

# Training and Consulting Programs for SMEs: What We Are Learning

**Evidence Dialogue on SME Development in Kenya**

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# Outline

In brief

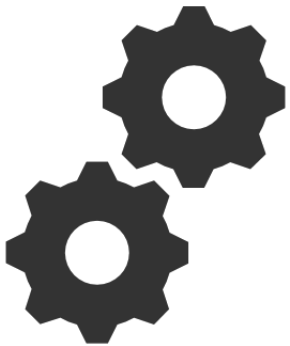
1. Why management of SMEs matters
2. Evidence on Training programs
3. Evidence on Consulting programs
4. Key Takeaways
5. Open questions

# Management Matters

How Do We Measure Management?

World Management Survey measures:

18 Standard practices 20,000+ Firms 35+ Countries



**OPERATIONS**



**MONITORING**



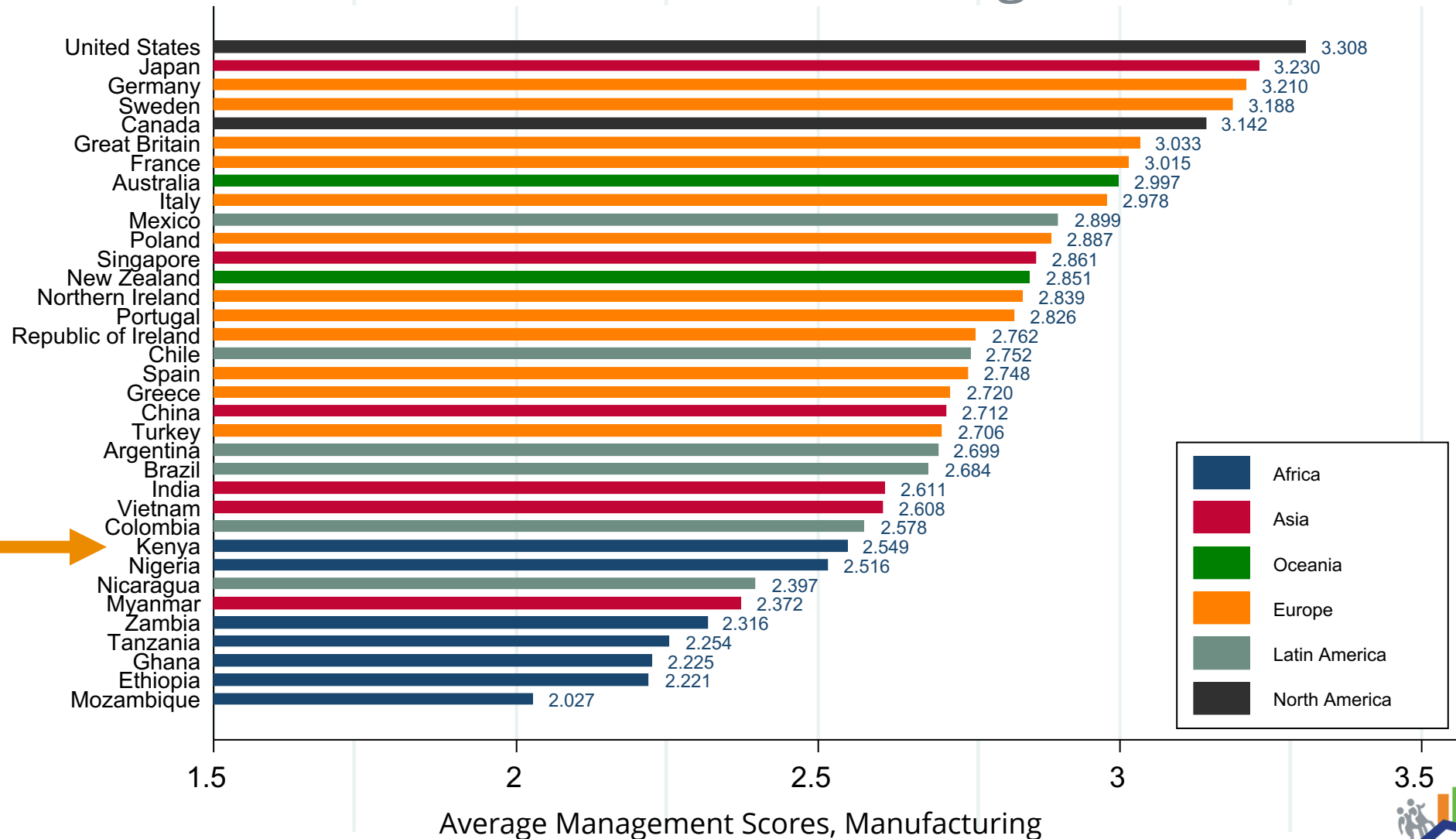
**TARGETS**



**PEOPLE**

# Management Matters

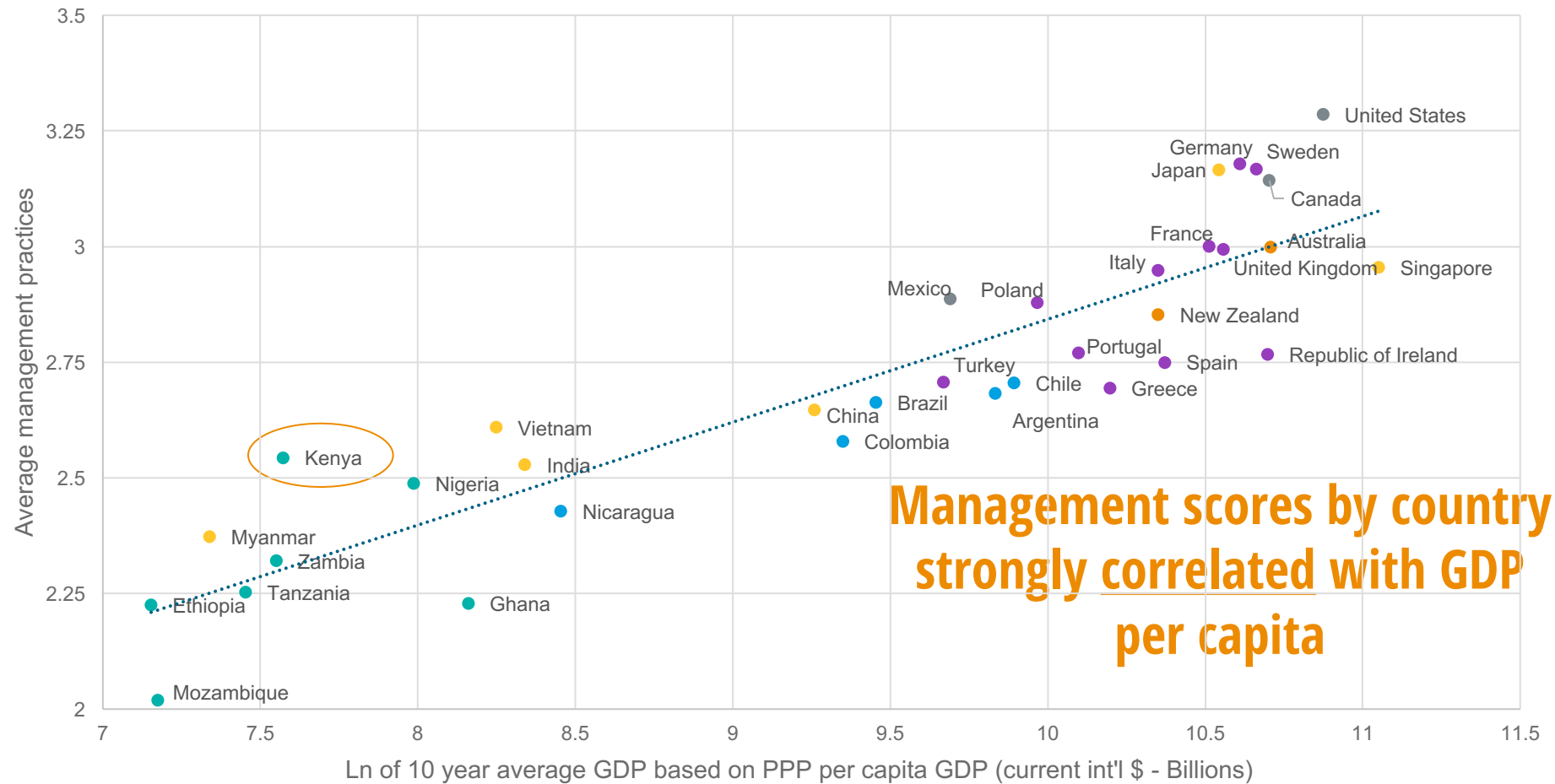
## Scores in Manufacturing



# Management Matters

