

**Case studies on Business Development Services for SMEs:**

**THE EMPRETEC PROGRAM IN SELECTED LATIN**

**AMERICAN COUNTRIES: AN ASSESSMENT**

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# THE EMPRETEC PROGRAMME IN SELECTED LATIN AMERICAN COUNTRIES

## AN ASSESSMENT

### I. Introduction

EMPRETEC<sup>1</sup> is an integrated capacity-building programme, aimed at stimulating the development of entrepreneurial capabilities and the growth of innovative and competitive SMEs. Having originated at the United Nations Centre for Transnational Corporations (UNCTC), the programme is now coordinated at the international level by the UNCTAD's Division for Investment, Technology, and Enterprise Development.

Among its main achievements, Empretec has identified and trained entrepreneurs with a high potential for success, helped many of them to enter global markets, and organized strong national coalitions among entrepreneurs, public and private institutions, universities, business associations and chambers of commerce, national and foreign companies. Such coalitions have generated an interactive networks and provided the backbone for an effective, sustainable business support structure in each country.

Since its inception, in 1988, the programme has become operational in 10 African and Latin American countries: Argentina, Brazil, Chile, Colombia, Ghana, Morocco, Nigeria, Uruguay, Venezuela and Zimbabwe. New projects are under preparation for the Caribbean, six countries in Central America, Cuba, Ethiopia, Surinam and the Russian Federation. Within a decade, the program has managed to train and assist more than 10,000 entrepreneurs (one third women). It has been estimated, on the basis of sample surveys, that some 50,000 jobs were created within three years by the entrepreneurs who benefitted from the programme.

A critical component of the Empretec programme is the *Entrepreneurship Training Workshop*. The training concentrates on fostering achievement motivation in promising entrepreneurs and on strengthening their existing qualities by stimulating behavioural changes. Only after completion of this workshop the entrepreneurs become "empretecocos", and are offered a system of traditional advisory and consultancy business services, such as marketing, quality control, productivity improvement, financial management, and accounting.<sup>2</sup>

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<sup>1</sup> Empretec is the Spanish acronym for "emprendedores" (entrepreneurs) and "tecnologia" (technology).

<sup>2</sup> The Entrepreneurship Training Workshop is based on a research carried out in the late 60s by David McClelland, psychologist at the Harvard University, who identified a strong psychological element characterizing successful businessmen: the "realization motivation" or "improvement impulse". Thanks to USAID support, the stimulation of motivation through training, in the context of initiatives for creating or consolidating businesses, was successfully experimented in more than forty countries. In the late 80s, a project methodology was developed at UN headquarters in New York, based on work undertaken by the

**Context.** While the behavioural course is a common denominator in every country project and varies slightly only in its duration and timing, the provision of additional business services (other than training) differs from country to country. In general, where a well developed business service environment already exists, the follow-up services are provided within the counterpart organization. Where SMEs support organizations are not readily available, the Empretec project develops its own structure and capabilities. In both cases, the national Empretec directors are generally free to develop their own follow-up strategy, according to the specific needs and demands of their clients. This explains the uniqueness of each country project, characterizing also the projects implemented in the same continent - in this case Latin America - or in neighbouring countries.

**TABLE 1: EMPRETEC PROJECTS IN LATIN AMERICAN COUNTRIES**

COUNTRY	YEAR	COUNTERPART ORGANIZATION	TOTAL STAFF	NUMBER OF ENTREPRENEURSHIP TRAINING WORKSHOPS	NUMBER OF EMPRETECOS
Argentina	1988	Banco de la Nacion	3	32	800
Brazil	1991	SEBRAE	52	210	6,200
Chile	1990	Fundacion Chile	2	30	1060
Colombia	1996	Corporacion Innovar	2	2	120
Uruguay	1989	Banco de la Republica	34	42	1,040
Venezuela	1992	CORPOINDUSTRIA	3	20	545

Just to cite two examples, Empretec Colombia, launched in 1996 within a business incubator called Corporacion Innovar, organizes an average of two workshops per year. The follow-up services, mainly concentrated in the business start-up, financing and technology development area, are provided externally, by an already existing SME support organization (the incubator). In particular, Empretec Colombia is now concentrating its activities in the software, contact lense and biotrade sectors. It is coordinated by an executive committee with Colciencias, Fundacion Corona, Fundaempresa, NCR Colombia, Centro Int'l de Fisica and Fundacion Comportir as member institutions.

Empretec Argentina, launched in 1988 within a national bank, focuses exclusively on selecting and assisting enterprises with a high technological base. Therefore, it conducts two training workshops per year, and concentrates its efforts in the diffusion of new technologies, the improvement of quality standards and ISO certification, the formulation of feasibility studies and of projects for obtaining public funding for innovation. Individual follow-up is provided by the Empretec office, but only to the most promising innovative entrepreneurs. The other partipants are integrated into the local network of empretecos and receive periodic information on technology development services. The Advisory Board of the Empretec Foundation is composed of el Banco de la Nación

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Washington-based firm Management Systems International, on the experience of the Gemini Programme from the Bocconi University Business School, and of the Industrial Innovation Programme from the Rensselaer Polytechnic Insitute.

Argentina, el Banco de la Provincia de Buenos Aires, la Unión Industrial Argentina, la Confederación General de la Industria.

