

Swisscontact-Philippines

PMF

Performance Measurement Framework



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Case study in the context of
two existing BDS providers

IMAB-MPCI

and

Oro SeCen



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What is Swisscontact?

- A Swiss based foundation involved in development cooperation
- Three areas of specialization
 1. Small Enterprise Promotion
 2. Technical Education and Vocational Training
 3. Urban Ecology
- Funded by the Swiss government (SDC), Swiss private sector and others



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The program in the Philippines

- Concentration on Small Enterprise Development in the industrial sector
- This SED program has 3 components:
 1. Skills development via short training programs
 2. Vocational skills training via dual-training program
 3. Business Development Services (BDS)

BDS in the Swisscontact- Philippines program

- The program is called SeCen, short for Service Center
- Operators of SeCens are from the private sector
- There are two types of SeCen
 1. Business Development SeCens
 2. Trade Sector SeCens



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The two types of SeCens

Business Development SeCen

- Target clientele wide spectrum of SMEs
- General business development services
- Operators have general business development background

Trade Sector SeCen

- Target clientele well defined group of SMEs
- Services typical for the trade sector
- Operators have their roots in the sector



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The two case study SeCens

Oro SeCen

- BD SeCen
- Located in the south of the Philippines
- Run by chamber of commerce and industry
- Services include: training, advisory, market matching, fund brokering

IMAB-MPCI

- TS SeCen
- Located in central Philippines
- Run by a cooperative of metal workshops with 20+ members
- Services include: common facilities, material supply, subcontracting, training



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Methodology

BDS markets

- Program level indicators were mainly obtained from the SeCens.
- On market level only data available on registered SMEs
- No other data available

BDS suppliers

- All needed information was readily available from the SeCens
- Planning and Monitoring records available with Swisscontact were also used.

BDS customers

- Assessed with a client feedback survey



Research questions for **BDS market**

Expanding the market for BDS

- **Market size (number of SMEs)**
 - Indicators easy to obtain
 - The real market would consist of potential customers only
- **Market size (amount of sales)**
 - At program level easy to source
 - At market level impossible to get accurate information
- **Market penetration**
 - Since target market is well defined, this is a very valid indicator



Research questions for **BDS** market

Developing market (1/2)

- **Number of BDS providers**
 - Difficult to identify BDS providers, especially when they are part-time providers
- **Number of BDS service-types**
 - Within the program this is clearly defined
 - On market level difficult to identify
- **Price range of BDS services/ Average price for a unit BDS**
 - At program level all info available
 - Because other BDS providers are hard to identify, also price info could not be obtained
 - Invalid indicator when used to compare with other BDS providers → *see next sheet for details*

Price of BDS services

- Valid indicator in highly developed and competitive BDS market.
- Invalid indicator when used to compare pricing structure of different BDS providers within a market context that demands the service in highly diversified forms.
- It is recommended to introduce a “per BDS hour” unit of measure, which will allow comparing similar services
- It is also recommended to differentiate between
 - a) Services that result in acquisition of new skills and knowledge (like training, seminars, exposure, etc.) and
 - b) Services that facilitate business operations of SME clients (like common facilities, market access services, etc.)



Research questions for **BDS** market

Developing market (2/2)

- **Number/ proportion of multi-user customers in the market**
 - At program level easy to source
 - A good indicator for the quality of service, but relevant only to services that SMEs normally avail multiple times
- **Market distortion: Average subsidy content of BDS**
 - We calculated the subsidy as 100% less the computed “self financing ratio”.
 - This will look to the BDS provider as a whole, instead of on a per-service basis.



Research questions for **BDS market**

Increasing Access to BDS Services

- Extend of access of targeted populations:
 - Within the Swisscontact program, there are no specific targeted populations.
 - Gender concerns are mainstreamed in the program
- Target market penetration
 - In the Swisscontact program this indicator is less relevant



Research questions for **BDS suppliers**

Suppliers Sustainability

- **Suppliers sustainability**

- Throughout Swisscontact's SeCen program "self financing is an important component in assessing sustainability
- The Self-financing ratio is calculated as
(Total revenue-cost of sales)/(total costs-costs of sales-costs for HRD and CCS)
- It is recommended to consider the self-financing ratio rather than cost-recovery



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Research questions for **BDS suppliers**

Program Cost-Effectiveness

- **Simplified cost-benefit assessment**
 - Measuring value added and benefit proved difficult since most SMEs are reluctant to reveal financial figures
 - It is recommended to measure program cost effectiveness at the BDS level, not at SME level.
- **Total program cost per customer served/ per supplier assisted**
 - Information is easy to obtain from the SeCens
 - It may be crucial to identify what costs to include in assessing cost-efficiency
- **Total program cost per increase in supplier revenue**
 - A valid indicator to assess the *change* in performances
 - It is recommended also to assess the costs related to the absolute figure of generated revenue, or, even better, generated gross profit.

Research questions for **BDS customers**

Increase customer acquisition of BDS

- **Customer satisfaction with BDS**
 - Subjective indicator as it is
 - It is recommended to specify the questions to details
- **Repeat customers**
 - A relevant indicator in a number of BDS services
 - Care should be taken to interpret, because type of service as well as presence of competition by other BDS providers may influence this.



Research questions for **BDS customers**

Increase customer use of BDS

- **Percentage of customers who improve business practice as defined by the supplier**
 - It is recommended to segregate between
 - a) services that result in acquisition of new skills or knowledge
 - b) Facilitating services
 - In the first group, it is possible to objectively assess. The latter group may only result in savings for the SME, rather than improved business practice.



Research questions for **BDS** customers

Increase customer benefits from BDS

- **Increase customer benefit from BDS**
 - It is extremely difficult to derive this indicator based on the concepts of value added and benefits
 - It is recommended to assess specific parameters before and after the service, like:
 - Average monthly gross sales
 - Average monthly raw material expenses
 - Number of employees
 - Number of equipment
 - Value of fixed assets
 - Average number of customers per months
 - Average monthly production volume

Best practices (1/3)

- The PMF as a framework thoroughly addresses most relevant indicators.
- High performance BDS providers are essentially sector-focused and offer demand-driven services
- Business development services must be competitively priced



Best practices (2/3)

- BDS providers must have a well-articulated cost accounting system
- Offering quality services is the only way fee-based services will be continuously availed by the market
- A well-articulated work plan that outlines its commitment and concrete strategies on how to attain self-financing and sustainability has to be developed.



Best practices (3/3)

- Services offered by the BDS supplier must produce readily identifiable positive changes in the customer's business operation or practices.
- Donor assistance that is based on performances of the BDS providers rather than as support to costs stimulates the process of self-financing



Thanks for your attention....

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