## Scores Per Country

### Quality of Management Worldwide



● Latin America ● North America ● Africa ● Europe ● Oceania ● Asia ..... Linear (average management scores)



# Management Matters

## Scores Per Country

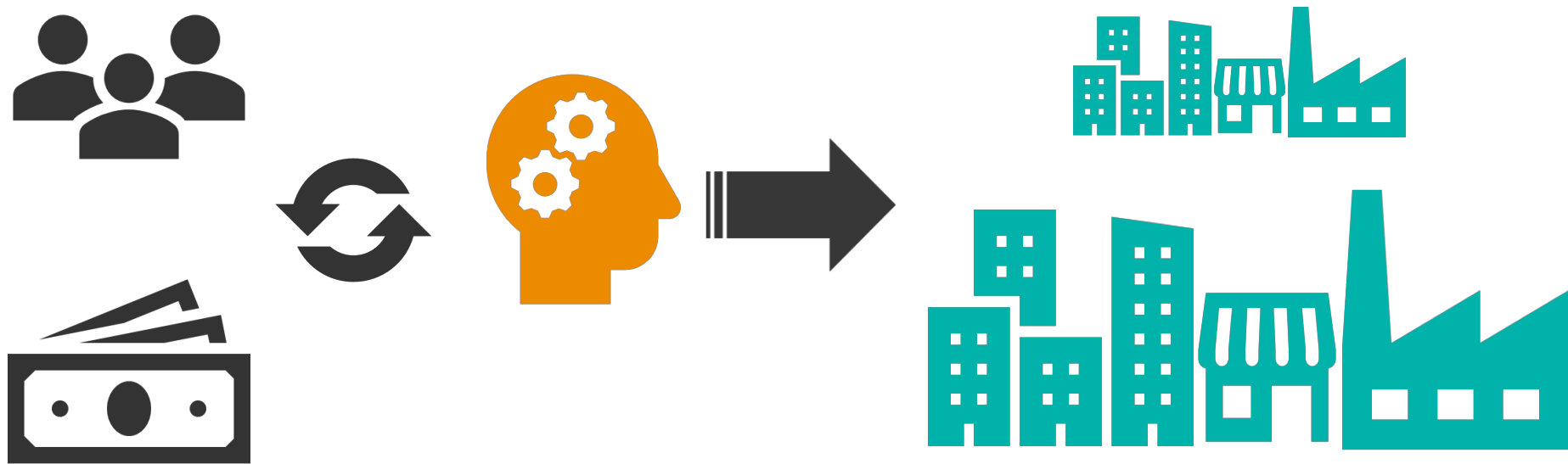


A large number of poorly managed firms explain the difference in the quality of management between countries.