**Assessment.** The flexibility and the capacity to adapt to local needs and conditions, according to the widely recommended bottom-up approach, are key factors explaining the success of the programme. However, there is a growing demand for identifying a “best practice” Empretec model, expressed either at the international level, by the UN and other multilateral/bilateral donor agencies, and at the national level, by national directors of new and expanding projects. Experience shows<sup>3</sup> that smaller Empretec projects with their own in-house capability for follow-up services have evolved as best practice models (Ghana and Uruguay), based on their capacity to develop in a self-sustainable and demand-driven manner.

In this context, two country projects have been selected for assessment: Empretec Uruguay and Empretec Brazil. Empretec Uruguay has been selected for the impressive diversification of services it provides internally since its initiation, in order to enlarge the range of possible clients and overcome the constraints posed by the limited size of the country. It has also pioneered the expansion of the Empretec methodology to the public sector, introducing it successfully with employees of public companies and with civil servants in government ministries. Empretec Brazil deserves particular credit for the massive number of entrepreneurs trained - more than all the other projects combined - and for having emphasized since the beginning the importance of networking and inter-firm cooperation for increasing the competitiveness of SMEs, relying on the assistance of SEBRAE - the Empretec counterpart in Brazil. It has organized a regional or global fair every year, allowing empretecocos of all regions to exchange their experiences and to explore business opportunities among themselves.

Looking at Empretec as a programme aimed at delivering business development services (BDS), and in accordance with the performance criteria recommended by the Committee of Donor Agencies for SME Development, the analysis has focused on the following six aspects: 1. the institutional set-up; 2. the services provided; 3. the actual (and potential) clients; 4. the impact - both tangible and intangible - not only on the direct beneficiaries, but also on the counterpart institution and on the business environment in general; 5. the efficiency and sustainability; 6. future perspectives and scaling-up potential.

This study is based on present and past documentation, questionnaires, country reports, and direct interviews with Empretec Directors, empretecocos and the UNCTAD officers. Unfortunately, in Latin American countries the overall assessment of the programme is hampered by the absence of a reliable database on the clients’ track record of performance. An international performance database for all Empretec country projects is currently under preparation at UNCTAD. The traditional indicator measuring cost per entrepreneur trained is inadequate for quantifying the performance of the Empretec programme, since its strengths do not lie so much in the number of the entrepreneurs

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<sup>3</sup> See the report “Ten years of Empretec”, UNCTAD, forthcoming.

trained, but in the quality and growth of the enterprises assisted, and also in the institutions created on a self-sustainable basis (at least three per project), in the capacity-building of staff and professionals, and in the overall change in the entrepreneurial mentality of a country or specific location.

## *II. The Empretec Project in Uruguay*

**Institutional Set up.** Empretec Uruguay became operational in May 1989. Since then, the national counterpart is the main public bank in the country: el Banco de la República Oriental del Uruguay. In 1993 a civil association recognised by the State was created with the legal status of an NGO. An executive director is responsible for the general management of the project. The director is assisted by three co-ordinators, who are responsible for the training, the evaluation, and the marketing sections. There are 26 consultants specialised in different areas and 11 trainers, all of them certified as official Empretec trainers. A secretarial-administrative section, with a team of six persons, supports all the activities.

A central office within the Bank houses the administration, the service centre desks and the premises for the courses, seminars, workshops and consulting activities. El Banco de la República provides this infrastructure free of charge. Activities in the country are arranged in accordance with needs and location of the specific clients. Empretec Uruguay is governed by a board of directors composed of eleven non-remunerated members, who are high-level representatives of the finance sector, the chambers of commerce and industry, the university, the Government and international and bilateral co-operation agencies. The effective task of this board is to facilitate, to support and to consolidate all activities.

**Services.** Since 1989, Empretec Uruguay has conducted three behavioural courses per year, with an average of twenty-five participants per workshop. The EDP workshop still represents the main service offered, even though the number and variety of training courses and specialized workshops provided have grown exponentially during the decade, as shown in table 2.

**TABLE 2: TRAINING WORKSHOPS AND SPECIALIZED COURSES CONDUCTED SINCE 1989**

YEAR BEGAN	TITLE OF THE WORKSHOPS	TOTAL NUMBER OF WORKSHOPS	TOTAL NUMBER OF PARTICIPANTS	LOCATION
1989	Behavioural course (EDP Workshop)	29	810	72% Montevideo
1991	Competitive Strategies Workshop	4	32	75% Montevideo
1992	Self-diagnosis Workshop	10	80	80% Montevideo
1993	Leadership Workshop	8	160	51% Montevideo
1994	Cross-Border Workshop	1	25	100% Montevideo
1996	“Intrapreneurship” for Public Enterprises	28	920	54 % Montevideo
1997	Enterprise Management Workshops	14	200	20% Montevideo
1998	Behavioural Workshop for University Graduates	1	25	100% Montevideo
1998	Behavioural Workshop for farm-producers	1	30	100 % in the countryside

The main feature of Empretec Uruguay is its strong belief in the need of providing “integrated support” to clients, referring both to the private and the public sector. Empretec Uruguay is considered as the most important institution for SME support in the country, and it is very keen not to be recognized just as a training institute or just as a traditional consulting company, but as an integrated programme taking care of all aspects related to the development of entrepreneurial capabilities and innovative behaviour.

