manage the brand and facilitate financial and other support for it. If the right people cannot be found to “own” and manage the national and international entities, attempts should be made to sell BE to an international training company or elsewhere.