# Management Matters

At the Firm Level

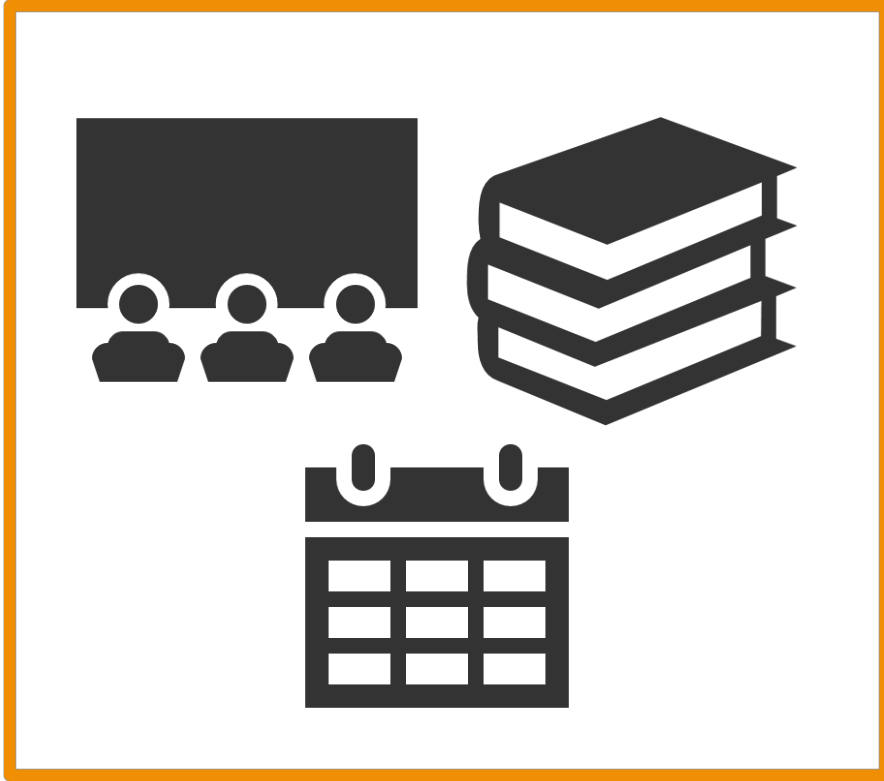
**Why can some firms get so much more output out of the same inputs?**



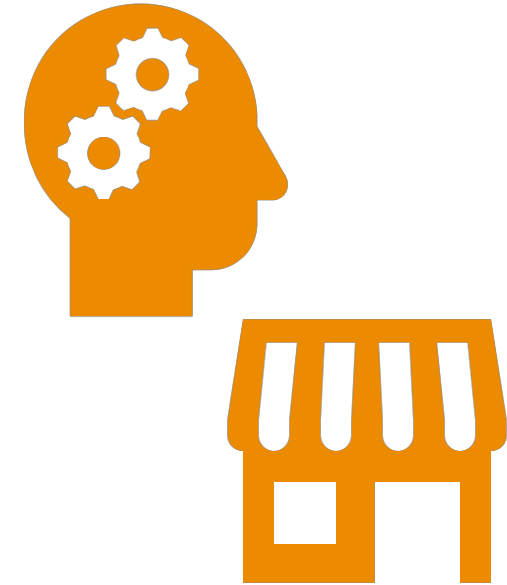
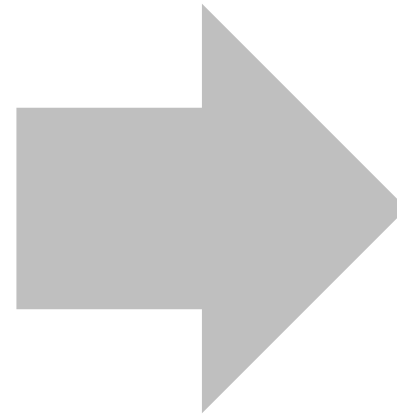
1. Is low managerial capital a problem for SMEs?
2. What works when it comes to improving management practices of SMEs?

