If you need to sell your advisory project’s services to reluctant private-sector clients in a challenging local business environment, this SmartLesson is for you. It is based on our recent experience of persuading Kyrgyz joint-stock companies to improve their corporate governance practices.

BACKGROUND
The IFC Central Asia Corporate Governance Project in the Kyrgyz Republic launched its client activities in March 2008. The overall project objective is to improve corporate governance practices of local joint stock companies and banks to increase their ability to attract investments. Providing companies with training seminars and direct consultations on corporate governance issues are key project outputs. Companies showing dedication to corporate governance reform through such cooperation may then be selected by the project to be “corporate governance pilot companies.” Through the pilot program, the project performs a comprehensive corporate governance assessment of a limited number of companies and provides detailed assistance to improve the companies’ governance, so that they can serve as an example to the local business community.

After holding several public seminars and advertising in local newspapers, we expected a burst of calls from companies hungry for our consultations. Instead, we received only four requests in the first two months. Direct marketing seemed to be the only way out of this situation. We held numerous introductory meetings with companies, hoping to convince them that our advice wouldn’t be based only on theoretical best practices, but also could be of practical use within the business environment of the Kyrgyz Republic. The companies were reluctant to share their current corporate governance practices and documents with the project experts. Most of them expressed real skepticism about the project’s ability to render meaningful assistance, and they didn’t hide their feelings.

Indeed, the first thing we heard from these companies was: “There is no such thing as a free lunch.” Numerous donors have technical assistance programs in the Kyrgyz Republic, but not all of them have been found to be credible in the local business community. For this reason, people did not believe that free advisory services could be efficient and usually suspected ulterior motives. Although most of the companies were very much interested in investments and/or grants, they simply didn’t see any benefit from our advisory services.

Because of the project’s limited resources, we couldn’t meet with all the companies we wanted to cover. That’s not surprising, as there are more than 900 joint stock companies in the Kyrgyz Republic, and the project had only two staff members. Therefore, we needed to change our business development strategy. In doing so, we learned some vital lessons that might be useful for other projects faced with similar challenges.
LESSONS LEARNED

Let Your Partners be Your Friends, or How to Make 100 Friends

1) Create win-win situations with government partners.

Because one of the project’s objectives is to reform the regulatory environment in the country, we wanted to work with the state body authorized to supervise joint-stock companies and help develop the corporate governance framework. Our key partner from the government side was the state regulator, Service of Financial Supervision of the Kyrgyz Republic. We learned that such cooperation has additional benefits.

In a Central Asian culture like that of the Kyrgyz Republic, potential clients will take a project’s assistance more seriously if key government officials or bodies show interest in the project’s goals. Especially in regional cities, companies are used to running their businesses under the strict supervision of state authorities. The private sector takes the initiatives of the financial regulator very seriously, so our partnership with the state regulator greatly increased the visibility and level of respect for our services among the companies we were targeting for consultations.

First, we needed to win some goodwill from the state regulator. Every organization, including state bodies, has an official action plan. As a rule, it has to go through different bureaucratic procedures to be amended. Compared to state bodies, IFC advisory projects are able to modify their work plans more easily and adjust them to different situations. Because we also have access to unique methodologies and experiences accumulated by IFC all over the world, we can advise our government partners on many issues. We used this advantage to adjust our project design and help our partner implement its own action plan. For example, the state regulator experienced difficulties in raising public awareness on corporate governance issues and informing people about new amendments to the Kyrgyz legislation on joint-stock companies in the regions. We organized joint seminars in the regions that allowed us to share the costs and set aside 20 to 30 minutes in the agenda for these seminars to provide participants with specific state regulator information. We made sure that the
goals of our partner and the goals of the project coincided on important core concepts.

We have since collaborated closely with the state regulator to improve corporate governance legislation through participation in working groups, to hold seminars for joint-stock companies in the capital and in regional cities, and to raise public awareness of corporate governance issues. One of the most successful events was a recent seminar on annual shareholders’ meeting procedures and annual report preparation. It was held in early February 2009, right before most joint-stock companies held their annual shareholders’ meetings. The fact that the participants could raise issues that companies face, learn about relevant international best practices, and get answers on contentious questions directly from representatives of the state regulator had a great impact.

Another win for IFC was lower project expenses, because the state regulator was responsible for organizing the seminars, including printing and mailing invitations and renting the conference hall.

Our cooperation with the state regulator extended to the real world as well. We discovered that many local company representatives did not know much about IFC or, because of their lack of English, were apparently reluctant to directly access our project Web site, not realizing that it was provided in both English and Russian versions. We therefore arranged to have the project’s banner placed on the state regulator’s Web site, which made it possible for information about the project and its activities to reach a larger number of companies. Project experts also initiated a special section for corporate governance on the Web site that includes ongoing work on corporate governance development in the Kyrgyz Republic.

2) Make nongovernmental organizations your friends.

From the very beginning, our corporate governance project has maintained a friendly relationship with relevant local nongovernmental organizations, in particular the International Business Council, the Association of Microfinance Institutions, and the Union of Kyrgyz Banks. They have been operating in the local market for a long time and have broad client databases, good reputations, and efficient channels of information dissemination. We invited them to the project’s official launch event and held introductory meetings with them in order to present the project and discover potential areas of mutual cooperation. Since that time, we reserve places for them at our seminars and roundtables and, at their request, hold special seminars for their members. The Association of Microfinance Institutions, for example, requested special training for microfinance organizations on the best practices for building an effective board of directors. As a result, 14 people from 12 microfinance organizations had an opportunity to learn about relevant corporate governance best practices.

