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Extension Services for

Small-Scale Enterprise Development in

Developing Countries:

A Study with particular emphasis on Ghana

by

George Banahene Manuh BA MSc

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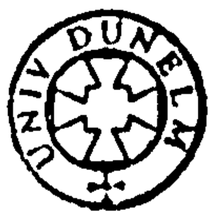
Thesis submitted in fulfilment of the requirements
for the degree of Doctor of Philosophy
at the University of Durham

November 1988



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ABSTRACT

The purpose of this research is to contribute to a better understanding as to how to design extension and related support services for small-scale enterprise (SSE) development in developing countries. This effort represents an attempt to respond to a long-standing need in the literature on the subject and in the field for a set of guidelines for the organisation of institutions as well as delivery mechanisms designed to implement programmes to ensure a healthy growth of the SSE sector.

A review of the literature on extension services, underpinned by a survey of 57 support institutions in 30 developing countries in Africa, Asia, Europe and Latin America, identified key issues of concern and debate where research was needed. The search for a suitable framework for design which would determine the issues led to the conceptualisation of the extension process and subsequently the contingency notion of organisation design, culminating in systems theory. Exploration of the concepts and their applications demonstrated that whilst they described the extension process and embraced the key issues, they offered no explanation as to why the key issues arise. Nor did they specify how the issues might be resolved.

An adaptation of the concepts and the introduction further of missing links led to the hypothesis that the key issues that arise in the design and organisation of SSE extension services are determined by mismatches between the people, structures and processes employed by support institutions and those found in the SSEs being served. In order to test this, a study was undertaken in Ghana of all the major support institutions as well as a sample of 57 SSEs. The results enabled the hypothesis to be proven, finding that the most effective institution was the one whose components - in terms of staff profile, structures and processes - were closest to those of the SSEs served. Conversely, the components employed by the least effective institutions were farthest from the enterprise model.

Against the backcloth of the overall study, the findings of the research lead towards a model for the design of SSE extension and related support services in developing countries.

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Abbreviations used

C	Cedi (Ghanaian currency. In August 1987, the official exchange rate was C160 = US$1.)
DCs	Developing Countries
EIDDC	Engineering and Industrial Development Centre
GEDC	Ghana Enterprises Development Commission
GTZ	German agency for technical co-operation
IBAS	Indigenous Business Advisory Service
ILO	International Labour Office
LDCs	Less-Developed Countries
MDPI	Management Development and Productivity Institute
NBSSI	National Board for Small-Scale Industries
NCWD	National Council on Women and Development
NIB	National Investment Bank
NICs	Newly-Industrialising Countries
OD	Organisation Development
ODA	Overseas Development Administration
OECD	Organisation for Economic Co-operation and Development
OIC	Opportunities Industrialisation Centre
OMs	Owner-Managers
OPEC	Organisation of Petroleum-Exporting Countries
SEDCO	Small Enterprises Development Corporation
SME	Small and Medium-sized Enterprises
SMI	Small and Medium-Scale Industry
SSEs	Small-Scale Enterprises
TCC	Technology Consultancy Centre
TW	Third World
UK	United Kingdom
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USA	United States of America
USAID	United States Agency for International Development

Call to me and I will answer you and
tell you great and unsearchable
things you do not know
- Jeremiah 33 v. 3

CHAPTER 1

INTRODUCTION AND OVERVIEW

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INTRODUCTION TO THE TOPIC

This thesis is concerned with the development of small-scale enterprises (SSEs) in developing countries. More specifically, the research is primarily focused on the design and organisation of extension and support services for SSE development in developing countries.

The choice of the topic stems from several considerations. Firstly, it follows partly the general interest in the role of SSEs in solving some of the most pressing economic, social and political problems facing many developing countries, especially in Africa. Another important reason for the choice relates to the potential of extension, in the light of the limited impact of support measures, after some 25 years of technical co-operation, to assist the formation of new businesses and to help existing ones survive and grow. Thirdly, an influential scenario was provided by the lack of a guide, which is conceptually and empirically tested, for policy-makers and practitioners; the varying practices in different parts of the Third World and the debate as to how services should be organised; and, importantly, the virtual dearth of research and publications in the area.

All of the above called for, in the words of Gibb (1986),

> "... a need to undertake a detailed review of developments in this field [i.e. SSE extension services], and to identify 'best practice' and to explore the ways in which efficiency and effectiveness of extension services can be measured". (p.2)

Fourthly, related to the above was the observation that the relatively little research done in the specific area of study provided an opportunity to make some contribution to the existing body of knowledge.

Fifthly, the possibility of collaboration with the ILO including access to their internal documents and literature was important. Of importance also was the interest and work experience of the researcher in the field.

Finally, the potential for deriving useful applications from the research was attractive.

The research effort began in 1984 with a deeply-felt concern to assess the effectiveness of technical co-operation (TC) projects in the Third World, especially in Africa. It was intended then to conduct an evaluation of TC projects with a view to providing lessons and to identifying best as well as worst practices.

Several months later, following proposals and revised proposals, as well as discussions with academic staff at the Department, the decision was taken to focus on SSE development. This resulted largely from the realisation that access would prove to be difficult, if not impossible, to project information, not to mention the resources of time and money that would be involved to pursue the original plan. The research interests of the academic supervisor were also important in establishing a mutually satisfactory relationship.

PURPOSE AND IMPORTANCE OF THE RESEARCH

It is beyond reasonable doubt that the SSE sector has an important, even indispensable, role to play not only in economic development but also in the socio-political environment of developing countries. Few experts and even fewer owner-managers of SSEs would dispute either that, on the whole, support measures over the past 25 years for the sector have had little impact in new business formation and in the growth of the sector. This is not to deny that, in some places, supply-side measures in favour of small firms have been quite successful. India perhaps provides the best example here, as Little, Mazumdar and Page (1987) have shown. It is true to say, however, that such cases of success are rare.

There is admittedly no shortage of support institutions, virtually all of which have been built within the last 25 years. There are also wide ranging programmes in many countries. What remains at issue, however, is the impact, especially in the light of the fact that huge amounts of money, running into literally billions of US dollars, to say nothing of human and other resources, have been poured into the sector. As a case in point, the World Bank alone lent US$61,516.7 million for 58 credit programme projects in support of small and medium-sized

enterprises (SMEs) in 32 countries between 1977 and 1983. (ILO 1986 p.47)

The lack of impact has certainly resulted, at least in part, from the absence of policies and the lack of a clear workable strategy for the development and growth of the sector in most countries. Of related significance also is the fact that industrial policies in general and the growth of large-scale manufacturing have had adverse effects on SSE development. (Little, Mazumdar and Page, 1987)

Underneath all this lies the disillusionment with the strategic focus of the 1960s and early 1970s, which often favoured large-scale projects of the imported (relatively sophisticated) technology variety.

It is against this background that wide-ranging calls have been made for a set of guidelines firstly for policy and secondly for the organisation of institutions as well as delivery mechanisms designed to implement programmes for a healthy growth of the sector. The following statement from Neck (1977), concerning just one important assistance activity, viz. technological development and technical training, is typical of the need:

> "Institutions enhancing development and transfer of appropriate technology are probably the weakest structures assisting small enterprise development in the African Region." (p.197)

Harper (1984) is even more critical, saying of technical training:

> "The results have been less impressive than the buildings and the lavish facilities inside them. The training... has often served only to increase the frustration of those who have been trained. It may indeed have made them less rather than more employable..." (p.82)

In other words, the ineffectiveness of measures is seen in some cases to be as damaging as not providing anything at all. The potential of the activities is not at issue. Rather, such views as those above reflect an important and long-standing need for well-researched guidelines to re-orientate or strengthen activities which have been found to be wanting. The following

statement made over a decade ago by Nouvel (1977) of the World Bank, concerning extension services provides further evidence:

> "For complete coverage local extension services are the only viable long term solution [to SSE needs for assistance]. Success of local extension services is limited to date and this problem is perhaps the most important constraint to SSE development in many countries." (p.65)

It is in response to this need that this research aims to explore processes and phenomena which affect or influence the successful design and organisation of extension and support services for SSE development in developing countries. This is a challenging and very important task, which appears to be long overdue. The concluding words of Neck (1977) concerning Africa, following what is probably the most extensive review of policies and programmes for SSE promotion in developing countries to be published to date, are as valid today as they were then, viz.:

> "The task is formidable but challenging, the prospects exciting but frightening for, if [SSE] development efforts fail, social and economic development will be seriously retarded." (p.207)

THE CONCEPT OF THE RESEARCH

In pursuing the fundamental objective of this thesis, it was considered important to provide a framework which might be used in the design of extension services. A key test of its appropriateness was that the framework should be able to determine most, if not all, of the key issues identified to be of concern in the literature, as indeed in practice. To this end, there was need for concepts which shed light on the extension process.

The need for concepts was not unrecognised in the social sciences as a whole where, as far back as the early 1940s, Kurt Lewin - one of the most influential social scientists in the 20th century - was advocating the need here under consideration. (Lewin, 1951) Nor had the point been lost in the literature on SSE extension, with several writers regarding conceptualisation as an important key to better design of services and ultimately more effective performance. (See, for example, Kahnert & Kozlowski,

1979; and Technonet Asia, 1985.)

The contingency notion of organisations and systems theory proved to be worthy of exploration. These suggest that in designing organisations, they may be viewed as dynamic entities which must take on structures and processes appropriate to the particular conditions and people. (Beer, 1980; Lawrence & Lorsch, 1969; Lorsch & Morse, 1974; Miles & Snow, 1978) In other words, no single organisational form can be regarded as providing firm guidelines for design. Instead, the effectiveness of a given design is contingent on the situation. It must be judged by the congruence or fit of social structures and processes with the individuals being recruited and the environment to be served.

A central factor in the contingency notion of organisations is the overall mission of the organisation in relation to its task environment. Accordingly, the study examined the overall mission of extension services. It was discovered that the mission of extension organisations is generally perceived in terms of external change agents attempting to develop clients through planned change. An examination of the process and concept of change proceeded accordingly and three major models were discussed - viz. Lewin's Force-Field Theory, the Planning Model and the Action Research Model - along with the theory of diffusion of innovations.

The models of change were found to be useful in describing the process of extension. Equally relevant were the studies of innovation diffusion, which have important implications for the extension agency in trying to persuade owner-managers to adopt new ideas. It followed from the earlier discussion, however, that contrary to traditional or current attempts, their applications needed to be related to the environment (i.e the particular conditions and people), in the light of the contingency notion; otherwise, there was a grave danger of misapplication. Thus, it was argued, a suitable framework for design of services and organisations should embody the contingency approach if it was to be effective.

A common and conventional approach in applying the contingency

notion to organisation design is through systems theory. The systems framework has been translated by several writers into an organisational model which is used in various modified forms. Of these, Beer's (1980) model appeared to lend itself better than most to extension and was, therefore, adapted to explore the issues of concern. Beer's is a general model which specifies a flow of events beginning with the qualities brought into an organisation by people when they join and ending with the organisation's performance in its environment. In between the input and the outcomes are the organisation's structures, behaviour, processes and human outputs, all of which influence and are themselves shaped by the culture as well as the key decision-makers of the organisation.

Beer's model was found to embrace virtually all the key issues of concern and debate identified in the literature. Importantly also, it was found to be capable of describing the functioning of extension organisations. However, it offered no explanation as to why the key issues arose nor did it specify precisely how to resolve them.

Major clues to solving this remaining stumbling block were provided by the works of Brown (1981) and Huse and Cummings (1985). The latter suggest that there have to be major differences in approach between applications of the concept of extension in what are termed 'overorganised' and 'underorganised' situations. On examining the strategies put forward for dealing with these, however, it was found that Huse & Cummings' approach begs the fundamental question of what is overorganised and underorganised, given the point made earlier that an organisation's design ought to be contingent on its environment. What was important, and yet missing in arriving at their prescriptions, is the diagnosis of overorganised and underorganised situations and what influences them. The thesis argued that this will be a function of the design of the organisations from which the diagnosticians, or the external change agents, came.

Some support for the above analysis was provided by Brown (1981) who found, following case studies of cash crop innovations in

Kenya, Mexico and Sierra Leone, that propagator and diffusion agency actions and activities affect diffusion patterns in Third World settings.

The design of organisations, therefore, becomes an important factor in attempts at planned change. Of critical importance also, as stressed already, is the task environment. This led to the central hypothesis of the study.

THE CENTRAL HYPOTHESIS

A contrasting description of SSEs and support agencies using Beer's framework and the notion of 'overorganised' and 'underorganised' situations highlighted major differences between the two in terms of major organisational components. Congruence between these components had been shown to be necessary for organisational effectiveness, yet this was lacking. The hypothesis followed, therefore, that the key issues and problems - which are all in essence concerned with effectiveness - that arise in the organisation and operation of SSE extension services are determined by mismatches between the people, structures and processes employed by support institutions and those found in the SSEs served. In other words, the closer the extension institution is to SSEs, in terms of the people, structures and processes, the more effective will be the organisation in terms of its impact on the sector. Conversely, the farther the institution gets away from the enterprise model, the less effective it will be.

To test this hypothesis, a study was undertaken in Ghana of all the major SSE support institutions as well as a sample of 57 SSEs. The findings of the research validated the concept in proving the hypothesis. These, against the backcloth of the overall study, leads towards a model for the design of SSE extension services. It is suggested that, subject to the contingency notion, the model may be applicable elsewhere in the Third World.

OUTLINE OF THE THESIS

The structure of the thesis follows the outline in the Table of Contents. Chapter 2 examines the rationale for promoting SSEs, alongside their role in development to set the context for the rest of the thesis. In order to avoid ambiguity, in the preamble to the discussion, the term SSE is defined, the evolution of interest in the concept and the role of entrepreneurship traced, and the meaning of developing countries and development explored.

Having established that the SSE sector plays an important role in development and that it is deserving of support, Chapter 3 reviews and assesses the impact of promotional measures in relation to the perceived and actual needs of the sector. Conceptual approaches to small business development are initially introduced to sharpen analysis and to guide the rest of the discussion of needs, policies, the institutional framework for assistance and specific activities. It is in the context of these support measures that the place of extension services is examined.

The review leads to two major conclusions, viz: firstly, that there is an overall need for the development of guidelines for policy and for the organisation of institutions to ensure that programmes are designed and delivered in ways which promote a healthy growth of the sector; secondly, that extension cuts across all the major support activities and has great potential in playing a critical role in delivering assistance.

In the light of the above findings, an extensive review of the literature on SSE extension services is undertaken in Chapter 4, which identifies the seemingly key issues of concern and debate. In seeking to underpin this review, a survey is carried out of 57 SSE support institutions in 30 developing countries representing different levels of development in Africa, Asia, Europe and Latin America.

In the search for a framework to examine and explain the issues of concern and debate, Chapter 6 looks at various conceptual approaches to SSE extension as well as the contingency theory of

organisation design and systems theory. It adapts Beer's (1980) model of social organisations to SSE extension and tests it for its appropriateness for embracing the key issues identified. Whilst this is found to be useful for describing the functioning of extension organisations and for embracing the issues, it is found to offer no explanation as to why the issues arise, nor does it provide specific answers. An adaptation of the concepts and the introduction of further missing links at explanation lead to the central hypothesis of the study.

Chapter 7 discusses the operationalisation of the model and the issues and arguments behind the choice of research strategy. In Chapter 8 the reasons for the choice of the site for the fieldwork are outlined before presenting the background to the policy and institutional framework in Ghana.

The findings and analysis of the field data are presented and discussed in Chapter 9. On the basis of these and the rest of the research, Chapter 10 attempts to generalise outwards the wider meaning of the research findings and proposes a model for the design of SSE extension and support organisations in developing countries.

Finally, Chapter 11 appraises the study, indicating its contribution to knowledge, its significance for researchers and practitioners as well as who might find it valuable. The thesis concludes by specifying, for the benefit of future efforts, the major problems encountered, the major lesson learnt and some outstanding issues for research.

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CHAPTER 2

THE ROLE OF SSES IN DEVELOPMENT

AND

THE RATIONALE FOR THEIR PROMOTION

IN DEVELOPING COUNTRIES

OVERVIEW

This chapter examines the arguments for and against promoting SSEs alongside their role in development in developing countries. In the preamble to the main discussion, the meaning of the key terms - namely development, SSEs, entrepreneurship and developing countries - are explored.

INTRODUCTION

Recent years have witnessed an interest in SSEs not only in the industrialised countries (ICs) of the West but also in developing countries (DCs) of the Third World (TW). This focus of attention on SSEs, which is unprecedented, has come at a time of massive unemployment in most countries, fuelled by a lingering worldwide recession. For the developing countries, in particular, the situation has been exacerbated by several factors, not least massive debt burdens, high and rising populations, decreasing revenues from exports of primary products coupled with a curtailment of foreign lending and worsening poverty. All of this has followed the harsh realisation not so long ago that the development policies and focus of the 1960s and 1970s, which emphasised large-scale projects, often of the imported technology variety, have not yielded the desired results. On the contrary, in many cases, a deterioration in living standards has occurred, evidenced by growing relative poverty and inequality, even in some areas where growth in the Gross National Product has been recorded.

It is against this background that calls and efforts have been and continue to be made to promote SSEs actively. The arguments for promotion rest in essence on the role - both potential and existing - of SSEs in tackling the critical issues of development. These are discussed below. Before this, however, the meaning of the term 'development' is explored along with other key terms.

THE NATURE OF DEVELOPMENT

It is necessary in order to be able to assess the contribution of SSEs to consider the meaning of development. As Denis Goulet (1971) points out,

> "It matters little how much information we possess about development if we have not grasped its inner meaning". (p.23)

The precise meaning of development is not easily encapsulated in one definition, not least because apart from varying viewpoints, the definitions contained in texts tend to be either specific to

a particular discipline, such as economics or sociology, or are descriptive of the symptoms or characteristics, rather than stating what is actually meant by the term.

Schumacher (1974) has made a useful contribution in suggesting that the starting point for all considerations of development is poverty. Development, he argues, does not start with goods, but rather people and their education, organisation and discipline. Without these three, he maintains, all resources remain latent. As evidence, Schumacher asserts that after the war, every country no matter how devastated, which had a high level of education, organisation and discipline, produced an economic 'miracle'.

Schumacher, thus, although acknowledging the multi-dimensional process of development, suggests, at least implicitly, the notion of economic betterment as an important, if not ultimate, goal.

This view is not out of step with current thinking which perceives development, on the whole, as an economic phenomenon. (Meier, 1976; Todaro, 1985) Thus, Todaro (1985) states that development must be conceived of as

> "..a multidimensional process involving major changes in social structures, popular attitudes, and national institutions as well as the the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty". (p.85)

Dudley Seers (1969) appears to reflect the consensus amongst experts in the following quotation:

> "The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled." (p.3)

In conclusion, it would appear that the crucial challenges posed by development which SSEs, as well as other initiatives, ought to address in developing countries, are the reduction of poverty,

relative income inequality and unemployment - all within the context of a growing economy. Before examining the part played by SSEs in these respects, it is important to be clear at the outset as to what is meant by SSEs as well as by entrepreneurship and developing countries.

DEFINITION OF SSES

There is a proliferation of definitions of small enterprises. One study, by the Georgia Institute of Technology (1975), identified over fifty different definitions in seventy-five countries. Most definitions appear to be governed by the interests of the perceiver, the purpose to be served and the stage of development of the particular environment in which the definition is to be employed. (ILO, 1986)

The majority of definitions of SSEs focus on the upper limits beyond which a business ceases to be small, the clear implication being that either there is no lower limit or that the matter is not at issue. Whilst the validity of these assumptions may be questioned (see, for example, Harper 1984), the consequence has been that most discussion and disagreements have focused on upper limits.

It is generally accepted, though, that SSEs may be engaged in any type of business activity, operate in the formal or informal sector and organised as sole-proprietorships, partnerships, limited companies or co-operatives.

Broadly speaking, definitions may be categorised as quantitative or qualitative. Quantitative definitions usually specify limits relating to one or, more often, a combination of the following: assets, capital or net worth, value added, sales turnover and number of employees. Such definitions are usually employed to determine eligibility for external assistance, which in practice means excluding large enterprises, although they are also of value for statistical purposes.

Qualitative definitions on the other hand are on the whole neither suitable for statistical purposes nor for determining eligibility for preferential treatment. Rather, their value lies

in their amenability to conceptualisation and analysis. They often relate to functional characteristics such as type of management, ownership, technology employed, product specialisation and production methods. Qualitative methods tend to be preferred therefore for research and academic purposes.

One such important qualitative definition has come from Neck ed. (1977, p.9) and the ILO (1982), who describe a small enterprise as

> "... one in which the operational and administrative management lie in the hands of one or two people who are also responsible for the major decisions".

The World Bank (1978) has supplied a similarly poignant definition in its sector policy paper in stating,

> "SSEs include small but relatively modern manufacturing activity, such as construction, transportation and trading, and traditional or "informal" activity". (p.5)

The informal sector, which comprises the bulk of SSEs in most developing countries, was defined by the ILO (1970) mission to Kenya as enterprises characterised by

> "..ease of entry; reliance on indigenous resources; family ownership; small-scale operation; labour-intensive technology; skills acquired mainly outside the formal system of education and training; and unregulated and competitive markets". (p.6)

The above definitions are useful and obviously come from highly influential sources. They can be criticized, however, for missing out a key aspect of SSEs which de facto render them incomplete, viz. the notion of the owner-manager. The importance and prevalence of this notion or characteristic are well recognised in current thinking and in more recent publications.

In conclusion, SSEs can be taken to refer to

> businesses, in the modern (formal) or informal sectors, in which the owner is usually actively involved in the management. Such enterprises may be represented by, or organised as, sole proprietorships or self-employed, family businesses, partnerships, companies or co-operatives.

Finally, it is noteworthy that various descriptions are used to refer to the subject of interest, most notably small firm, small business, small enterpise, small-scale enterprise, small and medium sized enterprise (SME) and small and medium sized industry (SMI). Although it is possible to draw distinctions between these terms (see, for example, Gibb 1987), in this thesis, in common with the literature overall, the terms will be used interchangeably.

Whilst a discussion of the various terms may not be warranted, it is difficult to discuss meaningfully small business development without introducing the concept of entrepreneurship, given that the latter has shaped the developmental process of the former. Most notably, emphasis on the concept of entrepreneurship has led to a whole series of selection processes found in many entrepreneurship development programmes (EDPs) such as the one in Gujarat, India. Hence, as Hans Pleitner (1984) puts it,

> "A management doctrine for small and medium-sized firms without reasonable reference to the person of the entrepreneur would therefore be incomplete". (pp.1-2)

It would appear to be necessary, therefore, in view of its importance, to examine the concept and role of entrepreneurship in some detail. The discussion below attempts to do this, beginning with the evolution of interest in the entrepreneur.

THE CONCEPT OF ENTREPRENEURSHIP*

The first record of the use of the word entrepreneur was in the 12th century, says Strage (1986). According to Kilby (1971) in 'Hunting the heffalump', however, the entrepreneur was identified by Cantillon in 1730 as the bearer of non-insurable risk. The term was later expanded and several attempts have been made to define and conceptualise the entrepreneur. Definitions may be classified into two broad groups: firstly, the economic and, secondly, the psychological and sociological.

The 18th century economist Adam Smith viewed an entrepreneur as

* This review has been adapted from Manuh & Brown (1987).

no more than a provider of capital. Another writer, J.B. Say not long after provided perhaps the best known economic definition of the entrepreneur, as an agent for combining land, labour and capital. The special role of the entrepreneur was, however, highlighted by J.A. Schumpeter, who, writing in 1934, introduced the concept of the entrepreneur as the creator of "new combinations", bringing about change. Schumpeter also considered the psyche of the entrepreneur, and suggested that entrepreneurs are motivated primarily by three possibilities: the dream and will to found a private "kingdom", the will to conquer and the joy of creating, and not mainly by economic reward. He says that they view such financial gain as they reap as a measure of their success.

Various attempts have followed Schumpeter's work to explain entrepreneurial behaviour in both psychological and sociological terms. The best known of the latter discipline is Max Weber, who offered one of the first non-economic explanations of economic behaviour. (Kilby, 1971; Young, 1971) Weber viewed the entrepreneur as the source of formal authority.

An important and influential view of the psychological process leading to entrepreneurship was presented by McClelland (1961), in his book 'The Achieving Society'. Concerned with explaining economic growth and particularly why some countries do better than others and why the same country may do better or worse in different times, McClelland rejected the idea that economic development was mainly caused by exogenous factors such as material resources, race and climate. Rather, he saw economic growth resulting from the activities of individuals. The importance of McClelland's work, is the introduction of a further link between the individual and economic growth in the form of a psychological motive - the need to achieve. McClelland's hypothesis, which he later tested, was simple: a high need for achievement - defined as a desire to do well for the sake of inner feelings of personal accomplishment - would cause individuals to behave in an entrepreneurial way and thus increase economic development.

Whilst McClelland's work has been recognised as comprehensive and well-researched with a contribution to make to policy

development, criticisms have been made concerning the validity of the methods employed and the presumed link between the need for achievement and entrepreneurship. (Hutchinson,1983) In spite of the criticisms, however, the need for achievement motivation has been often accepted as necessary and sometimes even sufficient for entrepreneurial activity.

Later studies, funded by USAID and undertaken by McBer and Company and Management Systems International, have focused on types of actual behaviour rather than on motivation. Research to substantiate this approach is still in progress, and the results have not yet been published. (Manuh & Brown, 1987)

Clearly to the extent that these criticisms of McClelland's work are valid, subsequent management literature which accepts need for achievement as a precursor to entrepreneurship is suspect. It is a paradox that, in spite of this, the need for achievement has been widely accepted as necessary and sometimes even sufficient for entrepreneurial activity.

Entrepreneurial Characteristics

McClelland's work has had a major effect not only on entrepreneurship development programmes to be found today but also on subsequent studies on entrepreneurship. While there has been little concensus on the characteristics of the entrepreneur, most of the attempts made to establish these characteristics have included, in one form or the other, the need for achievement.

Below is a list of entrepreneurial traits thought to be important for successful enterprise, derived from various sources and commonly cited in the literature.

Important Entrepreneurial Characteristics

- The need for achievement
- Internal locus of control (in which the individual is defined as being "dependent on internal reinforcement; therefore, more self-reliant, desirous of independence and autonomy")
- Energy

- Initiative seeking
- Risk taking
- Responsibility seeking
- Positive self-concept
- Problem solving
- Resourcefulness
- Innovation and creativity
- Independence
- Leadership
- Optimism
- Searching environment.

The USAID-funded research mentioned earlier has identified fourteen personal entrepreneurial characteristics (PECs) which appear to characterise the behaviour of successful entrepreneurs in India, Malawi and Ecuador. These can be summarised as follows:

1 Takes initiative
2 Sees and acts on opportunities
3 Is persistent
4 Personally seeks information
5 Is concerned for high quality
6 Is committed to fulfilling contracts
7 Is oriented to efficiency
8 Plans systematically
9 Solves problems in original ways
10 Demonstrates self-confidence
11 Takes calculated risks
12 Is assertive
13 Is persuasive
14 Uses influential strategies.

(Manuh & Brown, 1987)

These are not fundamentally different from the earlier lists, but they are said to be firmly based on observed behaviour, rather than on less direct concepts, personal attributes, qualities and motivation. Unlike much previous work in this field, the research was directed not at the differences between people who do and do not start businesses, but at behaviours which distinguish between those who are successful at starting and maintaining their business and those who are not.

These lists are by no means exhaustive; for, it is possible to identify over fifty traits in the literature. However, the three traits most widely accepted as essential for successful entrepreneurship are:

- a high need for achievement
- an inner locus of control and
- high energy.

The entrepreneur and new enterprise formation

Although there is no universal consensus on the characteristics required, there is wide acceptance that the entrepreneur is crucial in new enterprise formation. Consequently, much effort has gone into identifying and selecting the entrepreneur, into stimulating entrepreneurship and investigating the sequence of events which lead up to new enterprise formation. These efforts have not been confined to small business. Indeed, much effort has gone into attempts to harness entrepreneurial activities for the benefit of large organisations, both private and public.

A basic problem has been to explain how the individual arrives at the situation of starting a business. Three major expositions deserve mention here, namely: the displacement event, the credible example and the possession of the necessary entrepreneurial traits.

The displacement of the entrepreneur arises from a sequence of events which result in his being in a position to want to, or have to, set up in business. The immediate manifestation of this could be: losing his/her job or, in the case of a new immigrant or member of a minority group, being unable to find a suitable job because of language difficulties or racial prejudice. Other examples include the returning expatriate who has enjoyed rewards and status abroad not available in the home country, the intellectually-gifted manual worker and, importantly, what has been referred to as the "emigration of frustrated men from corporations". (Hutchinson, 1983)

The role of the credible example is best illustrated by the occupation of the parents of the incipient entrepreneur. Research indicates that 25 per cent of entrepreneurs' fathers were the owners of small businesses and that, if farmers and independent professionals are considered as small business owners, this figure rises to 54 per cent. (Hutchinson, 1983) Credibility as a motivational impetus, however, is not confined solely to families, but also obtains amongst peers and friends. Thus, for example, one of the reasons cited for the development of 'Silicon Valley' in the USA is the example provided by

engineers leaving large organisations to establish successfully their own. The role of the credible example would also appear to explain why entrepreneurship is highly identified with certain ethnic and national groups, for example, Jews, Lebanese and Gujaratis in India.

A combination of credibility, example and displacement would clearly provide a powerful impetus to business formation. However, the extent to which an individual possesses the necessary entrepreneurial characteristics could be a major factor. As previously noted, the three traits most widely accepted as essential are the need for achievement, an inner locus of control and high energy. In addition to these, skills of a more formal management nature may be required for the entrepreneur to cope with the problems not only of establishing but also running a new business.

Valid as these are, they are unlikely to be sufficient for new business start-ups without the presence of adequate infrastructure, notably capital, labour, materials, equipment and information. Lack of support structures and government commitments, and adverse policies are likely to hinder the growth of small businesses (see next chapter). Thus, to understand how businesses arise, the complex interrelations between the parties (entrepreneur, institutions and government) and the variables (entrepreneurial traits, project ideas, managerial skills, finance and infrastructure) need to be examined.

It is these aspects that are illustrated by the models of Gibb (1983) and Neck (1977), which are presented in the next chapter.

Meanwhile, it is important to be clear as to what is embraced by the term 'developing countries' before examining the rationale for promoting the SSE sector.

DEVELOPING COUNTRIES - THE MEANING OF THE TERM

Diversity and Classifications

The danger of over-generalisation about the 143 member countries of the United Nations (UN) which constitute the Third World is to be recognised in any reference to them. Whilst almost all are poor in economic terms relative to the industrialised nations, they are diverse in culture, economic conditions and social and political structures. Thus, for example, low-income countries include India with 800 million and 17 states as well as Gambia with less than 1 million people.

The distinction is, therefore, made often between three major groups of countries within the Third World, viz. the 42 poorest countries designated by the UN as least developed, the 88 non-oil exporting developing nations and the 13 petroleum-rich OPEC countries whose national incomes increased dramatically during the 1970s. (Todaro, 1985)

An alternative distinction follows the Organisation for Economic Co-operation and Development (OECD) classification system, which divides the Third World (including countries and territories not in the UN system) into 62 low-income countries (i.e. those with a 1980 per capita income of less than US$600, including 29 least-developed countries), 73 middle-income countries, 11 newly industrialising countries and the 13 members of OPEC. Appendix 1 provides a complete listing of the 159 countries included in the OECD classification scheme.

A similar classification system to the OECD's is found in the Brandt (1980) Commission report which divides Third World countries into three groups: low-income countries, newly industrialising countries (NICs) and oil exporters.

Yet another classification system has been adopted by the World Bank which divides all countries (both developing and developed) into six categories: low income, middle income, upper middle income, high-income oil exporters, industrial market economies, and East European non-market economies. The first four groups

comprise the 143 countries of the Third World while the last two represent the 29 so-called First and Second World nations respectively.

It is clear therefore that with very few exceptions there is broad consensus on the composition of developing countries or the Third World. These countries are, nonetheless, different with respect to structures, as mentioned at the outset. Todaro (1982) identifies seven major components with regard to structural diversity,viz.:

- the size of the country (geographic, population and income);
- historical evolution;
- physical and human resource endowments;
- the relative importance of public and private sectors;
- the nature of the industrial structure;
- the degree of dependence on external economic and political forces; and
- the distribution of power and the institutional and political structure within the nation. (p.24)

An important implication of the above is that development strategies in and for DCs must take account of differences and may vary from one country to another. This does not, however, preclude discussion of DCs as an entity. For, as Julian West of Oxford University is credited with saying:

> "Of course there must be differences between developing countries ...[but] to maintain that no common ground exists is to make any discussion outside or across the frontiers of a single country meaningless".
> (Quote from Todaro, 1985 p.21)

The common ground between developing countries is discussed next.

Common characteristics

Notwithstanding their differences, most developing countries share a set of common and well-defined goals. These include the critical challenges of development discussed earlier, viz. the

reduction of poverty, inequality and unemployment, which further translate into goals such as the provision of minimum levels of education, health, housing and food to every citizen, the broadening of economic and social opportunities and the forging of a cohesive nation state.

Related to these economic, social and political goals are common problems shared in varying degrees by most developing countries, such as:

- widespread and chronic absolute povery;
- high and rising levels of unemployment;
- wide and growing disparities in the distribution of income;
- low and stagnating levels of agricultural productivity;
- rural-urban migration and imbalances between urban and rural levels of living; and
- substantial dependence on foreign and often inappropriate technologies, institutions and value systems.

It is, thus, possible to refer to similarities of critical development problems for the purpose of analysis and discussion. Todaro (1982) has classified the common characteristics into six broad categories, viz.:

(a) low levels of living
(b) low levels of productivity
(c) high rates of population growth and dependency burdens
(d) significant dependence on agricultural production and primary product exports
(e) high and rising levels of unemployment and underemployment
(f) dominance, dependence and vulnerability to international relations.

These characteristics are largely self-explanatory and are extensively discussed in most basic texts on Development Economics, and thus do not warrant further consideration here. Suffice it to say, as suggested earlier, that a common ground does exist between developing countries to permit discussion on issues affecting them. The specific issue of the role of SSEs in

meeting the critical development problems facing virtually all developing countries will now be examined alongside the rationale for promoting the sector.

THE ROLE OF SSES AND THE RATIONALE FOR PROMOTION

The arguments in favour of promoting the development of SSEs in developing countries are inextricably linked to the actual and potential role and importance of the sector in development, concerning which there now exists considerable evidence. The two issues will, therefore, be examined together.

The various considerations may be broadly categorised under three headings, viz. economic, social and political.

ECONOMIC CONSIDERATIONS

The economic impact of SSEs can be measured by employment in the main as well as by other indicators such as output, profits, investment and efficiency, entrepreneurship development and innovation. These will be examined in turn.