# Traditional Training

## Evidence on Training



Classroom-based, Curriculum-heavy  
and runs on Regular times



Improved knowledge to  
manage a firm

# Rules of Thumb Financial Training

Evidence on Training: Dominican Republic



Traditional accounting principles

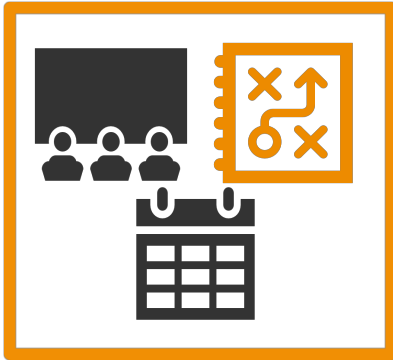


Simple rules for financial decision making

*Administered by same qualified local instructors*

# Rules of Thumb: Results

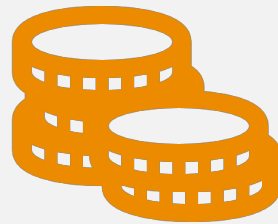
Evidence on Training: Dominican Republic



**Participants of the simplified program were the only ones showing improvement in both business practices and business performance outcomes.**

6-12

Percentage points more likely to separate business and personal cash



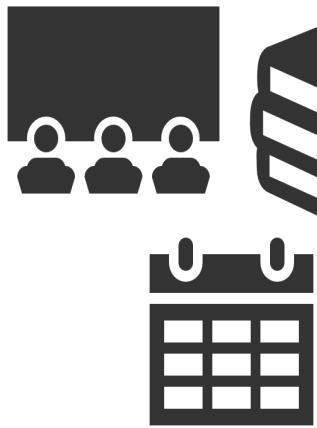
Higher revenue in bad weeks



Greater impact on firms with lower education

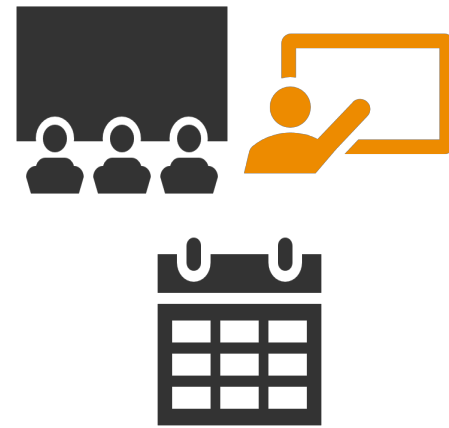
# Entrepreneurial Mindset Training

Evidence on Training: Togo



Traditional  
training

Traditional business curriculum by IFC



*Mindset  
training*

Mindset of self-starting behavior

*Same duration: 36 h class + monthly visits for 4 months*

Campos, Francisco, et al. "Teaching personal initiative beats traditional training in boosting small business in West Africa." *Science* 357.6357 (2017): 1287-1290.



# Entrepreneurial Mindset Training: Results

Evidence on Training: Togo



**A Training focused on *entrepreneurial mindset* was more successful at increasing sales and profits.**

17%

Increase in sales

30%

Increase in profits



No effect on business survival

# Business training and Mentoring

## Evidence on Training: Kenya



Business training developed by the ILO with a gender perspective



Photo credit: Tugela Rid

McKenzie, David and Susana Puerto. "Growing Markets through Business Training for Female Entrepreneurs."  
World Bank Policy Research Working Paper no. 7993 (2017).