Therefore, a set of integrated services for SMEs, from the diagnostic health check to the preparation of business plans, are offered on an individual basis as a follow-up to the motivational workshop. In 1997, Empretec Uruguay provided 176 ad-hoc consultancy hours per month. Normally, 55 % of the workshop participants demand support from the service center. The center is also open to non-empretec companies, which represent the majority (63%) of its clients.

Individual consultancy and advisory services are offered in the following areas:

- Business plan preparation;
- Formulation of investment projects, action plans and diagnosis;
- Taxation, finance and accounting
- Marketing
- Organisation and production methods (productivity enhancement)
- Loan and credit sourcing
- Information on fairs, trade missions
- Information on business opportunities
- Electronic commerce

Empretec Uruguay has also implemented a remarkable series of ad-hoc projects. These have required the preparation of a specific follow-up, tailored to the clients' needs, and sometimes a slight adaptation of the behavioural workshop.

**BOX. 1: SPECIFIC PROJECTS IMPLEMENTED**

Initiative Project (1996-1998). It is an "intrapreneurship" development programme aimed at promoting the modernization of public enterprises. Around 1000 executives of major State enterprises have been trained up to now, with the purpose of enhancing their entrepreneurial spirit. The follow-up assistance on a one-to-one basis has involved 350 participants, and lasted an average of nine months. As an outcome, 64 % have designed an individual Action Plan, and 53 % have reached the new pre-established goals (behavioural changes). The participants evaluated the programme with a score of 10 out of 12.

Catalysis Project (1994-1998). It is a UNDP financed project aimed at consolidating the high-tech profile of selected enterprises and at stimulating entrepreneurial/innovative behaviours among university graduates. An ad hoc follow up involved 25 high-tech enterprises, and lasted four years. As an outcome, these enterprises have founded an association, called Catalysis; have been able to interact locally and internationally as a group, generating new synergies and implementing common technology upgrading plans; have participated in public and private bidding both locally and internationally; have won several National Quality Prizes.

CEPRE Project: Re-orienting civil servants (1997-1998). Since 1997 Empretec Uruguay has provided assistance to 200 civil servants working in the Public Administration. Among these, 95% created new enterprises and obtained loans from ad-hoc allocated public funds. The participants evaluated the programme as very good.

Cinco Project. It is a pilot experience initiated on May 1998, at request of the Labour and Social Security Ministry. Empretec Uruguay assists only 20 % of the enterprises involved in the whole project, which means 18 enterprises out of 90, practically all from outside Montevideo. The objective is to provide them with support, technical assistance and training for one year.

"Projovent" Project. The Ministry of Education has assigned to Empretec Uruguay the task of implementing a pilot project for supporting young entrepreneurs. Since June 1998, 15 companies initiated by young people under 25, and located outside Montevideo, have been assisted.

"Pygmalion" Project (1997). It was developed for young people in high-risk groups. Empretec assisted the start-up of nine companies, but only three cases were successful. There was a lack of support from the public institutions that took part in the project.

New activities have been initiated late in 1998 and in early 1999, and are not reflected in the statistics provided in table 2:

- ◇ In cooperation with SEBRAE – the Brazilian Support Service to SMEs - and the national Banco de la República, Empretec Uruguay has established a local "balçao" (Centre of Attention to Enterprises) that provides all the typical services of SEBRAE, and strongly favours networking among Uruguayan and Brazilian enterprises.
- ◇ Under the patronage of the Interamerican Development Bank (IDB) and of the Spanish Government, a pilot project aimed at promoting and consolidating new, non-traditional exporters (NEX) has been recently launched. The methodology adopted

originates from COPCA, el Consorcio de Promocion Comercial de Cataluna, which will provide individual assistance to 40 enterprises with a high export potential, during three years, starting from January 1999.

- ◇ With the financial support of the Labour Ministry, a Distance Learning programme will start in March 1999. During the first phase of implementation, the beneficiaries of the target audience will be represented by 1500 rural women, and 2500 workers in the construction industry. They will be trained in management techniques and business planning.
- ◇ The Dutch Government has funded a project called “Entrepreneurial Women”, to be initiated in February 1999. In its first cycle, it will train 100 women executives, in order to increase their entrepreneurial talent.
- ◇ In the framework of the CEAD Programme, financed by the IDB and already started in November 1998, Empretec Uruguay has been requested to conduct training workshops tailored to farm producers’ needs and to the needs of their organizations and unions. An average of 250 participants per year for three years is expected.
- ◇ In cooperation with the Faculty of Sciences and the National Council for Technology and Science, Empretec Uruguay is establishing a Centre for Innovation and Enterprise Development (CIED) in Montevideo. Activities were planned to start in December 1998.
- ◇ Enterprise Incubator of Montevideo. With funds from Montevideo Town Hall, this incubator will house 13 enterprises that will have to take-off in a period of three years (maximum). The starting date is April 1999.

**Clients.** The standard profile of the entrepreneurs, assisted by Empretec Uruguay, (see box 2) refers to 810 participants who have attended the behavioural workshops in ten years of activity. On average, only one in five applicants were admitted to the course.

During the selection procedure, the following criteria were applied: age, entrepreneurial behavioural characteristics and growth potential. Thus, candidates must be between 25 and 40 years old, manifest a positive attitude towards risk-taking and innovation, and present a viable business proposal. Indeed, the strict execution of the selection procedure (consisting of a screened application form, an individual interview and a business proposal assessment), is one of the pre-conditions for obtaining tangible results.