Employment and Income

Employment creation is without doubt a major rationale for promoting SSEs in developing countries. SSEs are said to have an enormous capacity to absorb labour as well as account for a significant share of employment which in turn provides income, as evidenced by the following quotation from the World Bank (1978) Sector Policy Paper:

> "Most developing countries are characterized by a rapidly growing population and labor force. While much of this labor force will be absorbed in traditional agriculture, it is clear that an increasing amount of labor will seek employment in nonfarm occupations - roughly two out of every three job seekers over the next 25 years... Absorbing the growing labor force in productive employment is one of the principal challenges of development.... Small-scale enterprises usually generate more jobs per unit of investment than do larger firms, which suggests that SSE development

> can be an important component of the attack on poverty. The small entrepreneurs themselves may not be poor ... but they provide a livelihood for many others in need." (p.11-12)

Besides providing some confirmation of the critical challenges of development, the above highlights the interrelationships between these issues, focusing on employment creation as the principal goal. These considerations are echoed by Harper (1984) in the following terms:

> "Poverty is caused by inadequate incomes, and incomes result in most industrial societies from employment; employment creation is thus perceived as the main goal of most poor countries, and small enterprises are believed to be a fruitful source of jobs ..... small enterprises, broadly defined, have displayed a remarkable capacity to absorb labour..." (p.10)

It follows from the foregoing that to the extent that SSEs are a source of employment, they play a crucial role in development.

There is some data to indicate the actual share of employment. Table 1 presents data on the distribution of employment in the manufacturing sector for selected developing countries during the period 1967-75, and shows that SSEs account for between 59% and 88% of total employment in the manufacturing sector.

Table 1 Share of small enterprises in total employment in manufacturing in selected countries

Country	Year	Percentage distribution of employment in manufacturing		
		Households and small workshops	Establishments fewer than 100 workers	Total share
Colombia	1973	48	22	70
Ghana	1970	78	7	85
India	1973	60	18	78
Indonesia	1975	76	12	88
Kenya	1969	49	10	59
Nigeria	1972	59	15	74
Philippines	1975	53	21	74
Tanzania	1967	55	8	63
Turkey	1970	32	36	68

Source: Anderson, D. (1982, p.915)

There is no evidence to suggest that the situation has changed since 1975. Rather, in a recent book, Little, Mazumdar and Page (1987, p.300) suggest that cottage shop manufacturing - defined as household manufacturing and workshops with up to 5 employees - still accounts for more than half of all manufacturing employment in India, Indonesia and most African countries.

The substantial contribution of SSEs to employment provision as indicated by Table 1 and other data, such as Table 2, is hardly surprising given that in most countries, the vast majority of enterprises are small. An ILO (1982) paper, for example, suggests that SSEs make up more than 95 per cent of all registered enterprises in the manufacturing sector of developing countries. Indonesia is a classic case in point where, according to Soon (1983), 99.55 per cent of all manufacturing establishments are either small or handicraft industries. Even more significantly, in Singapore, the population of SSEs has continued at about 97 per cent of the total number of establishments for the past ten years. (Soon, 1983)

Table 2 Percentage share of rural labour force primarily employed in rural handicrafts and cottage industries

Region	Country	Year	Coverage	Employment Percentage
Asia	Thailand	1970	All rural	18
	Republic of Korea	1970	All rural	19
	Pakistan	1970	Punjab only	19
	India	1966	All rural	20
	Afghanistan	1971	Male, Paktia region	22
	Indonesia	1971	All rural	24
	Philippines	1971	All rural	28
	Malaysia	1970	All rural, Peninsular	32
	Iran	1972	All rural	33
Africa	Sierra Leone	1976	Male, rural	19
	Nigeria	1966	Male, 3 districts	19
	Uganda	1967	4 villages	20
	Kenya	1970	All rural	28
South America	Guatamala	1964	All rural	14
	Mexico	1970	Sinaloa State	23
	Colombia	1970	All rural	23
	Venezuela	1969	All rural	27

Source: Chuta and Liedholm (1979)

The impact of SSEs is not limited to the formal (or even registered) manufacturing sector as evidenced by the above references. Chuta and Liedholm (1979) have produced data indicating extensive involvement in the rural non-farm sector, for example. Table 2, although dated, is indicative of the role of SSEs in employment provision in rural areas.

In addition to providing primary employment, cottage industries and handicrafts also create secondary employment over slack periods of the agricultural cycle. The limited evidence available (see, for example, ILO 1986) indicates that between 10 and 20 per cent of the rural male labour force undertake SSE activities as a secondary occupation. According to the ILO (1986), in Western Nigeria, for example, 20 per cent of the rural males are engaged in SSE activities as a secondary source of employment, while in Sierra Leone, Afghanistan and the Republic of Korea, the figures are 11, 16 and 20 per cent respectively.

The evidence supplied above clearly indicates that the SSE sector is a major source of employment and, by inference, income in developing countries. It can in fact be argued that the available data understate their actual role, given that a large proportion of SSEs in developing countries operate outside the realm of regulation and may not be registered. The urban informal sector is most notable in this respect. Hard figures are difficult to come by, but even the most conservative estimates would suggest that this sub-sector, dominated by the youth, self-employed and micro-small enterprises, provides a means of livelihood for a very large number of people.

Finally, evidence from the industrialised nations on the job creation potential of SSE development has generated widespread interest in the sector. It is estimated, for example, that 80 per cent of the new jobs created in the USA between 1969 and 1976 were created in firms which were less than five years old. In Canada, research by the Federal Department of Regional Industrial Expansion showed that manufacturing companies with 100 employees or fewer provided a net real increase of about 190,000 jobs over the period 1971-80, while companies with less than 100 employees had net loss of 2,000 for the same period. (ILO, 1986 p.14)

Results of this nature are encouraging for any country and in

developing countries especially provide a rationale to mount appropriate policies and programmes for SSE promotion.

The conclusion to draw from the foregoing is in many respects a foregone one: SSEs do indeed play an indispensable role in meeting "one of the principal challenges of development", namely combatting unemployment, and in so doing providing incomes. Therefore, in the words of Harper 1984):

> "...it is reasonable for Governments and others to promote them, or to desist from destroying them, for that reason alone". (p.10)

Output

Other available data show that SSEs make an important contribution to total manufacturing output. It is estimated, for example, that in Brazil, SSEs accounted for 29.6 per cent of the value of production in the manufacturing sector in 1980. In Indonesia and Sierra Leone, the corresponding figures were 20 per cent and 44 per cent in 1974/75. (ILO 1986, p.8)

An important point relating to output is the suggestion that the products of SSEs cater to the basic needs of poor people who constitute the bulk of the population in many developing countries. Evidence can be drawn not only from the nature of the products and the technology used for their manufacture (e.g. soap and furniture, using labour-intensive appropriate technology) but also from research suggesting that in most developing countries the bulk of SSEs is located in rural areas, where of course the majority of the poor reside. Chuta & Liedholm (1979), for example, found that 75 per cent of SSEs in Honduras, 90 per cent in Sierra Leone and 83 per cent in Jamaica are located in rural areas with fewer than 2,000 inhabitants.

Profits, Investment and Efficiency

There is evidence to suggest that the return on capital employed in SSEs in developing countries is significantly higher than that earned in large businesses. (Child, 1977; Harper, 1975) Moreover, according to Harper (1984), there is evidence to

suggest further that SSE owners are less likely to spend money on imported goods, and more likely to re-invest a higher proportion of their profits in their own businesses. For these reasons, it is argued, SSEs, as enterprises which earn high profits, deserve support.

As regards investment and efficiency in using capital and labour, it was noted earlier that SSEs usually generate more jobs per unit of investment than do larger firms. This is borne out by data from the World Bank and elsewhere which, although incomplete and not always comparable, strongly suggest that investment cost per job in manufacturing increases with increasing scale, whether measured in terms of assets or number of workers. (World Bank, 1978)

Furthermore, the evidence from a number of developing countries confirms that

> "small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do larger, more capital-intensive enterprises".
> (UNIDO, 1969 p. 56)

The point about the capital costs per job of large new industrial projects in developing countries is also worthy of consideration, estimates for which can be as high as US$65,000. (White, 1976 p. 13-19, cited in World Bank 1978) According to the World Bank (1978), White supplies evidence for a wide range of countries which indicate, with few exceptions, that "efficient factor substitutability" is possible.

Moreover, according to the same source, White concludes

> "..in virtually all cases, at realistic opportunity-cost wage and interest rates, labor-intensive or intermediate alternatives are economically sensible". (p.22)

Given that SSEs in developing countries tend to use labour-intensive and appropriate technologies, and that few DCs have enough capital to absorb at such cost more than a fraction of the labour force increase, the efficient utilisation of capital and labour, to say little of profits and investment, in

environments where capital is a scarce resource, is a powerful argument favouring SSE support.

Little, Mazumdar and Page (1987, p.309) warn, however, that the validity of this argument rests on three assumptions: Firstly, it must be true that wages and the cost of capital vary with size in the supposed manner. Secondly, it must be true that wages and capital cost differentials which exist do not arise for good social reasons, i.e. they must be "distortions". Thirdly, firms must choose techniques appropriate ot the different factor price ratios they face.

Other economic considerations

In addition to the major objectives reviewed above, there are other economic reasons for promoting SSEs. In some newly-industrialising countries such as Singapore and Korea, an important role of SSEs is to support and service the large local and international corporations, according to Soon (1983).

It has been recognised for some time now that SSEs act as a seedbed for entrepreneurial development and are highly innovative, e.g. see Gibb (1981) and Cross (1983). An argument for promoting SSEs follows to the extent they employ less competent management, which is a more serious constraint on economic development than the shortage of finance, for example. (Harper, 1984; ILO, 1986)

Other important benefits of SSEs and arguments for their promotion found in the literature include their role as generators of savings in improvement of forward and backward linkages between different sectors and opportunities for developing sub-contracting and marketing arrangements.

SOCIAL CONSIDERATIONS

Many of the strongest arguments put forward for SSEs have social orientations. These include alleviation of poverty and income distribution, greater use of local products for local needs, rectification of regional imbalance and in promoting regional

development, greater job satisfaction for workers and provision of a source of livelihood for women and other special groups such as refugees and the youth.

Poverty and Income distribution

The link between provision of employment and the attack on poverty has been discussed earlier. The point has not been lost either that the products of SSEs, especially cottage industries and handicrafts, tend to cater to poor people who comprise the majority of the population in many developing countries. Needless to say, for many people in rural areas, cottage industries and handicrafts provide the predominant means to income.

It might be added that in the cities and towns, a large number of youth - who in most cases comprise the largest segment of population - would be reduced to abject poverty and despair without the income from the informal sector. See, for example, ILO (1970) mission to Kenya report and Nihan, Demol and Jondoh (1979).

Equally, the impact of small co-operatives, albeit modest, in providing productive or marketing outlets and income for people who might otherwise be helpless, might be cited.

It follows from the above that the benefits of employment and income from SSEs reach a large proportion of poor people. Explicit statements by Government officials and policy documents provide further evidence for this deduction.

In Malaysia, for example, the New Economic Policy states that the Government aims to eradicate poverty through creation of employment and by increasing the income of the lowest earning groups, and agencies have been established to develop and assist SSEs in the pursuit of this policy. (Soon 1983, p.229) Elsewhere, M.T. Diawara (1977), addressing the ILO's Abidjan Symposium in the capacity of Minister of Planning of the Ivory Coast, said the policy adopted by the Ivory Coast generates income, inter alia. In Nigeria, according to David (1980), the rationale inferred from government plans for SSE promotion is to

create employment; whilst in Algeria, the second Four Year Plan (1974-77) includes, amongst other objectives for Small and Medium-Scale Industries (SMIs):

> "satisfying local production, thus improving incomes in rural areas, and choosing appropriate technologies to provide local jobs, thus minimising migration"
> (Isli, 1977 pp.89-90)

The last point provides an example of a notable fact: employment and income generation are often seen as outcomes or consequences of other endeavours attributed to SSEs which are worthwhile achievements/reasons in their own right. Thus, Soon (1983), on South East Asia, says that promotion of SSEs not only provides employment to those living in the countryside, but also helps in reducing rural-urban migration.

Perhaps the most telling argument of all, concludes an ILO (1982) paper is that for the greater part of the poverty group, the SSE sector is the only one in which they can usefully hope to be engaged in the immediate future.

Balanced growth, economic integration and correction of regional imbalance.

The need for balanced growth whilst tackling poverty, unemployment and inequality was recognised earlier in the conclusion to the section dealing with the nature of development.

SSEs are perceived to play a key role in rectifying regional imbalance and in promoting regional development. Thus, Diawara (1977) writes:

> "Regional development will include the creation of industrial zones. These industrial zones will bring together craftsmen and small entrepreneurs by providing them with infrastructure necessary for business."
> (p.160)

The inference from statements elsewhere in the address of the then Minister of Planning in the Ivory Coast is that entrepreneurs must therefore be promoted since they will be responsible for economic growth and social progress through their industrial and service activities.

Referring to policies in Cameroon, Kinga (1977) states that the authorities have considered it necessary to promote and develop Small and Medium-Scale Enterprises (SMEs) to complement economic expansion of the country. Kinga further spells out three important general principles (or rationale) to government policy in promoting SMEs, one of which is national unity which demands balanced regional development to encourage SME development throughout the country.

Isli (1977) relates similar objectives in Algeria's Four-Year Plan (1974-77) for promoting SMIs, including: (i) distributing industry throughout the country, by decentralising economic activities outside the already over-developed industrial sectors, (ii) stabilising local resources, and (iii) minimising migrations by choosing appropriate technologies to provide local jobs.

Elsewhere in South East Asia, according to Soon (1983, p. 221-223) the Third Malaysian Plan (1976-80) is aimed, inter alia, at reducing economic imbalances between races and regions. Whilst in the Philippines, the 1978-82 Development Plan sets out a balanced growth strategy that includes the promotion of SSEs particularly in the less-developed parts of the country.

Clearly then for Governments in developing countries, at least, SSEs are perceived to be important in rectifying regional imbalance and in promoting regional development.

Opportunities for women and potential for other special groups

In recent years, considerable efforts have been made to highlight and address the problems faced by women in society. The declaration of the UN Decade for Women in 1976 was perhaps an important landmark. Since then, the role of women has become a powerful consideration in development initiatives, especially in multi-lateral and bi-lateral technical co-operation projects.

Traditionally, women have played a significant part in the SSE sector. A survey in Sierra Leone found that over 80 per cent of owners of tie-dye establishments are women. (Chuta 1978) In

rural industries in Bangladesh, women constitute over 34 per cent of the workforce. Similarly, in rural Guatemala women contribute 50 per cent of the workforce in textiles, 17 per cent in leather works, 47 per cent in food processing and baking and 65 per cent in commercial services. (ILO 1986, p.10) Even more significantly, in Honduras, a survey of four regions shows that women own about 61 per cent of all small enterprises and employ nearly 50 per cent of all workers. (Stallman and Pease 1980)

It is clear, therefore, that the SSE sector plays a major - even indispensable - role in providing incomes and productive outlets for women in the economy. The role of women in SSEs, then, argues in favour of promoting the sector.

It is further arguable that, as impressive as the evidence presented above is, the true potential of women has not yet been realised. It is estimated, for instance, that 60 per cent of all businesses started in the USA in 1985 were undertaken by women. (Manuh & Brown 1987, p.71) The highly favourable findings of recent evaluation reports on ILO pilot projects for women in Ghana, India, Kenya and Nepal, to mention but a few, are also indicative of potential, given a more supportive environment.

Women are not the only special group to find income, employment and a productive outlet in the SSE sector. The case of the urban informal sector and the youth has been mentioned. Refugees are another important group worthy of consideration, as Manuh & Brown (1987) write:

> "The last ten years have witnessed an increase in the number of refugees and displaced persons as more and more people .... have sought asylum elsewhere. There are currently about ten million refugees in the world of whom most are in the third world. .... The problem of employment [is] acute, as most developing countries do not have enough jobs for their own nationals." (p.69)

Faced with this situation, SSEs present one of the best, if not the most feasible, means of absorbing the growing number of refugees into productive employment in many Third World countries. Consequently, entrepreneurship development programmes have been mounted by the United Nations High Commission for Refugees (UNHCR), in conjunction with the ILO, and by other

agencies in several countries, e.g. Kenya, Lesotho, Sudan. The results of some of these programmes have been so remarkable so as to generate friction between the natives and the refugees, as the former have found themselves excluded from not only the external assistance but also the rewards that apparently followed.

Other social considerations

An important argument in favour of SSE promotion, according to Barend de Vries (1979) of the World Bank, stems from a growing hostility toward large size in general, a feeling that large-sized operations in both business and government are uneconomic, inefficient and often counter-productive, operating at levels of decreasing returns to scale and subject to "X-inefficiency". De Vries does not, however, assess these arguments in his paper, choosing instead to conclude that "economic reasons in themselves are sufficient to call for strong policy support to SMEs".

Other arguments with social orientations include the provision of opportunities for self-fulfilment and greater job satisfaction, the provision of stability and coherence in communities and greater use of local products for local needs.

POLITICAL CONSIDERATIONS

Recent years have seen the formation or expansion of business associations in many countries to represent the interest of small businesses. In some countries, these associations have emerged as powerful bodies with direct links with Government ministers and influence at policy making levels. With their main role as a lobby group, examples of such associations include in industrialised nations, the Association of Independent Businesses in the UK and the Federation of Independent Business in Canada, and in developing countries the Nigerian Association of Small-Scale Industrialists and the newly-formed National Association of Small-Scale Industrialists in Ghana.

The emergence of such bodies has at the very least heightened the awareness of politicians and voters alike to the political

necessity for SSE promotion.

In many developing countries, the desire to indigenise the economy and shift control from foreign to local ownership provides an indispensable role for SSE development. The Ghanaian Enterprises Development Commission was created for precisely such a purpose in Ghana. The Ivory Coast is a further case in point where M.T. Diawara (1977), then Minister of Planning, saw the development of SMEs as

> "..the basic element of the policy for achieving a true Ivory Coast economy". (p.155)

This approach, he said, enables nationals to participate in economic activity at employment, capital and decision-making levels. In Cameroon, of great importance in promoting SMEs is

> "the principle of self-dependent development (by and for Cameroonians) which leads CAPME [a government institution charged with assisting SMEs] to be interested only in Cameroonian enterprises, that is enterprises owned and managed by Cameroonians."
> (Kinga 1977, p.118)

Similar or related considerations could be cited in Nigeria (see David 1980), Malaysia (see Soon 1983), Indonesia and Kenya (see Harper 1984). In all of the cases cited, SSE promotion has been considered necessary or desirable for political reasons, inter alia.

Another rationale, of a different political dimension, is the potential for democratisation - or, what might be referred to as the creation of a business class - inherent in the development and expansion of the sector. In other words, it has been argued that increasing the number and spread of SSEs throughout society would result in a large new consituency of business owners who through wealth creation would make an impact in the society.

It is clear from the foregoing that the case for promoting SSEs is a powerful one indeed. There are, nonetheless, powerful interests and arguments against formulating policies for SSEs which, for the sake of a balanced discussion, at least, deserve mention. After all, to quote Harper (1984),

> "The mere fact that a certain type of enterprise is agreed to be of greater benefit to the economy and to society in general, than another type, does not necessarily imply that governments or others not directly involved in such enterprises need take any action to assist or encourage them". (p.25)

ARGUMENTS AGAINST PROMOTING SSES

Harper (1984), Neck (1977) and Soon (1983) have identified several arguments put forward by others against special policies for promoting the SSE sector. These may conveniently be considered under four headings, viz. structural issue and income distribution, cost, informal enterprises and control, and data/laissez-faire.

The structural issue and income distribution

It is held that there is a natural association of small business with inequitable income distribution. More fundamentally, it is contended that most programmes reach only a small proportion of the total small business population, and these are usually the more modern enterprises. It is claimed, therefore, that assistance is elitist and that its effect is merely to reinforce the dual nature of society, by strengthening the deja-riches or privileged, and assisting a few to join them. If programmes are successful in reaching the informal sector, however, they are blamed for helping to perpetuate the division in society. Appropriate technologies, informal credit mechanisms and traditional products are idealised so that the programmes do little more than preserve and strengthen existing systems, which are said to be fundamentally exploitative. Poor countries are kept on the periphery of the capitalist world, and a small minority within the poor country is reduced into preserving this dependent status because they themselves benefit from it. (Schmitz, 1982)

Similarly, it is further argued, a few small businesses are assisted to climb into the exploiting class, and those who remain are encouraged to tolerate their oppressed condition by programmes which marginally alleviate some of the more obvious

difficulties but avoid any fundamental changes. Society must be radically structured, it is argued, and cosmetic tinkering at the modern or the informal level only serves to delay the inevitable revolution.

These arguments on the whole follow the dependent theories of under-development - most notably the neocolonial dependence model and the false paradigm model - so well articulated by Dos Santos (1969), Leys (1975) and Schmitz (1982) and to be found in many texts on development economics, e.g. Todaro (1982). Chapter 3 takes up the issue again.

Such views appear to be widely held, and few would dispute the suggestion that present solutions to development problems are not totally effective. Evidence from the World Bank's annual World Development Reports, for example, indicate that, at least on aggregate, wealth has not 'trickled down' and the difference between rich and poor people in the same country continues to grow.

Notwithstanding the above, however, it has been argued that

> "..such data as is available on income distribution suggests that the overall conclusion that a widespread, numerous and prosperous small business sector is more likely to be associated with relatively equitable income distribution than a smaller number of larger enterprises, whether they are publicly or privately owned". (Harper 1984, p.19)

Cost

It has been further argued that the cost of supporting special policies for the sector is too high for the community to carry. Moreover, critics maintain that it is far easier and cheaper to initiate and promote the establishment of one or two large units, whether they are owned by private investors or the state, than it is to develop the same capacity through a multiplicity of smaller businesses.

Neck (1977) and the authors of World Bank (1978) Sector Policy Paper on SSEs refute the above arguments pointing out that the

cost of SSE promotion need not be unrealistic or formidable, if at all high. The point about ease of promoting and establishing large units is also disputed, with Harper (1984) attributing the real reasons to political ambition and want of prestige by planners.

Informal enterprises and control

The ILO (1970) Mission to Kenya highlighted the difficulties of monitoring and controlling the activities of the large numbers of SSEs who make up the informal sector and the dilemma of planners, marketing board officials, health and safety officials and others responsible for maintaining law and order or who need to exercise some form of control.

Further contra-arguments point to the damaging effects that some well-meant policies have had. In Singapore, for example, in the pursuit of urban renewal, many SSEs have been relocated away from their old premises, where they enjoyed low rents and easy access to their regular customers from the neighbourhood. In the new premises, they not only have to pay a much higher rent, but also have other environmental control and health regulations to satisfy. (Soon 1983, p.226-233)

In the light of these problems, it has been argued that the greatest help any government can give to SSEs is to leave them alone, without any regulation or control, and then SSEs will survive and prosper on their own.

There is, however, no convincing argument against promoting SSEs. Rather, the problems point to the need, as Harper (1984) has counter-argued, firstly, for awareness on the part of government and other interested bodies to the economic significance of the smallest enterprises and, secondly, for modification or withdrawal of existing legislation and programmes which actively damage the interests of the sector and, consequently, of the country itself.

Data and Laissez-faire

One of the important observations from the literature for any researcher is the lack of reliable, up-to-date data on SSEs, however defined, in developing countries. This is the basis of an argument against promoting SSEs, viz. there is a lack of data on which to build sound policies.

Other contra-arguments point to relatively successful development in the apparent absence of set policies. Finally, others see policies, as there are or may be, as interference in the free market economy.

The counter-arguments to the above, whilst recognising that excessive regulation and control can stifle enterprise and deprive many people of essential services suggest, nonetheless, that complete laissez-faire could lead to chaos. No national economy could be described as entirely laissez-faire, so the inevitable question: why should SSEs be singled out? As regards the point about data, Neck (1977) says it only highlights the need to have such critical data in times of high demand and scarce resources.

Thus, on the whole, whilst there are some valid points, the arguments presented above do not on the whole make for a convincing case for not developing measures to support the SSE sector. Moreover, they are considerably outweighed by the benefits to be gained from promotion.

SUMMARY AND CONCLUSION

This chapter has looked at the rationale for SSE promotion alongside the role of the sector in development, in the light of current interest in developing countries.

In the preamble to the main discussion, the nature of development was examined to ascertain the critical challenges to development. These were found to be unemployment, poverty and inequality of income. Following this, the terms SSEs and developing countries

were defined and the concept of entrepreneurship examined. SSEs were defined as businesses, in the modern (formal) or informal sectors, in which the owner is usually actively involved in the management. Such enterprises may be represented by, or organised as, sole proprietorships or self-employed, family businesses, partnerships, companies or co-operative.

With regards to the concept of entrepreneurship, it was found that the three traits most widely accepted as essential are the need for achievement, an inner locus of control and high energy. In addition to these, skills of a more formal management nature may be required. Valid as these are, however, they are unlikely to be sufficient for new business start-ups without the presence of adequate infrastructure, notably capital, labour, materials, equipment and information.

As far as developing countries are concerned, whilst there is diversity in structure between nations, there are strong common characteristics to permit discussion. Consequently, there is broad consensus on the composition of the 143 member nations of the UN commonly called Developing Countries or the Third World.

Against the above background, the arguments in favour of promoting SSEs were reviewed. These fall into three broad categories, viz. economic, social and political. All of these are related to or focus on the role - both existing and potential - of the sector in development. The evidence, drawn from several developing countries, is overwhelming: SSEs meet all the principal challenges of development and play a crucial role in the Third World.

Finally, the arguments against formulating policies for SSEs were also reviewed for the sake of a balanced discussion. These were found to fall under four categories, viz. structural issue/income distribution, cost, informal enterprises/control and data/ laissez-faire. On examination of these arguments, they were found to neither refute nor outweigh the arguments for, or the benefits to be gained from, promoting the sector.

The overall conclusion is compelling and cannot be over-emphasised: SSEs fulfil a crucial role and deserve to be

promoted. The World Bank (1978) Sector Policy Paper provides a fitting summary:

> "Together with the employment-creation objective, these attributes [i.e. economic, social and political benefits of SSEs] add up to a powerful case for major efforts, through appropriate public policies and institutional measures, to enable SSEs to realise their full potential." (p.21)

The above does not suggest nor imply in any way that large and small enterprises are mutually exclusive alternatives. On the contrary, there is broad consensus in the literature that they can be mutually supportive, and the object is to enhance the efficient use of both capital and labour in the industrial sector as a whole.

The question now then is one of organising outside resources to effectively assist the sector, given that SSEs have a definite developmental role and that outside intervention is warranted. The next chapter examines the needs for assistance and reviews policy measures and programmes for support.

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CHAPTER 3

A REVIEW OF THE SUPPORT ENVIRONMENT

FOR

SMALL-SCALE ENTERPRISE DEVELOPMENT

IN

DEVELOPING COUNTRIES

OVERVIEW

This chapter examines the support environment for SSE development in developing countries in order to, firstly, make an assessment of support initiatives and, secondly, put the extension study into context. It reviews, first of all, a number of frameworks for looking at small business and, on the basis of one of these, discusses needs, policies, the institutional framework and specific assistance activities. For the sake of convenience, the chapter is divided into five sections. Section I reviews conceptual approaches to SSE development. Section II presents the recognised needs and problems of SSEs. Section III outlines policy issues and their implications for programme design. Section IV assesses institutional mechanisms for assistance. Finally Section V reviews specific assistance activities for promoting the sector, and examines the place of extension services in the context of the support measures.

SECTION I

CONCEPTUAL APPROACHES TO SSE DEVELOPMENT

INTRODUCTION

One of the most important features of recent studies of small enterprise development has been a move away from "ad-hoc" to more "integrated" approaches. Such (integrated) approaches are now supported by financial and technical assistance agencies which seek to provide co-ordinated policies, structures and programmes for developing the sector.

Gibb (1981) and Neck (1977) have made useful contributions in providing frameworks for analysing support, and in identifying the inputs or factors thought to be required in a co-ordinated approach, for small enterprise development. The objective of this Section, thus, is to review briefly the two conceptual models developed by Gibb and Neck with a view to (a) deriving a suitable framework to guide the rest of the discussion and, (b) identifying requirements for effective support.

Exhibit 1 presents Gibb's framework for small firm development. As the title of the diagram suggests, the model can be used to judge, at any given time, the interest and capability of a society in new small firm development. Each of the four components of the diagram represents different frames of reference with influence on the potential for successful promotion of new small firm development.

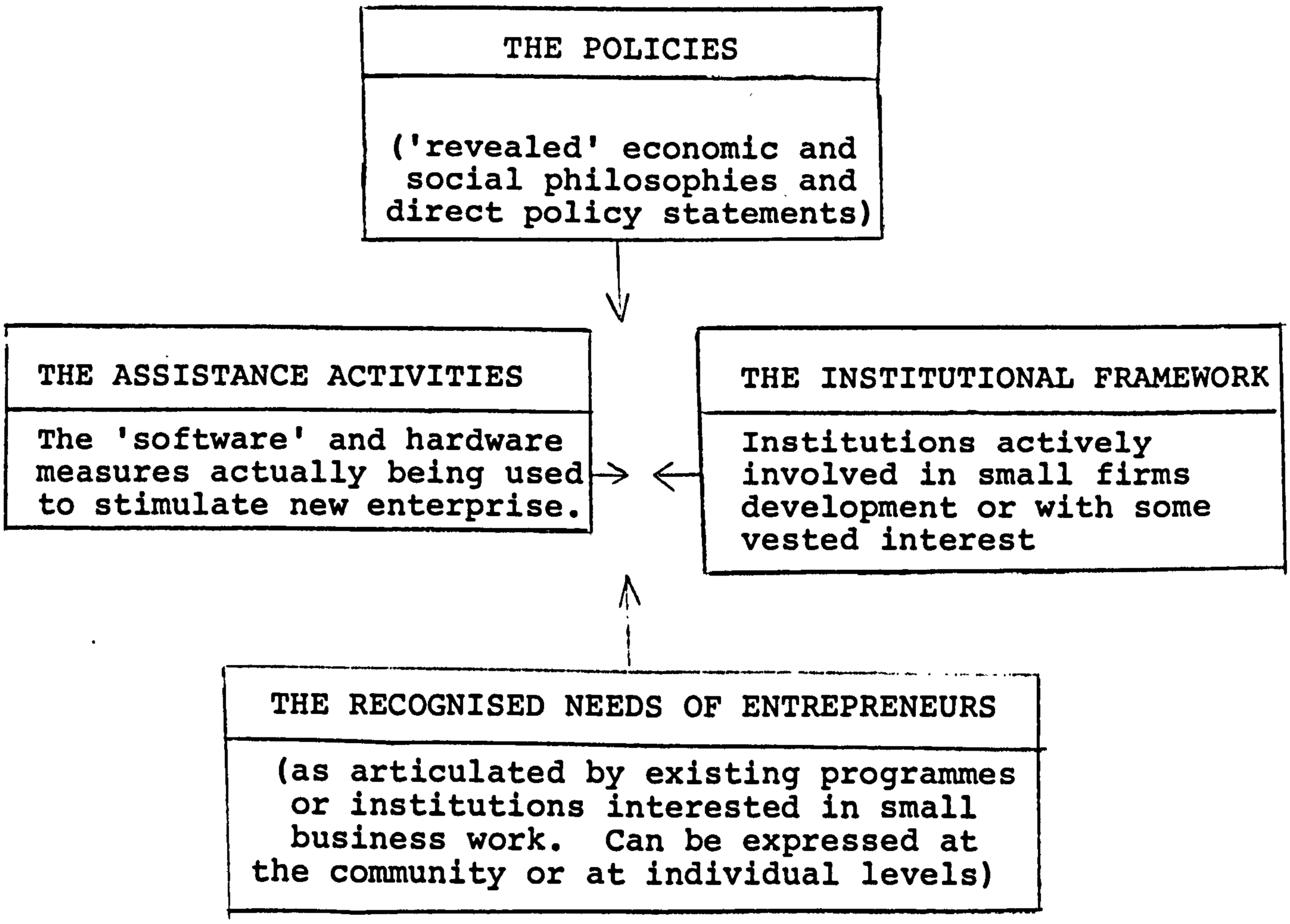
The Policy Frame

Policies in this context, according to Gibb, can be measured by

- the explicit statements of government (national, regional or local) or other organisations concerning the way in which SSE development should be approached;
- inferences from more broadly based statements of governments and other organisations concerning philosophies for economic development at national, regional and local levels;

- inferences from specific measures taken by government et al which are designed to effect the SSE sector.

Exhibit 1 A framework for judging the current capability and interest of society in new small firm development.



Source: Gibb (1981

Gibb suggests that policies, as a matter of course, emerge as a mix of the above. Broadly, however, they are "likely to range over a continuum with at one end a complete 'social engineering' model and at the other the 'random process' model" as in Exhibit 2.

DAMAGED TEXT IN ORIGINAL

EXHIBIT 2

VIEWS OF NEW SMALL BUSINESS DEVELOPMENT AND THE INDIVIDUAL

	THE RANDOM/'LAISSEZ-FAIRE' VIEW OF HOW ENTREPRENEURS EMERGE	THE 'SOCIAL ENGINEERING' VIEW OF HOW NEW SMALL BUSINESSES EMERGE
FORMATION OF BASIC MOTIVATION	Assumed to be 'in born' and determined relatively early in life.	Assumed to be the result of a wide range of influences through life (including class, family, education, career, etc.).
INFLUENCES DURING ADULT LIFE ON DESIRE TO BECOME AN ENTREPRENEUR	Desire comes from within. Is a response to personality.	Is the result of interaction with others.
ACQUISITION OF NEW BUSINESS IDEAS AND	Explained by chance, fortune and fate as well as the given personality traits.	Explained as an ongoing process with a degree of pattern and predictabili according to the knowledge of both th individual and the range of social situations he finds himself in.
EXPLANATION OF THE BUSINESS ENTRY DECISION	Seen as an individual and personal event: the new entrepreneur is 'born not made' with an almost subconscious search for the 'right' opportunity.	Can be explained in terms of group interaction and pattern of life.
ASSOCIATED INTERVENTIONIST PHILOSOPHY BY GOVERNMENT	Because entrepreneurship involves 'natural selection' then external intervention seen as essentially marginal. Activity is therefore best directed toward removing assumed environmental obstacles such as taxation.	Belief that social intervention can activate the individual and environment to desired ends.

Source: Gibb (1981)

The Institutional Frame

Gibb identifies various dimensions of institutional activities as follows:

- The small firm specific - general dimensions, in terms of whether or not the work of the institution concerned is specific or general to SSEs.

- The national - regional/local dimensions, in terms of the coverage of institutions.

- The government-private-voluntary dimensions, in terms of funding and characteristics.

- The range of service dimension (which is self-explanatory).

The Assistance Activities Frame

Broadly, these can be classified into 'software' and 'hardware' as in Exhibit 3 below:

Exhibit 3 Typologies of assistance activities for new enterprise development

'HARDWARE'	'SOFTWARE'
Finance	Information/Advice
Premises	Counselling/Consultancy
Materials and Help in Kind	Training/Education
Taxation	

Source: Gibb (1981)

The Needs Frame

Needs can be considered from the viewpoint of society as a whole and at the level of the local community, as well as in terms of

the requirements of the group or individual wishing to establish a new business.

NECK'S MODEL FOR SMALL ENTERPRISE DEVELOPMENT PROGRAMMES

Neck's model for analysing SSE development programmes is based on the epidemiological analogy with eradication of malaria. The prime factors are labelled as "host", taken to be the recipient human element, "agent", or intermediary responsible for developing the causal elements, and "environment", or immediate surroundings contributing to the conditions which develop.

Exhibit 4 The two-step model for small enterprise development

	Step 1	Step 2
Prime Factors	Diagnostic Phase (analysis of)	Remedial Activity (development of)
I Host	Training needs of managers and workers	Programmes to provide the appropriate skill, knowledge and attitudes
II Agent	Activities and relationship of structures providing assistance	Suitable institutions to provide assistance in matters - financial - technological - managerial - developmental
III Environment	Appropriateness of existing elements such as infra-structure, legislation, access to raw materials, information, markets, labour and sources of finance	Appropriate policies and support

Source: Neck (1977)

In the context of the discussion, the entrepreneur is the host, the agent is the various public and private institutions and the environment refers to the fiscal, legal, economic and cultural conditions. Exhibit 4 contains the model.