In return, the NGOs have always been glad to provide our project with their informational resources. Take NGOs seriously; there may be many NGOs in your country, but among them you can find one or two of the most authoritative and reliable. Invite them to your project launch and keep them informed about upcoming events.
Dear IBC Members and partners:

We are happy to send you our monthly Newsletter – February 2009! IBC sincerely hopes that you will find the enclosed newsletter informative and useful. Should you have any questions regarding information and/or events listed in the newsletter, please feel free to contact our office any time.

In this issue:

- Regulation “On the procedure of power supply to industrial entities and business structures of the Kyrgyz Republic” .............................................. page 1
- Social partnership is on the way! ................................................................................... page 1
- Government reduces the number of inspection bodies by 30% .................................... page 2
- Taxes, taxes and taxes ...................................................................................................... page 2
- Donors’ coordination group on business & investment climate .................................... page 2
- MGN Capital offers exclusive services ............................................................................ page 3
- IBC’s new members; Asiamotors LLC and J’son & Partners LLC ....................................... page 3
- Free employee for every company ................................................................................. page 4
- Attn: “IFC’s corporate governance project is looking for joint-stock companies to participate in its pilot company program” ..................................... page 4
- IBC Calendar ..................................................................................................................... page 5

3) Employ your baseline survey company as your agent in communicating with potential clients.

One of the key initial activities of our project has been its baseline survey, which is intended to provide insights into the level of corporate governance in the Kyrgyz Republic, define the problems of current practices, and assist with finding ways for improvement. According to the contract and terms of reference, the survey company was obliged to interview no fewer than 100 joint-stock companies, including 12 financial banking institutions. It was a great opportunity for our project experts to meet with companies without having to spend time on logistical matters.

After the survey company selected the companies to be interviewed, our project experts reviewed the list and chose companies that we thought would be particularly useful as project clients, based on their public visibility, size, and potential corporate governance issues. For each of these companies, the survey company scheduled a joint meeting. During these meetings, we had an opportunity to introduce the project and explain key corporate governance concepts and how they related to each company’s governance. As a result, the companies understood better the purpose of the survey and began to trust the corporate governance expertise of project experts. This led to a large increase in consultations with these
companies and made the survey go much faster and more efficiently.

The survey company’s experts also agreed to hand out materials about the project to the companies not included in the list for joint meetings. Right after the meetings, we received many calls from companies requesting our consultations. Thus, the number of consultations during this time increased substantially.

Work closely with your survey company when they select companies to be interviewed. Let the survey company know that you are interested not only in results but also in the process and problems the survey company faces during the survey. Establishing a good relationship with them will ease your work and reduce disputes during the period of delivering a final report.

**Why 100 Dollars Will Not Work in a Country Like the Kyrgyz Republic**

4) **Keep in mind the local peculiarities and national habits of the people in your country of operation.**

In developing countries, things are often not what they seem, and one never knows what resources can be relied on. We remembered that while we were preparing for our regional seminars. The first example was an outdated government database of joint-stock companies. Although it was the official database from the state regulator, due to the financial and energy crises facing the country, many companies had closed, changed their telephone numbers, or refocused their activities. To make a list of invitees to our corporate governance training, specialists from the state regulator and their local contacts helped us by striking nonoperational companies off the list.

As another example, in one region we put an ad in the local newspapers for a seminar on corporate governance issues, but not many people showed up. The reason was simple: Only one in ten people outside Bishkek, the Kyrgyz Republic’s political and commercial capital, know what corporate governance is. Only a few of them have ever heard of IFC and its activities. It was not easy to provide people with information about the project because some of them are not computer-literate and many lack access to the Internet and e-mail. Identifying these challenges helped us decide whom to partner with for regional seminars, as a strategically selected partner could help our project increase trust with regional companies otherwise suspicious of outsiders. Once we began joint regional training sessions with the state regulator, attendance at those events greatly increased.

**CONCLUSION**

**Why Having 100 Friends Is Better Than 100 Dollars**

Our new client development strategy and close cooperation with partners during 2008 and early 2009 allowed us to increase the number of client consultations to 150 and the number of participants at seminars and workshops from 50 to 267. Before developing the new strategy, we had held an average of eight consultations per month. However, after our various efforts, the number of consultations increased to an average of 28 per month. Increased awareness of the project’s activities among joint-stock companies allowed us to attract new people to participate in the seminars and workshops.

**ABOUT THE AUTHORS**

Olga Koldasova, Legal Advisor for IFC’s Central Asia Corporate Governance Project, most recently worked as a legal advisor in the private sector.

Yuliya Holodkova, banking and financial disclosure expert for IFC’s Central Asia Corporate Governance Project, based in Bishkek, Kyrgyz Republic, worked as chief inspector in the off-site division of the Banking Supervision Department of the National Bank of the Kyrgyz Republic prior to joining IFC.

**APPROVING MANAGERS**

Karl Bach, Project Manager, Central Asia Corporate Governance Project, and Motria Onyszchuk-Morozov, Principal Operations Officer, IFC Advisory Services in Europe and Central Asia

April 2009