**BOX 2: STANDARD PROFILE OF “EMPRETECOS” IN URUGUAY**

Average age:	35
Sex:	70 % men
Education:	54 % post secondary school
Sector:	Services 33%
	Agroindustry 26%
	Manufacturing 24%
	Others 17%
Average turnover:	US\$ 250.000
Average number of employees:	15

At present, more and more candidates who ask to take part in the workshops are (often highly skilled) unemployed people who wish to try, or have already decided, to start a business. Unfortunately, only a few of them (approximately 3%) show a real entrepreneurial talent and manage to set up successful companies. However, damage prevention and discovering the real vocation of the rest of the participants are also positive results.

**Impact.** 810 Empretecocos have achieved the following results through participation in the Programme:

- ⇒ 370 new companies were started;
- ⇒ 120 projects received financial assistance from private banks or public funds;
- ⇒ 80 enterprises started to operate in high-tech sectors;
- ⇒ 440 enterprises started to promote and/or sell their products/services abroad;
- ⇒ 410 enterprises entered into formal cooperation agreements with other enterprises, (60% of which are “empretecocos”)

According to the statistics provided by Empretec Uruguay and analysts of the European Union in February 1996, the size of the labour force in Empretec SMEs increased by 12% between June 1991 and July 1995. Other SMEs, that did not participate in the programme, showed a significant loss in the number of employees (-28%). In a general assessment of Empretec Uruguay, its influence and effectiveness were judged to be positive in 86% of the cases.

In Uruguay, the empretecocos now constitute a dynamic critical mass, widely recognized by public and private institutions. They are frequently invited to take part in public roundtables or to participate in trade missions abroad. Foreign investors often look for opportunities in Empretec, and ask for projects that have been previously evaluated or formulated with the help of Empretec staff and experts. The counterpart institution, el Banco de la República is now considered the main bank contributing to the development of the national economy and to the growth of the private sector. On the other hand, Empretec Uruguay has gained credibility and visibility through its presence within the Bank, and has benefitted from high-level contacts in the private and public sector.

Finally, as to the business environment, entrepreneurs participating in the programme are members of the Enterprise Creators Union (UCRE), where more than 250 empretecicos were represented until 1995. UCRE is now much weaker, since entrepreneurs found it increasingly difficult to set up common goals and a coherent joint action programme. As a matter of fact, only smaller groups, with specific common interests, have survived. One of these is the Catàlysis Association, founded by 23 high-technology enterprises for achieving very concrete common goals. It is open to any innovative, dynamic business person with entrepreneurial capacities, and it has the potential for considerable growth.

**Efficiency and sustainability.** Due to the diversification characterizing the services provided, it is not easy to measure the efficiency of the project. As to the EDP workshop and the related follow-up activities, representing the “core business” of Empretec Uruguay, the following figures - for 1997 - are indicative of the costs of the project:

- \* Overhead costs: US \$ 120,000
- \* Financial sources: 30% Banco República (in kind), 30% fees, 30% external subsidies
- \* Total revenue from fees charged for workshops and other services: \$ 40,000

- \* EDP Workshop fee (80 hours): US \$ 450
- \* Subsequent courses/workshops: US \$ 15 per hour
- \* Individual counseling fee: US\$ 30 plus taxes per hour

These fees reflect competitive market prices and depending on the projects, they cover part or total overhead costs. On the other hand, in 1997 “tailor-made” projects/services have generated a 35% profit. Unfortunately, the self-sustainability of some activities is threatened by an increasingly over-crowded market of individual consultants, NGOs and other service providers, and also by the continuous decrease in international co-operation and bilateral donors funds.

Up to now Empretec Uruguay has been managed as a private company, following a detailed development strategy, which includes the determination of life-cycles for every product offered and of marketing plans. Under the motto “Looking for opportunities” a series of market-oriented, income-generating services have been provided, taking into account the demand of public and private clients.

Looking at the last ten years, 40% of the total direct and indirect costs of the different activities carried out by Empretec Uruguay have been financed by the local counterpart, el Banco República (in kind). The other 60% of the costs have been covered from the fees paid by the beneficiaries. As a matter of fact, the fees have been only partially paid by the direct beneficiaries. Subsidies from international donors agencies and public institutions reached an amount of US\$ 5 million. Donors were UNDP, the European Commission, US

AID, the Canadian IDRC, the German GTZ, the Interamerican Development Bank, and the Governments of U.K., Spain and the Netherlands.

**Future Perspectives.** The mission and general objectives of Empretec Uruguay are the same ones that were established when it was founded ten years ago: to sustain the economic growth of the country, to revitalize the most important productive sectors; to spread entrepreneurial attitudes in the business environment.

Yet, Empretec Uruguay is facing strong competition. Universities, academies, specialised consultancies, chambers of commerce and free-lance experts are all offering similar products, for a relatively small market. The high impact in terms of immediate behavioural changes, sales, employment and export growth in the medium term, and the life-long involvement in the programme of the participants are the most evident competitive advantages.

In general, there is a growing demand to strengthen the capability of Empretec to act as a “system of global support” for innovative entrepreneurship. With reference to the EDP workshop module, there is a considerable potential market among the Uruguayan empretecocos, since many of them are demanding further advanced training in quality improvement, electronic commerce, finance and accounting, continuous innovation, management of change, export-readiness, eco-management.