# Business training and Mentoring: Results

Evidence on Training: Kenya



**Business training increased sales and profits without taking from non-treated firms.**

18%

Increase in sales

15%

Increase in profits

10%

Increase in use of  
managerial practices

\*30% increase for training + mentoring

# Key Takeaways

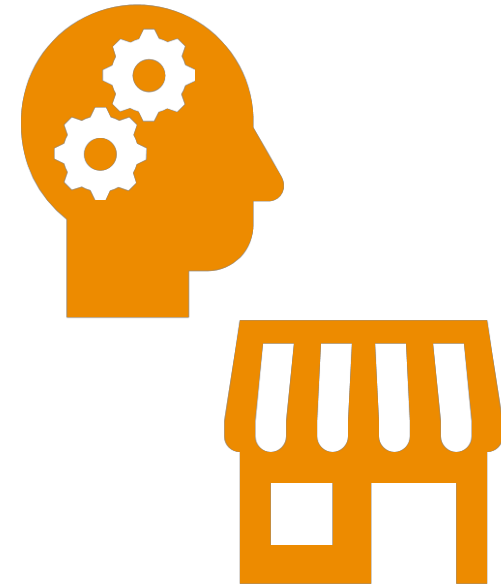
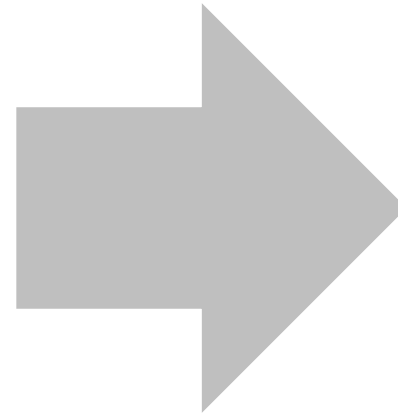
## Evidence on Training

- **Traditional training has limited impact** on business outcomes. One size does *not* fit all
- Benefits to **reducing the complexity of the training** for less educated firms
- Also benefits to **focusing on the soft skills and mindset** needed in a manager
- Differences in the **quality, content, and intensity of training**, as well as the **characteristics** of the recipient enterprises matter,



# Consulting Programs

## Evidence on Consulting



Dedicated consultant, diagnostic,  
implementation period

Improved knowledge to  
manage a firm

# Consulting for MSMEs

## Evidence on Consulting: Mexico



*Intensive  
consulting  
1 year*



Photo credit: Paul Smith

Miriam Bruhn, Dean Karlan, and Antoinette Schoar, "The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico," *Journal of Political Economy* 126, no. 2 (April 2018): 635-687.

# Consulting for MSMEs: Results

Evidence on Consulting: Mexico



**Subsidized managerial consulting to Mexican SMEs boosted their productivity and hiring**

57%

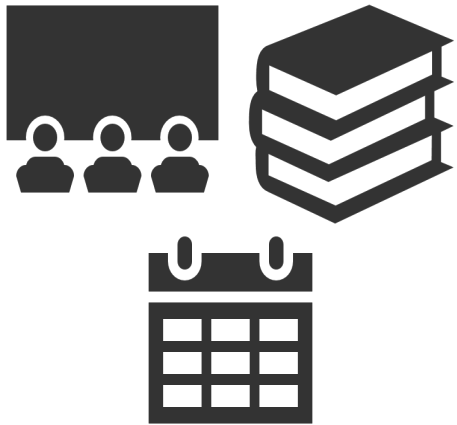
Long-run increase in  
employment

Better business  
practices: better  
accounting &  
marketing

Higher  
entrepreneurial  
spirit:  
confidence &  
control

# Group Consulting

## Evidence on Consulting: Colombia



*Individual  
consulting*



*Group  
consulting*

*Individual consulting: 500 hours over 6 months*

*Group consulting: 408 hours over 6 months*

Iacovone, Leonardo, William Maloney, David McKenzie. "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia." The World Bank, 2019.

# Group Consulting: Results

Evidence on Consulting: Colombia



Both group and individual consulting improved their management, but **group consulting also increased employment**

8-10%

Improvement in  
management practices

12%

Increase in  
employment

Group consulting  
saw larger **benefit**  
for cost

# Lessons About Human Capital

## Summary

1. **Mixed results on training programs for SMEs.** Need for customization—not one-size-fits-all.
2. High-quality, intensive **consulting services** can improve managerial capacity and firm performance.



# Open Questions

## Human Capital

1. What **type of training content** works and for which type of SME?
2. How do we make consulting services **cost-effective**?
3. How do we **develop a market** for consulting services?

# Thank you

