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Practitioner's Guide:

Business Center Establishment



Deutsche Gesellschaft für
Technische Zusammenarbeit
(GTZ) GmbH



Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung

Business Center Establishment

Brief Description



International experience has proved that entrepreneurship promotion and small business development are effective means of creating new jobs, reducing unemployment, and generating income. Small enterprises are an important and integral sector in the market economies of developed countries as well as transition countries.

In transition countries, small and medium-sized enterprise (SME) owners often must operate without access to information regarding modern production technologies and market conditions. In these countries, there is either no formal support structure for SMEs or the institutions that do provide support services are limited in their regional coverage and organisational capacity. Existing institutions are frequently poorly designed and struggle to provide their services effectively and efficiently.

In these circumstances, most would-be entrepreneurs require more than classroom training to establish and run a successful business. While classroom training may provide general business knowledge and skills, SME owners also need expert advice on specialised technical and managerial subjects. Merely providing information about possible sources of financing is likewise not sufficient. SME owners need assistance in shaping their ideas into proper business plans and proposals that are acceptable to financing institutions. Promoting business advisory services through the establishment or strengthening of Business Centres and other advisory mechanisms has proved a successful approach to providing needed services to SMEs.

The successful establishment of a Business Centre is dependent upon a number of key variables, including:

- ▶ The withdrawal of governments and donors from direct service provision (free of charge), leaving the provision of such services to private enterprises;
- ▶ An active business community capable of demanding advisory and training services and able to pay, at least in part, for them;
- ▶ The mobilization of business service providers to offer their services at market prices in line with demand and supply;
- ▶ The development of business advisory and training services responsive to the needs and demands of the target groups;
- ▶ The availability of competent resource persons to provide professional business advisory and training services;
- ▶ Accompanying measures that stimulate the consulting market and promote business advisory services;
- ▶ A successful marketing campaign that informs the target group of the available business advisory services in the region.

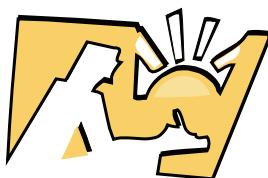
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Proposed Main Users

Public sector ministries, regional and local governments, international organisations active in local economic development, local non-governmental economic development organisations, and SME promotion institutions.



Purpose of the Method



The purpose of the Business Centre Establishment programme is to develop and strengthen business centres and other business advisory mechanisms so that they may help small-scale enterprises develop entrepreneurial, managerial and technical skills for further growth and development.

Additional purposes are as follows:

- ▶ To help SMEs improve their competitiveness by tapping new markets, developing innovative products, raising productivity, cutting costs, communicating more effectively, creating employment and introducing new technologies;
- ▶ To create a marketplace which brings together service-providers (suppliers), SMEs (clients), and the economic development institutions that serve as market catalysts;
- ▶ To support economic development through the provision of business advisory services and training services at a local level;
- ▶ To improve individuals' and small-scaled enterprises' access to business development services at the local level;
- ▶ To strengthen the supply side of business development services, including training services for entrepreneurs and would-be-entrepreneurs.

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Advantages



- ▶ Improve access by start-ups and existing businesses to information relevant to starting and/or running a business, which, in turn, increases economic activity in the region;
- ▶ Improve access by start-ups and existing businesses to training on the fundamentals of running a successful business and increase the efficiency of newly-founded and existing businesses;
- ▶ Improve access by start-ups and existing businesses to consulting services addressing registration, taxation and customs issues and thus help these businesses become less dependent on public administration;
- ▶ Improve existing businesses' access to consulting services promoting the development of competitive products, raising productivity, cutting costs, communicating effectively and introducing new technologies to increase competitiveness;
- ▶ Provide access to market information linking SMEs with markets at the local, national and cross-border levels (connecting business partners);
- ▶ Provide a link between entrepreneurs and credit institutions;
- ▶ The presence of skilled Business Centre staff and technical infrastructure supports additional activities by governmental and non-governmental development programmes, such as needs assessments, sector studies, potential analyses, and entrepreneur trainings.
- ▶ The availability of business development services may attract investments by both the public and the private sectors in the region;
- ▶ Increased capacity to provide trainings on new concepts related to market economies;
- ▶ The development of demand-based training, consulting services and information products;
- ▶ Enhanced training and consulting skills improve the quality of services rendered by Business Centre staff and lead to increased benefit for the users of the services.