### *III. The Empretec Project in Brazil*

**Institutional Set-up.** The Empretec Programme was initiated in Brazil in 2 states in 1991. Since then it constantly expanded to 19 states, with three more in the process of being launched, hence covering most of the Brazilian territory.

Empretec Brazil is implemented under the management of SEBRAE - Serviço Brasileiro de Apoio às Micro e Pequenas Empresas - UNDP, and the Brazilian Cooperation Agency of the Ministry of External Affairs. In this sense, it has a peculiar configuration, since the follow-up services are not provided by the Empretec office, but by the counterpart organization, which is an already existing and well consolidated BDS organization. These services are offered through a network of 548 decentralized units, located in all state capitals and in the most important Brazilian cities.

The primary objective of SEBRAE is to support the growth of micro and small businesses, stimulating changes and dynamism in entrepreneurial behaviour, disseminating information on business opportunities, technological upgrading, human resource development, financial opportunities and new markets, and providing institutional and inter-firm linkage opportunities at the national and international level.

**TABLE 3: THE EMPRETEC PROJECT IN BRAZIL (1993-1997)**

STATE/OFFICE	NUMBER OF TRAINERS	NUMBER OF COURSES	NUMBER OF PARTICIPANTS	HOURS OF TRAINING
Alagoas	-	7	133	560
Amazonas	-	7	95	560
Bahia	-	9	215	652
Cearà (1)	-	2	52	144
Distrito Federal	6	16	394	1272
Espirito Santo	10	20	536	1600
Goiàs	-	4	109	296
Mato Grosso (1)	-	3	76	240
Mato Grosso do Sul	2	12	313	960
Minas Gerais	6	26	655	2080
Paraná	1	10	285	800
Pernambuco	14	32	848	2560
Rio de Janeiro (1)	-	1	31	80
Rio Grande do Sul	8	63	1513	5040
Rondonia (2)	-	-	-	-
Roraima	-	1	20	80
Santa Catarina	1	9	204	720
Sao Paulo	5	29	660	2320
Tocantins	1	9	164	720
<b>Total</b>	<b>54</b>	<b>260</b>	<b>6303</b>	<b>20684</b>

(1) Initiated in October 1997;

(2) Under preparation

Empretec plays a primary role in SEBRAE's operational activity. The motivational course is one of its important products, and the attention to the project is constantly increasing, as the demand seems to grow at a rate of 55% every year. According to a questionnaire recently circulated by SEBRAE among all its clients, the Empretec training workshop is the best product in terms of "customer satisfaction". In particular, 97.7% of the entrepreneurs interviewed stated that the Empretec training workshop had met (45.5%) or exceeded (52.2%) their expectations.

At present, Empretec Brazil is managed by a National Coordination Committee, chaired by SEBRAE and composed of representatives from the Brazilian Government, UNDP, Empretec National Coordinator and 19 State Coordinators. The committee meets every three months to evaluate the actions developed during the trimester and to plan successive activities. On the whole, there are 54 certified Empretec trainers and 44 professionals trained for executing the selection interviews.

**Services.** As already mentioned, the main service provided by Empretec Brazil is the behavioural workshop. Most of the workshops are implemented on a 9 day basis, for a total of 80 hours of training. Since 1993, 260 workshops have been conducted, with a total participation of 6,303 empretecocos. For this year 174 new workshops were scheduled, but by July 121 workshops had already been conducted, with 2,800 participants.

**TABLE 4: TOTAL NUMBER OF EMPRETECOS TRAINED**

Year	1993	1994	1995	1996	1997	1998 (*)
<b>Number of participants</b>	135	567	934	1852	815	2815
<b>Total Number</b>	135	702	1636	3488	6303	9118

(\*) Until July

After the behavioural workshop, statistics show that 31.8% of the empretecocos have asked frequently for SEBRAE's services, 47.3% only occasionally, and 20.5% never. In order to increase these figures, and to consolidate the impact of the training, Empretec-Rio Grande do Sul has just initiated a pilot project for introducing a "post-empretec consultancy" service, oriented towards the strategic and operational aspects of the companies.

The most requested services are the preparation of a business plan, and participation in international business fairs. As a matter of fact, SEBRAE itself organizes almost every year an Empretec Fair in order to strengthen the network between the Brazilian participants and those from other Latin American and African countries, and to increase business transactions. The success of these fairs can be deduced from the following figures:

**BOX 4: NATIONAL AND INTERNATIONAL EMPRETEC MEETINGS HELD IN BRAZIL**

YEAR	CITY	NO. OF COUNTRIES	NO. OF PARTICIPANTS
1993	Porto Alegre	8	260
1995	Vitória	3	161
1996	São Paulo	6	640
1997	Recife	6	600
1998	Foz de Iguaçu	11	550

As to the results achieved, in 1995 the I National Meeting in Vitória (State of Espírito Santo) was attended by 161 participants and 256 business meetings took place. In 1996, during the 5th Latin American meeting of the Empretec Programme and the 2nd International Meeting of Entrepreneurs, 640 enterprises participated in the business fair (339 empretecocos), and negotiated business operations for a total of US\$ 18 million. In 1997, 781 business operations were initiated, involving 247 enterprises. In 1998, business operations for US\$ 24 million were undertaken, as consequence of 405 meetings among 285 enterprises.

**Clients.** According to the annual report of Empretec Brazil, only 37.5% of the empretecocos operate in medium-size companies (10-50 employees), and the majority - 62.5%- are in small and micro enterprises (up to 10 employees). These are concentrated in the service sector (49.5%), followed by retail (34.3%), manufacturing (13.6%), and agribusiness (2.6%) sector.