Neck's model provides a framework for developing small enterprises by improving managerial practices (host) in skill, knowledge and attitudes, assisted by structures (agent) such as financial, technological, managerial and developmental institutions operating in a supportive climate (environment) including such elements as appropriate legislation, workers, materials and markets.

The above models provide rare and useful conceptual frameworks for analysing support for SSE development. The key feature of both models lies in linking remedial activities together to provide a co-ordinated development effort, rather than emphasising the contributions of individual inputs. Gibb's framework is particularly appropriate for the context of the present study in that it enables an assessment to be made of the adequacy of the support measures in the light of the recognised needs of entrepreneurs. It will, therefore, be employed to guide the rest of the discussion in this chapter.

SECTION II

NEEDS AND PROBLEMS OF SSES

INTRODUCTION

It would be difficult to make a proper assessment of support measures for SSEs without reference to the needs of the sector. As Gibb (1981) has pointed out:

> "It is not feasible to discuss policies and the issues thereof unless such discussion relates to needs - actual and/or perceived." (p.6)

Covering a wide spectrum of economic activity, it is to be expected that SSEs in developing countries experience different sets of difficulties depending, inter alia, on whether or not they are in the formal or informal sector and on the stage of economic development of the country. Of importance also is the suggestion that SSEs are an

> "... extension of the personality of their owners, and any attempt to generalise about them and their problems is as difficult as any generalisations about a large number of human beings". (Harper 1984, p.25)

Furthermore, small enterprise owners' perceptions of their problems may be coloured both by the degree of their ability to analyse their situation and their view of what might or should be provided for them by government. These difficulties are not helped by the lack of common definition of the enterprises whose problems one may wish to alleviate. For those concerned with the sector, some attempt must nevertheless be made to survey the sector, albeit from a carefully selected sample, and it is indeed possible from the literature on the subject to isolate particular needs and to present common difficulties.

The developmental constraints of the sector can be reviewed at various levels, viz. those relating to (a) the overall climate or policy; (b) structure; and (c) operations of the firms. These will be discussed in turn, but clearly they are interrelated.

AMBIVALENT ATTITUDES OF GOVERNMENT AND REGULATORY BODIES

The general policy environment is in many countries the most important influence on industrial development. Yet, the attitudes of Government in relation to small enterprises are often very ambivalent:

> "..while on the one hand Government is busily introducing programmes of training, development and other assistance, it is often at the same time pursuing policies and imposing regulations whose negative effects are far more powerful."
> (Manuh & Brown, 1987 p.24)

The literature on SSEs in developing countries is, almost without exception, critical of government policy and the regulatory bodies, arguing that they have been constraints on SSE development, particularly the informal sector. The following excerpt from the findings of the ILO Kenya Mission (1972) may serve to typify the problem:

> "One important characteristic of the formal sector is relationship to the Government. Economic activities formally and officially recognised and fostered by the Government enjoy considerable advantages. First they obtain the direct benefits of access to credit, foreign exchange concessions, work permits for foreign technicians, and a formidable list of benefits that reduce costs of capital in relation to that of labour. Indirectly, establishments in the formal sector benefit immeasurably from the restriction of competition through tariffs, quotas, trade licensing and product and construction and standards drawn from the riches or based on their criteria. Partly because of its privileged access to resources, the formal sector is characterised by large enterprise, sophisticated technology, high wage rates, high average profits and foreign ownership.
>
> The informal sector, on the other hand, is often ignored and in some respects helped and in some harassed by the authorities. Enterprises and individuals within it operate largely outside the system of government benefits and regulation, and thus have no access to the formal credit institutions and the main sources of transfer of technology. Many of the economic agents in this sector operate illegally, though often pursuing similar economic activities to those in the formal sector - marketing foodstuffs and other consumer goods, carrying out the repair and maintenance of machinery and consumer durables and running transport, for example. Illegality here is generally due not to the nature of the economic activity but to an official limitation of access to legitimate activity. (p.504)

At an even wider level, Little, Mazumdar and Page (1987) suggest that, with the exception of India, developing-country governments showed little concern for SSEs until at least the 1970s. These authors argue further that all the main ways that were used to promote industrialisation - namely protection, investment incentives, credit controls and public sector investments - discriminated against SSEs. Thus, they state:

> "Except for India ..., it is safe to conclude that the targeted measures in favor of small enterprises have negligible positive effect compared with the negative effect of the general economic policies of governments". (p.3)

STRUCTURAL BARRIERS AGAINST SSE DEVELOPMENT

The arguments in the literature emphasising structural constraints fall into two groups. One group suggests that the small producers are exploited by the large firms through various mechanisms and thus contribute to the accumulation of capital in those large enterprises. The other group holds that the road to expansion is blocked for the small producers as a result of difficulties in access to product markets, technology, raw material or credit, and government policies are seen as reinforcing these blockages. It might be useful to briefly examine a sample of these arguments.

Schmitz (1982) reviews in his book the 'exploitation approach', which is exemplified in Leys' critique of the ILO Kenya Mission's recommendation to effect closer links between the informal and formal sectors.

> "What the "informal sector" does is to provide the "formal sector" with goods and services at very low prices, which makes possible the high profits of the "formal sector". Smallholders provide cheap food crops, pastoralists cheap beef, traders cheap distribution, transporters cheap communications; the owners of workshops making shoes out of old tyres and stoves out of old tins, the sellers of charcoal and millers of maize; all of them provide cheap goods and services designed for the poverty life style of those whose work makes the "formal" sector profitable, and enables them to live on their wages."
>
> (Leys 1975, pp.267-268)

The examples given by Leys imply that the urban petty producers help to keep the price of labour power low, and thus contribute to an increase in surplus value and the accumulation of capital in industry. A similar view is reported to have been presented by Portes, cited in Schmitz (1982):

> "The fundamental point is that the informal sector subsidizes part of the costs of the formal capitalist enterprises in peripheral capitalist countries, enabling them to reinforce comparatively low wages on their own labour."

The other set of arguments stress that the small producers' road to expansion is blocked. The blockages are thought to lie in the pre-existence of very advanced technologies and in the control which large firms exercise over product markets, raw materials

and credit. Thus, Quijano (1974), cited in Schmitz, refers to the small producers as the "marginal pole of the economy" whose defining characteristic is the "lack of stable access to basic resources of production".

Other arguments were presented in the preceding chapter in the section entitled 'The structural issue and income distribution'.

It is not intended here to analyse all the various arguments. The above serves merely to illustrate viewpoints held in the wider literature on development which have been applied to small business. It ought to be stated though that the exploitation approach has rarely, if ever, been subjected to detailed empirical examination.

OPERATIONAL CONSTRAINTS OF SSES

There is the need, first of all, to distinguish further the specific problem of SSE development as between modern, organised small industries and services on one hand and the informal sector on the other.

> "The former typically fit into market niches and channels; they have a fairly solid internal management and levels of technology and organization well adapted to their clientele". (World Bank 1978, p. 21)

Their main, but by no means only, problems have been identified to be lack of technical know-how and access to supply and credit factilities which inhibit their gaining a wide market. The latter, i.e. the informal sector, accounts for the major share of existing and potential non-farm employment in most developing countries, typically in repair work, artisan production, market vending, local transportation etc. Such SSEs suffer in the main from a small production base and poor purchasing, production and marketing organisation. Individually, they cannot afford the large amounts of capital and specialised personnel needed for design, sales promotion and bulk raw material purchase.

In addition to the above, both the formal and informal sectors,

but especially the latter, suffer in many countries from a lack of favourable government policy and a harsh regulatory environment, as discussed above.

The common difficulties and major problems are reviewed below.

Quality of management and entrepreneurship

Many writers - for example Kilby, Nihan, Demol and Jondoh, Neck, Soon and Stepanek - hold the view that lack of managerial competence is either prevalent among SSEs and/or is the major constraint to their development, especially with respect to the informal sector. Neck (1983), for example, referring to the informal sector in Africa, states

> "Their major limitation is the lack of managerial knowledge.... This limitation impedes the possible transformation of informal-sector entrepreneurs into a body of modern formal-sector operators". (pp. 257-258)

Similarly, Nihan, Demol and Jondoh (1979) in 'The urban informal sector in Lome', conclude

> "The main problem facing the informal sector arises out of its very rough and ready methods of enterprise management and price fixing. The standards of technical management and book-keeping are pretty poor whatever the level of capital investment". (p.635)

Growth of SSEs and entrepreneurs is thus seen to be hampered by the lack of entrepreneurial and managerial skills. This is by and large the view held or portrayed in the literature as a whole. Thus, Kilby (1969) writes in an assessment of the Nigerian industrialisation experience,

> "The problems encountered in attempting to develop the most promising firms are ultimately related to questions of entrepreneurship",

and concludes:

> "In brief, what is being suggested here is that development of certain entrepreneurial characteristics, relating to performance in the organisational and technological spheres, is being impeded by traditional socio-cultural factors common to all of Nigeria's ethnic groups". (p.341)

Stepanek (1960) also regards the lack of entrepreneurial and management ability as the major bottleneck, drawing his conclusion from several years of work as senior adviser for SSE development in Asia. Soon (1983) echoes similar sentiments in saying that lack of managerial competence is prevalent among SSEs, and that poor managerial abilities of the entrepreneurs account for the highest quoted reasons for small business failure.

Such bold assertions and generalisations as those from Neck and Kilby, however, are not unchallenged. In an article about entrepreneurship in developing countries, Osaze (1983) questions and even refutes such assertions as myths, arguing quite forcefully that the Nigerian entrepreneur, for example, is not bereft of the necessary qualities, which he identifies.

What is at issue here, it seems, is not that good management is important or needed, but whether SSEs fail to survive or expand primarily because they lack managerial ability.

Lack of finance and access to institutional credit

The most commonly stated problem confronting small firms is lack of finance coupled with the lack of access to institutional credit. Usually, in order to minimise risks, the banks insist on collateral.

Consequently, most SSEs in the informal sector (and sometimes at the margin of the modern sector) depend on middlemen or money lenders, and although these informal intermediaries help fill certain marketing and supply gaps, they are costly. Additionally, because the middlemen tend to provide finance only in small amounts and on short term, the SSE owner is locked into an arrangement by which repayment is deducted from the selling price. The result, says the World Bank (1978), is that fixed investment needs are not catered for.

Many experts, however, consider the lack or shortage of finance in small firms to be an illusion. The reasons as well as evidence for this are varied, ranging from increased lending to

the sector to the suggestion that substantial sums lie unused in unproductive assets in SSEs and that large numbers of them do succeed in employing the little capital at their disposal in profitable ways. (Anderson, 1982; Harper, 1984; ILO, 1986) Lack of finance, thus, it is argued, is not the real problem but rather the management of cash and other assets and resources.

Notwithstanding the above reservations, there is evidence to suggest that SSEs get very little, if any, institutional credit (see, for example, Little, Mazumdar and Page, 1987) and that the lack of access to institutional credit and the scarcity of capital and finance, do present genuine difficulties for at least some SSEs, on the weight of the overall evidence from the literature, even if the problem is exaggerated somewhat. Indeed, the World Bank (1978) authors regarded this problem (and others) sufficiently serious to state that the SSE sector's frequent lack of access to institutional credit, the extremely high interest rates prevailing in "curb" markets, and great difficulty in obtaining necessary permits and licences (and consequent resort to extra-official channels) probably outweigh the fact that SSEs pay fewer taxes and lower wages!

One such evidence is the research by Chee et al, who in a sample survey of 239 enterprises in Malaysia, cited in Soon (1983), found the three major operational problems of SSEs to be capital, land and building and labour, in that order - Table 3.

Table 3 Operational problems of 239 small enterprises in Malaysia

	Percentage
Capital	28.1
Land/Building	24.7
Labour	17.6
Marketing	6.6
Competition	5.7
Other	17.3
	100.0

Source: Soon (1983, p.227)

Lack of demand

According to Harper (1984), lack of demand is probably the problem most business people will mention after the shortage of capital. The research findings in Table 3 may not explicitly reflect this, although it is possible that by 'marketing' and 'competition', lack of demand is meant and that this may also be included in 'other'. Wherever its place in the hierarchy might be, demand is cited in the literature as a common problem. Soon (1983), for example, refers to the problem of low demand and limited market for the production of SSEs, attributing the cause to a lack of knowledge of standards and quality, resulting in the production of substandard goods, wastage of raw material, manpower and productive resources. Harper (1984) attributes the problem to inadequate access, disadvantages of scale and lack of skill and initiative in marketing.

It is noteworthy, however, that in the organised or formal sector, demand aspects or marketing issues, apart from exports, are not usually considered problems. See, for example, Neck (1977).

Access to supplies

Supply aspects, however, present real handicaps for the organised (or formal) sector. It is held that SSEs have little access to imported and domestic materials, inadequate cash or credit for economic and timely purchases. Other problems include inferior quality of raw materials and intermediate processing, when they have access to them, which reduces the value of finished products; remoteness which, combined with cash deficiencies, forces artisans to spend disproportionate amount of time fetching small quantities; great vulnerability to absolute shortage; and the difficulty of developing and maintaining a skilled workforce. Moreover, the middleman is often an unreliable supplier. (Neck, 1977; World Bank, 1978)

The major factor cited in the literature accounting for this problem is the shortage of working capital.

Lack of access to improved production technologies

Similar needs and problems apply to production technologies and equipment. It is held that SSEs, especially informal or marginal ones, generally lack access to improved production technologies, although the argument is often made that, in view of this 'constraint', SSEs tend to be more creative and innovative and make use of appropriate technology! It would appear as if this particular 'problem' is serious only for those firms wishing to expand, especially in cases where a technological breakthrough can affect costs considerably.

Finding adequate infrastructure, premises and services

Chee et al found that land/building was the second major operational problem of SSEs, after capital, in Malaysia - Table 3. Neck (1983) suggests that in Africa premises are generally available, but the zoning of industrial estates frequently raises problems of proximity to markets and labour force. The UNIDO (1976 and 1978) reports on industrial estates in developing countries raise serious doubts and questions about such projects in Africa and indeed elsewhere from a cost-benefit point of view. Neck (1983) contends, however, that they

> "... serve a necessary purpose by providing a demonstration effect of possibilities of industrialisation to a population moving from a subsistence to a cash economy and, to a large extent, moving from rural to urban settings". (257-258)

A further example of the problem of industrial estates is provided by the situation in Singapore referred to earlier in Chapter 2 under the sub-heading 'Informal sector and control', where it was stated that enterprises in this country have been relocated away from their old premises, where they enjoyed low rents and easy access to regular customers.

It is also held that infrastructure and services available to SSEs, e.g. power supply, communication, water and sewerage and access roads, are often inferior, unreliable or irregular. For many SSEs, however, especially in the informal sector, this problem is not considered serious; for others, on the other

hand, these deficiencies obstruct the growth and transition to a 'formal' mode of operation, says the World Bank (1978) report.

In conclusion, the point made in the Chapter 2 needs reiterating viz. there is broad consensus in the literature that large and small enterprises are not mutually exclusive alternatives, but can be mutually supportive. The object is to enhance the efficient use of both capital and labour in the industrial sector as a whole. In order to take full advantage of complementarities and linkages, it is both desirable and necessary that the special handicaps to which SSEs are subject are mitigated so that they have reasonable opportunity to function.

Section III examines policy issues and the implications for programme design in the light of the preceding sections before proceeding to review the institutional framework and specific assistance activities found in selected countries.

SECTION III

THE POLICY FRAMEWORK FOR SSE DEVELOPMENT

INTRODUCTION

It has been suggested that before adopting sector policies, they should first be thoroughly examined to see whether or not they are required. (Neck 1977). This is seen as the primary test of rationale.

Neck (1977) suggests that if policies are adopted for the SSE sector, it should be useful to relate them to the following objectives:

> "To increase the absolute and relative rate of new enterprise formation, the number of persons employed and the amount of GNP produced by the sector." (p.20)

Neck does not justify the use of these criteria, or the adoption of these objectives, except to suggest,

> "In this way quantifiable goals can be set, measured and corrective action taken where necessary". (p.20)

For policies to be valid, argues Neck, they need to be based on certain basic assumptions, which are reproduced in Exhibit 5.

If policies are needed, consideration may be given to areas upon which policies might focus, problems to be faced and steps to be taken.

POLICY ISSUES AND IMPLICATIONS FOR PROGRAMME DESIGN

The following general comments can be made, from a survey of the available literature. See, for example, Gibb (1984), Neck (1977) and World Bank (1978).

The point has already been made in Chapter 2 that the small enterprise sector should harmonise with large enterprise and other economic sectors to make up the total economic effort.

It is also suggested that for the most part, existing legislation, educational and training policies, financial incentives and the like indisputably favour big rather than small business. It is important that SSEs do not commence from disadvantaged starting positions, with due respect to efforts being made presently to rectify the situation.

SSEs need to be more adequately represented in the science of business. This means involving the management of such enterprises in such institutions as management development and productivity centres, institutes of technology and other educational institutions at all levels.

Policy issues can be expected to vary considerably; however, the SSE sector should generally aim at selective rather than total growth and development. Thus, SSEs should not be promoted indiscriminately.

In most developing countries, only a fraction of the new job seekers can be employed in agriculture. The scarcity of capital

EXHIBIT 5 BASIC ASSUMPTIONS UNDERLYING SMALL ENTERPRISE DEVELOPMENT POLICIES (after Peterson[1])

Positive features	*Problem areas*
. *Existing and future economic development will require viable large and small enterprises.* . *Large enterprises need viable small enterprises to serve their sector.* . *Small enterprises can be economically efficient and effective in specific instances.* . *Small enterprises can be a major source of innovation and entrepreneurial activity.* . *Small enterprises have a propensity for labour intensity and job creation at relatively low capital cost.* . *Small enterprises have an important role to play in social development, particularly in providing stability and viability to communities in rural areas.* . *Most regions and countries have people with small enterprise managerial interest and talent.*	. *Lack of managerial talent accounts for the failure of many small enterprises and is a serious handicap to development particularly in developing countries.* . *Small enterprise development has been retarded by inappropriate training, limited access to capital and raw materials, conservative distribution systems, relatively competitive markets, inadequate technical assistance and a poorly trained labour force.* . *The small enterprise manager is often unaware of the services offered by professional sources, associations, institutions and agencies.* . *In many areas minority groups establish a disproportionately high number of small enterprises.*

[1] *R. Peterson: Progress towards a small firms policy for Canada (Proceedings of Rencontres de St. Gall, Swiss Research Institute of Small Business, 1976).*

Source+ Neck ed. (1977)

severely limits the number of new nonfarm jobs that can be created, because investment costs per job are high in modern industry. An effective development policy should seek, therefore, to increase the use of labour relative to capital to the extent that it is economically efficient.

The following "needs" identified by Gibb (1984) in his report on SSE development in Nigeria, have further implications for policy.

- Those seeking to start a business for the first time will usually be more willing to use non-financial assistance (e.g. counselling and training services) than those already running a business.

- There will be need for those with vocational skills leaving the education and training sector to give some consideration to the prospect, immediate or ultimate, of working for themselves.

- Those seeking assistance will look almost wholly in their local area and will welcome informal approaches with the minimum of paper work and procedures.

- To develop the capability of SSE owner is to develop the business. This leaves enormous scope for integrative approaches to support linking, for example, finance, premises, training and consultancy.

- Most of the learning of the owner manager is by doing. Highly formal education and training approaches are not always welcome.

- The small business owner has little time to spend away from his work place on management programmes and the like.

- The small business owner will usually distrust bureaucracy and will look more favourably upon forms of support and assistance which clearly have the approval of other businessmen.

Therefore, concludes Gibb (1984),

> "Small business development should be strong at the level of business start-up where it is most likely to be sought; informally and personally delivered with the minimum of bureaucracy and red tape; proactive in terms of being concerned with helping the smaller industrialist to solve his problems on-the-job, rather than waiting for him to visit the office; available locally; couched in very simple terms and local language; and seen to have the support and involvement of other existing businesses". (p.11-12)

The striking contrast between the opening sentence in Gibb's

last-quoted statement above and the following conclusion by Little, Mazumdar and Page (1987), is useful in highlighting an unresolved conflict in the literature on the issue of who should benefit from assistance as well as the point of intervention.

> "If supply-side intervention in favor of small firms is planned, the objective must be to spot potential winners and speed them on their way. Since it is difficult to spot winners at the starting gate, it follows that such intervention is more likely to be successful at a stage when there is already evidence of some success." (p.313)

The foregoing serves as a summary of the policy implications to be found in the literature.

The question of the need for special policies for the SSE sector has been settled in Chapter 2, where it was concluded that the sector deserves support. This begs the question of areas upon which policies might focus. Neck (1977) identifies eight specific areas which might "benefit from policies".

AREAS UPON WHICH POLICIES MIGHT FOCUS

Finance

Apart from sources of venture capital, equity, working capital etc, this field can be extended to cover related areas such as tariff protection; differential taxation; credit facilities; discounting services; fixed interests; and moratorium on loans.

Training

Management and technical training are clear examples of existing practices favouring large-scale enterprise and government. Educational and social reforms are required to establish the facilities, resources and curricula needed to serve the sector.

Markets

Improving communications and distribution where sound policies can contribute to low cost growth particularly in rural areas is one solution to helping SSEs. Other useful devices include

preferential government purchasing schemes, reserving certain fields for SSEs and the use of subcontracting.

Access to raw materials

Changes are obviously required for access to scarce raw materials, as well as in licensing regulations and practices.

Manpower

Developing appropriate management skills for SSEs should go hand in hand with preparing an adequate labour force, suggests Neck. Activities should extend from manpower planning schemes to the development of appropriate educational, labour and related policies.

Technology

SSEs appear to be particularly suited to the transfer and development of appropriate technology. Policies are not only required to protect and enhance the sector's interests in this field, but also to encourage local capacity to undertake original research and technological innovation.

Community relations

Policies of community relations are needed to draw attention to the sector's career possibilities, its role as a consumer and producer of goods and services, its importance as an employment agent and its role in servicing large-scale enterprises.

The above suggestions by Neck, obviously, need to be considered in conjunction with those from the other authors quoted, notably Gibb and the authors of the World Bank report.

The above areas will be taken up in Section V. Meanwhile, Section IV assesses the institutional framework for support.

SECTION IV

INSTITUTIONAL FRAMEWORK FOR SSE SUPPORT

Efforts during the last couple of decades to assist the sector, have been concentrated on institution-building and training.

An analysis, carried out recently by the researcher for the ILO of ILO projects on rural small-scale industrial enterprises (RSIE) confirms, for example, that the majority of projects in the period 1981-85, many still in operation, have institution-building as their primary function, and providing a training capability as a secondary function. This is also the case with UNIDO and UNDP.*

Further evidence of this focus can be found in the literature. See, for example, Neck's (1977) description of small business promotion programmes in Africa, in which institution-building and training feature prominently. Soon (1983) refers to several similar initiatives in the South East Asian countries.

Various reasons could be put forward for this focus, of which three might be mentioned. Firstly, the literature advocates it. Stepanek (1960), for example, thought the problem of managerial deficiencies could be rectified by training courses, and most of his book, 'Managers for Small Industry', is devoted to suggestions for management training programmes. Secondly, senior government officials see these as their main strategy for implementing policies. See, for example, Isli (1977), Kinga (1977) and Diawara (1977). Thirdly, it has been suggested that such grand projects as building large institutions, are attractive to politicians and planners who enjoy th publicity they bring. (Harper 1984).

The available evidence, thus, shows a massive concentration on institution-building and training.

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*The researcher carried out the preparatory work of a joint ILO/ UNIDO/UNDP thematic evaluation study on RSIE. The findings of the study should be published shortly.

The usual pattern has been to establish a new institution, often funded in whole or part by an overseas donor with the retention of an international agency (usually the ILO or UNIDO) as executing agents. The latter in turn bring in "experts" who are expected to work alongside and train counterpart local staff with a view to the latter assuming full responsibility when the project terminates and the experts are withdrawn.

The results, after more than two decades of technical co-operation following the pattern just outlined, have not met the aspirations hoped for. This has raised questions including, amongst others, the appropriateness of the strategy chosen and the implementation, most notably the design, organisation and management of the institutions established.

One of major problems of institution-building has been the emphasis on the physical infrastructure as the focal point of assistance. The classroom is a notable case in point.
Traditionally this has been the main channel for delivering assistance, especially the all-important management know-how.

Many experts now contend, however, that the classroom is not always the ideal nor the best place to conduct training or indeed to provide management and technical assistance to small business owner-managers (and their workers, if necessary) for various reasons. These reasons are discussed in Section V under 'Extension Services - Rationale'.

It suffices to mention here that the evidence suggests the need for 'training' within an environment with which trainees can identify, where real problems are tackled and where real and timely solutions can be presented and verified. The ideal and best place, fitting this description, is the place of work, and a method of assistance emphasising personal delivery on site.

In conclusion, the overall evidence suggests that the strategy as well as the channel for delivering assistance to the SSE sector have not been effective in assisting new businesses nor in helping existing ones survive or grow, to any significant extent. This is particularly true of Africa. The reasons or problems relate in the main to the inability of institutions established

to respond to the needs of the sector as well as the inappropriateness of the focal point and delivery mechanisms for assistance.

Section V reviews specific assistance activities and examines the potential role of extension services in responding to the need identified in the preceding paragraphs.

SECTION V

SPECIFIC ASSISTANCE ACTIVITIES FOR SSES IN DEVELOPING COUNTRIES

INTRODUCTION

This Section looks at specific policies, programmes and agencies set up to assist or promote SSE development. In broad terms, these initiatives are intended to address the recognised needs of the sector, in line with Gibb's framework. This is not to disregard the fact, however, programme designs and support measures may differ depending on several environmental factors, not least the development level of the country.

Two particular regions have been chosen for review, viz. South East Asia and Africa. The reason is, apart from their representativeness, to do with availability of material as well as the researcher's particular interest. On occasions, however, a few cases have been cited from the Indian sub-continent to sharpen analysis.

Although many of the activities reviewed might appear dated prima facie, the researcher's recent experience of working with two major international development agencies leads to the conclusion that there is little that has changed in current practice. Nor were they new and innovative a decade ago, according to Anderson (1982) who contends that there is, in fact, little that is new to be said on what kinds of programmes to pursue and how to design and implement them, referring as evidence to files and literature "dating back over 20 or more years".

An important point of note, which may be evident in the review that follows, is Anderson's observation that virtually all the material found in the literature, with a few exceptions, is ex ante in that it is concerned with the preparation of the programmes and what they were expected to achieve. Little material exists on ex post analysis of SSE programmes, and especially on providing a means of assessment on the effectiveness and efficiency of programmes and the extension of their coverage.

SSE ASSISTANCE ACTIVITIES

Assistance activities are reviewed under five broad headings, viz. (a) finance, (b) management training, entrepreneurship development and advisory services, (c) technological development and technical training, (d) industrial estates and (e) other measures. In addition, following these, the place of extension services is examined.

These headings subsume the areas upon which policies might focus (after Neck), outlined in Section III, and follow Anderson's (1982) discussion of issues relating to policies and programmes in developing countries.

For each of these areas, the usual pattern is to examine, first of all, the rationale and issues of debate and then, secondly, the available measures.

Financing Policies and Programmes - Rationale

Lack of finance or access to the resources of the organised financial sector is recognised as a constraint to SSE development.

Before looking at the actual mechanisms through which finance may be made available to SSEs, it is necessary to deal with two major issues at the heart of the debate on financing policies and programmes. Firstly, there is the conflict between profitability of SSEs and the social and economic objectives established for

them, which may also handicap evaluation of the various projects. As Isli (1977) points out:

> "Their social and economic objectives may cause extra production costs because of excessive decentralisation or using obsolescent techniques to promote job creation...." (p.93)

Secondly, linked to the above, there is the issue of whether interest rates should be subsidised for SSEs, against which there are powerful arguments. The most vocalised of these come, not surprisingly, from the World Bank, e.g. Barend de Vries, Dennis Anderson and Farida Khambata. Anderson and Khambata (1981), for example, have argued for a policy in which (a) interest rates would reflect the estimated costs of lending to low-risk small firms, and in which (b) the losses incurred while the institutions are developing the screeening procedures to identify low risk firms, and also the procedures to maintain 'repayment discipline', would be absorbed by the financing programmes.

They suggest the former could be accomplished by relaxing administrative controls on the level and structure of interest rates. Given the initially high risks and administrative costs involved in lending to large numbers of SSEs, however, the financial intermediaries, they argue, must face the political problems of charging exceeding high interest rates or of accepting significant losses over a long period. Both are likely to be resisted, and hence the importance of (b). An explicit assumption in this policy is that both the risks and the administration costs would decline to comparatively low levels once the intermediaries have developed the capacity and the screening procedures to lend to small industry.

These views, it appears, are shared in part, if not entirely, by many writers. Certainly there does appear to be, prima facie, an inconsistency of providing capital for enterprises whose major advantage to society lies in their labour intensity. The point also stands to reason that if price is artificially lowered below the prevailing market figure this will tend to encourage borrowers to use more of it than they would if it was more expensive. In other words, the tendency will be for demand to increase, due to the lower interest rate. Also in practice,

borrowers may delay payment for as long as possible since the interest rate is held well below inflation, leaving lending institutions with no more funds to lend. Alternatively, the available funds may be thinly spread over a large number of applicants so that no single borrower receives what he needs.

Notwithstanding the above, it is pointed out that some small business lending schemes fail to lend the funds they have available, in spite of subsidised interest rates. Does this not disprove the foregoing arguments, asks Harper (1984)? Such schemes, he argues, have in fact erected a barrier of appraisal procedures in response to the overwhelming demand so that very few enterprises can qualify.

Other arguments suggest that high rates of interest will not automatically remove risks nor remedy the problems of arrears.

The solution, suggests Harper, is to encourage as many individuals and institutions as possible to enter the market for financing small business. Competition will bring down interest rates far faster than legislation, he says, citing India and the Philippines as examples.

Financing assistance activities

A notable feature of most financial assistance activities found in practice and in the literature is credit subsidies, which may take the form of cheaper loans, tax and custom relief and/or direct subsidies. Thus, typically, a low interest rate merely covering bank costs might be adopted or imposed for investment loans; or SSEs might be exempt from paying specific income and other taxes during their first few years of operation; whilst direct subsidies might be made for training supervisors and technicians, or for raw materials. Appropriate support might also be provided for exporting selected goods produced by SSEs. Credit subsidies are to be found in both regions under review, e.g. in Algeria, Cameroon, Indonesia and Singapore.

Another policy commonly adopted is the obligation by the banks to allocate a set minimum proportion of lending to SSEs, or

otherwise face penalties. This policy follows reluctance on the part of the banks to provide loans to SSEs on the grounds of risk and overall profitability. Consequently, in Algeria, for example, banks are obliged to allocate 20 per cent of short-term loans to SMEs (Isli, 1977), whilst in Malaysia, the banks have been directed, since 1973, to lend at least 3 per cent of their resources to SSEs. (Soon 1983) A similar policy operates in Nigeria. In practice, however, some banks have chosen to pay the penalty rather than comply with the obligations. This is the case throughout Nigeria, for example.

Not surprisingly, in view of the reluctance of banks to lend to SSEs, the policy of credit guarantee by government agencies has also been adopted in some countries, as is the policy of setting up special institutions to provide financial assistance to SSEs. In Cameroon, the Fund for Assistance and Guarantee of Credit to SME was set up in 1976 and has been operating since to guarantee loans provided by public or private banks to SMEs. (Kinga, 1977) In Indonesia, P.T. ASKRINDO (Indonesia Credit Insurance) provides the guarantee and bears the risk resulting from non-repayment of the bank credits supplied to SMEs, while the Institute of Cooperative Credit Guarantees guarantees the credits granted by Bank Rakyat Indonesia to cooperatives. In Malaysia, the Credit Guarantee Corporation Malaysis Limited provides guarantee cover for credit facilities made available by commercial banks to SSEs. (Soon, 1983) Finally, in the Ivory Coast, the Guarantee Fund, established and operating since 1968, supplies "surety for bank advances necessary for entrepreneurial development", guaranteeing up to 80 per cent of a loan. (Diawara, 1977)

Credit guarantee apart, special institutions have been set up to provide credit to SSEs. These can be found in virtually all the countries referred to above and in many others. A most telling example is the Gujarat Industrial Investment Corporation (GIIC) in India. A public limited company, its objectives are to promote new entrepreneurs in SMI, to develop non-traditional new industries, and to undertake those functions which existing institutions could or would not. Patel (1977) gives details of the Technicians Scheme whereby Gujarat Industrial Investment Corporation provides 100 per cent finance of project costs of SSEs, and requires no collateral or third party guarantees.

Additionally, the loan attracts the following terms: (i) no repayment for the first three years, followed by annual instalments spread over several years, and (ii) a 50 per cent subsidy applies on interest for the first three years.

A significant development with respect to institutions is the increasing interest and support by the World Bank and its affiliated organisations in Development Finance Companies (DFCs) through which assistance is channelled to SSEs. (World Bank 1976). DFCs may either lend directly or, as is more often the case, provide funds for participating commercial banks for on-lending, to SSEs. DFCs feature prominently in SSE promotion policy in several developing countries, e.g. in Singapore, the Ivory Coast and Kenya.

A few more programmes could be cited, perhaps the most notable being venture capital or equity participation by banks, non-bank institutions and other government agencies. The foregoing, however, typify financing policy and programmes in South East Asia and Africa, and in the Third World as a whole.

It is interesting en passant that there does not appear to be an acute scarcity or shortage of funds and institutions to assist SSEs in the regions reviewed.

Management training, entrepreneurship development and advisory services - Rationale

The reasons behind training prorammes for SSEs in developing countries, which also affect the organisation of such assitance, are apparently to do with the "absurdly" high rates of default experienced by many lending schemes. To a large extent, inappropriate lending procedures and also the apparent non-rigid insistence on payment, at least as perceived by the borrower, are held accountable for this. In many cases, however, poor management of the enlarged enterprise is the cause.

Recent programmes have therefore insisted on training before finance.

Management training, entrepreneurship development and advisory services programmes

The organisation of the assistance activities to be found in the literature and in practice differs one country from another. In Indonesia, for example, it appears from Soon (1983) that the P.T. BAHANA (Management of Indonesian Enterprises) is the only major national institution giving assistance in the field of management, amongst other things, to SSEs. This institution is apparently involved in all fields of business activities of the private sector and in the management of enterprises in which it has an interest.

In contrast, there are at least ten organisations in Nigeria providing management, entrepreneurship development or consulting services of one form or another, for SSEs, nationally, regionally or locally.

Between the two extremes, it is possible to identify a number of programmes in various countries. In Malaysia, it appears from Soon (1983) that MARA (Majlis Amanah Rakyat), an SSE promotion institution set up by the government, is the major national agency. Its Divisions of Advisory Services and Enterprise Development provide services covering various fields including accounting, marketing, engineering, technical and commercial design; whilst its (MARA's) Institute of Technology conducts Entrepreneurial Development Programmes (EDPs). Other training programmes of MARA, are said to exist to equip entrepreneurs with knowledge in various commercial fields and provides package deals linking training with access to finance.

In the Philippines, the Univeristy of Philippines Institute of Small Scale Industries (UPISSI) is the major government institution whose primary function is to conduct managerial training and entrepreneurial development for SMEs. Like MARA in Malaysia, the institute conducts training courses and an EDP in pursuit of various objectives.