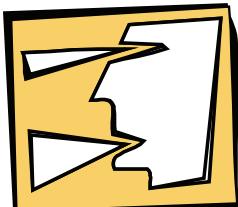
Limitations



- ▶ Lack of trust in consulting services among business community;
- ▶ Limited market - reluctance to pay for training and consulting services because the target group has no experience with such services and their benefits;
- ▶ Financial sustainability is highly dependant on the provision of services by donor organizations working in the area;
- ▶ Limited financial resources for start-up businesses may negatively impact the demand for training and consulting;
- ▶ Fluctuation of Business Centre staff - capacity building measures such as Training of Trainers (ToT) and Training of Consultants (ToC) programmes will make Business Centre staff more attractive to other employers and they may obtain jobs elsewhere.
- ▶ Limited market of highly skilled ToT and ToC providers.

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Principles & General Procedures

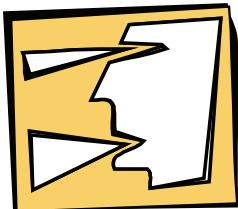


The main principles and steps required to establish a Business Centre include:

- A. **Carry out a needs assessment and survey local economic development requirements.** Sources of relevant information may include tax departments, social departments, statistics institutions, baseline reports of international donor organizations, national law on SME development, and national SME development strategies.
 - B. **Analyse business service market and potential business service providers.** Potential business service providers include existing business centres and NGOs dealing with economic development.
 - C. **Introduce the Business Centre (BC) approach to SME promotion by facilitating workshops** with local potential business service providers, local institutions and entrepreneurs.
 - D. **Select potential BC local founder/operator organisations.** Business Centres may be established through existing NGOs, private enterprises, or businesses so that existing staff may contribute their experience and knowledge.
 - E. **Provide legal advice concerning the establishment of the BC.** The legal status of the BC will be determined by the BC management itself and the local legal environment. Initially, the BC should be registered as an NGO. It may be restructured as a for-profit entity when it becomes self-sustaining.
 - F. **Facilitate and support the creation of the BC** by assisting with registration and obtaining suitable office space and equipment.
- Business training is the starting point of BCs operations and capacity building should begin with a training of trainers (ToT) programme. Personnel from founder/ operator organisations and NGOs and other individuals with the appropriate economic background should be invited to apply for the ToT programme. The most qualified participants should be selected as local trainers with BCs.
- G. **Identify and select candidates for training in business development.** The main objective of the ToT is to establish a pool of qualified and motivated business trainers at the newly established Business Centres to provide continual training for SME owners. The candidates should be selected based on an open tender process and structured interviews. The tender should announce business trainer and business consultant positions. The candidates for the ToT course are primarily staff members of founder/ operator organisations with economic background, personnel from NGOs, and individuals with economic background (experience in management of SMEs, experience in economic development organisations).

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The participants should:

- ▶ have proper background, preferably in economics, finance or accounting;
- ▶ possess a demonstrated commitment to learning;
- ▶ be willing to share their knowledge and skills;
- ▶ be able to communicate with people effectively;
- ▶ possess good facilitation and presentation skills.

H. Draft terms of reference for business development training and identify possible training providers. The terms of reference should include the following tasks:

- ▶ Preparation and delivery of training techniques and methodologies;
- ▶ Preparation and delivery of learning materials. The training topics are based on a needs assessment and may include business plan writing, essentials of accounting, essentials of bookkeeping and taxes, and marketing;
- ▶ Hands-on instruction and guidance on developing training materials focused on needed / demanded topics;
- ▶ Evaluation and assessment of the trainees capabilities as trainers;
- ▶ Coaching selected trainers in their first training course.

Communicate the Training of Trainers (ToT) to short-listed training providers and request a technical and cost proposal.

I. Select the training provider(s) to carry out the ToT. Training providers should be selected according to established criteria reflected in the training contract. A potential approach to select training providers is set forth in Tables 1 and 2.