70% of the total number of participants are men. Women are encouraged to apply by the regional coordinators, although no special gender approach is adopted in the project. As to the selection of specific target groups, only in one case the behavioural course has been targeted to the less favoured segments in the Brazilian population. In 1996, during the first phase of the "Moinho Project", a group of 23 homeless boys and girls were trained, and 18 managed to establish their own companies.

**Impact.** An extensive survey has been conducted by SEBRAE in November 1997, in order to evaluate the impact of the Empretec Project in developing the entrepreneurial capabilities of the beneficiaries. The survey has been carried out in 13 states, and covered a random sample of 692 empretecocos. The time lapse between their participation in the workshop and the interview ranged from 6 months to 2 years.

More than 86% said that Empretec training workshop identified and developed their entrepreneurial capabilities. 40% stated that immediately after the course they had a tangible increase in income, and 68% affirmed that thanks to the workshop they managed to achieve a greater involvement and commitment from their employees. Asked if they would recommend Empretec to another person or enterprise, 98% answered positively.

More than two thirds of the entrepreneurs (69.9%) already had their own business by the time they participated in the workshop, and were still in business by the time of the

survey. This figure is very important, since it largely differs from the average survival rate of Brazilian SMEs in the same period (around 25%). Among those who started a new business after the workshop (8.7%), 25% stated that Empretec influenced positively their decision. Only 0.3% had not survived at the time of the survey.

The influence of Empretec as a factor in business expansion (towards new geographical areas, or new products/services) is confirmed by the majority of the empretecos interviewed (81%). 79.8% stated that they had already implemented the workshop contents and the business strategies suggested by Empretec trainers (25.3%) and were still in the phase of implementation (54.5%), 13.5% had no chance, 1.8% had no intention to do it.

**TABLE 5: IMPACT OF THE EMPRETEC TRAINING WORKSHOP**

<b><u>HOW EMPRETEC CONTRIBUTED TO THE EXPANSION OF BUSINESS OPPORTUNITIES</u></b>			
Increase of sales or of clients			58.3%
Adoption of new technologies			30.7%
Start a new type of business			22.8%
Establishment of partnership agreements			19.5%
Increase in number of employees			17.8%
Creation of new affiliated companies			13.5%
Increase in export opportunities			1.2%
<b><u>HOW EMPRETEC INFLUENCED THE CONDUCT OF THE ENTERPRISE</u></b>			
	Increase	Decrease	No change
Number of employees	31.1	17.2	48.1
Income	54.5	2.0	39.9
Demand for training	64.4	0.4	32.0
Demand for equipment	32.3	0.3	63.1
<b><u>TO WHAT EXTENT EMPRETEC STIMULATED THE NEED FOR NEW INFORMATION</u></b>			
On new clients			70.1
On competitors			63.7
On foreign markets			9.1
On suppliers			52.4
On raw material			13.3
On training courses			57.4
On marketing opportunities			56.1
On new technologies			39.0
On new productive processes			18.6
On credit and financing opportunities			34.8
On existing projects for regional economic development			18.3

As to the impact on the counterpart organization, a concrete and measurable impact on SEBRAE can be deduced from the massive participation of SMEs in the International Empretec Fairs. In São Paulo, in 1996, during the 5th Empretec Latin American meeting and 2nd International Entrepreneurs Meeting, non-empretec SMEs were 83 % of the participants, showing that the programme is seen as an important reference point for this segment of the economy.

With regard to the impact on the business environment, two new local Empretec Associations were created: the Campinas Entrepreneurs Association (AEC) and Alto Paraiba Valley Entrepreneur Association (EMPREVALE). In the last two years (1997 and 1998) important signals begun to reflect the presence of the programme is being felt outside EMPRETEC circles. For instance, this year three empretecos were among the 40 awarded (in a universe of 368 enterprises) for the “Mauá” prize, a prize recognizing the quality and efficiency of SMEs, sponsored by SEBRAE and Gazeta Mercantil, Brazil’s most significant business newspaper. In addition,

#### **BOX 6: EMPRETEC ASSOCIATIONS PRESENT IN BRAZIL**

Campinas Entrepreneurs Association (AEC) is a non-profit, non-governmental organization, aimed at networking all the empretecos of the Campinas region and at enhancing their growth. Campinas is the second city in the State of São Paulo, with one million inhabitants. The Association’s objective is to promote an exchange of experiences among entrepreneurs and business agreements and inter-firm linkages. Out of 120 empretecos from the region, 60 of them, from 7 cities, are associated to AEC. Its main activities consist in monthly meetings, that have contributed significantly to the growth and the consolidation of the group, lectures by experts on subjects chosen by the associates; talks held by outstanding entrepreneurs, exchange of experiences among associates for solving specific problems, training workshops and the monthly publication of an empretec bulletin.

Alto Paraiba Valley Entrepreneur Association (EMPREVALE) was created in August 1997, after the conclusion of the first workshop in the region. EMPREVALE has asked SEBRAE to provide specific courses to its associates, and decided to carry out joint activities for promoting the tourism sector in the region. For this purpose, specific courses and lectures have been scheduled. EMPREVALE organizes business meetings among its members. It currently has 45 associates, with an average of 8 employees each.