SSIs in Singapore are assisted for very different reasons from those of the other countries in South East Asia and indeed in Africa. Essentially, they are promoted in order that the large

industries are able to obtain supporting services locally, with the notable exception of the Small Industry Finance Scheme (SIFS). (Soon, 1983) Most of the assistance programmes in this country are offered to all sizes of industries and, in general, assistance given exclusively to SSIs is very limited. When it is given as in SIFS, only approved manufacturing industries or projects are eligible. It ought to be borne in mind, however, that Singapore is one of the newly-industrialised countries, and therefore may not conform to the norm.

Many other examples of programmes could be cited where the responsibility for promoting SSEs lie with a major national organisation or is shared by many executors. In general, policies and programmes available are similar in most DCs and are not new. One programme, however, could be singled out for mention in view of its success and impact. This is the entrepreneurship development programme (EDP) in Gujarat State, India, launched in 1970. This EDP is different from many, both in industrialised as well as in developing countries, in respect of its stress and use of psychological tests in selection and identification, and in assessing the "potential entrepreneurial level". (Patel, 1982).

Briefly, the literature and course brochures indicate that most EDPSs have three major components. Firstly, the trainees are taught some elementary techniques of business management, with particualar emphasis on sources of finance, project preparation and other aspects of starting a new venture. Secondly, they are also given an opportunity to survey the prospects for their chosen venture and to prepare a proposal for submission to a bank which is usually involved in the programme. The third, and most contentious part, adopted by some but not all, is intended to train people to think and act is an entrepreneurial way.

Technological development and Technical training - Rationale

Of all the programmes for assisting SSEs in developing countries, this area attracts more criticisms perhaps than most. Neck (1977) for example, writes,

> "Institutions enhancing development and transfer of appropriate technology are probably the weakest structures assisting small enterprise development in the African Region". (p.197)

The only exception Neck makes is the Technology Consultancy Centre in Ghana. Harper (1984) is even more critical, saying of technical training:

> "The results have been less impressive than the buildings and lavish facilities inside them. The training ..... has often served only to increase the frustration of those who have been trained. It may indeed have made them less rather than more employable..". (p.82)

It appears that the criticisms revolve around inappropriate technology, irrelevant training and, linked to these, the lack of co-ordination between technical training, needs and resource endowment of the country.

Other reasons could be cited to account for the problems, but underlying them all, according to Neck is the absence of such basic industries as iron and steel, and cheap energy. It is arguable that viable basic industries require regional, or sub-regional, participation, although Neck contends that such proposals often clash with the feelings of nationalism generally associated with newly found political independence.

Difficulty in finding the right technical partners is one possible reason, cited in the case of Tanzania. Other problems include: consumer preferences for foreign-made goods on the domestic scene, and non-availability of equipment, spare-parts and materials. Additionally, not many institutions in developing countries, especially in the African region, appear to be able to deliver adequate extension services, it has been suggested.

Technological development and Technical training programmes

The situation is not all grim, however. Apart from the TCC in Ghana, the Birla Institute of Technology in India appears to have developed very successful integrated programmes. (Carr, 1981).

The Village Polytechnic programme in Kenya also appears to have been quite successful.

Virtually, all the countries referred to earlier in this chapter boast a technical training/technological development programme of one form or another. In addition to the three mentioned in Ghana, India and Kenya, which are not the only ones in these countries, albeit amongst the most successful, mention could be made of the following: INPED, SNERI, SOMERI, ECOTEC and the engineering services of the National Societies - all technical assistance bodies in Algeria; CAPME, SATEC and AFCA in Cameroon; OPEI in the Ivory Coast; the Industrial Training Institute in Malaysia; UPISSI, SBAC and NSBD (National Science and Development Board) and the Design Centre of the Philippines; ARCADEM, Industry Training Fund, Centre for Industrial Research and Development in Nigeria; to name but a few!

Thus, there is no shortage of bodies and programmes, in the area under discussion, supporting SSES. What appears to be at issue, however, as with many SSE assistance programmes is the effectiveness of support.

Industrial estates

It has long been recognised that the scattered location of small firms poses a major challenge in efforts to assist them. The extra cost of travel may make the appraisal and supervision of small loans less economic, and individual advisers may spend more time travelling than working with clients. The problem in question may also frustrate attempts to provide assistance with raw materials, marketing outlets and specialised technical services.

Such considerations have led to the advocation of a cluster of SSEs on the grounds that not only will this be more convenient for the promotion agency but that it will also enable the tenants to benefit from an integrated package of services which would be uneconomic otherwise. (UNIDO, 1976 and 1978) The case for industrial estates appears strong both for relocating existing

businesses and for encouraging new businesses to start in clusters. Not surprisingly, the literature abounds with evidence of policy support for SSEs in this area, e.g. The Industrial Estate Authority of Thailand, the Jurong Town Corporation (JTC) in Singapore and the Malaysian Industrial Estate Berhard (MIEL).

Notwithstanding the logic and appeal of the foregoing, the performance of industrial estates to date raises more questions than answers provided. Consequently, several examples of empty and, therefore, unsuccessful industrial estates can be found in the Third World. (UNIDO 1976 and 1978)

Moreover, it has been argued that even if a small firms industrial estate is successful, in that it is fully occupied and all the tenants are themselves successful and profitable enterprises, this does not necessarily mean that it is an efficient way of promoting SSEs. Additionally, continues Harper (1984),

> "By grouping small businesses together in one place, whether they are new ones or have been moved from somewhere else, the industrial estate is actually denying society one of the major benefits for which SSEs are deemed to be desirable, even if the tenant businesses themselves benefit." (pp.156-157)

Harper points out further that the cost of buildings, services and infrastructure for each job created in them is higher than the average investment per small firm job including all the necessary equipment, citing as evidence the UNIDO (1978) report which put the cost of the Nepali Estate at Kathmandu at $766 per job created, compared with a total cost of under $200 per job in Nepali small industry. Furthermore, Harper cites evidence on the efficiency of industrial estates in India which shows that firms on the estates in Mysore are significantly more capital intensive and generally less profitable than those outside.

Harper (1984) provides a fitting conclusion in the following terms:

> "As with so many aspects of small business, the best test of need is economic viability." (p.161)

Harper is quick to recognise, however, that

> "There may be occasions ... when a particular type of small industry is urgently needed for strategic reasons, or to complement a large venture, or when there is a need to assist a particular group... [where] it may be appropriate to establish small industrial estates as part of an integrated package of assistance". (p.161)

Other assistance activities

The foregoing has discussed the main assistance activities for SSE development to be found in many developing countries. Needless to say, there are further activities which could have been mentioned. The most common of these is concerned with the procurement of raw materials; the widening of markets, especially through a quota system where public organisations may be required to place a given minimum proportion of orders with SSEs; provision of information; subcontracting; research and product development; and encouragement of nationals to buy enterprises from expatriates.

It is clear from the review that there is no scarcity of programmes and institutions to assist the SSE sector. Indeed, wide ranging assistance programmes are available in many countries, especially in South East Asia. To the extent, however, that these measures have only produced modest results, with respect to new enterprise formation as well as the survival and expansion of existing businesses, there is need for substantial modification or re-orientation of initiatives.

The appropriateness and potential of the areas discussed above appear not to be at issue. What is questioned, however, is the focus of the strategy and the mechanisms for the delivery of the various forms of assistance, as Section IV illustrated. In this context, the place of extension services will now be explored.

Extension Services - Rationale

Extension services are increasingly being regarded as one of the most effective means of assisting SSEs by writers and assistance

agencies alike. At the same time, people point to its limited success and the need for research in the area, as the following statement by Nouvel (1977) of the World Bank illustrates:

> "For complete coverage local extension services are the only viable long term solution. Success of local extension services is limited to date and this problem is perhaps the most important constraint to SSE development in many countries." (p.65)

The need and the value of extension are clear: only a minority of small business managers are able both to attend and to benefit from classroom training; many cannot leave their businesses for the necessary period, the training centre may be a long distance from their businesses, and they may be unwilling to expose their own problems to the rest of the group, although this is necessary to ensure that the training is relevant to each trainee's individual circumstance. Most importantly, most small business people cannot in the few days or even weeks during which they can attend a training programme adapt themselves to the classroom and connect what happens there to their various businesses. (Gibb, 1983; Harper, 1984)

It is clear, therefore, that extension has several advantages compared to formal training courses; moreover, there is some evidence to suggest that it is more acceptable to small business people. (Harper, 1984 pp.94-97)

As for Nouvel's second statement, concerned with the limited success of extension, the following quotation from Harper (1984) may serve to provide part of the explanation:

> "In Kenya, there appeared to be very approximately three such businesses [which might benefit from individual extension] per 1,000 population, and one adviser can deal effectively with no more than 50 client businesses. On this basis, a country of ten million people would need 600 small business advisers, whilst India would need about 40,000". (p. 97)

For this and other reasons (see Chapter 4 for a complete review), the literature takes the view that few institutions in the Third World, especially in Africa, can deliver adequate extension services. Despite the difficulty, and in view of the

potential benefits to be gained, many developing countries have adopted extension services for assisting SSEs.

Extension Programmes

The extension programmes found in the literature tend to be quite comprehensive, covering technical, managerial assistance, training and in some cases linking financial assistance. This is reflected in some countries, most notably in South East Asia.

In Indonesia, for example, the Department of Industry operates a special project called Industrial Extension Services for Small Industries which provides the following services: general extension services, managerial and technical training, marketing assistance, material procurement assistance, mechanisation assistance, quality control and standardisation guidance and surveys. (Soon, 1983)

In some countries, however, for example in Malaysia, although there may be extension services to farmers, an industrial extension service is completely lacking.

Whilst in many others, such as in The Gambia, Ghana and Thailand, extension services may be provided on a scale not as comprehensive as in Indonesia, but as part of a general advisory service. (The Indigenous Business Advisory Service in The Gambia, the Technology Consultancy Centre in Ghana and Small Industries Services Institute in Thailand are cases in point.) Or, extension services may exist but not exclusively to SSEs, e.g. The Philippines.

Very little research, however, has been carried out, and few publications and guides exist, specifically on extension services for SSEs. Consequently, there is consensus, amongst the few who have published or written about the subject, that given its potential critical role in organising and delivering assistance, SSE extension merits greater attention and could do with more research. (See, for example, Gibb, 1986, Kahnert & Kozlowski, 1979 and Nouvel, 1977.)

SUMMARY AND CONCLUSION

This chapter has reviewed the support environment for SSEs in developing countries with a view, firstly, to making an assessment of measures and, secondly, to putting the extension study into context.

Two conceptual models by Gibb and Neck were presented at the outset, and Gibb's framework was subsequently chosen to guide the rest of the discussion. The needs of the sector were, of necessity, reviewed first at three broad levels, viz. the overall policy environment, structural barriers to development and operational constraints faced by firms. Against this background, policy issues and their implications for programme design were outlined before proceeding to assess the institutional framework and review specific activities for assistance. In the context of these, the place of extension services was examined.

The findings emerging from the review are challenging, with important implications for research as well as in the field. It seems appropriate to highlight some aspects in particular.

Firstly, it has been only during the last 25 years that comprehensive, as distinct from integrated, programmes designed to promote SSE development as part of national development plans have taken shape.

Secondly, a major problem overall is the ambivalent nature of Government policy coupled with unfavourable attitudes of regulatory bodies. Other needs of the sector relate to structural issues as well as operational constraints faced by the small firms.

In the light of these needs and problems, few countries appear to have a clear, workable and well integrated strategy for orderly development of the SSE sector. This is particularly true of Africa. Thus, the implications of conceptual models for policies and programme design are seemingly ignored in existing measures on the whole.

Thirdly, it is evident that wide ranging assistance programmes are available in many countries, and in some cases, notably in South East Asia, even appear to be well-established. In most cases, however, especially in Africa, programmes appear to need re-orientating or strengthening as well as integration to promote more effective development and growth. There appears, however, to be nothing conceptually wrong with the type or appropriateness of programmes per se. Rather it is the implementation aspects and delivery mechanisms that are at issue.

Fourthly, extension cuts across all the major assistance activities and seems to have great potential for organising and delivering the major assistance activities. Research and publications to date, as well as empirical guides in this area, however, are scarce.

Finally, in the light of the foregoing, there is little doubt that developing countries, especially the African nations, have need of tremendous inputs in the field of SSE development. Neck's (1977) conclusion, a decade ago, is as valid today as it was then:

> "The task is formidable but challenging, the prospects exciting but frightening for, if development efforts fail, social and economic development will be seriously affected." (p.207)

Two overall conclusions are in order: Firstly, the need appears to be long overdue to develop a set of guidelines for policy as well as for the organisation of institutions and delivery mechanisms, to enable programmes designed to ensure a healthy growth of SSEs to be implemented. Secondly, in the context of programmes currently available, extension seems to have great potential as a vehicle for delivering assistance. The following chapters will, therefore, attempt to explore the role of extension services to addressing the overall need identified above.

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CHAPTER 4

A REVIEW OF THE LITERATURE ON EXTENSION SERVICES FOR SMALL-SCALE ENTERPRISES IN DEVELOPING COUNTRIES

OVERVIEW

This chapter reviews the literature and documentation on extension services for small-scale enterprises in developing countries with the objective of identifying specific gaps in knowledge as well as key issues of concern and debate.

INTRODUCTION

The previous review has demonstrated that extension cuts across all the major assistance activities. The conclusions pointed to the potential critical role of extension services in relation to organisation and delivery of programmes.

The objective of the chapter is to identify, from a review of the literature on SSE extension services, the seemingly key issues of concern and debate as well as specific gaps in knowledge.

The review is based on three main sources of information. Firstly, and most importantly, the academic literature on the subject was explored. Secondly, reports and other documentation, mostly unpublished, held by the ILO were drawn upon. Thirdly, although not specifically acknowledged, consideration has been taken of views and opinions of various experts associated with the ILO who kindly gave interviews. Altogether, 136 items were selected and appraised from the ILO library and archives in Geneva, and a further 26, comprising UNIDO publications, identified at the UN Library at Palais des Nations, Geneva. This review is based on approximately 40 of these, considered to be the most relevant on the subject.

The chapter is divided, for the sake of convenience, into six main sections as follows:

Section:	I	Definition and role of extension services
	II	Clients for extension services, their needs and services provided
	III	Basic design factors in the organisation of SSE extension services
	IV	Basic design factors in the delivery and marketing of services
	V	Evaluation of SSE extension services
	VI	Extension services: State of the art and the 'accepted wisdom'.

SECTION I

DEFINITION AND ROLE OF EXTENSION SERVICES

Origin, concept and definitions

It appears that the term 'extension service' was first applied to agricultural services, and came into use when agricultural colleges and experimental stations in the United States 'extended' their instructional and advisory services into the field by going directly to the farmers. (UNIDO, 1970) This, along with the fact that the vast majority of the literature and documented experience of extension services is found in agriculture, helps to explain why SSE thinking and practice relies so heavily on agricultural extension with the consequent result that there is no systematic and objective analysis of SSE extension services per se.

Conceptually, SSE extension services and their field staff are seen as external change agents attempting to develop entrepreneurs or SSES through planned efforts. (Harper, 1984; Technonet Asia, 1985) Broadly speaking, extension services, not unlike other SSE development efforts, may be analysed in terms of processes, viz: inputs, transformation processes, outputs, effects and conditions. (El-Namaki, 1982) Or, the institution may be understood in terms of representing a catalyst, i.e. introducing positive changes to SSEs, a stimulant, i.e. facilitating absorption and sustenance of changes introduced, a linker, i.e. providing diversified services without necessarily having all the expertise needed, and, thus a 'go-between' with other support agencies and between SSEs themselves. (Kubr, 1981)

It would appear, therefore, that however SSE extension is conceptualised, it must incorporate or feature change as a key, even indispensable element. This key element is addressed later in Chapter 6.

There is general agreement on the definition of extension services, as indeed with the services they should embrace and

their general functions (discussed below), and any differences that occur, in the vast majority of cases have more to do with wording than meaning. Extension officers are sometimes referred to as advisers, counsellors, consultants, business or industrial development officers, etc., and services may cater for existing enterprises only or may include entrepreneurship development programmes, in manufacturing or service activity. Furthermore, extension services may involve not only the provision of advice but also the diagnosis of problems that the entrepreneur may or may not realise are present in his business, the demonstration of remedial measures and linkages with referral agencies providing financial and non-financial assistance to SSEs. (El Sharkawi - undated ILO internal document; Harper, 1979; IBAS - undated ILO internal document; Kahnert & Kozlowski, 1979; Technonet Asia, 1985; UNIDO, 1978)

The essential characteristic, however, that distinguishes extension from other types of technical assistance is its active outreach to, as opposed to passively waiting for, the target SSEs - both to acquaint them with and to deliver assistance; personal delivery is very much emphasised, even encapsulated in the use of the term. In the process, the service is often the first point of contact between the delivery of assistance and the clients for services.

An extension service for SSEs may be defined, therefore, as:

> any pro-active service reaching out to SSEs with advice and assistance, being often the first point of contact between the delivery system and the client, and emphasising personal delivery.

Role and objective of SSE extension

The role and objective of SSE extension services and their officers are seen differently by different people. An important view regards the extension service as a multidisciplinary organisation created to give advice and assistance to SSEs in order to correct financial and/or technical disabilities.

(UNIDO, 1978 pp.74-75) The role of an extension officer, according to this source, is to serve partly as a problem solver and partly as a referral agent to other institutions or specialised staff.

According to a World Bank paper by Kahnert & Kozlowski (1979), the objective of extension is to communicate or transmit knowledge.

Technonet Asia (1985, Vol.2), drawing on wide experience in Asia, views the basic goal of extension in SSE promotion and development in terms of attaining desirable action on the part of the entrepreneurs for their own benefit.

Not surprisingly, the most common views on, and better rendering of, the role or objective of SSE extension, make reference to agricultural extension. The purpose of the training and visit (T & V) system of agricultural extension is to build a professional extension service that will be capable, firstly, of assisting farmers to raise production and increase their incomes and, secondly, of providing appropriate support for agricultural development. (Benor and Baxter, 1984)

Thus, in Egypt for example, according to an ILO internal document concerning the Engineering and Industrial Design Development Centre (EIDDC), the objectives of extension and associated activities are to increase the productivity of the manufacturing sector make industry more effective in order to increase competitiveness on the international market, and create, in the process, additional work places. (Otto, 1983)

Other perceptions are less specific to industry or function, emphasising instead economic and social benefits. Thus, concludes Harper (1984), the overall objective of an extension service may be stated as providing advice in order to maintain and increase the profitability of the SSEs which are advised, adding that if this is achieved then jobs and other social benefits will follow.

Clearly, the role or objective of extension as stated in the preceding paragraphs differs in approach from the earlier renderings and may also vary from place to place. It may be said, therefore, that the precise role of SSE extension would appear to be governed by perception and may be protrayed differently in different countries depending on: (Technonet Asia, 1985)

(a) Development level; whether the country is developed or less-developed, and even between less-developed countries, e.g. cf. Singapore or Malaysia with Nepal or Upper Volta.

(b) Approach; i.e. whether the emphasis of assistance is on existing vis-a-vis new SSEs.

(c) Functional focus; i.e. whether the focus of assistance is on production or marketing, for example.

(d) Industry focus; i.e. whether the focus is on manufacturing or service industry as opposed to retailing, for example.

(e) Organisational setting; i.e. the insitutional base for services, such as, public, private or academic.

(f) Manning; i.e. whether the service is staffed by full-time or part-time officials, for example.

(g) Budgets; i.e. sources of funds and whether budgets are variable or fixed.

(h) Cost recovery; i.e. whether services are subsidised or self-sustaining.

Finally, there is the issue of the philosophy underlying operations of the service. Specifically, the question may be posed: should the extension service 'serve' the SSE sector and refrain from 'directing' or 'guiding' it, or not? This is an issue about which the literature says little. The EIDDC in Egypt takes the affirmative view, according to Otto (1983). Elsewhere,

notably in the ASEAN region, judging by the operations of Technonet, the general position appears to be that of helping SSEs to help themselves, with the ultimate aim of helping the entrepreneurs to become self-reliant and independent.

SECTION II

THE CLIENTS FOR EXTENSION SERVICES, NEEDS AND SERVICES PROVIDED

Clients for SSE extension services

The enterprises served by extension agencies may be involved in any type of non-farming activity, in a rural or an urban area. The major focus, in many countries, is on small-scale manufacturing industries and in some places, these are catered for exclusively, at least initially, e.g. EIDDC in Egypt and the Small Enterprise Development Corporation (SEDCO) in Swaziland. (Otto, 1983; ILO, 1983 internal document on SEDCO.) However, there are also many examples of extension services which not only include service enterprises, but even concentrate on them, e.g. Nepal and in South-East Asia. (GTZ, 1982; Technonet Asia, 1985)

The clients for extension services and their needs are inextricably linked to the needs and problems of the SSE sector as a whole. The orientation may vary, however, as stated earlier, with some extension agencies catering for established enterprises to the exclusion of new enterprise start-ups, whilst others cover both. This issue will be taken up again below.

The clients for SSE extension services may, therefore, be classified as follow:

(a) existing entrepreneurs, who may be found in:
    i. traditional SSEs with need for modernisation
or ii. modern SSEs with need for expansion

and (b) new entrepreneurs i.e. those wishing to set up in business.

Both of these categories of client share common needs, viz:

- limited know-how, which may be further classified as managerial, technological or entrepreneurial
- perceived lack of resources such as finance, production and marketing
- inadequate motivation. (Technonet Asia, 1985)

A further classification is possible in terms of (a) successful or promising SSEs, (b) unpromising or stagnant SSEs and (c) SSEs in the intermediate category. (Technonet Asia, 1985)

Potential clients belonging to category (a) are characterised by entrepreneurs who are reportedly dynamic, who accept assistance readily, if they have confidence in the competence of the extension officer, and who are intolerant of time wasting activities and theoretical discussions. They are considered best clients because they act quickly on sound advice and the results are readily available.

Potential clients in category (b) are the opposite of those in category (a), being set in their ways and having difficulty absorbing new ideas. Consequently, much time and effort can be wasted on them for little result.

The third category (c) represents the majority of potential clients. Neither dynamic nor stagnant, they represent the real challenge to the extension officer in that they can be helped.

An appropriate strategy for maximum impact, therefore, contends Technonet, might be to concentrate on the progressive SSEs (i.e. category (a) above) and the more promising of those in category (b), to the total exclusion of category (c).

This strategy of concentrating on the best may be criticised on the grounds of elitism, going against notions of fairness and equity. The problem with the strategy is essentially one of equity and efficiency.

Equity or efficiency

There is general agreement that only a limited number of SSE clients, representing a fraction of the overall target group, will receive advice and, hence, benefit for two reasons: firstly, because the number of potential advisers is very small, and secondly, extension typically demands long and frequent periods of contact, as well as time-consuming linkage functions with various people and agencies. (Harper, 1984; Kahnert & Kozlowski, 1979)

This begs the question of whether resources should be concentrated only on those SSEs with a high potential for success or whether they should be spread as widely, and by implication, as thinly as possible.

This conflict, which was highlighted earlier in Chapter 3, appears to be as much political as an economic one. (Harper, 1984) Nevertheless, the view appears to have support among writers, organisations and experts that extension agencies should concentrate on SSEs with the best potential for growth and success. One way of getting round the conflict is for extension officers to work with clusters or groups of SSEs.

As a concluding note on the matter, it has been suggested that for advisory purposes, there need not be a conflict in that the most equitable service can also be the most cost-effective (Harper, 1984), although no information is given on how precisely this may be achieved.

Needs of clients and range of services provided

It goes without saying that the decision as to the choice of services which any assistance programme provides ought to be preceded by a clear identification of clients and their needs. Also important must be considerations as to the resources available and the range of services that already exists. The services to be considered are often labelled as 'technical assistance' and may be broadly categorised as consisting of assistance of a managerial, technological or entrepreneurial

development nature. More specifically, the most common services to be considered include the following: (El Sharkawi; IBAS; Technonet Asia, 1985; UNIDO, 1970)

1. Feasibility studies.
2. Management assistance, of all kinds, typically to analyse problems, design and help implement systems e.g. financial control.
3. Technical assistance, to do with production problems, processes, machines and tools.
4. Marketing assistance, in identifying and exploiting new market opportunities, both at home and abroad.
5. Financial aid, in filling in loan/grant application forms and helping to arrange finance.
6. Technical information, covering all aspects of production and management, and often including a library of some sort and/or newsletter.
7. Laboratory and pilot plant, often referred to as common service facilities, providing manufacturing or testing facilities which SSEs could not otherwise afford.
8. Training of clients, in all aspects of production and management.
9. Linker or co-ordinator, for other support services.

Typically, for new SSE development, services include preparation of feasibility studies and credit facilitation, whereas services for existing enterprises tend to be more problem-specific, aiming to improve productivity and managerial know-how. Both categories of client may, in addition, or may not, also receive training on all the functional aspects of management.

Services provided should obviously be related to the recognised needs of SSEs, discussed in Chapter 3, where it was found that, although entrepreneurs, when asked, will cite financial problems as their most pressing problem, managerial practices and/or outmoded production technology are often the real culprits. To upgrade their managerial and technical know-how, it has been suggested that SSEs need: (Technonet Asia, 1985)

- information

- solutions to specific problems
- special skills
- investment feasibility guidance, and
- managerial training.

All of the above have been reviewed in the previous chapter to some considerable extent, except for information needs which, in view of its importance, deserves some comment here.

Information needs of SSEs and services to be provided

Technical information is seen as a primary component of an extension service, and many services incorporate a library or/and a regular newsletter, as stated earlier. The information needs of SSEs are said to include the following: (Technonet Asia, 1985)

1. Market information in the broadest sense.
2. Information on manufacturing processes, machinery, standards and testing procedures.
3. Information on raw materials and semi-finished goods.
4. Infrastructure information, including availability and costs of energy, transportation, labour, etc.
5. Information on the industrial environment, services, research facilities, industrial legislation, financial incentives, etc.

Technonet is keen to stress that SSEs, when they require technical information, need specific answers to specific questions. These can be broken down into four kinds of elementary questions, viz:

1. Where to obtain a product or service
2. Specifications or requirements to be met
3. Details, properties or applications of materials, machines and processes
4. How to correct something that has gone wrong.

According to Benor and Baxter (1984) and Technonet Asia (1985), if the information service that extension provides, not unlike

other extension activities, is to adequately fulfil the needs of its clients then it must incorporate the following essential features. Firstly, the service needs to be based on personal contact. Secondly, a quick response time is crucial, in that most SSE problems are pressing and can not await lengthy investigations. Thirdly, the above have to be supplemented by expert advice as to how to apply them to a given situation. Hence, apart from a familiarity with SSE problems, an extension service needs access to informed judgment on a variety of subjects through a network of contacts both within and outside the institution itself.

Three services in particular are quite common and also considered most important for a technical information activity for SSEs.

1. Library, which need not be extensive, but should contain the basic texts, periodicals, standards and catalogues pertaining to the SSE sector.
2. Information scanning and newsletter, including assistance to SSEs to develop their own in-house sources.
3. Question and Answer, the pro-active basic service designed to find appropriate answers to specific problems.

It was stated at the outset that the choice of services to be provided by an extension institution ought to depend on the identified needs of SSE clients, the resources available and the services already available. The literature suggests that, as a general rule, the initial services to be provided should be ones which clients will accept and which offer the best chance of achieving success for a given commitment of resources.

In the above respects, technical information is regarded to be a good starting point. For, it can be argued, all SSEs need it in some form or another, it involves widespread contacts and, importantly, can be provided at relatively low cost and effort.

Many extension services in Technonet started in this way, and it

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has been found to be a good strategy to concentrate on one service at a time and to get it to operate satisfactorily before offering another. In so doing, solid reputations have been built up, it is claimed, and credibility developed with their SSE clients - both considered to be essential requirements.

Functions of an SSE extension service

A UNIDO (1978) publication asserts that the extent and content of an SSE extension service depends on the levels of technology and entrepreneurship of the small-scale industrial sector of the country concerned. Thus, it is argued, in a country like Senegal, where both are low, the service ought to cover the entire field, whereas in another with a comparatively high level of technology, such as Argentina, extension work will relate mainly to managerial aspects of production.

Market research to establish needs of the target group, as well as the other basic audit questions, viz. who, where, how and when, is seen as an indispensable pre-requisite to determining not only the fuctions but also the delivery system of an extension service. Additionally, in most developing countries, government support coupled with the willingness to let the service run with a minimum of interference is considered essential if the service is to be successful. (Kahnert & Kozlowski, 1979)

Notwithstanding the point about tailor-made services to specific needs, there is substantial agreement on the functions of an extension service. These may be summarised as follow: (IBAS; Kahnert & Kozlowski, 1979; Kubr, 1986; Technonet Asia, 1985; UNDP, 1972; UNDP, ILO & UNIDO, 1975)

- Assistance in all the functional aspects of management, especially book-keeping, costing, marketing and planning.

- Assistance with sub-contracting.

- Assistance in procuring supplies.

- Assistance in the solution of technical problems.

- Advice on, and help in gaining access to, sources of finance.

- Identification of training needs and sources.

- Advice on government regulations, taxes and legal issues relating to business.

- Assistance with all aspects of production and product design, including quality control and standardisation.

- Conducting feasibility studies and loan appraisals. This pertains particularly to services based at, or attached to, financial institutions.

It is obviously not to be expected that all of these functions will be present in a single extension service at the same time. The important point, about which there is general agreement, is that an integrated approach has to be taken to assess and meet the needs of the sector.

SECTION III

BASIC DESIGN FACTORS IN ORGANISATION OF SSE EXTENSION SERVICES

This section examines some basic design factors in the organisation of SSE extension services. It begins by looking at overall design considerations before reviewing the financing, recruitment, selection, qualifications and training of staff as well as four other important issues.

Basic design considerations

There is a considerable gap between present thinking about how extension services for SSEs should best be organised and operated and what obtains in practice; for example:

(a) It is generally held that extension services should be

co-ordinated closely with credit, where they are not integrated. Yet, in most cases, neither is the case.

(b) An influential viewpoint is that extension services may employ secondary school leavers or those with even less formal education, who may be supported by specialists at regional or national offices.

(c) It is considered essential for SSE extension organisations to have evaluation systems and to build these into services from the outset.

(d) Motivation of extenion officers, supported by financial or non-financial incentives, is considered to be important.

Furthermore, in order to assist in improving delivery, Kahnert & Kozlowski (1979) recommend (within the context of lending) that:

(e) Project documentation on SSE projects include:

(i) a clear analysis of the existing technical assistance to SSEs (including an analysis of referral agencies), and a detailed presentation of extension service costs;

(ii) a justification where extension services are deemed unnecessary or not feasible;

(iii) performance evaluation and monitoring arrangements;

(iv) experiments in the design of extension services, particularly with regard to financing, training, qualifications and institutions.

(f) There is need for systematic exchange of informtion on extension services and design solutions.

(g) Local institutions should be helped and encouraged to design and implement training for extension officers, as opposed to imported training.

The above observations are well supported by the literature. (See, for example, Harper 1979 and 1984, Kahnert & Kozlowski, 1979, Technonet Asia, 1985 and Wallace, 1985.) In a significant number of cases, howevever, practices differ considerably from these prescriptions. The issue of qualifications is a good case in point: most extension organisations insist on a first degree as a minimum entry qualification, as the rest of this chapter and the next will confirm. Or to take the point about project design, the author's personal experience of working with the Evaluation Unit of the ILO leads to the conclusion that very few projects, if any, actually embrace these desirable elements.

Financing of SSE extension services

A fundamental question on the issue of financing of SSE extension services is whether or not SSEs should be charged for services provided and, if so, how. Of importance also is the wider question of how to finance the service if it is decided to subsidise it.

Practices and financing methods are varied, with the vast majority of countries or extension institutions not demanding charges, although there are some countries where nominal fees are applied e.g. in Togo, Kenya and the Ivory Coast. (Kahnert & Kozlowski, 1979) In Egypt, the SSEs may be asked to pay a minimum charge at subsidised rates. (ILO, 1983 project EGY/82/01/A/IDA) Furthermore, in a German project in Paktia, Afghanistan, small fees and travel costs were charged to artisans that asked for individual advice outside of the regular cycle of free advice from the extension officers. (Kahnert & Kozlowski, 1979)

There is general agreement in the literature that if an extension service is to reach out to the very small-scale entrepreneurs, it will require subsidies - certainly in the initial phases. Nonetheless, there is a significant opinion which calls for beneficiaries to pay fees for the following reasons: (a) free advice is not always valued by the recipient; (b) such payments

would put pressure on extension officers to provide useful services. Thus, the service will respond to the real needs of the clients rather than providing what bureaucrats think; and (c) revenue is generated enabling more services to be provided than would otherwise be the case.

The arguments against charging are: (a) fees cannot be levied at the outset, otherwise there is a danger of losing the target clients and potential benefits of the service, even before the service can prove its worth. However, even later (b) only token fees can be expected from very small-scale enterprises on the grounds of equity; for, in agricultural extension, it is common practice not to charge fees, so why should SSEs be treated differently? (c) Ability to pay rather than need becomes the criteria for determining who gets assisted and (d) some deserving SSEs may not be able to afford the service. Furthermore, (e) billing and collecting cause administrative costs to rise, and (f) there is the threat of unwarranted competition from professional consulting firms, which may object. (Harper, 1979; Kahnert & Kozlowski, 1979; Technonet Asia, 1985)

It would not be prudent to attempt to lean on one or the other view. For, experience with levying fees is relatively limited and largely undocumented to allow any definite conclusions to be drawn. In any case, it is not the intention here to lay down definitive rules on how to operate or organise an extension service, but rather to present current thinking as revealed in the literature and documentation. Attention ought to be drawn, notwithstanding, to what appears to be a major irony as regards the view not to charge, viz: entrepreneurs' willingness to pay for services is often used as a measure in most SSE evaluation attempts as an indicator of impact or effectiveness!

Financing Methods

A number of case-specific financing methods can be developed if it is decided to subsidise the extension service. Four basic local sources of funds may be used, either separately or in combinations: (Kahnert & Kozlowski,1979)

(a) Subsidies from the government budget
(b) Subsidies from specific taxes set aside for extension activities
(c) Financing from bank lending margins, and
(d) Fees from beneficiaries.

In addition, grants or loan funds may be available. The important consideration, it appears, is not so much the source of funds as the provision of an adequate financial base together with a method that provides incentives for adequate performance of the extension staff. This, at any rate is the principle advocated in the literature (see, for example, Technonet Asia, 1985), although in practice not many schemes appear to incorporate both adequate planning and performance incentives.

Recruitment/Selection and qualification of SSE extension officers

The general rule appears to be that the services offered determine the staff to be hired, although in practice the relationship can be interactive with the personnel that is hired influencing the services actually provided.

The qualities to look for when hiring new extension officers are debatable, depending on several factors not least the clients for whom the extension service exist and their needs. Some argue that what is required are formal training in an appropriate branch of knowledge, e.g. engineering, and some experience in applying it. (Kubr, 1986) Others suggest, and use, recent university graduates. (Technonet Asia, 1985) Whilst others point to success in hiring candidates with technical college or secondary education or less. (Harper,1984)

One aspect on which there is common agreement, however, is that formal programmes of training are required for the new extension officer in order to bridge the gap between present and required skills.

A commonly-held viewpoint also, not unaffected by the perception of qualities required, is that the competent extension officer is both a 'technician' and a 'salesman'. As a technician, he needs a firm grasp of the practice of his field of knowledge or training and must be capable of applying it to the analysis and solution of problems in SSEs. As a salesman, he must be able to convince his clients of the need for, and the soundness of his advice.