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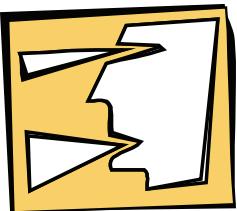


Table 1: Matrix for Prioritizing Issues

Criteria	#1	#2	#3	Numerical Result	Intuitively Correct	Result
1. Technical Proposal 1.1 Structure and curriculum 1.2 Training / Learning Methodology 1.3 Training Materials 1.4 Net training hours					-	
Total					-	
2. Additional Services 2.1 Selection of Participants 2.2 Follow-up					-	
Total					-	
3. Training provider 3.1 History / Performance 3.2 Organizational experience 3.3 Training coordinator and key staff 3.4 Experience in similar programs 3.5 References					-	
Total					-	
4. Trainer 4.1 Educational background 4.2 Training experiences 4.3 Consulting experiences					-	
Total					-	
5. Budget						

Legend

Category	Importance
► Critical	5
► Very Important	4
► Important	3
► Less Important	2
► Unimportant	1

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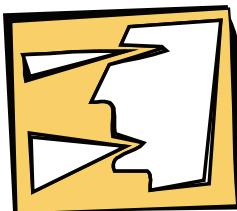


Table 2: Training Provider

Criteria Participant	Importance	0	0	0	0	0	Budget	0
#1								
#2								
#3								
Result								
Numerical Result								
Inuitively Correct								
Result								

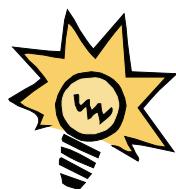
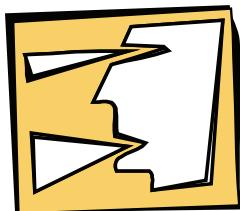
Legend

Category	Importance
► Critical	5
► Very Important	4
► Important	3
► Less Important	2
► Unimportant	1

- J. **Prepare training materials, manuals and handbooks.** The contracted training providers should be advised concerning the design and preparation of the training modules. Each training module should be discussed with the training providers and approved before carrying out the ToT. A brief description of the ToT, including the topics to be covered, is provided in table 3.
- K. **Conduct the Training of Trainers (ToT).** The training is conducted according to the technical proposal. During the course of the ToT, trainees develop basic training modules for the training of entrepreneurs to be undertaken at the next stage.
- L. **Monitor and evaluate the training services performed.** Project personnel should monitor the quantity and quality of training services performed. An evaluation by the trainees should be conducted after each training module.
- M. **Select potential trainers for BCs.** The most promising candidates (generally, 2-3 trainers per region) are selected to conduct their first training courses on their own. Selection of the most promising candidates is based on participants' performance and activeness during the ToT sessions, which are evaluated by experts from the training institution.

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N. **Facilitate and support follow-up business development training for entrepreneurs** based on the training modules developed within the ToT framework. ToT participants selected to conduct training courses on their own should be supported by the ToT training provider as outlined below:

- ▶ Coaching the most qualified selected trainers in their first training course;
- ▶ Delivering hands-on instructions and guidance to these local trainers in developing suitable training materials;
- ▶ Evaluating and providing feedback to improve their training;
- ▶ Providing consultancy support throughout the follow-up period;
- ▶ Organizing concluding workshop so that participants may share training experience and discuss further cooperation perspectives.

O. **Select local trainers for BCs.** The top two trainers from each region should be selected as local trainers within the structure of the BC. Other qualified trainers should be used as resource persons according to specialization on a freelance basis.

P. **Provide advice and support to BCs staff on the development of the Centre's strategy paper,** which will define the role the BC seeks to play in SME development and the scope of services offered by the BC. Typical services could include:

- ▶ preparation of business plans and investment proposals;
- ▶ market research and analysis;
- ▶ advice on legal and tax issues;
- ▶ accounting and bookkeeping;
- ▶ preparation of legal documentation for the registration of enterprises;
- ▶ provision of information about existing and reachable sources of financing, modern production technologies and machineries; and
- ▶ locating potential business partners.

The strategy paper should also include the BC's budget and must be compatible with the activities envisioned in the operational plan.

Additional key elements of capacity building are training sessions for BC managers on how to run a Business Centre and the development of a Training of Consultants programme(see Method: Certified Business Consultant Training).