**Efficiency and sustainability.** In five years of activity, around US\$ 5 millions have been invested in the programme. 97% of this amount come from SEBRAE, and only 3% from UNDP. The resources utilized by SEBRAE come from a tax of 0.3% on the enterprises payroll, a percentage from all enterprises total social contribution.

Referring only to 1997, the implementation of the programme required US\$ 2.3 million, which means an average of US\$ 16,000 per workshop conducted. As a matter of fact, the direct and indirect costs of the workshops are higher in the States where Empretec has been recently initiated (US\$19,000 vs US\$ 15,000), since travel expenses for trainers from other States have to be included. Fees charged reach an average of US\$ 450, and usually can be paid in 2 or 3 instalments. In very underdeveloped regions SEBRAE

normally increases the level of subsidy thanks to additional public funds for social development purposes.

**Future perspectives.** In Brazil there are approximately 4,5 million micro and small enterprises, employing around 60 million persons. They represent 98% of the employed workforce in the industrial, commercial and services sectors, and 60% of the urban workforce in Brazil. Even though the 10,000 empretec already trained may seem impressive, the above-mentioned figures justify an even stronger commitment of UNCTAD, the Government and donors to further expand the programme. There are plans to start Empretec in the regions of the Northeast of Brazil, and to focus on the agribusiness and eco-tourism.

#### *IV. Conclusions: Drawing Elements of Good Practice*

Empretec Uruguay and Empretec Brazil are two examples showing how country projects can evolve differently, building upon the same core module. In these conclusions, attention will be focused on the major achievements of the programme, which can be considered complementary to the indicators related to the generation of new enterprises or to the expansion of already existing businesses.

The focus is on the strengths and weaknesses revealed by those two country projects, with the specific aim of identifying replicable “best practices”. For the benefit of other practitioners involved in SMEs development initiatives, critical elements which have contributed to the overall success of the Empretec model will be also highlighted, and unresolved issues will be mentioned.

1. Creating bonds among entrepreneurs and long-lasting involvement with the programme. In all its country projects, Empretec applies a unique methodology that has proved to be valid and up to date. The experience of Empretec Uruguay shows that it can also be geared to specific needs, without modifying the core activities and basic organizational structure. Indeed, this plays a pivotal role in assuring the successful implementation of the subsequent stages of the project. It also makes the difference, when comparing Empretec to other programmes which simply “deliver” services to SMEs. Wherever implemented, the training workshop creates bonds - often for life - which are essential for business growth and partnering, but also for building a critical mass of successful, committed entrepreneurs who then become the driving force of the project. Where this does not happen, is it because the project does not manage to go beyond the initial training, or because the follow-up services are provided within the counterpart organization - like in Brazil - and perceived as external to the project. This lets the strong

initial dynamic impulse gradually expire, and in some cases it creates a strong sense of “abandonment” and frustration with respect to the expectations raised, which in the long run can undermine the credibility of the whole programme.

2. Achieving local capacity-building and self-sustainability in three to five years.

Empretec has developed a remarkable managerial capacity in the countries where it operates. Further, by stimulating public-private sector cooperation and developing the local management and training capacities to continue the project, Empretec has become largely self-sustaining in three to five years, allowing UNCTAD to transfer the execution of the project to the local counterpart. The institution-building component is crucial in this process, since the presence of an active and forward-looking Advisory Board plays a major role in ensuring that the National Director acts in a way that is consistent with the programme’s overall mandate and approach. It also enables the newly created Empretec Centre to work in a flexible, dynamic, independent manner, but at the same time to benefit from contact networks which only deeply rooted institutions can access to. As to the self-financing aspect, a key variable is represented by the entrepreneurial talent of the director, who, besides charging cost-recovery fees as the programme evolves, has to raise additional donors’ funds, or to develop new and market-oriented products, in order to become completely self-financing.<sup>4</sup> In this regard, the country projects in Uruguay can be considered as an example of good practice.

3. Playing an active role in the local business environment and in the civil society.

Empretec is often considered an entrepreneurial elite in their own country. In some cases, they are identified as a guarantee for quality, reliability, integrity, debt-servicing performance, to the point that country directors have requested UNCTAD to register Empretec as a trade mark. Wherever implemented, the programme stimulates the most dynamic entrepreneurs to take the lead in the creation of business associations (i.e. the two Empretec associations in Brazil, which are however very recent), and to become active in the empowerment of new entrepreneurs. As a matter of fact, top empretec are frequently available to serve as resource persons in training workshops or lectures organized by the Empretec Centre, both nationally and internationally. In Uruguay, as well as in Argentina, many empretec are chief executives in chambers of commerce, public enterprises and universities. In principle, the associations are the driving force of each project, and should ensure that project management provides the services which the entrepreneurs really need. In Latin America it rarely does so on a steady basis, since only smaller groups - which have in common the geographic location or very specific interests (i.e. the Catàlysis group in Uruguay) - manage to remain active and influential in the long run. The problem seems to be the time constraint of association leaders. In Ghana, this problem was resolved by hiring professional managers who can run the association.

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<sup>4</sup> The average cost of the programme per country is estimated at US\$ 700,000 for three years. One third of this amount are local costs which are contributed mainly in kind by the counterpart organization. After a consolidation period of 3-5 years, and as soon as a local team of certified trainers is ready, the cost per year can be kept below US\$ 150,000, half of which can be generally recovered from participants’ fees.