The qualifications of the extension officer - composed of education, work experience, aptitudes and skills, among others, according to the literature - may also vary with the job focus of the extension institution. It appears too that they are related to the level of development of the country. In Hong Kong, Singapore, Philippines, Thailand and Malaysia, for example, extension officers typically hold a bachelor's degree, according to Technonet Asia (1985). South Korea's and Japan's information transfer bias requires extension officers with advanced degrees in engineering and sciences. In contrast, in Indonesia, according to the same source, extension officers are high school graduates with technical background. In other lesser developed countries, e.g. Botswana, Nepal, Kenya (Western and Central), there are or have been extension officers who received no more than secondary education, or even dropped out of the secondary education system. (Harper, 1984) Still further cases of even lesser or no formal qualification could be mentioned. One World Bank project in Guatamala, for example, waives formal educational requirements in favour of personal commitment and experience in working in poor communities. (Kahnert & Kozlowski, 1979)

In the light of the foregoing, there appears to be need for further research and experiments to shed light on the issue of entrance qualifications, so say little of the variety of personal and interpersonal skills and psychological attributes, in the design and organisation of many SSE extension projects. In most developing countries with extension services, certainly in many parts of Asia and Latin America, but also in Africa (e.g. Kenya, Nigeria and Egypt), candidates are sought with degrees, typically in business administration, economics or engineering.

Secondly, various aptitudes may be asked for. These are regarded as the characteristics and behaviour required of extension officers. They include:

(a) Self-reliance - individual problem-solving ability; own judgment, etc.
(b) Missionary spirit-desire to help others without reservations.
(c) Psychological maturity - understanding of basic psychology, especially motivation
(d) Self-confidence.
(e) Integrity - quality to be trusted and to develop trust.
(f) Professional etiquette and courtesy.
(g) Self-drive.
(h) Self-imposed performance standards.

In addition, in order to project intellectual competence certain skills may be required. Extension officers may be required to possess:

(i) Strong analytical ability
(j) Creative skills
(k) Interpersonal skills. (Technonet Asia, 1985)

The above attributes, to be found in one person, are daunting! As Harper (1984) brilliantly puts it:

> "No country in the world has a sufficient supply of people with this rare set of qualifications, and even if there were large numbers of them, it is arguable that it would be wrong to employ so many as small business advisers."
> (p.97)

Clearly, this is another notable case in point of inappropriate application or transfer from both the management literature and agricultural extension, from which most of the aptitudes and attributes appear to have been taken. (See, for example, Kubr, 1986 and Benor & Baxter, 1984). In the opinion of many experts, therefore, such as Harper, Kahnert and Kozlowski, formal entrance qualifications for SSE extension officers are unnecessarily high.

The following features suggested by a meeting of donor agencies

(Kahnert & Kozlowski, 1979), concerning the extension officers qualifications, appear to be more plausible viz:

(a) Knowledge of the local language.
(b) Communication skills (both delivery and methods).
(c) Knowledge of the capabilities of referral agencies, and regular updating of information.
(d) Practical work experience in industries preferable.

Training of SSE Extension Staff

Training of SSE extension staff may be classified into two categories: the first concerns the training of field extension officers, whilst the second is to do with (a) training the trainers and (b) the organisation of a training system.

Training of SSE Extension Officers (i.e Field Staff)

From the literature (Kubr, 1986; Technonet Asia, 1985), ILO project documentation and training brochures examined, it is possible to identify five phases of training an extension officer.

Following selection, which is the first phase, and based on predetermined criteria, there follows orientation and induction. These classify the candidates' tasks and expectations. An intensive formal training follows. This training presents extension concepts, processes, methodologies and approaches in relation to SSEs. This is terminated by an in-plant exercise, where the new recruits' extension tools are tested and sharpened. Thereafter, on-the-job training commences. The new extension officers are coached by experienced staff. After evaluating the new extension officer's on-the-job training performance, they are assigned a territory, and territorial familiarisation starts. Familiarisation includes visiting the territory, getting to know the area's small-scale entrepreneurs, identifying key institution supports, and establishing as many contacts as possible.

Equipped with the above, the new extension officer is presumed to

be ready for the job. Kahnert & Kozlowski (1979), however, warn that the specific formal training has to be adapted to case-specific factors such as the cultural environment, the nature of functions retained for the extension service, the nature of the target clientele and its ability to communicate.

Finally, it is stressed throughout the literature that regular on-the-job training, as distinct from the process just outlined above, is a necessity. It may be noted here that this is one of the better lessons from agricultural extension.

Various international programmes for training extension officers are currently offered by many institutions. Among these are:

- RVB's (Research Institute for Management Science in Delft, The Netherlands) six-month Industrial Extension Officers Training.
- The Nagoya (Japan) Training Centre's three-month Small Industry Consultants Advanced Training (SICAT).
- Technonet Asia's six-week Industrial Extension Training Course (INDEXTRAC).
- The University of the Philippines Institute for Small-scale Industries' five-month Management Consultancy Course.
- The (SIET) National Small Industry Extension Training Institute (in Hyderabad, India) three-month Small Industry Management Consultancy.

In addition, several national programmes for training new extension officers are offered by various institutions in different countries.

Although training programmes may vary in length and content, most cover the functional aspects of management, such as production and marketing, concepts of small-scale enterprise development and diagnostic techniques. There is also general consensus in giving emphasis to practical training in terms of observing factory operations and conducting management audits of SSEs, and integrating the theoretical classroom sessions with the fieldwork.

All the extension training programmes mentioned above aim to develop management, communication and diagnostic skills in the participants, in addition to familiarity with assistance programmes to SSEs and institutional capabilities of referral agencies. Appendix 2 presents two typical programmes. It is noteworthy that the training programmes reproduced appear to be aimed at people with high formal educational attainments. Of course, this practice is in common with the high formal entrance qualifications demanded by extension institutions.

Training of SSE extension trainers and organisation

There appears to be basically two aspects to training as far as the extension institution or its manager is concerned. The first concerns the training of trainers i.e. providing the extension manager with the know-how of training extension officers as well as conducting entrepreneurial and managerial training. The second is to do with the organisation of a training system i.e. the principle of adult learning and the guidelines in operating a training system - from needs analysis, setting objectives, through curriculum design, implementation, to evaluation processes.

Appendix 3 contains two examples of an advanced training course for extension managers/trainers.

It is not proposed to enter into a discussion here of the principles, requirements and philosophy of this second aspect of training, as they are well documented elsewhere (see, for example, Kubr, 1986).

Other important issues of debate

Four other important issues relating to organisation of extension might be mentioned, viz:

- Generalists or Specialists
- Individual versus team approach
- Single versus several regional offices
- Single versus several institutions.

Generalists or Specialists

There are both generalists and specialists operating in various extension institutions, indicating that extension officers can be either.

A generalist is defined as one who can serve in any SSE, regardless of industry or problem. (Kubr, 1986; Technonet Asia, 1985) The use of a generalist is deemed appropriate where the industries are dispersed and relatively unsophisticated, and the extension officers are knowledgeable about a wide range of business problems.

Generalists tend to build up long-term relationships with their clients and to see their problems from a broad perspective.

Specialists, however, as the term suggests, concentrate on one particular industrial sector (e.g. garments) or function (e.g. quality control). They can be effective where the industries are more concentrated and the technology is somewhat more advanced.

The practice of the training and visit system of agricultural extension is to use a combination, whereby the generalists provide the continuity of contact and tackle the simpler problems, while the specialist is brought in for the more difficult cases.

Individual versus Team Approach

Some extension services operate a system of visiting clients in teams of two or more. The advantages claimed are faster problem-solving and mutual stimulation between the extension officers. Against these, however, must be weighed the increased cost and the possible negative reaction of the entrepreneur to a team visit.

A common application of the team approach is to give new extension officers on-the-job training under the guidance of experienced extension officers.

Single versus several officers

The issue of a single extension office or several regional offices is said to be dependent on the spread of SSEs. (Technonet Asia, 1985) In other words, a single extension office will suffice when all the clients to be served are concentrated in one region. On the other hand, regional offices should be considered if the SSEs are spread with significant numbers of them located more than a day's journey apart.

The theory is that regional offices should be located so as to minimise travel and to maintain a physical presence in each important region.

The size of each regional office is another consideration. Sociological research, it is reported, shows that six to twelve is the optimum number of workers in a small independent unit. Below that range, there is a lack of stimulation and under utilisation of facilities, while larger numbers require more controls and tend to increase bureaucratic inefficiencies. (Technonet Asia, 1985)

As far as administration is concerned, it is considered desirable that routine matters such as pay, expense claims, equipment purchase, etc. remain centralised at the headquarters office, along with the determination of policies and operating procedures. The headquarters staff can also support the regional offices by providing technical information and specialist assistance when required. (RVB, 1976)

As an alternative to establishing regional offices with permanent staff, satellite offices can be established to serve far areas.

Single versus several institutions

A related issue of significance is whether a single extension service may be better at supplying some of these services than others. There has, however, been no concerted effort to examine

the reasons for varying performance in the different functions and how far performance is dependent on the method of operation of the extension service as well as the skill of the officers. And yet, according to some experts (see, for example, Kahnert & Kozlowski, 1979), this question is at the core of the assessment of the effectiveness of extension services, and an area where a major effort at formulating guidelines is required.

Most of the international agencies apparently take the view that the same institution should have the task of both (a) identifying new entrepreneurs and new projects, and (b) helping established businesses. (Kahnert & Kozlowski, 1979)

The issue, nevertheless, is debatable; it is certainly arguable that the two are separate activities calling for separate expertise and organisation. Consequently, it has been argued that, although there are examples of successful institutions or programmes for either, it is difficult to find one successful at both tasks. (See, for example, Wallace, 1985)

Like many organisational issues in SSE extension, most of the foregoing has been transferred from agricultural extension. There is little empirical evidence to support the suitability of the proposed systems for SSEs.

SECTION IV

BASIC DESIGN FACTORS IN DELIVERY AND MARKETING OF SERVICES

INTRODUCTION

The literature on the whole reveals little by way of a systematic or analytical approach to delivery of services and extension as a whole. Like the aspects of organisation in the preceding section, the existing knowledge appears to have been lifted or transferred from agricultural extension without much analysis or research. Yet, although there are remarkable similarities in objectives and concept between SSE and agricultural extension, a

direct blanket transfer is not prudent, if at all possible, for a number of reasons (these embrace delivery as well as organisational aspects):

(a) SSEs as a group are far less homogeneous than farmers, being involved in a variety of manufacturing and service activities at different stages of growth, with a complex range of technical and operational problems.

(b) Unlike farmers, SSEs tend to regard each other more as competitors than neighbours and, therefore, are unlikely to want to share information or know-how that has been proven to work.

(c) In many cases, methods used in agricultural extension are not practicable with SSEs, e.g. demonstration of certain effects.

(d) In most cases, the issue of seasonality does not apply, calling for a different approach to organisation and operation of the service. (Kahnert & Kozlowski, 1979)

There are, nevertheless, a number of practices used in agricultural extension (Benor & Baxter, 1984; Benor & Harrison, 1977) which the literature indicates can be emulated with caution. (Kahnert & Kozlowski, 1979) These embrace both delivery and organisational aspects, viz.:

(a) Professionalism at all levels of the extension service is required, not only to permit appropriate advice to be given but also to sustain interest.

(b) Regular and continuous training of staff is required to teach, discuss aspects of work and improve methods and techniques.

(c) Staff should be solely occupied with extension to the exclusion of all other activities not directly related to extension such as supply of inputs, data collection, loan

processing, etc. This appears to be a good case for caution. For, contrary to the notion advocated, it is also held in the literature, and confirmed by project documentation, that extension staff should, as a matter of course, be directly involved in collecting monitoring and evaluation data. Activities such as helping an entrepreneur fill in a loan request form, obtain supplies or get around government regulations may be the extension officer's best point of entry into the confidence of the entrepreneur. (Harper, 1979 and 1984)

(d) In most cases, it is more efficient to have just one agency interfacing with the client, with specialised staff at regional or national headquarters available to local field officers when needed.

(e) Close linkages and co-ordination between the extension service and other support institutions such as research, financing and training are considered essential for an effective service.

(f) The service should provide a considerable degree of autonomy to regional offices and field agents.

(g) The service must combine flexibility with the necessary amount of planning for all aspects of its work.

Main tasks of SSE extension

These may depend, obviously, on the functions of the extension institution (which were discussed earlier) and the characteristics of individual clients. Broadly speaking, the following are the main tasks: (Kahnert & Kozlowski, 1979; Technonet Asia, 1985)

- Client generation: This is seen as the major responsibility and the first task of an extension service and its officers, although it may diminish in importance

over time as the service proves its worth to the entrepreneurs.

- Managerial and technical assistance, classified as:

  (a) new SSE development services
  (b) existing SSE development services and
  (c) managerial training.

- Promotion of SSE development in the area/region and the services of the organisation.

- Linkage with other institutions, involving establishing and maintaining a network of contacts in the field of support for SSEs.

- Information transfer: Distributing information of interest to SSEs, scanning journals and requesting publications.

- Continuing training of extention officers.

- Reporting and administration for feedback. Typically, this may involve the completion of monitoring, monthly time and activity planning sheets.

- Special projects, such as conducting conferences, seconding to other institutions, preparing proposals and implementing policy impact studies.

The above list, derived from the literature, is highly plausible. Examples, however, of institutions in the Third World which perform all of these, to say nothing of effectiveness, are quite rare indeed.

Basic design considerations

An effective delivery system is seen as having four fundamental aspects. (Technonet Asia, 1985)

Firstly, direct personal contact between the donor and recipient

of advice/assistance is considered essential where SSEs are concerned. This implies that extension officers must visit their clients frequently enough to become known and stay long enough to be useful.

Secondly, the quality of service offered must be adequate to help the entrepreneur and not to cause him to waste valuable time or resources.

Thirdly, limits may be placed on what the service offers, in terms of both content and extent. Emphasis may be placed on helping clients upgrade their technical and managerial competence, with the ultimate aim of helping the entrepreneur become self-reliant and independent. A controversial view is that the service should not become a crutch to support inefficient entrepreneurs.

Finally, reliability is considered essential, i.e. the service should be available when needed and achieve what it promises. In this respect, it is important that policies and staff do not change too frequently.

Relationship and co-ordination with referral agencies

The institutional structure of an extension service and its relationship with financing and non-financing service institutions appears to be at the heart of the issue of effective delivery of services. (Kahnert & Kozlowski, 1979; Molenaar, 1985) In particular, the relationship between the extension agency and the financial institution(s) is regarded to be of crucial importance. The specific issue of debate is: should these be integrated or kept separate?

One school of thought argues that the ideal solution is to combine technical and financial assistance. (Molenaar, 1979; UNIDO, 1978) Another school of thought considers integration of credit and extension services unsatisfactory. This includes the World Bank, according to Kahnert & Kozlowski as well as the ILO,

on the weight of the evidence from discussions and internal documents consulted by the researcher.

The precise means of achieving co-ordination eludes search in the literature. However, various arrangements have been or are being tried, according to Kahnert & Kozlowski (1979), which include:

(a) a loose co-ordination through working committees or through interlocking Board of Directors;

(b) the financial institution may be accorded a veto power in appointment of top staff in the extension service and may be asked to train the extension officer in loan request preparations;

(c) the financial institution may share technical staff and common procedures with the technical assistance agency;

(d) the extension service may be set up as an autonomous subsidiary of the financial institution;

(e) the extension service may administer a loan guarantee fund or an equity participation fund or both; conversely, a loan guarantee fund could create an extension service, and

(f) the borrower of funds may be required to procure the help of the extension service.

Clearly, not all of the above would find favour with SSE extension staff (e.g. b), whilst some may cause the extension service to be seen as nothing more than a requisite route to credit, with all the implications. Still others (e.g. d and e) may not be as simple in practice as may appear here.

Related to the above is the question of institutional bases for extension services, viz. are extension services best operated from financial institutions, industrial estate programmes or from a purposely built institution? Experience so far, on bases other than non-financial institutions, is either not available or

disappointing, with the possible exception of the Medium Industry Bank of Korea. Nonetheless, Kahnert & Kozlowski (1979) propose, on the basis of results from agricultural extension, that services should be entrusted to an agency whose main task is their delivery and not to be attached to one whose main objective lies elsewhere.

Methods of SSE extension

Earlier in this chapter, the various perceptions of the role and objectives of extension were presented. Notwithstanding the differences portrayed, there is broad consensus of opinion that the service, to be successful, should

- get entrepreneurs interested,
- enable them develop the desire for change, and
- equip them with relevant skills for the actions required.

Extension methods, thus, aim to induce change in the small-scale entrepreneurs' attitudes, skills and knowledge.

The definition of extension would indicate, prima facie, that the process can embrace many activites. It has been suggested, however, that unique extension methods do exist, except for the absence of generic terms which aptly describe them. (Technonet Asia, 1985) Whether or not this is in fact the case is debatable, and in any case appears to be less relevant than the purpose for which the method is employed. The key test, in the light of the definition, must be the method's pro-activeness and its ability to emphasise personal delivery of assistance.

Technonet Asia (1985) identifies eleven industrial extension methods, viz:

1. SSE visit
2. Conference
3. Roundtables
4. Process demonstration
5. Model SSEs

6. Campaign
7. Exhibition
8. SSE tours
9. Newsletter
10. Radio and television, and
11. Walk-ins.

The view is taken here that an examination of these methods is not called for. The literature on management and agricultural extension, which is the basis of the list, describes the methods adequately. (See, for example, Benor & Baxter, 1984 and Kubr, 1975)

Selecting the extension method

There appears to be no hard and fast rules on the selection of the appropriate extension method. A major reason cited for this is that definite relationships governing human behaviour change do not yet exist. (Technonet Asia, 1985) Hence, selection may be a function on many factors - see Kubr (1975) - the most important of which is the situation at hand.

Drawing on agricultural extension, Technonet has suggested two criteria for selection, viz. according to audience and purpose. Depending on the audience, extension methods may be categorised under three classes, as in Exhibit 6. Similarly, the purpose of an engagement might be used to select the appropriate methods. The purpose could fall into one or more of four categories, viz.: to communicate, to demonstrate, to train and to inform or announce - Exhibit 7. These methods may be used either individually or in combination.

Outline of some common delivery problems

It has been suggested that the biggest hurdle that the extension service and the new extension officer will have to overcome in the marketing and delivery of assistance is a lack of credibility. The prescription for overcoming this gap is that the service should prove itself. A systematic professional

Exhbit 6

Extension Methods Classification by Audience

Audience	Methods
1. Individual	1. SSE Visit
	2. Walk-ins
	3. Model SSEs
2. Group	1. Roundtable
	2. Process Demonstration
	3. SSE Tour
	4. Model SSEs.
3. Mass	1. Conference
	2. Campaign
	3. Exhibition
	4. Newsleter
	5. Radio and TV.

Source: Technonet Asia (1985)

Exhibit 7

Extension Methods Classification by Purpose*

Purpose	Methods
1. To communicate	1. SSE visit
	2. Conference
	3. Roundtable
	4. Newsletter
	5. Campaign
2. To Demonstrate	1. Process Demonstration
	2. Model SSEs
	3. Exhibition
	4. SSE tour
3. To train	1. Roundtable
	2. Conference
	3. SSE Tour
	4. Radio and TV
	5. Process Demonstration
4. To Inform or Announce	1. Newsletter
	2. Radio and T.V.

Source: Technonet Asia (1985)

manner and effectiveness in dealing with clients are considered essential. (Kubr, 1986) In this respect, it is considered important that in practice the service tackles problems that are truly significant and proposes solutions that are realistic, acceptable and applicable. (Technonet Asia, 1985)

Another major problem cited is communication - knowing how and what to communicate. One study reported in Technonet Asia (1985, pp.44-47) asked 104 industrial development agencies throughout the world to state, firstly, why it was difficult to get industrial information across to existing or potential entrepreneur-managers and, secondly, what they regarded to be the barriers to such communication. Exhibit 8 presents a summary of the main findings. The researcher of that study apparently interpreted the findings as indicating that it is not so much what is presented as how it is presented that makes for learning or non-learning; furthermore, that extension officers tend to see their failures as arising from "the other person" or from the environment rather than from themselves.

Difficulties Related to Industrial Extension Officer
- lack of personal touch with the entrepreneur
- need to tie the change to the old set up/practice
- need to convince entrepreneur of the benefits of change
- lack of feedback
- overload of work
- no personnel assigned for briefing
- lack of organization
- lack of proper follow-up
- lack of responsible attitude
- effort to "hard-sell" customer

Difficulties Related to Message
- great variety of specific information needed
- information took lengthy, summaries too short and poorly written

Difficulties Related to Treatment of Message
- high-flown language
- mere written material
- lack of emphasis on commercial values
- diversity of dialects
- lack of background of the entrepreneur's way of life
- translation difficulties

Difficulties Related to Channel through which Message is Sent
- publication is intermittent
- media don't attract sufficient attention
- lack of demonstrations
- lack of literature
- inadequate transportation and communication
- no barriers in the media

Difficulties Related to Entrepreneur Attitudes
- ingrained habits - established belief in the old, fear of the new
- lack of awareness of, or background of, or interest in change
- skepticism and need to see for oneself
- too engrossed in daily details of running a business
- satisfaction with status rather than need for achievement
- prejudice against source of information
- individualistic and secretive spirit
- management just starting to be considered a profession
- lack of responsible attitude
- "I know best" attitude
- desire for information to be directly related to business and for benefits to be immediate and measureable
- rigid ideas - the "practical" entrepreneur is skeptical of theory
- visionaries, philosophers; lack of concern with existing realities
- fear of loss of control
- dislike spending for future benefit
- lack of faith in value of information

Other Considerations
- illiteracy or inadequate education
- lack of travel
- lack of factual or technical knowledge
- language difficulty
- poor intelligence
- lack of understanding of cause and effect
- lack of funds to implement suggested changes
- too busy to change
- lack of competence to digest information

Source: Technonet Asia (1985)

Exhibit 8 **Difficulties of Getting Industrial Information Across to Existing or Potential Entrepreneurs**

SECTION V

EVALUATION OF SSE EXTENSION SERVICES

INTRODUCTION

There are two principal reasons cited in the literature for evaluation, viz. firstly, to determine whether the service is having a positive or negative impact upon the economy; and secondly, to develop a management tool which could ensure reasonable adherence to certain basic or minimum standards in performance e.g. for targets to be set for the extension officer, and monitoring and supervision. (Cernea & Tepping, 1977; GTZ, 1982; Harper, 1979)

METHODS OF EVALUATING SSE EXTENSION SERVICES

There is not as yet an established system of measuring the impact of SSE extension programmes, although a few attempts have been made to arrive at some quantifiable measures. (e.g. ILO 1985 evaluation of project EGY/82/01A/IDA) Moreover, various assumptions underline the measures advocated in the literature, e.g. Harper (1979), on the issue of duration of benefits, considers one year to be appropriate, whilst the ILO evaluation report referred to above suggests five years.

Given the context of extension services, evaluation, according to Technonet Asia (1985), must address

> "... the issue of generalizability, that is, given the industrial extension program inputs; I1, I2, I3, ...In, operating under conditions; C1, C2, C3 .... Cn, and using prescribed transformation processes; P1, P2, P3 .... Pn, the following outputs; O1, O2, O3 .....On and effects; E1, E2, E3 .....En, on SS1 beneficiaries, B1, B2, B3 .....B7 are highly probable." (Vol.2 p.194)

The foregoing views evaluation as a system. This requires that the specific objectives of the service are known, in order to assess the effects. Yet, according to Harper (1979), the objectives of many extension projects are not clear which, he says, explains why they fail.

It is certainly the case that no activity can be evaluated except by reference to a specific objective. Various measures emphasising different objectives have been put forward for evaluating SSE extension. The most important are discussed below.

Profitability

One of the most serious attempts, to date, to address specifically the evaluation of extension for SSEs has come from Harper (1979). He concluded that profitability of assisted SSEs is the best measure of the impact of an extension service. There are some who would dispute this (e.g. GTZ, 1982) on the basis of difficulties with determining the measure, but Harper maintains that profits of SSEs can be measured by extension staff, even by those with minimum formal qualifications - as long as they receive good initial training and are closely supervised by a senior officer.

The soundness of the argument for adopting profitability is unquestionable. In any case, it does not appear as though this was ever at issue. Rather, perceived difficulty, and there are some difficulties, of obtaining the measure would tend to explain its neglect and the preference for measures more easily obtainable.

The case for using profitability may be rendered as follows: Given that the owners of a SSE are usually interested mainly in the surplus or profit the business can earn for them and that without such profits or surpluses the enterprises would not exist, profitability may be equated with the well-being of the SSE sector. Hence, the objective of SSE extension could be restated, suggests Harper (1979), as providing advice in order to

maintain and increase the profitability of the SSEs which are advised.

The precise way by which the measure of profitability is achieved is by a special questionnaire which the advisers use, after brief training related specifically to this procedure. The information for the questionnaire is collected through a number of meetings between the extension officer and the entrepreneur, and it may take several weeks, or even months, of regular meetings before all the necessary information is available.

The philosophy, not unlike others found in the evaluation literature as a whole, is to compare the state of the business, in this case profits, at the start of advice with the state of the business at a later stage following extension activities, thus arriving at the increase in performance to extension activity.

It is further suggested that clients' profitability can be used to assess the results of individual extension staff, of regions or of the service as a whole.

Other measures

Clearly, profits, as an evaluation measure, will not be appropriate in all situations for various reasons (although the reasons cited in the literature for not using profit are not very convincing). For example, it may be undesirable, in the case of an existing system following apparently successful procedures, to demand a complete conversion of the system which may involve retraining all of the field staff in order to obtain the necessary information. (Cernea & Tepping, 1977)

It is arguable in response, however, that if evaluation is considered to be as essential as it is maintained, and if profits as a measure is the best by a long way, then efforts should be made to convert, even if gradually.

Secondly, the nature of the advice given may relate less to general management and more to technology, and the extension service might have neither the time nor the training to obtain the type of information required for this system. Thirdly, the number of enterprises to be covered and the number of extension staff to cover them may be such that there is no time for accurate information to be obtained. In response to both of these arguments, Harper (1979) contends: if staff time and other resources are insufficient to permit regular evaluation, then they must be insufficient for any form of extension at all.

Certainly, if Harper's system is as simple as claimed, operable by people with no previous business experience nor formal qualifications nor even specialised training, and if the information can be collected by extension staff as a matter of routine, then the above arguments against profitability cannot be sustained.

Perhaps the most telling argument or reason as to why profits as a measure may be inappropriate is that clients may be unwilling to give frank answers, especially where they associate the extension service with a government department. But, more importantly, there might be reasons, justifiable or not, why profit is inappropriate or just not required. There could, for example, be political and social considerations e.g. the government might want to be seen to be 'doing something' for SSEs irrespective of cost.

It is for the two reasons just cited, more so than the preceding arguments found in the literature, that it is not possible nor prudent to lay down a standard system of evaluation which is appropriate to any and every SSE extension service. This has been found to be the case even for the highly structured and standardised T and V System of agricultural extension. (see, for example, Benor & Baxter, 1984 and Cernea & Tepping, 1977) It must be far more so for the wide variety of SSEs and of extension services attempting to satisfy their needs. It is for this reason that it is necessary to identify alternative indicators of results.

The hierarchy of objectives and indicators

An ILO (1985) project evaluation report - EGY/82/01A/IDA - one of the very few quantified approaches to the evaluation of SSE extension, has identified benefits of an extension service that may be gathered as follow:

(a) Total clients' profit increases over a period of time.
(b) Total clients' assets increases over a period of time.
(c) Total clients' sales volume over a period of time.
(d) Total jobs added over a period of time.
(e) Total number of businesses assisted.
(f) Cost/business assisted.
(g) Capital/Labour ratio.
(h) Sales/Labour ratio.
(i) Willingness of SSEs to pay for extra service.

An attempt has been made to construct a hierarchy of objectives and accompanying indicators (Hulls, as quoted by Harper, 1979) which, to a significant extent, incorporates the above measures. Exhibit 9 reproduces these objectives in a hierarchical order, ranging from the ultimate goal of improved welfare, which is impossible to measure accurately, to institutional building which may be precisely determined. The list is largely self-explanatory and, therefore, warrants no comments here, except to point out two things:

Firstly, the order of objectives in terms of importance is a subjective view and debatable. For example, one evaluation report (GTZ, 1982) in its hierarchy, considered employment generation to be more important and, therefore, a higher objective than actual profits.

Secondly, the point ought to be stressed that it may be necessary, for a variety of reasons, to choose different objectives and, therefore, use alternative indicators. After all, it is not for others, but the extension institutions themselves, the clients and the governments they may represent or be ultimately accountable to, to set their own objectives and, hence, indicators of success.

EXHIBIT 9

Hierarchy Of Objectives And Indicators

Objectives	Indicators
General Welfare	- Economic activity in the area.
Health of Small-Scale Enterprise Sector	- Actual profits as determined by extension staff. - New investments made. - Willingness to pay for extension. - Reaction if extension is threatened to be withdrawn. - Loan Repayments.
Employment Generation	- Jobs created in individual client enterprises.
Regional and Sectoral Redistribution	- Increased turnover. - New activities undertaken.
Improved Management and Technical Ability	- The use of accountant books as distributed or other systems as taught.
Recommending Improved Practices to Owner/Managers of Small-Scale Enterprises	- Advice recalled by the client.
Providing Advice to a Large Number of Enterprises	- Calls made as recorded by advisers. - Clients' recall names and dates of visits by advisers.
Institution Building	- Number of staff appointed and trained.

Source: Harper, M., (1979), p. 14

PERFORMANCE AND COST EFFECTIVENESS OF SSE EXTENSION SERVICES

There is a body of opinion which holds that SSE extension services are too costly and cannot be justified unless the clients pay for services to finance the effort. The only possible exceptions that subscribers to this view, amongst whom are notable experts, would make are in very poor countries or communities and/or in high technology undertakings.

The weight of opinion, on the whole, however leans much more heavily in the opposite camp, viz: SSE extension services are cost effective and justifiable. Indeed, many go further to state that SSE extension is the most important component of 'technical assistance' to SSEs, and, to others still, even indispensable. (Anderson, 1982; Harper, 1979 and 1984; ILO evaluation report EGY/82/01A/IDA; Kahnert & Kozlowski, 1979)

It is outside the scope of this chapter, as determined by the objectives, to enter into a full debate on the issue here. Instead, it might be appropriate to mention the findings of two evaluation reports on the performance and cost-effectiveness of two particular SSE extension services. Both worked out the benefit/cost ratio. The first - Evaluation of Technical Extension Services (EGY/82/O1A/1DA) to Small and Medium Scale Industries in Eqypt - based on a quantified approach to total benefits, i.e. direct and indirect, obtained 2.3/1. The second - GTZ, SS1 Extension in Nepal, July, 1982 - obtained 2.2/1 using profits and 3/1 using value-added as measures.

SECTION VI

EXTENSION SERVICES: STATE OF THE ART AND 'ACCEPTED WISDOM'

This chapter set out to examine the literature on SSE extension services with the objective of identifying the key issues of concern and debate. Given that this thesis focuses on extension, and given the diversity and limitations of the literature, it may be useful to summarise at length not only the state of the art but also what appears to be the 'accepted wisdom'.

Definition and role of SSE extension services

An extension service for small-scale enterprises (SSEs) was defined as any proactive service reaching out to SSEs with advice and assistance, being often the first point of contact between the delivery system and the clients, and emphasising personal delivery.

Conceptually, extension services (and their officers) are regarded as change agents attempting to bring about planned change in SSEs.

The precise role of SSE extension, however, appears to be governed by perception and may be portrayed differently in different countries, depending on several factors such as development level, the focus of assistance and the institutional base for services, inter alia.

Clients for services, needs and services provided

The clients for extension services may be existing entrepreneurs, with need for modernisation or expansion, or potential entrepreneurs i.e. people with certain attributes and/or wishing to set up a business. They may be involved in any type of non-farming activity, in rural or urban areas. The major focus in many countries, especially in the initial phases of the service, is on small-scale manufacturing activity.

Given the diversity of the needs of SSEs, it is not feasible for a single extension service, and much less one extension officer, to provide effectively the variety of assistance required.

Furthermore, an extension service can realistically aim to assist only a limited number of target clients, in view of limited resources and a large number of SSEs. The prevailing practice, even the consensus, appears to be in favour of a concentration on SSEs with the best prospects for growth and success, to the exclusion of lame ducks.

There is considerable agreement on the functions of an extension

service, which may be broadly classified under managerial, entrepreneurial and technical assistance. However, as a matter of necessity, the specific functions of an extension service and the delivery and marketing methods used, should be tailor-made or pitched to the needs of the target entrepreneurs and the community/country concerned.

The extent and content of an extension service are said to depend on the level of technology and entrepreneurship of the small-scale industrial sector of the country/region concerned.

Basic design factors in organisation of services

The organisation of services were examined in terms of financing, recruitment and selection, qualifications and training of staff as well as other structural considerations.

The existing knowledge on this aspect, like marketing and delivery below, borrows heavily from agricultural extension.

There is no common agreement on the financing of SSE extension and, in practice, fees may or may not be charged to SSEs. Perhaps the only common agreement on the issue is that if an extension service is to reach out to the very small-scale enterprises, then it will require subsidies, at least in the initial phases. Experience with levying fees is relatively limited and results are largely undocumented to allow definite conclusions to be drawn.

By any standard, the set of qualifications expected of extension officers is rarely attained in one person. For, apart from a requirement to be a 'professional' in his (or her) field, have linquistic ability and be a good salesman, he is also expected to possess a range of inter-personal skills, psychological attributes and various other skills, e.g. analytical ability.

In the opinion of most experts and writers, formal entrance qualifications for extension officers are usually overstated, with undesirable consequences both for effectiveness and rewards

(typically low salaries).

Attitudes and personality, good training - both initial and regularly on-the-job - and some experience in working in business or in the community are considered more important qualifications than formal academic attainments, in most cases, for field staff.

The methods used in training of extension officers, in the vast majority of cases, combine classroom learning with field work in SSEs during the period of training.

The consensus view is that the field extension officers should be generalists with access to a tier of specialists at regional or headquarters level for difficult cases, and with links to and knowledge of referral agencies, including credit institutions.

The motivation of extension officers, coupled with financial and non-financial incentives, is considered crucial to extension activity, although how to bring this about is not precisely documented in SSE extension literature.

There are hypotheses that extension services are best operated from either semi-autonomous or private institutions and not from public bodies under direct control of government departments. In addition, some argue that SSE extension should, given the nature of the clients served, be run like industrial enterprises for best results. Two major caveats, however, follow these: firstly, the importance of government support cannot be overlooked; secondly, measured accountability should accompany autonomy.

There is disagreement as to whether a single extension agency can effectively both promote entrepreneurship development (i.e. new start-ups) and assist existing enterprises at the same time. The issue rests on the skills and organisation of the two and whether the differences are significant. Where both are to be attempted within the one organisation, the suggestion points to different staffing.

Basic design factors in marketing and delivery of services

There is considerable gap between the theory of extension services, i.e. how they should be organised, operated and evaluated, and the practice, i.e. what actually obtains in the field.

The existing knowledge of SSE extension borrows heavily from agricultural extension. Experience with the latter, however, cannot be easily transferred directly, in a significant number of cases.

There are several unresolved issues in practice. These include the relationship between the extension agency and financial institutions which is considered of crucial importance to SSE development and effectiveness of support.