Q. **Monitor and evaluate BCs development.** The project should continually monitor the sustainability of the BCs. Table 4 provides an example of how a monitoring system could look like. At the completion of the budget period, an external party produces a final report on the development of the BCs and evaluates whether the services provided the intended direct and indirect benefits to the target groups.

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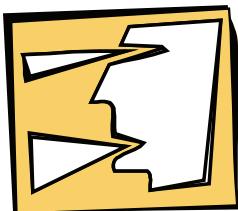


Table 3: Training Skills Development Session

TRAINING SKILLS DEVELOPMENT SESSION		
Module A: Training of Trainers (ToT)		Time Required
► Training Needs Identification and Assessment. Definition of Goals		3 hours
► Specifics of Learner-Oriented Training for Adult-Learners		1.5 hours
► Learning Styles Differences		1.5 hours
► Effective Adult-Learning Methodologies: Training instead of Education		
► The Experimental Model of Training: Experience, Process,		2 hours
► Generalization and Application		
► Curriculum Development and Instructional Design		3 hours
► Instructional Material and Resource Selection		4 hours
► Course Development and Design		2 hours
► Organization of the Training Process		3 hours
► Training Techniques: Description, Use, Advantages, Disadvantages, Delivering. Comparative Analysis and Appropriate Method Selection		2 hours
► Using Visual Aids: Deciding Which Device to Use and Designing the Visuals		
		4 hours
		4 hours
Total Training Skills Development Session:		30 hours

SPECIALISED ToT SESSIONS

Module B: How to Start Own Business	Time Required
► Why to Start Own Business ► Developing the Business Idea, ► Main Steps of Starting Own Business ► Registration of the Business (types of legal entities) ► Business Planning: The importance of Business Planning; Objectives and Main Parts of Business Plan; Business Plan Development; Market Research, Developing Marketing Plan, Production Plan, Investment Plan, Financial Plan: Analyzing and Projecting Financial Statements	14 hours
Module C: Essentials of Accounting and Taxes applicable in Armenia	Time Required
► Essentials of Accounting: Principles of Accounting; Balance Sheet items: Assets; Balance Sheet items: Liabilities and Owners' Equity; Cost calculations: Cost Structure; ► Taxes Applicable in Armenia: Value Added Tax: Tax-payable Bodies, Taxable Items, Tax Rate, Calculation Methods, Payment Dates; Income Tax: Tax-payable Bodies, Taxable Items, Tax Rate, Calculation Methods, Payment Dates; Profit Tax: Tax-payable Bodies, Taxable Items, Tax Rate, Calculation Methods, Payment Dates Simplified Tax, Other Taxes	12 hours 5 hours
Module D: Agro Marketing	Time Required
► Basics of Agro Marketing: Principles of Marketing, Market Research and Analysis Tools and Methods, Developing Marketing Strategy for Agribusiness	10 hours
► Conclusion and Evaluation	1 hour
Total Time Required for Specialized Session	42 hours
TOTAL NET TIME	72 hours

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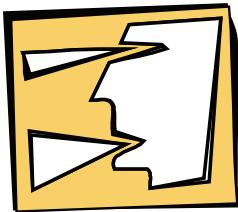


Table 4: Quarterly Cash Balance

Name of BC _____

Date: _____

Year 200.	I. Quarter	II. Quarter	III. Quarter	IV. Quarter	Total
Beginning Cash Balance	in local currency				
	0	0	0	0	0
Inflow:					
► Income from service contracts (GTZ)					0
► Income from service contracts (other donors)					0
► Income from training services (participants' contribution)					0
► Income from consulting services (business planning, market analysis, etc.)					0
► Income from other services (copying, computer typing, fax, etc.)					0
► Other income:					0
Total inflows					
Outflows					
► Salaries					0
► Social security fund					0
► Rent					0
► Maintenance					0
► Utilities					0
► Supplies & Misc.					0
► Communication					0
► Transportation					0
► Public relations, advertising					0
► Expenses related to service contracts (incl. trainers' fees, accommodation, per diem, transportation, etc.)					0
► Taxes					0
► Other outflows:					0
Total Outflows					
Percentage of operational self-financing					

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References and Sources Used



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