4. Facilitating business linkages at the national and international level. Empretec is conceived as a long term sustainable support system, which assists SMEs from the start-up to the (eventual) internationalization phase. After the initial training, entrepreneurs are further empowered through a national and international network of empretecos, and through partnering mechanisms designed to facilitate business agreements with SMEs of developing and developed countries. (i.e. the Brazilian Fairs). Entrepreneurs can also benefit from the existence of regional Empretec foundations, whose institutional task is to promote regional integration through networking at the enterprise level, to link up national programmes with regional and international databases, mainly in the area of trade, investment and technology transfer, as well as to provide technical assistance when new Empretec country projects are initiated and to strengthen existing ones through cross-fertilization of best practices. Indeed, Enterprise Africa (a regional initiative financed by UNDP), intends to play an important role in stimulating and accelerating regional integration processes.<sup>5</sup>

At the first International Empretec Meeting that took place in Geneva in December 1997, on the occasion of the first ten years of activity of the programme, the following elements were identified as key factors conducive to the success of country programmes by the participating national directors, top empretecos, leaders of business associations and UNCTAD officers:

1. the suitability of the counterpart organization;
2. the familiarity of the national directors with private sector dynamics;
3. the selectivity in the choice of participants;
4. the constitution of an effective and representative Advisory Board;
5. the identification of key strategic sectors/niche markets to target possible clients;
6. the provision of a critical minimum of start-up funding for the programme;
7. the recommendation of clear policy guidelines before initiating the project;
8. the involvement of government agencies only for advisory and supportive tasks.

These guidelines are entirely straightforward. However, surrounding them there are a number of unresolved issues and dilemmas, which make it difficult for UNCTAD always to replicate these good practices and to respect the pre-conditions of successful country projects.

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<sup>5</sup>This integration opportunities will be further extended thanks to the creation of the Foundation for Entrepreneurship and Strategic Planning in the Americas (FESPA), based in Miami, that will involve US and Mexican companies in the Empretec network.

*Should Empretec only assist “potential winners”?* ⇒ Under the assumption that only high performing entrepreneurs can pay a competitive price for quality services and set up the basis for the good reputation of the project (especially at its initial stages), a strict selection of the participants is highly recommended. However, centers are sometimes forced to broaden their target groups for budgetary or social reasons, and in the long run this risks to undermine the credibility and sustainability of the programme. On the other hand, not every entrepreneur can be a real winner, and it could be argued whether “consolidation” (rather than decline) can also be considered a positive result, as well as “damage prevention” (i.e. discouraging excessive investments or imprudent business expansion).

*Should smaller, technology-oriented projects be also considered a good practice?* ⇒ Due to the scarcity of promising high-tech businesses and to their long gestation period, Empretec Argentina and Colombia decided to concentrate their follow-up assistance on a very narrow range of selected enterprises. This is the only way for providing continuous problem-solving assistance and real “solidarity” face to the frequent obstacles encountered, as required by entrepreneurs who have bankable projects ready only after 3-5 years. These country programmes can hardly become totally self-financing, given the high costs per enterprise created or consolidated, and in this sense they cannot be considered as best practice models, but they indeed achieved impressive results when looking at the entrepreneurial profiles of their top empretecos.

*As to the training component, should Empretec impose a standard methodology?* ⇒ The flexible, bottom up approach of the programme is indeed a chief asset, and has given the opportunity to each national director to respond to the local demand with a very personalized, tailor-made, market-oriented strategy. However, there is an emerging need, expressed by all the national directors, to introduce a new innovative, second-step training module, dealing with issues such as quality improvement, electronic commerce, finance and accounting, continuous innovation, management of change, export-readiness, eco-management. In this instance, the intervention of UNCTAD as international coordinating agency is probably necessary, if consistency and homogeneity are to be ensured.

*Should Empretec always tend to be an entirely autonomous institution?* ⇒ The incorporation of Empretec in an already existing BDS organization, such as SEBRAE in Brazil, Fundacion Chile or Corporacion Innovar in Colombia, presents several pro and cons. The evident advantages refer to supposedly reduced overhead costs and to the possibility of operating in a well-known and consolidated structure. The disadvantages are less evident, and refer to a minor visibility of the Empretec programme as such, and to the constraint of providing often off-the-shelf, supply driven follow-up services. The key criteria for identifying the best institutional framework seem rather to be the following: a) the credibility of the (eventual) “hosting” institution to the target entrepreneurs, meaning that the support organization has to have a proven capability to operate as an active agent of change, and to really benefit private sector development; b) the possibility of integrating the external services into a unified Empretec service network, which allows

the entrepreneur to address always the same service provider, and possibly the same person for continuous guidance.

*To what extent should Empretec interfere in countries internal (political) dynamics? ⇒*  
In the cases of Nigeria and Venezuela, government agencies have proven to be unable to manage the programme, and even more detrimental when trying to control it. It is not easy to find the optimum degree of “interventionism”, deciding how much UNCTAD should try to influence the internal decisions and dynamics of governmental bodies, how much they can intervene in the choice/confirmation of the national directors or in the selection of the members of the advisory board, how much they can exert pressure on the board to be more active, rigorous, or selective. The solution is different in each case, but sometimes it has been difficult for UNCTAD to intervene timely and effectively to improve the poor results of a project. Intervention usually comes only when the local counterpart or government realizes that the project is not attaining the expected results, and seeks UNCTAD’s assistance to reorient it.