Whilst, there is overwhelming support for close coordination between the financial institution(s) and the extension agency (as well as with other non-financial institutions), there is disagreement on whether extension and credit should be integrated - even among major donor agencies.

An important issue is that of the institutional base for SSE extension and whether it should be operated from a financial or non-financial institution which may have other goals. The available literature suggests, without reference to empirical research, that extension services for SSEs are best entrusted to an agency whose main objective is their delivery and not to be attached to any instituion whose main mission lies elsewhere.

There is concern for attempts to be pursued, and experiments to be made, to involve private institutions in the delivery of support.

Evaluation of services

Close supervision and monitoring of performance of extension officers and the service as a whole are considered to be essential for any extension activity.

For evaluation purposes, it is considered essential that extension services have clearly stated measurable objectives at the outset. In this respect, the objective of an extension service determines the method of evaluation that may best be employed.

Given the importance and value of monitoring and evaluation, there appears to be a strong requirement on the part of institutions, including donor agencies, for appropriate systems to be built into all SSE extension project proposals.

There is not, as yet, an established method of evaluating the impact of extension service programmes. Most SSE extension evaluation attempts stop at measures generally considered lower level objectives, such as number of enterprises assisted and recommendations made or implemented.

There is overwhelming agreement that jobs created, along with other social welfare indicators, is one of the higher objectives of most development efforts and, certainly of extension activity; however, serious difficulties arise with its use as a measure.

Of all the evaluation methods reviewed, the case is strongest for profitability of clients assisted as the single best overall measure.

It is to be recognised, however, that there are bound to be occasions when profitability is neither desirable nor feasible as a measure, in which case other surrogate measures may be used.

It is commonly held that evaluation results, without reference to some other measure(s) of comparison, have little meaning. The results of SSE extension, regardless of the evaluation measure employed, must therefore be compared to the results of similar efforts to promote managerial development e.g. classroom training.

In practice, many SSE extension evaluation attempts make use of a control group to arrive at a measure of comparison. Although

sound in principle, there are operational difficulties and dangers with this method which are likely to affect results, quite apart from issues of equity and fairness to the control group.

Although to be regarded as one component of a complete package of assistance to SSEs, the majority view is that extension services are very powerful instruments of assistance to SSEs and, in some cases, even indispensable.

Although tiny in terms of numbers, the evidence documented, suggests that extension services are cost-effective. As a case in point, two separate reports on different institutions in different countries have calculated cost-benefit ratios for different extension services of 2.2/1, 3/1 and 2.3/1, based on value added, profits and 'total benefits' respectively.

KEY UNRESOLVED ISSUES AND PROBLEMS IN SSE EXTENSION SERVICES

The foregoing review has covered the major design and operational aspects of SSE extension. From this review, a number of seemingly unresolved issues of concern and debate has been identifed. These may be summarised as follow:

1. The considerable gap between the 'theory' of SSE extension, i.e. how it should be designed and organised, and the practice, i.e. what obtains in practice.

2. Organisation structure and control, i.e whether services are best operated from autonomous, semi-autonomous, private institutions or from public bodies under the direct control of the government.

3. Funding, the source of funding and effect on institutional performance; whether SSEs would be willing to pay for services and the effect when they do on performance.

4. The appropriate nature or style of management and

decision-making, in particular whether institutions perform better when they are run as private as opposed to public enterprises.

5. The qualifications and profile of field staff that should be sought.

6. The conditions of service, especially remuneration, of field staff and management and the effects on performance.

7. Training of field staff - the availability, timing and nature of training interventions and the effects on performance.

8. Monitoring and evaluation - procedures and appropriate measures.

9. Lack of interest or unfavourable reception of SSEs to external assistance. Specifically, the factors which contribute to this and how the problem might be resolved.

10. Problems and constraints faced by agencies, and linkages with the above.

11. Co-ordination between agencies and integration of services, especially of extension and credit.

12. Effectiveness and linkages - the general concern for greater cost-effectiveness of SSE extension and support services and the linkages, or relationships, between effectiveness and the issues raised above.

This chapter has reviewed the literature and documentation of SSE extension services. The findings not only represent the state of the art and the 'accepted wisdom' but also reveal key issues and problems to which research efforts might be directed. In order to underpin the above issues as areas of concern, a survey was undertaken of 57 SSE support institutions in 30 developing countries. The next chapter presents the findings.

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CHAPTER 5

A SURVEY OF SSE EXTENSION AND SUPPORT INSTITUTIONS IN DEVELOPING COUNTRIES

OVERVIEW

This chapter presents the findings of a survey of 57 SSE support institutions in 30 developing countries. The objective of the survey was to underpin the review in the preceding chapter and to confirm or otherwise the issues raised as areas of concern. The discussion begins with an introduction of the methodology.

INTRODUCTION AND METHODOLOGY

In order to confirm or otherwise the issues raised in the preceding chapter, it was felt necessary to seek to underpin the literature review by a wider survey. Accordingly, a survey was undertaken of 57 SSE support institutions in 30 countries. The countries were chosen to reflect the diversity of developing countries, as discussed in Chapter 2, and represent low-income countries, middle-income countries, newly-industrialising countries and members of the OPEC. Appendix 4 lists the countries and institutions represented.

Approximately 150 questionnaires were sent through ILO offices to 50 countries in Africa, Asia, Latin America and Europe (Cyprus and Greece). The questionnaires were targeted at key personnel of the agencies, who were usually the directors and/or heads of extension departments. The institutions to which the questionnaires were sent were carefully selected in terms of who the researcher and the ILO considered to be the leading as well as important providers of SSE assistance in the Third World. This may partially explain, apart from the possibility of non-response, the overall lack of PVO and NGO respondents as, by and large, these tend not to offer national or even regional coverage, although collectively they may be quite significant.

It was felt that by involving a major international agency in the way that the ILO participated, a higher response would be obtained - a decision that was to be proved entirely right. In many countries, in order to double check on country data, questionnaires were sent to more than one institution, which explains why there are almost twice as many respondents as countries represented.

The questionnaire was designed to relate to the issues from the previous chapter. Thus, the questions are concerned with the definitions of extension services; the clients for services, services provided and the focus of assistance; the organisation of services; marketing and delivery as well as methods used in providing services; and monitoring and evaluation of services.

The questionnaire - contained in Appendix 5 - is divided into two parts. Part I, entitled Country Data, sought to ascertain information on the support environment for SSEs in the various countries. Amongst the issues explored are definitions of SSEs as well as of extension services, the nature and source of support, the focus of assistance, problems faced by agencies and co-ordination of services. Part II relates to the institutions specifically. Responses were sought here to questions concerning the type of organisation, control and management, funding, concentration of assistance in terms of 'hardware' and 'software' as well as the focus of institutional activities, recruitment, selection, qualifications and training of staff, problems faced and monitoring and evaluation of services.

The completed questionnaires were returned via the ILO to the researcher in Durham who then carried out the analysis. Acknowledgement is made with much thanks of the invaluable help of Prof. Allan Gibb, the Small Enterprise Development Unit, Management Development Branch of the ILO, field offices of the ILO and the various institutions.

The findings are, for the sake of convenience and comparison, organised under similar headings to those used in the literature review, viz:

I Definition of SSEs and extension services
II Clients for extension and services provided
III Organisation of SSE extension services
IV Delivery and marketing of services
V Monitoring and evaluation of services.

Before presenting the findings, it is necessary to put the survey in country context.

FINDINGS

COUNTRY BACKGROUND

In order to place the findings in context and to relate SSE support to the overall environment, respondents were asked first

of all to provide background information of their countries and to indicate the nature of support.

The evidence indicates that all but 4 of the countries surveyed have national governments. In the 4 countries with a federal government, individual states have moderate (i.e. neither high nor low) responsibility for economic development.

As regards the overall climate for support, in 67% of the countries represented there exists an overall written policy statement on small business development. In nearly 3 out of 4 countries (72%), support for small business is provided mainly by public funded organisations; additionally, in 3 countries (representing 10%), support is entirely by public funded organisations.

With few clear exceptions, employers organisations are not very prominent in supporting SSE development: In 38% of the countries, the employers organisations are considered to be not very prominent, whilst in 58% of cases, they are considered to be only moderately prominent.

There is an even split on the representation of SSEs by a strong body, i.e. 50% of respondents say there is a strong association in their country, whilst in the remainder the opposite obtains.

Specialist support for SSEs is both 'software' and 'hardware' in all but 6 countries where it is thought to be mainly 'software'. Only the (Indigenous Business Advisory Service (IBAS) in Gambia reports having mainly hardware assistance. Assistance appears to be highly concentrated, however, in the hands of a few organisations in about half of the countries, and moderately spread in only 35% of cases.

Whilst there are some programmes in places (34% of cases) aimed at encouraging youth to be entrepreneurial and/or self-employed, in most cases there are none.

DEFINITION OF SSES AND EXTENSION SERVICES

It was suggested in Chapter 2 that there is a proliferation of definitions of SSEs. In Chapter 4, a definition of SSE extension services was offered. The precise role of extension, however, was found to be governed by perception. Thus, it was intended here, firstly, to ascertain the definitions in use and, secondly, to assess the extent of agreement as to what is meant by the terms.

In a significant number of cases, where various institutions from a given country have supplied data on the country, there are significant variations of answers to matters of fact. For example, when asked whether there is an overall written policy statement on small business development, there are contradictory answers from institutions within Fiji and Nepal. Similarly, whilst some institutions in India, Botswana, Sri Lanka, Thailand and Fiji state that there is an accepted definition of extension service in their countries, other institutions from the same countries say there is not. Overall, the most contradictory answers come from Botswana, with the largest number of respondents per country represented, viz. 5.

Having made the above point, the evidence suggests that, in the majority of cases, there is not an official definition of small enterprise, and where there is, it appears to be unclear. Definitions rendered are often criteria used by the central bank, commercial banks/credit institutions for lending purposes or otherwise derived from the institution in question in pursuit of its objectives. In a number of cases, definitions do exist for small and medium-scale enterprises (SMEs) or for small-scale industry (SSI), rather than small-scale enterprises (SSEs) per se.

On the whole, where definitions exist, SSEs are defined, according to the number of people employed, assets and/or capital investment. Only two institutions, one from the Philippines and another from Malaysia, specifically mention or include 'owner-managed'.

There are wide variations, however, between countries on upper limits in applications of the criteria:

- Number of employees, for example, varies, from less than or equal to 9 in Paraguay, for example, to under 300 in Korea and under 500 for one institution in Argentina. The mean figure is, therefore, quite high at 110 employees. However, when Korea and 2 institutions from Argentina, who put the number at 300, 300 and 500 respectively, are excluded, the mean is 45.

- Similarly, assets (mainly fixed) vary from less than or equal to US$14,000 in Thailand to US$200,000 in Chile, One institution in the Philippines gives an upper limit of US$555,000 for SMEs! The mean figure works out at US$92,500, even excluding the case from the Philippines.

- There is no clear pattern with respect to capital investment, with variations from US$400 in the Cameroon and US$11,000 in Nepal, for example, to US$10 million in Malaysia.

With regards to extension services, in approximately 87% of cases, there is not a definition which would be accepted by all. This finding may also be highlighted by the fact that whilst some institutions say there is an accepted definition, others operating in the same country say there is not.

Given the lack of an accepted definition, most respondents understand extension service to be a technical assistance and management advisory service, with 3 institutions from 3 countries specifically mentioning active outreach to the SSEs.

CLIENTS FOR EXTENSION AND SERVICES PROVIDED

The literature review found that the clients for extension may be existing entrepreneurs or people wishing to set up in business, and that whilst there was an emphasis on manufacturing and service industry, clients may be involved in any type of

non-farming activity. It was intended to underpin the above in asking institutions to indicate (a) the major focus of assistance, (b) major activities performed and (c) areas where efforts were concentrated.

It was found that on the whole, no distinction is made between new and existing enterprises. The major focus of assistance, however, when weighted for some 46 institutions representing 28 countries, is on larger manufacturing and service firms, followed by very small (micro) manufacturing and service firms, with handicrafts and cottage industry trailing closely.

The weighted figures, derived after assigning values of 4, 3, 2 and 1 to the ranking order of importance - 1, 2, 3 and 4 respectively (questionnaire refers) - are set out in Table 4.

Table 4 Focus of assistance of SSE support institutions in developing countries

	Weighted value
Larger manufacturing and service firms	174.5
Very small (Micro) manufacturing and service firms	118
Handicrafts and cottage industry	114
Small traders/retailers	88.5

It was found, on this point, that there can be a conflict between the focus of assistance (understood to mean the target clients) and actual demand for services. Thus, when further asked to indicate the proportion of effort expended on the various sectors, agencies rank traders and retailers higher in third place, as Table 5 shows.

Table 5 Actual demand for services provided by SSE support institutions in developing countries by sector.

	Effort expended (%)
Large manufacturing and service firms	35
Very small manufacturing and service firms	26.5
Traders/retailers	21
Handicrafts/cottage industry	17
Other ("Financial servicing")	0.5
	100.0

A small majority (54%) of institutions do not discriminate with respect to the type of industry. Those institutions that do, 24 in total, concentrate on various industries including, in order of importance, agro-indutries and food, metal working, handicrafts and cottage industries, construction and woodwork/furniture.

The major activities carried out by the extension services approach, in total two dozen nominally. The most frequently cited are set out in Table 6.

Table 6 Major activities carried out by SSE support institutions in developing countries

	Frequency (Percentage)
Training	72
Technical assistance and management advice	54
Feasibility/market studies/business appraisals	28
Finance/credit/access to loans	26
Technical and other information/publications	22
Consultancy	16
Marketing assistance/sub-contracting services	10
Common service facilities	10
Entrepreneurial Development Programmes (specifically mentioned)	10

Assistance with obtaining raw materials, premises, equipment and in preparation of loan/grant applications is also mentioned.

It is not possible, in the light of the above to determine the proportion of institutions which strictly speaking provide extension services as defined in the literature review.

ORGANISATION AND CONTROL OF SERVICES

Chapter 4 highlighted various issues and presented the 'accepted wisdom' relating to financing, recruitment and selection, qualifications, training and various other structural considerations. The questions relating to these aspects were intended to underpin the review.

With respect to type of organisation, 37% of institutions are extensions, de facto, of government departments, whilst 33% are autonomous government parastatals. The remainder are mostly non-profit/private organisations, co-operative societies or chambers of commerce. This finding is in line with other evidence which indicate that over 70% of the institutions report to a government ministry/department of one form or another. The Ministry of Trade and Industry is usually the agency in charge of institutions, with 42% reporting to it, followed by the Ministries of Finance and Economic Planning. Two institutions, one from Liberia and the other from Zambia, report directly to the President.

In all but 8 institutions, there is an advisory or governing board, composed mainly of officials from the ministries, the management or board of the institution, the banks, chambers of commerce/representatives from the business community. Representatives from the academic institutions, the private sector and the unions are each cited in a few cases only. Small business associations are not formally represented on any advisory or governing board in most (66% of) institutions.

As may be expected, the total budget for institutions lies within a very broad spectrum, from US$31,000 (Argentina), through $3 million (Cameroon) to $35 million (Greece) and $100 million (Malaysia). Even if Greece is excluded on grounds of falling outside the normal definition of a Third World country and a question mark placed on the figures from Malaysia, the range remains wide with institutions from Chile, Indonesia and, surprisingly perhaps, Cameroon, reporting figures of US$11.5 million, $15 million and $20 million respectively. It is difficult to draw firm conclusions apart from two observations. Firstly, the majority (25 out of 40 respondents) have a budget of US$1 million or less. Secondly, institutions with relatively large budgets are to be found mainly, although not exclusively in the more developed countries of the sample - for example, in addition to those mentioned, one institution in Hong Kong receives $5 million, another in Peru receives $3.5 million and another in Thailand $3.3 million.

Regular government contribution is by far the biggest source of income for most institutions, with 37 institutions receiving on average 61% of their income from this source. The details are as set out in 7.

Table 7 Financing of SSE support institutions in developing countries

Source of Income	No. of Insts.	% of Income
Regular government contributions	37	61.5
Fee income	17	11.7
Other public contributions	6	5.3
Other (mostly donor/private agencies)	17	21.5
		100.0

(Number of respondents = 45)

About 23 institutions reported that they had received foreign aid during the previous two years. These mostly took the form of advisers, followed by equipment. Other forms of aid consisted mainly of travelling fellowships and/or training abroad.

As may be expected, the number of professional staff employed varies widely from institution to institution. The composition of staff, disregarding one or two figures which appear to be excessively high and thus constitute a distortion, is roughly as contained in Table 8.

Table 8 Staffing of SSE support institutions in developing countries

	Percentage
Trainers	23
Business counsellors	22
Technical counsellors	21
Information officers	14
Loan officers	12
Managers of estates/workshops	5
Others	3
	100

It should be pointed out, however, that in at least six cases, staff perform multiple tasks, i.e. for example, trainers are also business counsellors and/or technical counsellors, etc.

In the light of the evidence presented earlier, it is perhaps to be expected that the staff salary scale of most institutions is based upon government scales (for 22 institutions), followed by parastatal scales (13 institutions). Private business scales come a low third with only 6 institutions basing staff salaries on this - out of a total of 49 institutions responding to the question.

The literature review found that a large proportion of extension institutions employ degree holders and, in some cases, even insist upon a degree as a basic entry requirement for field duties. Table 9 confirms this to a significant extent.

Table 9 Academic qualifications of field staff of SSE support institutions in developing countries

	No. of Insts.	% of overall qual.
Postgraduate degree	34	15.8
Degree	43	39.3
Diploma	33	20.2
Secondary	28	21.2
Other/not stated	5	3.5
		100.0
(No. of respondents = 46 institutions)		

It is remarkable that some institutions, from some of the lesser developed countries of the sample, report the highest proportion of post-graduate degree holders - e.g. Bangladesh (90%), Senegal (81%) and Mali (66%)!

As indicated by the Table, many institutions have quite a large proportion of degree holders. For example, all the professional field staff in 2 institutions in Sri Lanka and 1 institution in Lesotho are apparently graduates, whilst in other institutions in Egypt (90%), Malaysia (86%), Korea (80%), Cameroon (80%), Sri Lanka (75%), India (70%) and Botswana (70%), the proportion of graduates employed is 70% or over, as the figures in brackets show.

It is interesting, en passant, that there does not appear, prima facie, to be a strong, if any, correlation between the level of development of a country and the educational attainments of

staff of institutions assisting SSE development. Rather, as pointed out already, some of the lesser developed countries, such as Mali, Sri Lanka, Bangladesh, Senegal and Botswana, have, proportionately, some of the highest qualified field staff.

On average less than 30% of the professional field staff, in the 39 institutions which supplied data, have experience in the management of small business. This average includes figures for 4 institutions which are very high by any standard, viz. Nepal (100%), Botswana (95%), India (80%) and Malaysia (80%). When these are excluded, the mean drops from 29% to 23%.

In at least 3 institutions, from Liberia, Cameroon and Bangladesh, none of the staff have small business management experience (and it is possible that this is the case for many of the 18 institutions which failed to respond to the question). Interestingly, one of the three institutions - viz. the one from Bangladesh - has the highest proportion of postgraduate degree holders, whilst the organisations in the other two countries, have some of the highest qualified staff! The overall evidence, however, indicates that field extension staff lack previous experience in SSE management, e.g. in one institution - from Thailand only 1% has such experience, and in three institutions - from the Philippines, Botswana and Greece the figure is virtually the same at 2%.

The last point made, along with the other evidence supplied, leads to the observation that there does not appear to be a strong, if any, correlation between the level of development of a country and the proportion of staff with small business management experience within institutions supporting SSE development.

In many cases, the lack of experience is not made up for by training: local induction programmes for new professional staff exist in no more than 50% of cases. Overall, however, that is for both new as well as existing staff, there are few standard local programmes designed to assist professional adviser

development generally or for promotion to a high grade. Where they do exist, programmes are virtually always provided by the institution itself.

MARKETING AND DELIVERY OF SERVICES

The literature review highlighted various issues relating to marketing and delivery of services. These include the gap between theory and practice, the geographical spread of services, relationships and co-ordination with other agencies and problems encountered in attempting to deliver effective services. The evidence relating to these areas is presented below.

The general picture is that agencies supporting SSE development work together only occasionally on some programmes or not at all: 70 per cent of respondents said they worked together only occasionally. This is despite the finding that there does appear to be, in the majority of cases (64)%), an official mechanism for coordinating the work of the institutions surveyed with other agencies. This is usually the prerogative of a government ministry or department, state/national co-ordinating body or otherwise takes the form of joint initiatives with other agencies or through committees made up of representatives from various agencies.

Where there is co-ordination or a working relationship with other organisations, it tends to be, in the main, with SSE agencies, development boards, banks/credit institutions and or government departments/ministries in that order. The links may be formal or informal, and the exact role of the other organisation and services provided are mainly credit/loan provision, training or technical assistance.

With the clear exception of Greece and Korea, properly integrated forms of assistance to SSEs are non-existent on a national basis. Of the remainder, in 63% of cases, there are few or no examples of an integrated approach.

At least 50% of the respondents use one form of promotion or another and/or have information/literature available to SSEs.

The most frequently used promotional methods are exhibitions, trade fairs, seminars and the mass media. Some also issue press releases and run competitions of various sorts.

Advisory services are, on the whole, widely available in some regions (in most cases) or available from a central location. With the exception of 4 countries, they are not widely available locally in the countries surveyed. Where institutions have centres, the number of centres may vary widely, ranging from 1 other centre (institution from Botswana) to 105 for an Indian institution. The average number of centres, for institutions with centres, is approximately 15. However, excluding the Indian and two other institutions in Bangladesh and Indonesia with 80 centres each, the average drops to 9.

As regards problems or constraints to effective delivery of services, the most important factors cited are related to finance, staffing, Government policy, transportation and information. Table 10 shows these in ranking order of importance.

Table 10 Problems faced by SSE support institutions in developing countries

Lack of finance
Shortage/lack of competent staff
Lack of a clear, or adverse, Government policy/commitment
Lack of market and technical information
Transportation
Lack of technology, technical facilities and other resources
Lack of SSE co-operation
Lack of marketing opportunities
Lack of entrepreneurial skill
Lack of co-ordination between agencies

In order to verify as well as to expand on these, agencies were asked to state specifically the major difficulties encountered in delivering advisory services, training and lending.

The major difficulties experienced in:

(a) Providing more effective advisory services are:

(i) Shortage/lack of qualified or experienced staff
(ii) Lack of finance
(iii) Transportation

(b) More effective training programmes are:

(i) Lack of professional trainers /qualified staff
(ii) Lack of facilities/equipment
(iii) Lack of finance
(iv) Not enough information/knowhow (also lack of materials, books, etc.)

(c) More effective lending or other schemes are:

(i) Lack of finance
(ii) High interest rates/inadequate banking procedures
(iii) Lack of collateral/poor savings performance of SSEs.

MONITORING AND EVALUATION OF SERVICES

Finally, it was found in Chapter 4 that close monitoring and evaluation of extension services are essential for any extension service. Yet, the impression was that very few institutions carry out these important activities. The concern for appropriate measures was also noted along with the prevalence of 'lower level' objectives in what is put forward as evaluation. The survey sought to confirm, or otherwise, the accuracy of the impression gained as well as ascertain practices and procedures employed.

The evidence is quite striking: With the clear exception of about 8 or 9 institutions, none of the respondents has a regular internal system of monitoring or evaluation of activities. The clear exceptions are to be found in the Philippines, Nepal, the

Gambia, Chile, Indonesia, India, Egypt and the Fiji Islands. In a similar number of institutions, external evaluation (usually by or at the request of donor agencies) may take place "periodically".

The procedures and criteria employed are almost as many as the number of institutions. Generally speaking, however, the criteria fall under what may be termed 'lower level' objectives and relate to measures such as number of enterprises counselled and loans and grants given. One institution from Fiji was unique in specifically referring to value added generated.

SUMMARY AND CONCLUSION

This chapter has looked at the evidence from a survey of 57 SSE support institutions in 30 developing countries, representing various levels of development, in Africa, Asia, Europe and Latin America. The objective of the survey was to underpin the literature review in the preceding chapter.

The findings confirm for the most part the issues of concern and debate identified in the literature review.

Specifically, it has been confirmed that an accpeted definition of SSE extension does not exist. Rather, extension is understood to comprise a technical assistance and management advisory service in the main. Few, however, mention the elements of personal delivery and active outreach, which were considered in the review to be necessary.

On the whole, the clients for SSE extension services may be new or existing enterprises; in addition, the majority of institutions cover all industrial sectors. The major focus of assistance, nonetheless, is on manufacturing and service industry, followed by handicrafts and cottage industry, and often to the exclusion or neglect of retailers and traders.

In sharp contrast to the normative stance of the literature, the

overwhelming majority of the institutions surveyed are either extensions of Government departments or are under the direct control of a Government ministry. In fact, two institutions were found to report directly to the President of their country.

As a further contradiction of the theory, most institutions are neither autonomous in management nor run like private organisations. Moreover, regular government contribution is by far the largest source of funding, account for 61 per cent of total income. Fees from clients account for only 5 per cent of total income.

There may indeed be a link between the foregoing paragraphs and the major constraints to effectiveness cited, viz. lack or shortage of: finance, competent staff (including high turnover), transportation and commitment on the part of Government including an adverse policy climate.

The issue of the appropriate qualifications for field staff is more than highlighted by the finding that a big majority of institutions employ graduates and postgraduates almost exclusively: Graduates, including postgraduate degree holders, and diploma holders account for over 75 per cent of all staff. Yet, on average, less than 30 per cent of field staff have previous experience of small business management.

The lack of experience does not appear to be corrected by initial and regular on-the-job training, as recommended in the literature. Rather, training appears to be haphazard, and in the majority of cases, there are no standard local programmes designed to assist professional staff development.

The relationship of the extension service with referral agencies appeared in the literature review to be at the heart of the issue of effective delivery of services. In 70 per cent of cases, however, agencies in the supportive environment work together only occasionally or not at all. Consequently, there is very little by way of co-ordination and even fewer examples of integrated approaches to assistance.

Not surprisingly, therefore, SSEs in the countries surveyed are said to be only moderately aware of help available to them from assistance agencies.

Finally, with regards to the monitoring and evaluation of services, the survey has confirmed the absence of regular internal systems in most places. Moreover, it has been shown that measures used in current evaluation attempts are, generally-speaking, inadequate, in that they tend to stop at lower level objectives (such as number of visits and of businesses counselled) rather than higher level objectives (such as value added generated and profitability of enterprises assisted).

The evidence from the survey, then, confirm for the most part the literature. More importantly, they substantiate the key issues of concern and debate. The remaining chapters attempt to address these issues in the context of the overall objectives of the study.

CHAPTER 6

CONCEPT AND DESIGN OF SMALL-SCALE ENTERPRISE EXTENSION PROCESS AND ORGANISATION

OVERVIEW

This chapter attempts to provide a suitable framework that might be used to examine the issues identified and the design of SSE extension and related support services in developing countries. It looks first of all at the conceptualisation of extension services and the contingency notion of organisation design and, in the light of these, explores the appropriateness of a systems approach to resolving the issues and, ultimately, meeting the goals of support institutions. The analyses lead to the central hypothesis of the study.

INTRODUCTION

A number of seemingly key issues of concern that arise in the organisation and operation of services has been identified. It remains to examine these issues and to try to understand the nature of the relationships and interdependencies between them. Difficulties arise, however, in trying to bring together for diagnosis such varying issues as these, without a conceptual framework. A key test of any framework for design will, therefore, be its ability to embrace most, if not all, of the key issues and problems identified. Thus, there is need for a concept (or concepts) which will shed light on the extension process.

The precise definition of a concept is highly elusive in the literature and even in the dictionary. Handy (1976) goes further than most in stating that concepts, properly used and understood, should

> "..help one to explain the past which in turn helps one to understand the present and thus to predict the future which leads to more influence over future events and less disturbance from the unexpected". (p.14)

Although Handy's proposition is qualified and useful, the aspects relating to prediction and influence over future events may not meet with wide approval. Rather, a concept may be understood in terms of a framework which enables one to bring together coherently, a set of characteristics which seek to explain certain phenomena.

The role of concepts in aiding understanding has long been recognised in the social sciences. As far back as early 1940s, Kurt Lewin - one of the most influential social scientists in the twentieth century - was advocating the need here under consideration. To Lewin, the essential nature of the work of the social scientist consisted of making a proper translation from phenomena to concepts. (Lewin, 1951)

This point has not been lost in the literature on SSE extension, where several writers regard conceptualisation as an important

key to better design of services and, ultimately, more effective performance. (See, for example, Kahnert & Kozlowski, 1979; and Technonet Asia, 1985.) Yet there appears to be no systematic conceptual work published on the subject, notwithstanding the attention given to the issue by Technonet Asia (1985), and certainly no comprehensive framework for design of services.

Organisation may be viewed as dynamic entities which must take on structures and processes appropriate to the particular conditions and people. (Beer, 1980; Lawrence and Lorsch, 1969; Lorsch and Morse, 1974; Miles and Snow, 1978) This means that no single organisational form can be regarded as providing firm guidelines for organisational design. Instead, the effectiveness of a given organisational design is contingent on the situation. It must be judged by the congruence or fit of social structures and processes with the individuals being recruited and the environment being served.

It follows that social structures and processes developed to operate in one environment may not wholly apply to another. The failure of several large-scale projects imported from the developed into the developing countries in the 1960s and 1970s is a poignant case in point. In addition, the rapid rate of change suggests the need for organisations to monitor and adapt continually to their environment.

A central factor in this contingency notion of organisation design is the overall mission of the organisation in relation to its task environment. This chapter, therefore, looks first of all the overall mission of extension services and the contingency notion.

THE EXTENSION SERVICE AS A CHANGE AGENT

It was shown in Chapter 4 that the mission of extension organisations is generally perceived in terms of external change agents attempting to develop clients through planned change*.

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* Planned change is distinct from change that occurs without forethought, and has been defined as " a conscious, deliberate and collaborative effort to improve the operations of a human system, whether it be self-system, social system, or cultural system, through the utilization of scientific knowledge." (Bennis, Benne and Chin, 1970, p.4)

An examination of the process and concept of change, therefore, provides a logical reference point for conceptualising SSE extension.

Most of the best-known works on change have been published within the subject area of organisation development (OD).* A significant exception, however, is the literature on diffusion of innovations, which contains influential studies on social change - defined as "the process by which alteration occurs in the structure and function of a social system". (Rogers, 1983 p.6) The basic difference between the two is that whereas all OD activities are aimed at bringing about planned change to increase an organisation's effectiveness (Beer, 1980), diffusion, in the general convention, includes both the planned and the spontaneous spread of new ideas (Rogers, 1983).

Four concepts of change are examined below. The first three to be discussed respresent the major models of planned change identified in the OD literature, viz.: Lewin's Force-Field theory, the Planning Model and the Action Research Model. These models describe the various steps in the introduction of planned change and explain the process of applying OD methods to helping organisational members manage change. Following these, the 'theory' of innovation diffusion is presented.

An attempt is made below to apply these concepts to describe and explain the SSE extension process.

Kurt Lewin's model, apart from its pioneering status, has been most influential in the literature on organisation change and development. Indeed, it is claimed to be "universally accepted by leading management experts". (Technonet Asia, 1985, vol.1, p. 31)

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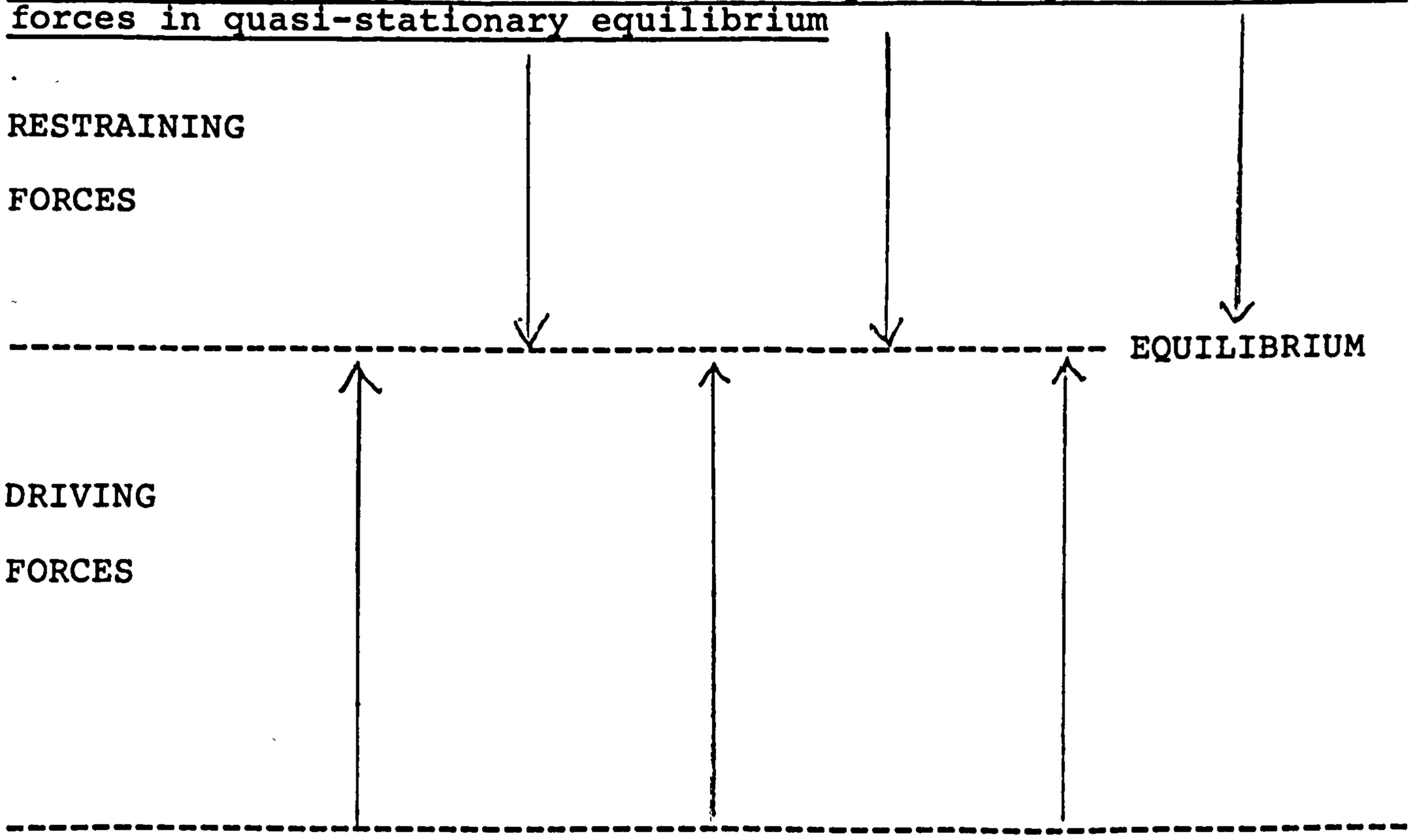
* OD has been defined as "a systemwide effort applying behavioral science knowledge to the planned creation and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness." (Huse and Cummings, 1985 p.566)

To Lewin, change is about the modification of forces acting to maintain the behaviour of a system. At any given time, the level of behaviour is influenced by, and is the result of, both driving and restraining forces. Current levels of behaviour are maintained in what Lewin termed a state of 'quasi-stationary equilibrium', when both sets of forces are about equal. Driving forces are forces which tend to bring about change. Thus, in the SSE, driving forces correspond, for instance, to the ambition, goals, needs or fears of the owner-manager, as well as external factors such as competition. Restraining forces oppose the driving forces, striving to maintain the status quo. Examples, in the case of a wish to improve productivity, include poor equipment and poor working conditions. Lewin's model is depicted in Exhibit 10 below.

Exhibit 10 Lewins's force field theory: Driving and restraining forces in quasi-stationary equilibrium



Source: Lewin (1951)

Lewin's conclusion provides an effective stragegy for change. He suggested that reducing restraining forces produces less tension and resistance than increasing driving forces for change.

Concerned with permanency of change i.e. making the change secure, Lewin further suggested that a successful change includes three aspects, or steps.

The first aspect is freezing, which involves reducing the restraining forces, i.e. those forces acting to maintain the organisation's behaviour at its present level. It may be accomplished by introducing information that shows discrepancies between behaviours desired by organisational members and behaviours currently exhibited.

Thus, applied to SSE extension, the extension officer may use a variety of techniques including introducing successful owner-managers, exploring with the owner-manager any feelings of frustration or dissatisfaction with his/her current situation and, hence, develop an interest in change. He may also introduce information pinpointing differences between objectives and performance, by decreasing the strength of inappropriate values or by demonstrating their lack of effectiveness.

The second aspect of Lewin's model is moving. This involves developing new behaviour, values and attitudes through changes in organisational structures and processes.

Clearly, this is a crucial aspect and underlines the necessity of appropriate training for extension officers. If this aspect is to be successful, the owner/manager and/or the work group must pass through the processes of identification and internalisation.

Identification may involve an agreement between the extension officer and the owner/manager (and the workers, if necessary) on the desirability of the proposed change. The latter may, thus, be able to convince the former to accept and adopt his proposed change. In internalisation, the owner/manager works with the extension officer on the methods of change advocated by the extension officer. These may be translated into the specific personal goals of the owner-manager by means of adoption, experimentation or improvisation. This process is regarded to be the most difficult part of the extension officer's task.

The final step of Lewin's model is refreezing, which involves stabilising the organisation at a new state of equilibrium, often through the use of supporting mechanisms that reinforce the new organisational state, such as organisational culture, norms and structures. Examples of suitable supportive mechanisms open to

the extension officer include recognition of peer groups and awards by recognised persons or bodies.

Lewin's model provides a general framework for understanding not only organisation change but also the SSE extension process. Indeed, Lewin's model has been used to explain SSE extension. (Technonet Asia, 1985) In view of the fact that the three steps of change are relatively broad, considerable effort has gone into elaborating them more precisely.

There are several other models that overlap with Lewin's model. The Planning Model, for example, defines stages of planned change. It was developed by Lippitt, Watson and Westerley (1958) and later modified and refined. Two principles underlie the model. (Bennis, Benne and Chin, 1970; Technonet Asia, 1985) Firstly, all information must be freely shared between the organisation (the SSE) and the change agent (the extension

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Exhibit 11 The Planning Model

Scouting
(Extension officer and SSE explore relationship)

↓

Entry (or commencing)
Development of mutual contract and expectations)

↓

Diagnosis
Identification of specific improvement goals and approach)

↓

Planning
Identification of action steps and possible resistance to change)

↓

Action (or execution)
(Implementation of action steps)

↓

Evaluation
(Determination of success of change and stabilisation of the learning experience)

↓

Termination
(Ending the extension officer-SSE relationship or project)

Source: Bennis, Benne & Chin (1970); Kubr, ed. 1986

officer); secondly, information is helpful only if and when it can be directly translated into action. The basic concept, which can be conceived of as phases of the SSE extension process, is a dynamic, seven-step process. These are: scouting, entry (or commencing), diagnosis, planning, action (or execution), evaluation and termination. Exhibit 11 depicts the Planning Model.

The phases of the extension process, as depicted in Exhibit 11, are not rigid. For instance, the extension officer and owner-manager may change strategies or modify approaches based on their continuing diagnosis of the problems. Or a new problem might be tackled following the termination of another.

The Action Research Model also overlaps Lewin's model as well as the Planning Model, by focusing on planned change as a cyclical process involving collaboration between organisational members (the SSE) and OD practitioners (the extension officer). Heavy emphasis is placed on data gathering and diagnosis prior to, and after, action is taken. The aim is not only to help the organisation increase its effectiveness but also to develop new knowledge that can be applied in other settings.

There are seven cyclical phases of the model which are self-explanatory, viz.:

1. Problem identification
2. Consultation with an expert
3. Data gathering and preliminary diagnosis
4. Feedback to key client or group
5. Joint diagnosis of problem
6. Action
7. Data gathering after action.

The model has broad applicability and may be used in a variety of situations, depending on whether they are 'overorganised' or 'underorganised'. These notions will be considered later in the discussion.

All the three models, then, in describing the phases by which planned change occurs in organisations, have relevance for SSE

extension. Lewin's Force-Field theory provides an apt description of the process of extension in suggesting that successful change does include three successive steps - namely: unfreezing, moving and freezing - which involve reducing restraining forces, developing new behaviour and values, and stabilising these. The implication for SSE extension strategy is clear: it may be more effective, for change to take place, to reduce restraining forces than to increase driving forces.

Whilst Lewin's model is a process description, the Planning and Action Research models are activity explanations, of SSE extension. To the extent that they both describe similar activities, the latter models are very similar. The Planning Model, however, appears to be limited in application and less relevant to SSE extension compared with Action Research.

Action research, however, places greater emphasis on developing specific on-site interventions in collaboration with the client, i.e. the owner-manager (OM), after a thorough joint diagnosis. Furthermore, Action Research goes beyond solving a specific problem to developing the OM's capability to solve future problems. Thus, Action Research appears to have broader applicability in different situations and, thus, potentially valuable for further exploration.

The above concepts are, therefore, useful; however, the notion of the contingency approach would suggest that a direct blanket transfer of their applications from the OD and the management literature to SSE situations in the Third World would not be prudent. Yet, it seems that, contrary to the contingency notion, practices are not only being directly transferred but also advocated for adoption elsewhere. (See, for example, Technonet Asia, Vols. 1 and 2; as well as Kubr, 1986 which appears to pay little regard to the point being made.)

It is arguable that if these concepts are not linked to the particular conditions and people, in which and for whom they will be applied, then there is a grave danger of misapplication.

It is now appropriate to consider the main generalisations drawn from thousands of publications of how people accept new ideas,

i.e. the diffusion of innovations. (Rogers, 1983 suggests in the inside cover of his book that there are 3,100 publications existing on the subject.)

There is universal recognition of the fact that people go through a number of stages in the process of adopting a new idea (be it technology, knowledge, product or other object). The classic, and best-known, work to be published on the subject came from Everett Rogers in 1962. In his book, entitled 'Diffusion of Innovations', now in its third edition, Rogers (1983) defines diffusion as

> "... the process by which an innovation is communicated through certain channels over time among the members of a social system. Diffusion is a special type of communication concerned with the spread of messages that are new ideas". (pp.34-35)

Communication is defined as

> "... a process in which participants create and share information with one another in order to reach a mutual understanding". (Rogers, 1983 p.35)

In these and other definitions found elsewhere, the newness of the idea in the message content, which gives diffusion its special character, is very much stressed.

Rogers identifies five stages in the process of adoption which, applied to SSE extension, may be rendered as follow:

The first stage is Awareness, where the owner-manager (OM) becomes aware of the innovation but lacks information about it. (An innovation is an idea, practice or object that is perceived as new by an individual or other unit of adoption.) Extension efforts may be needed to create interest in this known idea.

At the Interest stage, the OM is stimulated to seek more information about the innovation.

The third stage is Evaluation. Here the OM considers whether it would make sense to try the innovation, possibly by drawing comparisons with existing practices. The extension officer may offer to help him/her to, say, interpret the evaluation results or prepare a project feasibility study.

At the Trial stage, the OM tries the innovation on a small scale by, for example, observing a demonstration or developing a prototype to improve his or her estimate of its value. The extension officer may assist in organising the trial as well as in evaluating the results.

The final stage is Adoption, where the OM decides to make full and regular use of the innovation. The extension officer may offer such support as is necessary, such as facilitating the provision of finance, technology, market etc to enable the OM proceed and continue with the innovation.

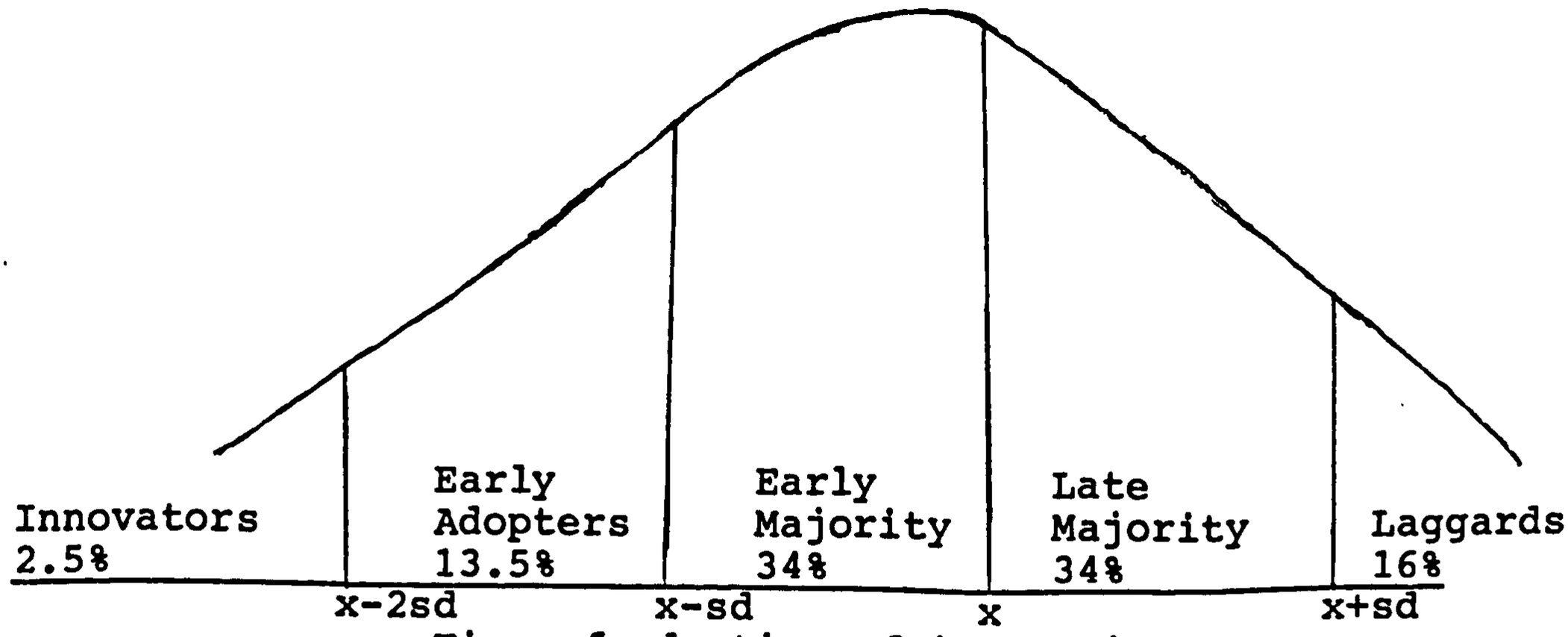
The implication of the above is that the extension officer should consider how to help owner-managers or potential entrepreneurs move through these stages.

Without doubt, people differ in their readiness to accept or even try new ideas. Rogers (1983) defines innovativeness as

> ".. the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than the other members of a system". (p.22)

Thus, with every innovation, there are those who are first to adopt, whilst others may wait until later. This has led to the classification of people into adopter categories - Exhibit 12.

Exhibit 12 Adopter categorisation on the basis of innovativeness



where x is the mean, and sd is the standard deviation

Source: Rogers (1983, p.247)

The adoption process is represented as a normal frequency distribution when plotted over time. Exhibit 12 shows the distribution divided into five adopter categories. Innovators are defined as the first 2.5 per cent to adopt a new idea, the early adopters are the next 13.5 per cent to adopt etc.

Rogers suggests that the five adopter groups differ in values. Innovators are said to be venturesome; they try new ideas at some risk. Early adopters are guided by respect; they are opinion leaders in the community and adopt new ideas early but carefully. The early majority are said to be deliberate; they adopt new ideas before the average person, although they rarely are leaders. The late majority are said to be sceptical; they adopt a new idea after a majority of people have tried it. Laggards are the last to adopt an innovation. They are said to be tradition-bound, suspicious of changes, mix with other tradition-bound people and adopt the innovation only because it has now taken on a measure of tradition in itself.

The above categorisation implies that the SSE extension or support agency should research the demographic, psychographic and media characteristics of owner-managers who are innovators and early adopters and should direct communication specifically to them. Identifying early adopters, however, is not always easy, as Kotler (1986) points out. Nor, he adds, has anyone as yet demonstrated the existence of a general personality factor called innovativeness. Rather, individuals tend to be innovators in certain areas and laggards in others. The problem, or challenge, for the extension agency, therefore, is to identify the characteristics of owner-managers who are likely to be early adopters for the particular innovation that it wishes SSEs to adopt.

The above problem apart, there are several factors which apparently play a major role in the adoption of new ideas, that the extension agency might take into consideration. These can be classified into two categories, viz. personal influence and the characteristics of the idea.

Personal influence describes the effect of statements made by one person on another. The degree of influence obviously depends on

not only the situation but also the individuals concerned. Kotler (1983) suggests that personal influence is more important in the evaluation stage of the adoption process than in other stages; that it has more influence on late adopters than on early adopters; and that it is more important in risky than in safe situations.

Applied to SSE extension, thus, the extension officer may introduce highly-regarded owner-managers, who have already successfully adopted a new idea, to others who may be at the earlier stages of the adoption process.

The characteristics of the innovation also affect its rate of adoption, five of which are said to be particularly important. (Rogers, 1983) These are the innovation's (a) relative advantage - i.e. the degree to which an innovation is perceived to be better than existing practices; (b) comparability - i.e. the degree to which it is perceived to be consistent with the existing values and experiences of owner-managers; (c) complexity - i.e. the degree to which the innovation is difficult to understand or use; (d) trialability - i.e. the degree to which it may be experimented with on a limited basis; and (e) observability - the degree to which the results of an innovation are visible to others.

The concept of diffusion, not unlike the models of planned change discussed earlier, is clearly useful, with practical implications seemingly for the SSE support agency and the extension process. Certainly, the concept appears to have been quite successfully applied in agricultural extension. (See, for example, Benor and Baxter, 1984.) Kahnert & Kozlowski (1979) suggest, however, that the concept has limitations in SSE applications, for reasons to do mainly with SSEs not wanting to share what might be perceived as trade secrets for fear of competition, and the viewpoint that effects are not as demonstrable as in agricultural extension.

The biggest constraint of all, however, concerns the apparent disregard for the contingency notion discussed earlier. For, the traditional approach to diffusion research, in concentrating on the act of adoption, pays insufficient regard to the culture and

conditions of the people who constitute the population of potential adopters in any given environment. Yet, as it has been shown, this is necessary in order to transfer concepts to Third World situations.

The overall conclusion, then, is that all four concepts of change examined above are useful in shedding light on the extension process and are potentially applicable. It is arguable, however, that if these concepts are not linked to the particular conditions and people, in which and for whom they will be applied, then there is a danger of misapplication. A suitable framework for the design of extension services must, thus, embody the contingency notion if it is to be effective in fulfilling the overall mission of bringing about planned change in SSEs. This is explored below.

ORGANISATION DESIGN AND SYSTEMS THEORY

The point has been made for organisation structures and processes to adapt to the environment for effectiveness. A common and conventional approach to achieving this is through systems theory.

Systems theory, the ideas that help explain the dynamic interrelationships of several parts of a larger whole as it interacts with its environment, has in the last several decades been applied to organisation theory. (Stodgill, 1979; Lawrence & Lorsch, 1967; Katz & Kahn, 1978.) Recently, systems theory has helped in organisational diagnosis and intervention strategies in OD applications. (French & Bell, 1978; Huse, 1975; Kotter, 1978)

The basic framework may be defined as follows:

People: Abilities, needs, values and expectations of employees.

Process: The behaviour, attitudes and interaction that occur within the organisation at the individual, group and intergroup levels.

Structures: The mechanisms and systems of the organisation that

are designed to channel behaviour towards goals and fulfil member needs. Examples include job description, job evaluation systems, organisation structure, policies, selection systems and reward systems.

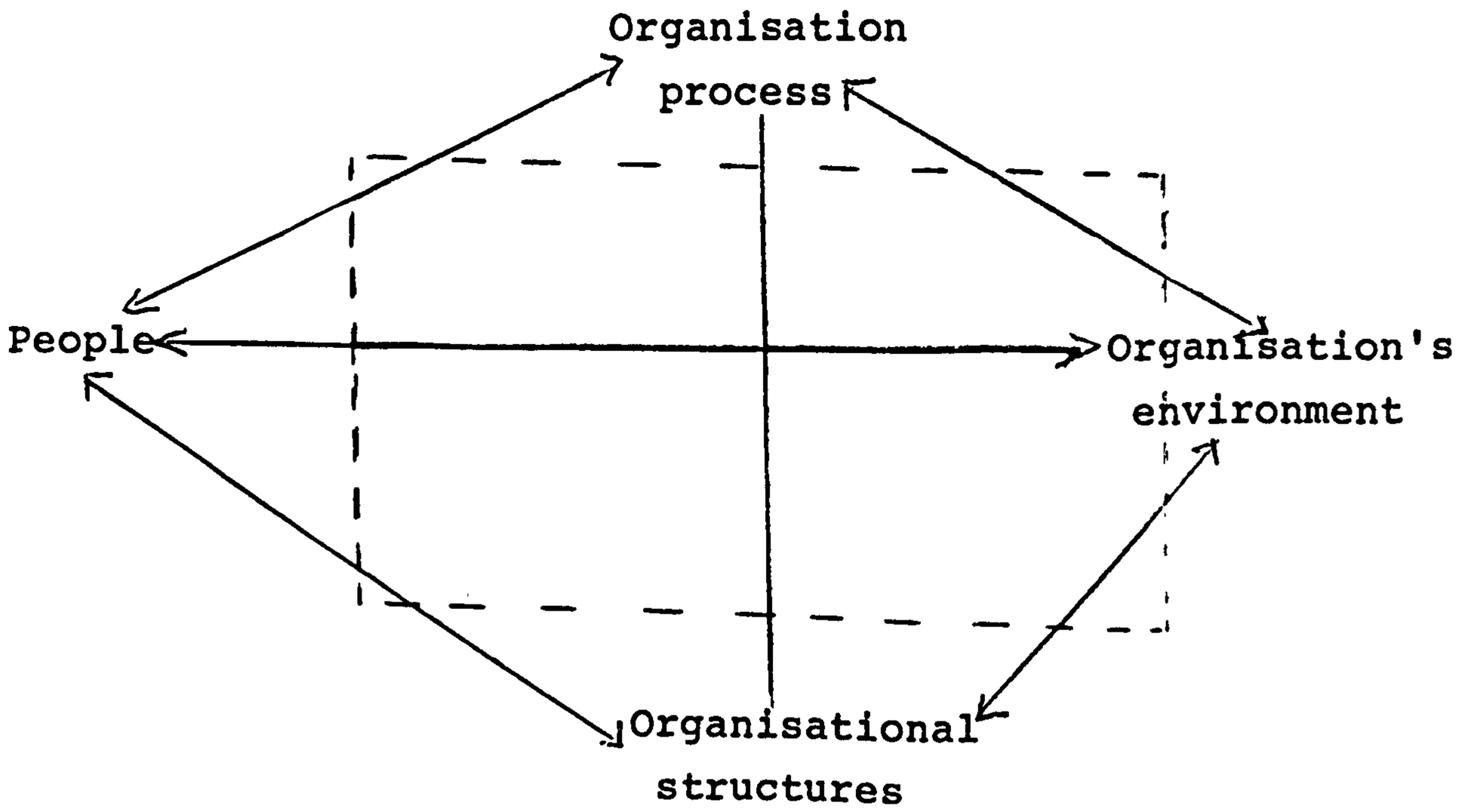
Environment: The external conditions with which the organisation must deal including its market, customers, networking with other agencies, technology, government regulations and the social culture and values in which it operates.

Exhibit 13 shows these four major organisational components that must be congruent if the organisation is to be effective.

Applying systems theory to organisations leads to the following list of general characteristics: (Beer, 1980)

- Organisations are composed of several components or parts which are in interaction with one another while at the same time part of an identifiable whole. These components may be subunits or they may be dimensions such as people, process, structure and culture.

Exhibit 13 Organisation components which must be congruent



Source: Beer (1980)

- Organisations, having more or less permeable boundaries, interact with an external environment from which they obtain energy/matter or information as inputs and to which they export a product or services as outputs. (Energy/matter refers to people, money, materials etc.)

- Organisations are a network of people, structures and technical operations that transform the raw materials, such as energy or people, into a product or service desired by users in the environment.

- Organisations have feedback mechanisms that allow various parts or components to adjust to other parts and components. Similarly, there is information flow between the organisation and its environment that allows it to adapt and influence.

- Entropy, or a running down of the system, will occur if energy is not continuously imported and converted into valued outputs that allow reinvestment and further development. For social systems, the most important maintenance source is human effort and motivation. Thus, the motivation of people in the organisation becomes just as important a source of energy as financial and other energy/matter resources.

The systems framework is not only a useful concept for analysis but also one that is widely accepted in the organisation development literature. (See, for example, Lawrence and Lorsch, 1969; Lorsch and Morse, 1974; Miles and Snow, 1978; Beer, 1980; Huse and Cummings, 1985). The concept is useful because it provides an historic and development perspective for any institution and aids in diagnosing the current state and problems within that organisation.

The framework reviewed above has been translated into an organisational model which is used in various modified forms. (See, for example, Beer, 1980; French & Bell, 1978; Huse, 1975; Huse & Cummings, 1985.) Of these writers, Beer's model seems to lend itself better than most to the SSE extension process. Whilst retaining the basic organisational components (Exhibit 13), Beer's model goes beyond other models in incorporating the factors which may influence or shape the components and vice

versa. Beer's model is, therefore, adapted below to explore the issues of concern and debate identified earlier with the objective ultimately of deriving a framework for design. A brief explanation of the model appears to be in order and may serve to aid understanding of the rest of the discussion.

Beer's social systems model of organisations

The model specifies a flow of events beginning with the qualities brought into the organisation by people when they join and ending with capabilities and psychological states of staff (human outputs) after a period of time with the organisation. The organisation's structures (reward systems, policies, control and evaluation systems etc) provide signals to staff as to what behaviour is desired. Structures, thus, shape organisational behaviour and process. Structures and process together mediate the relationship between people's needs, expectations and capacities when they enter the organisation, and the attitudes and capabilities developed as a result of their experience of working in the institution. Organisation culture - the commonly held beliefs about how the organisation is and should be operating - is formed by all four of the components just described, but also influences and shapes them. Similarly, the dominant coalition, a small number of key decision makers influence all of the aforementioned components through their position of power but may also be influenced by the other components. Economic indicators such as profit, and other indicators such as staff turnover, reflect the organisation's performance (organisation outcomes) in its market and social environment. Organisational outcomes are, thus, a function of the working of the components of the system, but are particularly well predicted by the human outputs. (Beer, 1980)

Exhibit 14 contains the actual model.

APPROPRIATENESS OF BEER'S MODEL FOR EMBRACING ISSUES IN SSE EXTENSION

The key test of Beer's model, or any framework for that matter, as stipulated at the outset, is whether it embraces the critical

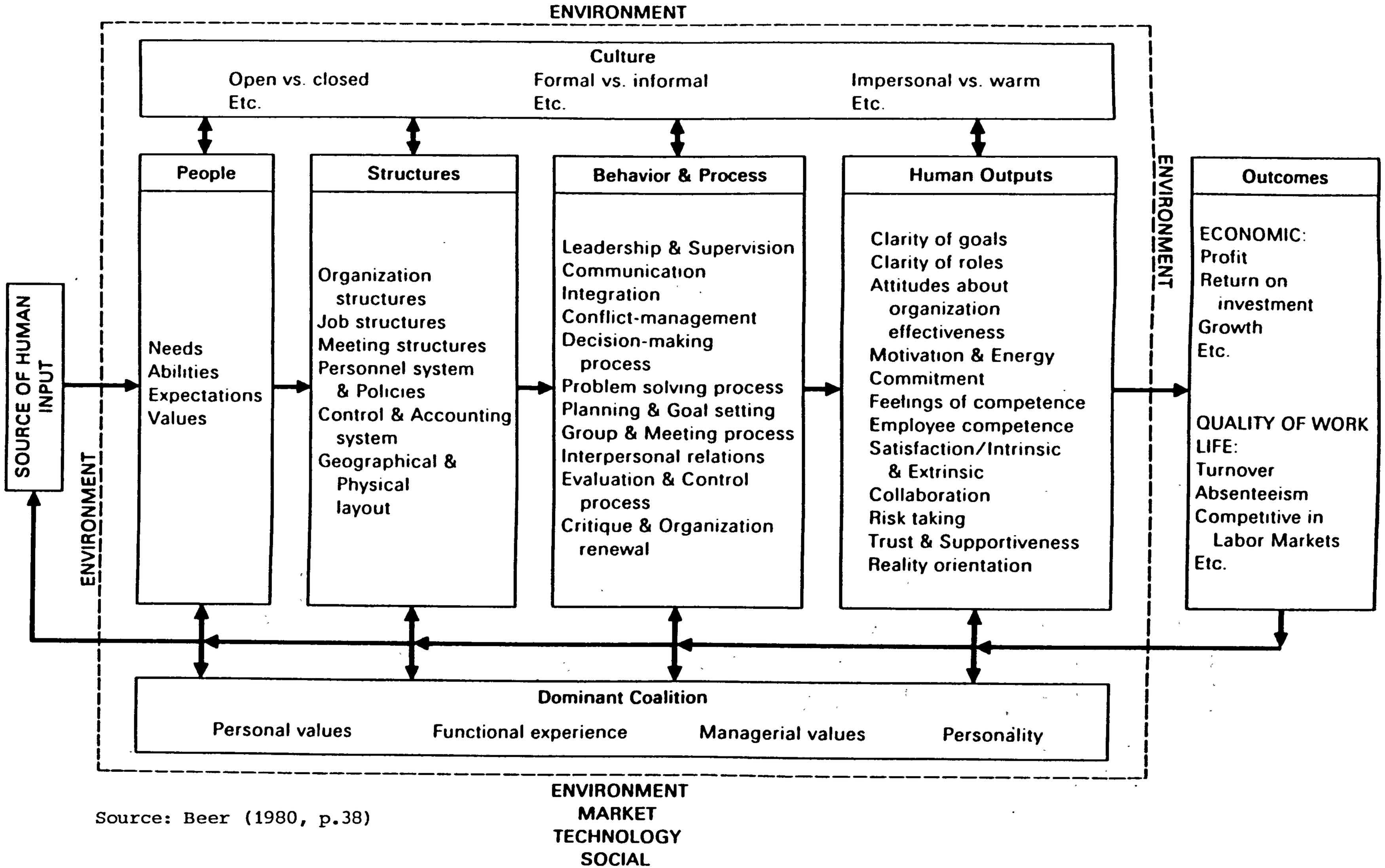
issues of SSE extension (Chapter 4 refers). This section will, therefore, attempt to adapt the model to SSE extension whilst exploring its appropriateness for embracing the issues.

The concern for understanding the environment is paramount and is discussed first since the environment provides a reference point for the functionality and evaluation of behaviour and process, which is described next. Organisational structures, people and culture are discussed last since they can only be properly evaluated in light of the behaviour observed or desired. This sequence of discussion, however, is not rigid, because of the interdependencies in systems thinking. Thus, another sequence of diagnosis may be successfully employed provided it encompasses all the relevant components.

The environment

The extension institution interacts with its environment by importing people and using their energy to provide extension and other services that are exported back into the environment - to SSEs, both existing and potential. The relationships between the extension institution and its environment is a complex one. Among others, the definition of the boundaries of the two is not easily determined. Besides, extension staff, although belonging to the organisation, are members of society, are influenced continually by society, market forces and other environmental factors and transmit these concerns and changing values to the organisation. All the other components are similarly influenced by the environment. It follows from this interaction that extension institutions, like all social organisations, may be viewed as open systems as opposed to more technical systems. (Katz & Kahn, 1978).

Exhibit 14 Beer's systems model of social organisations



Source: Beer (1980, p.38)

To the extent that they place demands on the extension organisation and there is an interaction, the following are important dimensions to be considered:

SSEs - the market
Assistance network
Technology
Legislation
Social and culture
Government and politics

The above list is indicative, rather than comprehensive, and provides a checklist from which research questions may be derived. An important point of note here is that SSEs occupy the central place in the environment of support institutions, since their development and promotion are, or should be, the raison d'etre of external assistance. It follows therefore that, as far as SSE organisations are concerned, the crucial dimension in the environment on which to base research and assessments of congruence, in line with systems thinking, are SSEs to be served.

This is not to underrate the other dimensions. To take just one case in point, organisations operate within a given technology and the practice of appropriate technology and the rate of technological change and innovation must define their task. Importantly, also, the technology for delivering their services also affects the nature of the jobs in the field and the opportunities for providing staff with motivating tasks. The importance of technology in influencing the structure of organisations and the behaviour and attitudes of people has been widely documented. (See, for example, Davis, 1966; Woodward, 1967; Hackman, 1977.)

Implicit in the model, therefore, is the suggestion that the issue of appropriateness of structures and process cannot be addressed except in reference to the task environment. This view is shared by others, such as Burns & Stalker (1961) and Lawrence and Lorsch (1967), who suggest that as a general rule, successful organisations can be separated from unsuccessful ones by the appropriateness of their structural form and management process to their environment.

It is proposed to test this hypothesis with respect to SSE

extension organisations. To do this, would be necessary to profile both agencies and SSEs with respect to their structures and management processes.

Organisation purpose and outcomes

Organisation purpose relates to the goals and objectives of the organisation, whilst outcomes relates to the performance in terms of achieving its own or other goals and objectives.

Beer suggests that in addition to economic indicators of performance such as profit, quality of work life outcomes, such as staff turnover and absenteeism, must be included in determining outcomes, since an organisation must fulfil the needs of its members for a secure job, suitable remuneration, meaningful work and a compatible social environment. Accordingly, Beer supplies the following list of indicators, inter alia:

Profit
Staff turnover
Absenteeism
Ability to attract and keep capable people

The need in the field for guidelines on appropriate measures or criteria for assessing the impact of extension service has been noted as an issue of some importance. Equally, the concern has been expressed as to the poor performance record overall of SSE support agencies.

The model suggests, as noted earlier, that organisational outcomes are a function of all the components of the system working in concert. In this respect, the model provides not only a framework for diagnosing problems relating to performance but also in ensuring an appropriate design for desired results.

As far as appropriate measures or criteria for evaluation are concerned, the contingent view of the model demands that they are related to the task environment - most notably to the objectives, problems and requirements of SSEs. It is proposed, accordingly, to ascertain these.

Human outputs

A link has been established between the condition of an organisation's human assets and its performance, showing that employee attitudes and other psychological states, such as satisfaction, commitment and motivation, will predict declines in profits several years hence. (Likert, 1967) Thus, the way the SSE extension institution is managed may affect employee attitudes, competence and other psychological states (i.e. human outputs) and these, in turn, can affect the ultimate performance and capability of the organisation.

The foregoing may have implications for the way in which extension institutions should be managed - which is one of the issues uncovered in the literature review. Beer provides the following list of human outputs which have been shown to be important:

Clarity of goals
Clarity of roles
Feelings that the organisation is effective
Motivation and energy level
Commitment
Feelings of personal growth and competence
Competence of staff
Extrinsic and intrinsic satisfaction
Willingness to collaborate
Willingness to risk new ideas
Trust and supportiveness
Awareness of personal and organisational realities.

This list is by no means definitive, and merits some qualifications. Firstly, it is open to the criticism that it is derived from bureaucratic structures. Secondly, not all of the above are equally important to all SSE extension organisations nor are they independent of each other. Thirdly, the outputs desired and the amount required will differ one organisation from another. Additionally, the qualities of extension staff, in particular their needs and expectations, will determine the kinds and amounts of satisfaction the extension organisation must provide to attract, keep and motivate them.

Nowithstanding the above caveats, the list is useful in providing a source to select parameters or questions for research. More fundamentally, it is clear that several of the issues uncovered

relate to human outputs, in particular soliciting SSEs' interest, qualifications of field staff and the kind of person agencies should be aiming to develop through staff training interventions.

It is proposed to assess the relative importance of the various human outputs by analysing the task environment. It is possible to derive the desired outputs from a diagnosis of attitudes of SSE owner-managers and by comparing these with those of extension staff. The results and their causes might suggest appropriate managerial and structural approaches as well as help in determining which types of people might be hired and where to focus staff training.

Those parts of the extension organisation that affect human outputs are examined next.

Behaviour and process

The behaviour of extension staff (including management) and the process by which they interact are the means by which extension services are rendered, co-ordinated and plans developed. Behaviour and interactions are thus the means by which, in the terminology of the model, potential energy and motivation are converted into results. The more congruent behaviour and interactions are with the organisation's purpose and task, the more effective the extension organisation will be in achieving its performance goals. In other words, the closer the match of behaviour and process between the support agency and SSEs the more effective will be the interaction.

Listed below are some behaviour and interaction processes which have been found to be important in managing and improving organisations. (Beer, 1980)

Leadership and supervision
Communication
Intergroup relation and integraion
Conflict management
Decision-making process
Problem-solving
Planning and goal setting
Group and meeting process
Interpersonal relations
Evaluation and control processes.

Similar caveats expressed with respective to the earlier lists apply here. In addition, it ought to be stressed that the above does not specify the 'right' process for managing an SSE extension institution. For one thing, the controversy is still unresolved in the management literature between advocates of contingency theories on one hand and normative theories on the other.

Rather, the model, other researchers (e.g. Morse and Lorsch, 1967; Vroom & Yetton, 1973) and the wide diversity of characteristics of developing countries would indicate, that the behaviour that constitutes effective management will depend on a variety of situational factors. The situational factors include the needs and expectations of the SSEs and others in the environment as well as the task, inter alia.

Leadership, decision-making, problem-solving, especially ability to respon quickly, evaluation and control processes are all issues of concern uncovered in the literature review. The model suggests that, like transformation processes in a production system, these are the means of converting the energy and motivation of extension staff into concrete results, and their appropriateness is determined by the task environment.

It is proposed to compare the behaviour and process of agencies with those of SSEs to establish congruence and to test the effect of different behaviours and processes on agency performance.

Structures

Structures provide the framework within which an organisation functions. They are the systems - formal or informal - of an organisation. They provide signals to people with respect to desirable behaviour and rewards for compliance.

A comprehensive procedure for designing SSE extension services specifically does not exist as yet. In the OD practice, however, the following structures or design tools are typically found in organisation design: (Beer, 1980)

Organisational structure
Job design and structure
Types and frequency of meetings
Personnel policies and systems
  - recruitment, selection and transfer policies
  - reward and compensation system
  - management development and promotion system
  - performance evaluation and development system
Control and measurement systems
  - management information system
  - accounting systems
  - budgeting systems
Geographical location and physical layout.

Although the above structures are general and not definitive, they have certainly been used in the design of some SSE extension and support organisations (e.g. see Technonet Asia, 1985, vol.2). Whilst recognising that structures do not always induce desired behaviour and may even cause undesired or dysfunctional behaviour, the overwhelming evidence suggests that they often do the opposite.

Given that structures influence organisational behaviour and behaviour must be consistent with the organisation's environment, it can be inferred that the structures appropriate for any given SSE extension institution must be consistent with those of SSEs, in particular.

It is proposed to test this hypothesis by comparing the structures of SSEs with those of agencies and by examining the association between agency structures and performance.

People

People are the raw material of extension organisations.

It is commonly held that organisations recruit and select people on the basis of their estimated potential to achieving certain desired levels of performance. While there has been some success in several attempts at prediction, the correlation between individual characteristics and individual performance, however, is not conclusively proven, less still the relationship between individual characteristics and ultimate organisational performance. (Schneider, 1976)

Notwithstanding the need for caution in any attempts at correlation, the model suggests, and it stands to reason, that the people employed and their characteristics - either brought into the organisation or subsequently acquired through training and experience - will affect in some way individual performance and ultimately organisational performance.

The issue, therefore, is to decide the nature of qualifications that should be sought for field staff.

The model indicates that the people to be employed should be congruent with (or fit) the task environment - i.e. they should match owner-managers and workers of SSEs and their situation. To contribute to resolving this issue, it is proposed to address the question: given the profile and needs of OMs of SSEs, what academic qualifications, experience and other characteristics (such as background, age and gender) should be sought for field extension duties? (Interpersonal skills covered in the literature review are not at issue.)

Culture

Recent years have witnessed increasing attention to the concept of organisation culture as, apparently, it accounts for much of individual and group behaviour. (Schneider & Bartlett, 1968; Steele & Jenks, 1977)

Not precisely defined in the literature, organisation culture refers to the composite perception that individuals have of their environment - i.e. what the organisation is like and what behaviour and values are acceptable within the organisation. These shared beliefs and feelings, which form an informal set of ground rules about what is expected and what will be rewarded (formally or socially), is the culture of the organisation. (Margulies & Raia, 1978)

Harrison (1972) has referred to culture as an important organising theme for behaviour. According to Harrison, culture performs the following functions:

1. Specifies the goals and values toward which an organisation

should be directed and by which success and worth should be measured.

2. Prescribes the appropriate relationships between the individuals and the organisation (i.e. the 'psychological contract' which legislates what the organisation should be able to expect from its people and vice versa).

3. Indicates how behaviour should be controlled in the organisation and what kinds of controls are legitimate and illegitimate.

4. Depicts which qualities and characteristics of organisation members should be valued or vilified; as well as how these should be rewarded or punished.

5. Shows members how they should treat one another - competitively or collaboratively, honestly or dishonestly, closely or distantly.

6. Establishes appropriate methods of dealing with the external environment - aggresive exploitation, responsible negotiation, pro-active exploration.

The above is suggestive of the pervasive impact of culture, not to mention its importance. It is noteworty that there may be more than one culture in an organisation. Certainly, as Margulies and Raia (1978) point out, there are differences between the formal culture (what should be) and the informal culture (what is). Also, there might be different cultures in different functional groups in the organisation - for example, where an SSE extension department is part of a larger management development institution. The point, however, is that whenever the task requirements result in a unique combination of people, structures and behaviour, the confluence of these forces may create a unique culture.

The mechanisms by which organisation culture is transmitted over time include the following (Margulies & Raia, 1978):

- reinforcement (where rewards shape behaviour)
- social modelling (where the behaviour of high status individuals are imitated)
- social interaction and influence
- selection and training (as control and development measures).

The above suggests that behavioural change cannot occur without an explicit effort to reeducate extension officers, or for that matter SSEs, to adopt new values or norms. Extension management,

thus, need to plan reinforcements, social modelling and selection and training interventions to suport new behaviour.

It is proposed, firstly, to compare the value systems of OMs with those of extension staff and, secondly, to investigate the extent to which interventions are systematically provided to support new or desired behaviour.

Dominant coalition

The dominant coalition is a group of key decision makers whose influence on the system is greatest. (Kotter, 1978; Miles & Snow, 1978) Thus, the fit between their values and beliefs and the culture required by the organisation to be effective becomes a crucial issue in organisational development.

The worldwide survey has shown that in most developing countries, the key decision-makers of SSE development institutions are, to a significant degree, government officials or government-appointed. Critics argue that this scenario is far from satisfactory, arguing that it results in inefficiency and ineffectiveness.

Clearly, knowing who the dominant coalition is, their roles and positons and biases, even their personal political ambitions, is necessary in attempts at extension service development, if undue frustration is to be avoided.

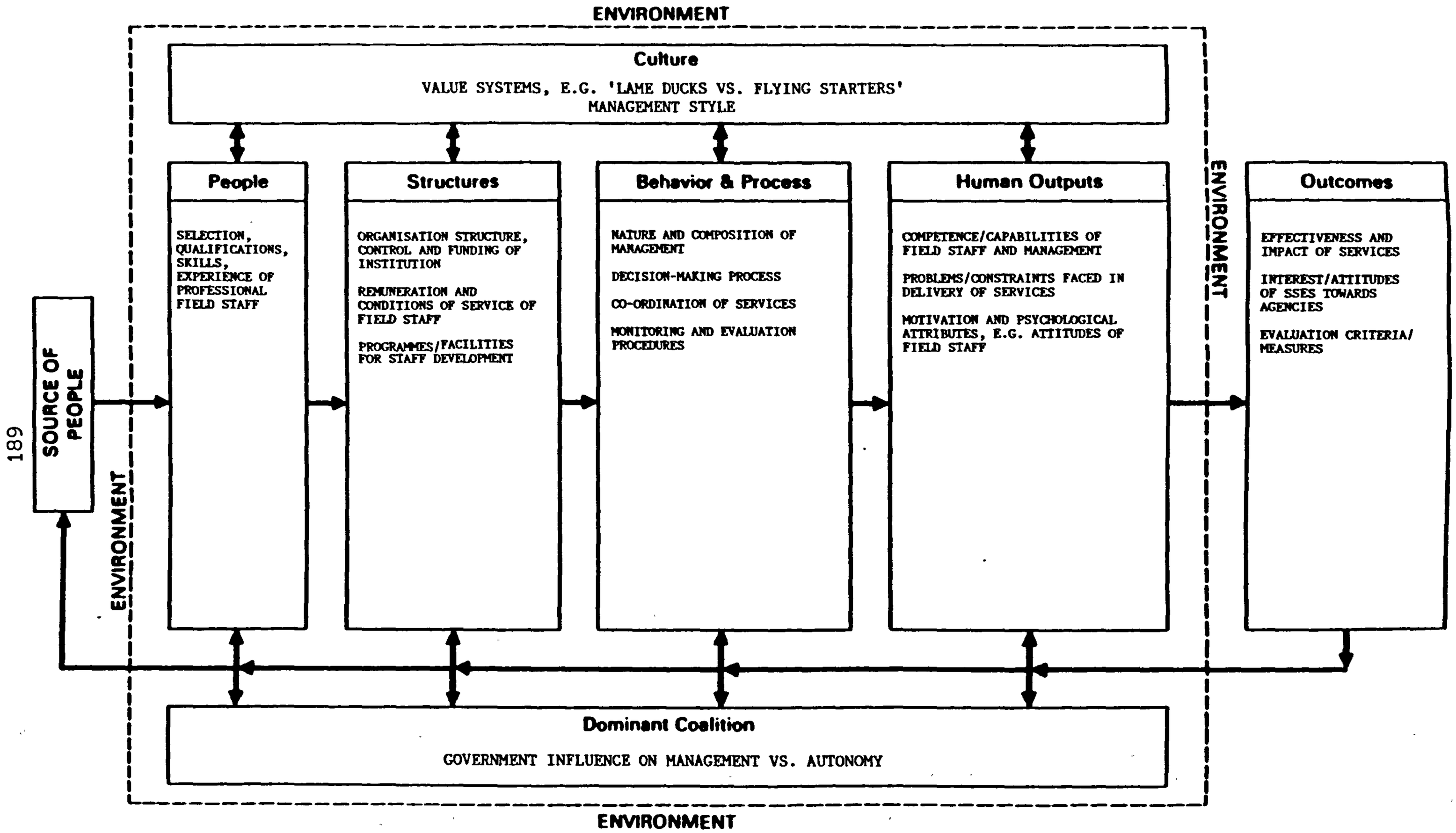
It is proposed to compare the performance of institutions where the dominant coalition is mainly government-controlled or appointed with those institutions where autonomy prevails and management decision-making is free from outside interference.

The above discussion has shown that it is possible to examine the key issues and concerns raised earlier within the framework of Beer's model. This is shown diagrammatically in Exhibit 15.

ORGANISATION DESIGN EFFECTIVENESS AND MISMATCH OF COMPONENTS

Whilst Beer's model fulfils the key test in embracing the issues, it does not, however, explain why the issues arise, nor does it

EXHIBIT 15 MAJOR ISSUES OF CONCERN AND DEBATE IN SSE EXTENSION - A DIAGRAMMATIC REPRESENTATION



Source : Adapted from the SSE literature

specify how they may be resolved.

Major clues to resolving this remaining dilemma lie in the works of Brown (1981) and Huse and Cummings (1985). The notions of 'overorganised' and 'underorganised' situations were introduced earlier in the discussion on the Action Research Model.

'Overorganised' situations are characterised by very rigid structures, processes, leadership styles etc. Typically, communication between management and employees is suppressed, conflicts are avoided and the employees are thought to be apathetic. The reverse, however, obtains in 'underorganised' situations, where constraints are functionally inadequate and structure, processes, policy and leadership are ill-defined. In addition, communication flows are fragmented, job responsibilities are ambiguous and there is a general lack of direction. (Huse and Cummings, 1985; Technonet Asia, 1985)

Thus, by this means of categorisation, SSE support institutions would appear to be 'overorganised', whilst SSEs may be 'underorganised'.

Huse and Cummings have indicated that there has to be major differences in approach between applications of Action Research in these two situations. Exhibit 16 shows the strategies they put forward.

Huse and Cummings' approach begs the fundamental question of what is 'overorganised' and 'underorganised', to say little of which is desirable, given the point made earlier that an organisation's design must be contingent on its environment. What is important, and yet missing in the application, is the diagnosis of the given situations and what influences them.

It can be argued from the contingency notion that the diagnosis and prescription of the situations will be a function of the design of the organisations from which the diagnosticians come. In other words, the perception of SSEs held by extension officers, i.e whether the former are seen to be 'overorganised' or 'underorganised' will be influenced by the design of the extension organisation.

EXHIBIT 16

ACTION RESEARCH IN OVERORGANISED AND UNDERORGANISED SITUATIONS

	OVERORGANISATION	UNDERORGANISATION
Change strategies	Decrease pervasiveness and power of leadership control	Increase influence and clarify role of authorities
	Relax conformity to overcoming cultural norms and values	Create more dependable influential norms and values
	Redesign structure for flexibility and responsiveness	Design structures to establish roles and rules
	Revise technology to promote autonomy and discretion	Rationalise technology to create predictability and regularity
Phases of the change process	Entry: establish expectations and contract	Identification: clarify nature of organisation
	Diagnosis: collect and analyse data	Convention: bring together relevant members
	Intervention: action to loosen organisation constraints	Organisation: bring together relevant members
	Evaluation: assess intervention and plan future	Evaluation: assess organisation and plan future
Relationship between change agent and client	Loosely organised in comparison with organisation as a whole: o leadership shared by consultant and client o norms for openness and flexibility o structure loosely defined and flexible o technology ambiguous	Tightly organised in comparison with organisation as a whole o directive leadership by consultant o clear and constraining norms and values o specified roles and procedures o defined and routinised technology

Source : Huse and Cummings (1985, p. 29)

There is some evidence to support the above argument from Brown (1981) whose book, entitled 'Innovation diffusion: A new perspective', in contrast to the overall literature on the subject, focuses on the ways in which innovations and the conditions for adoption are made available to individuals, households and enterprises. Brown's conclusion, following case studies of several agricultural innovations in Kenya, Mexico and Sierra Leone, was that institutional actions affected the diffusions he studied. The case studies, he said,

> "... provide strong evidence that government, propagator and diffusion agency actions affect diffusion patterns in Third World settings". (p.226)

The design of organisations, therefore, becomes a crucial factor in attempts at planned change. This leads to the overall hypothesis of the study.

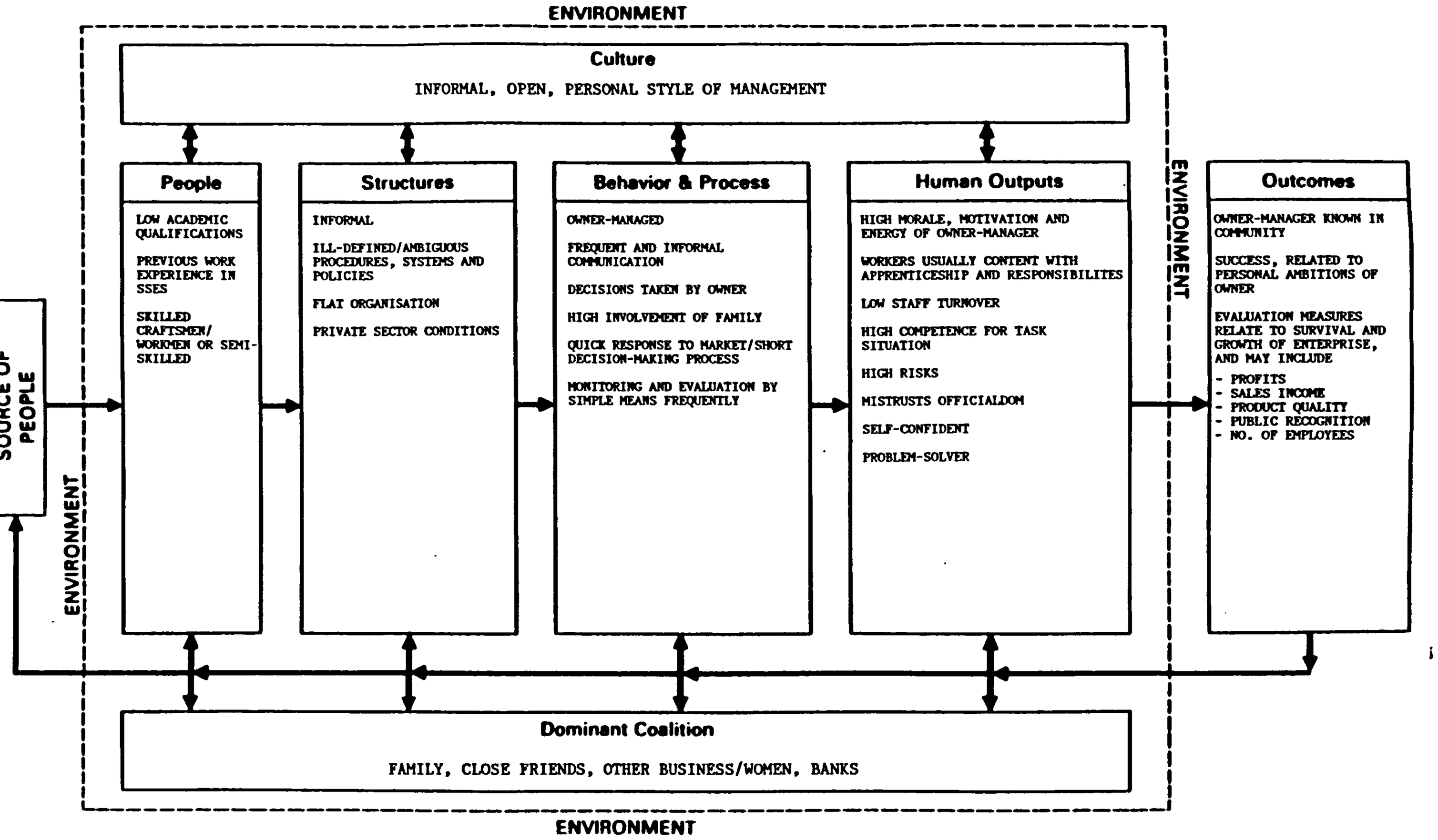
THE CENTRAL HYPOTHESIS OF THE STUDY

It has already been demonstrated that it is possible to examine the key issues and problems that arise in the organisation and operation of SSE extension services within the framework of systems theory - Exhibit 15.

It can be shown further that there are specific mismatches between SSE support organisations and SSEs in terms of the four major organisational components which have to be congruent for effectiveness (shown in Exhibit 13).

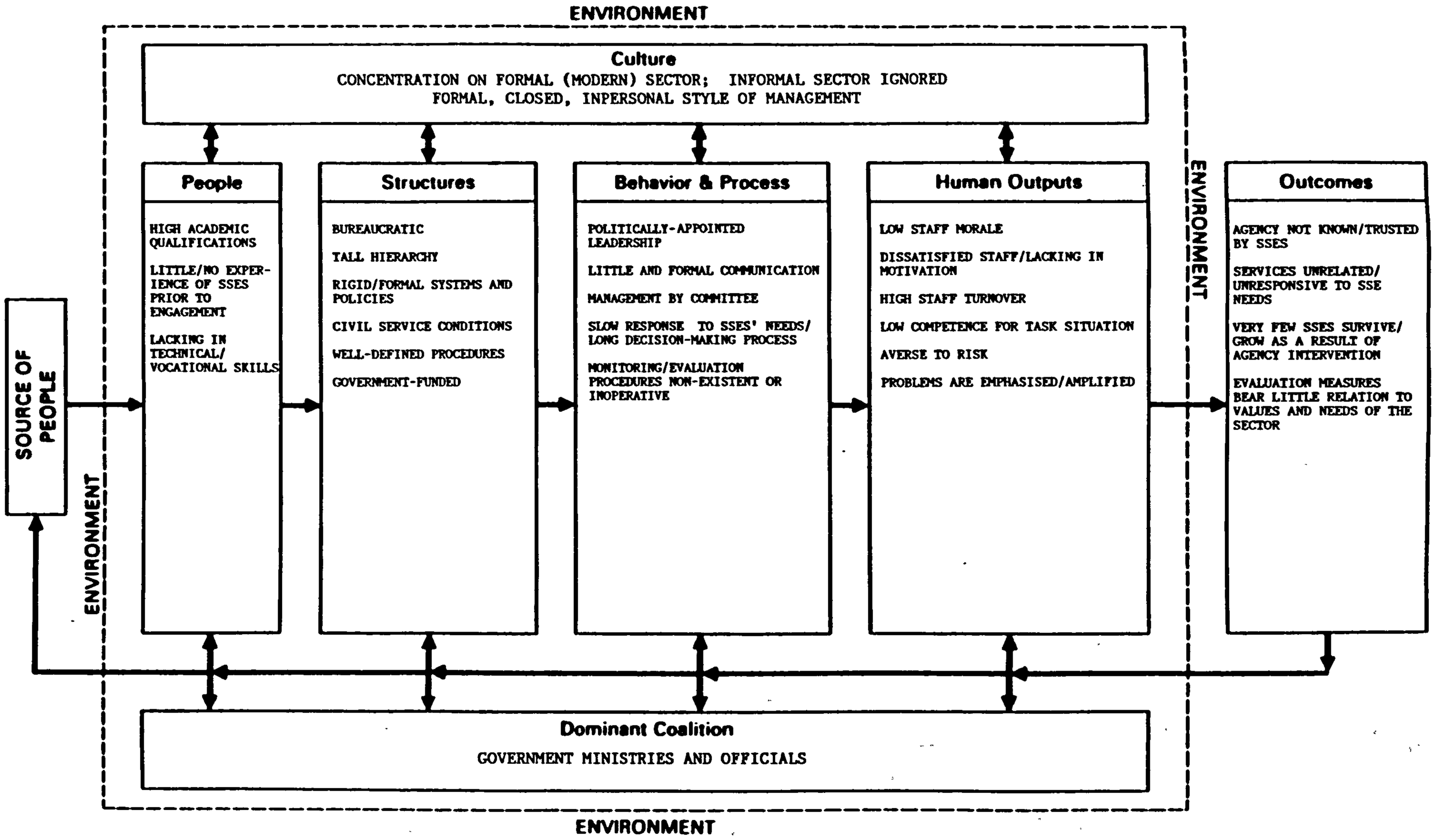
Exhibits 17 and 18 are diagrammatic representations of SSEs and support agencies. They indicate that there are major differences and mismatches in respect of all of the major components. Yet, congruence between these components have been shown to be necessary for organisational effectiveness. It can be argued, therefore, in the light of the foregoing, that the key issues and problems - which are all essentially concerned with effectiveness - that arise in the organisation and operation of SSE extension services are determined by mismatches between the people, structures and processes employed by support institutions and those found in SSEs. This is the overall hypothesis of the study. In other words, the closer the support institution gets

EXHIBIT 17 SSES IN DEVELOPING COUNTRIES - A DIAGRAMMATIC REPRESENTATION



Source : Adapted from the SSE literature

EXHIBIT 18 SSE SUPPORT INSTITUTIONS IN DEVELOPING COUNTRIES - A DIAGRAMMATIC REPRESENTATION



Source : Adapted from the SSE literature

to the SSE, in terms of the people, structures and processes employed, the greater the likelihood of impact. Conversely, the farther the support institution gets away from the enterprise model, the lesser the likelihood of impact. It is proposed to test this hypothesis in the next chapter.

SUMMARY AND CONCLUSION

This chapter set out to provide a framework for the design of extension and related support services. A crucial test, it was decided, was that the framework should be able to determine most, if not all, of the key issues and problems identified.

The role of conceptualisation in better design of services was found to be not only important but also well-recognised and yet long overdue in the literature. The guiding principle in further exploration was provided by the contingency theory of organisation design, viz. in designing organisations they may be viewed as dynamic entities which must take on structures and processes appropriate to the particular conditions and people. Thus, the effectiveness of a given organisational design is contingent on the situation and must be judged by the congruence or fit of social structures and processes with the individuals being recruited and the environment being served.

A central factor in the contingency theory of organisation design is the overall mission of the organisation. Accordingly, the chapter looked first of all at the overall mission of extension services and, in the light of that, the design of an appropriate organisation to fufil the goals.

The mission of extension organisations is generally perceived in terms of external change agents attempting to develop clients through planned change. The concept of change, therefore, provided a reference point for conceptualising SSE extension. Consequently, three major models of planned change were discussed - viz. Lewin's Force-Field theory, the Planning Model and the Action Research Model - along with the theory of innovation diffusions.

All the three models, in describing the phases by which planned change occurs in organisations, were found to have relevance for SSE extension. Equally, diffusion studies were useful and had practical implications for SSE extension. It was found, however, that, to be effective, the applications of these concepts needed to be related to the particular conditions and people for whom they would be used, in line with the contingency notion of organisation design.

This led to the exploration of systems theory and the models derived therefrom in seeking to find a suitable framework. One such model - Beer's systems model of organisations - was considered to be most relevant to extension and was subsequently tested for its appropriatenss for embracing the key issues identified in Chapter 4.

Within the framework of Beer's model, the key issues and problems were examined, along with the functioning of SSE extension organisations, which found Beer's model capable of examining as well as embracing the issues. Little explanation was offered, however, as to how the issues arose and how they may be resolved.

In the light of the overall discussion, analysis of the work of Huse and Cummings in their strategies for applying the Action Research Model supported by evidence from Brown concerning the adoption of innovations, as well as the use of Beer's model to provide a contrasting description of SSEs and their support agencies, provided important clues which led to the central hypothesis of the study.

It is proposed to operationalise the concept and test the hypothesis presented in this chapter in the field.

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CHAPTER 7

FIELD RESEARCH METHODOLOGY

OVERVIEW

This chapter discusses the operationalisation of the conceptual model presented in the previous chapter and then examines the issues and arguments behind the choice of the strategy adopted for the research. In the event, it addresses two topics often separated in texts on research methodology, namely design and data analysis. In practice, these are closely interlinked, as Howard and Sharp (1983, p.100) point out, and for this reason both aspects are dealt with together in this chapter.

In-depth interviews were held over several months in Ghana with owner-managers (OMs) of SSEs and senior staff of SSE support institutions with a view to exploring research issues and, thereby, testing the hypothesis derived from the conceptual model. The operationalisation of the model, reasons behind the choice of sample, data collection methods and techniques used in analysis are discussed, along with the efforts made to ensure as well as substantiate the validity, reliability and generalisability of the findings. The major difficulties encountered are highlighted in the appropriate sections.

OPERATIONALISING THE MODEL: RESEARCH PARAMETERS, HYPOTHESES AND QUESTIONS

It will be recalled that the overall purpose of the research is to contribute to a greater understanding of those factors and issues which influence the successful operation of extension and other support services for SSE development in developing countries. To this end, the objective was to test the central hypothesis that the key problems and issues that arise in the management and operation of SSE support and extension services are determined by mismatches between the people, structures and processes of support agencies and those of SSEs.

It is possible to test this hypothesis using the framework of Beer's conceptual model presented in Chapter 6. The model suggests that certain components have to fit or be congruent in order for an organisation to be effective. These components, which have been discussed in Chapter 6, can be adopted as the parameters of the research as well as serve as a source for deriving specific research questions. They are:

Parameters of the research

People
Structures
Behaviour and process
Dominant coalition
Human outputs
Culture
Organisation purposes and outcomes
Environment

The task now is to decide specific hypotheses for each of these parameters, i.e. what exactly to test, and to translate these into specific questions.

The specific hypotheses for testing follow the overall hypothesis and are also determined by the issues and gaps uncovered in the literature review. In turn, the specific hypotheses define the

research questions. More specifically, for each of these parameters, a checklist of dimensions or issues, derived from OD research and practice, has been outlined in the discussion in Chapter 6. In addition, Price (1972), in his classic 'Handbook of organizational measurement', suggests various ways and questions for measuring these and other parameters.

From these sources, specific hypotheses and questions can be formulated which address the issues and enable the overall hypothesis to be tested. These are presented below under the relevant research parameters.

Specific hypotheses and research questions

People

It is intended to test the hypotheses that, on the whole:

(a) support agency staff are different from owner-managers (OMs) of SSEs with respect to gender, age, academic attainments, skills and previous work experience;

(b) support agency staff are academically over-qualified for the task environment and, at the same time, lack the skills and practical small business experience of OMs;

(c) the number of agency staff and training provisions are inadequate for the task environment;

(d) all of these factors contribute to an inability to assist SSEs properly.

The above hypotheses are logically derived from the research objective and overall hypothesis, and reflect key issues raised earlier. It is evident from these that the issues or questions to address should focus on the profile and background of owner-managers (OMs) of SSEs and staff of support agencies. Specifically, for both of these the following questions may be raised: gender, age, academic attainments, skills, previous work experience and number of SSEs and agency staff employed.

Structure

It is intended to test the hypotheses that, on the whole:

(a) the organisation structure, type, ownership and funding of support agencies do not match those of SSEs;

(b) agencies are unable to respond effectively to SSEs' needs, due in part at least to their structure.

As with People above and the other parameters below, these hypotheses are logically derived from the research objective and overall hypothesis, and reflect the issues uncovered in the literature review. It follows from these that the research should aim to supply answers, from both SSEs and agencies, to the following: ownership and type of organisation, financing and organisation structure.

Behaviour, Process and Dominant Coalition

It is intended to test the hypotheses that, on the whole:

(a) the control, decision-making and communication processes of support agencies do not match those employed by SSEs;

(b) the constraints to agencies' effectiveness are related to their control and management.

Similar comments with respect to the derivation of these apply as with People and Structure above. The following may be deduced, as far as questions are concerned: the control, decision-making and communication processes of both SSEs and agencies and constraints to agency effectiveness.

Culture

It is intended to test the specific hypothesis that the value systems and other aspects of organisational culture of support agencies are not congruent with those of SSEs.

This hypothesis may be operationalised by, firstly, asking OMs to

describe what they consider to be their most significant achievements. Secondly, SSEs and agencies may be asked to state their evaluation criteria, which may be indicative of value systems. Finally, SSEs and agencies may be asked for their views on the characteristics of a well-managed SSE.

Human outputs

It is intended to test the following specific hypotheses:

(a) Support agencies have different attitudes, or perceptions, from SSEs on how to manage or appraise a small business.

(b) Lack of trust and OMs' perceptions that agencies are unable to assist satisfactorily account, at least in part, for why greater use is not made of external assistance by SSEs.

(c) SSEs would be willing to pay for services provided that these met their needs for support.

To operationalise these, the views of SSEs and agencies on the characteristics of a well-managed small firm may be solicited. (Clearly, there is an overlap here with organisation culture; the model suggests that human outputs and culture do influence and shape each other.) Secondly, OMs may be asked to state the reasons for their choice of business consultants. Finally, explanations could be sought from OMs as to the conditions under which they would welcome external assistance, as well as statements as to whether they would be willing to pay for such assistance.

Organisation purpose and outcomes

It is intended to test the hypotheses that, on the whole:

(a) support agencies are not meeting the needs for assistance and objectives of SSEs, and for that matter not meeting their own goals;

(b) the closer the support agency is to SSEs in terms of its

people, behaviour and process, the more effective will be the agency in responding to the needs of SSEs.

To operationalise the first hypothesis, the goals of agencies as well as the objectives and needs of SSEs could be examined against the backcloth of services provided by agencies.

To determine needs for assistance, the following questions could be posed. Firstly, OMs might be asked to suggest areas in their business which could be improved. Secondly, they might be asked to indicate their perceptions of priorities for external assistance for the sector. Thirdly, they might be asked simply to indicate their problems. (A further relevant question seeking to determine the conditions under which OMs would be prepared to receive external assistance is considered under Human Outputs above.)

With respect to the second hypothesis, there are broadly-speaking two approaches that might be considered in measuring effectiveness. These can be categorised, for the sake of convenience, into quantitative and qualitative measures. Given that the concern for effectiveness underlies virtually all of the issues of debate, it is necessary to examine in some detail here the different measures and to justify the approach adopted.

The best-known quantitative approach for making pre-investment decisions and project evaluation is cost-benefit analysis. Although originally developed and traditionally employed for comparing investments in physical assets - such as large public works programmes - the broad principles of cost-benefit analysis (or CBA, in short) appear to have wide applicability. Indeed, according to Layard (1972),

> ".. there is no problem, public or personal, to which its [i.e. cost-benefit analysis'] broad ideas could not in principle be applied". (p.9)

The basic notion of CBA is quite simple. If a decision has to be made as to whether to do X or not, the rule is: do X if the benefits exceed those of the next best alternative course of action, and not otherwise. In Economics terms, the benefits of the next best alternative to X are 'the costs of X', since if X

is done those benefits are lost. The rule, therefore, becomes : do X if its benefits exceed its costs, and not otherwise.

A few definitions may serve to explain the conceptual framework on which CBA depends.

According to Hatry (1963), in 'The Encyclopaedia of Management', CBA may be defined as

> ".. the quantitative examination of alternative prospective systems as to the potential trade-offs with regard to the benefits or effectiveness to be gained and the costs to be incurred among the alternatives for the purpose of identifying the preferred system and its associated equipment, product, etc. Money is generally used, but any economic resource might, for a given problem, be the limiting factor". (p.122)

Levine (1966) stresses the relationship to decision-making in proposing the following:

> "By 'cost-benefit' is meant the relationship of the resources required (cost) to attain certain goals (benefit). It is based on the economic concept that many executive decisions involve the allocation (best use) of limited resources among competing requirements. The allocation of available resources is determined by a comparative analysis of the current system with presumably practicable alternative systems." (p.1)

These definitions differ in terms of the complexity of the idea they present. It is apparent, however, that (a) there is an emphasis on the relationship to decision-making and (b) CBA goes beyond the simple ratio of resources to results and makes comparison of alternative ratios.

Pearce (1983), in taking on board criticisms of the technique, supplies a less technical definition perhaps, which encapsulates the essence of the foregoing, as follows:

> "CBA is a procedure for:
> 1. measuring the gains and losses to individuals, using money as the measuring rod of those gains and losses
> 2. aggregating the money valuations of the gains and losses of individuals and expressing them as net social gains or losses." (p.3)

Several concepts underlie CBA (Hall, 1976; Pearce, 1983), which are challenging by any standard. The major ones are reviewed

below.

Firstly, social accounting: In order to provide the information needed for decision-making, the analyst's first task is to express costs and benefits in a single common monetary unit. This is not an easy task, especially as far as training and other investments in human (as distinct from physical) assets are concerned, and stems from the fact that in its early stages of development, CBA was confined to flood control and other public works programmes involving vast expenditures affecting large sections of the community.

Secondly, setting boundaries: A clear understanding of the boundaries within which a decision is made is necessary for rationalising the decision. It is this emphasis on the social view that generates many of the philosophical problems of CBA. For example, which set of individuals constitutes 'society'? Or should the organisation be considered as it exists today or should the future shape of the organisation and its likely preferences be projected and estimated?

Thirdly, assigning values: In order to quantify benefits, the analyst must choose a measure which reflects society's preference for each outcome. The concept used is the consumer's willingness to pay for the product. This, in turn, will be reflected in the price of the product. However, since there is no market in the benefit or cost of industrial training or other SSE support programmes, no such prices exist. The analyst must, thus, seek surrogate measures.

Fourthly, resource allocation: It is necessary to question the efficiency of the particular activity under investigation. Efficiency relates to how well the programme or activity utilises the resources invested in it, and has two dimensions viz.: (a) proportion - the relationship of inputs and outputs within a given programme, without regard to alternatives, and (b) alternative use - which compares the mix of inputs to outputs in alternative programmes or activities.

Fifthly, marginal analysis: This poses the problem of applying economic analysis to budget decisions, the optimum principle for

decisions being to increase the allocation of resources until the benefit derived from the last unit of expenditure covers the cost.

Finally, valuing intangibles: To provide sufficient information for decision-making, the analyst is frequently faced with the problem (or challenge) of valuing intangibles, e.g. noise, or indirect costs and benefits. This is the source of many a criticism levelled at CBA.

As mentioned earlier, CBA has traditionally been applied to investments in physical assets. In recent years, however, the technique (or approach, as Dasgupta et al, 1972 prefer to refer to it) has been applied to investments in human assets also. Hall (1976), for example, has reviewed several case studies of CBA applications in industrial training. Of much interest also, Gibb (1977) has done a study to explore the relevance of CBA to evaluation of training.

As far as extension services are concerned, as stated in Chapter 4, there has been two known attempts to measure the benefit/cost ratio of assistance. One of these is an ILO (1985) evaluation of the EIDDC (Engineering and Industrial Design Development Centre) in Egypt. This study estimated indirect as well as direct benefits as follow:

Indirect benefits:
- Savings in some specific projects performed for SMI by the EIDDC
- Awareness about presence and availability of extension services
- Employment generation
- Training and upgrading of both employees and management.

Direct benefits:
- Increases in sales
- Increases in profits
- Increases in assets.

Two separate calculations were made for costs. The first was based on the total budgeted cost of the technical assistance programme, the second on the allocated cost to the extension service alone. On these bases, the benefit/cost ratios were estimated at 1.2/1 and 2.3/1 respectively.

A number of assumptions were made in the methodology, an important one being that only 50 per cent of the increases listed under direct benefits would be attributed to the effects of the extension service. (The balance was considered to be due to other economic factors beyond the influence of the service.) Another significant assumption was the duration of five years in imputing benefits.

The sample size of the study was 17 firms, representing 1.3 per cent of the total 1,260 firms which had been covered by the service. A control group was not employed nor were comparisons made with other alternative programmes.

The other attempt to measure cost-effectiveness using CBA came from a GTZ (1982) evaluation of SSI extension in Nepal. Using profits and value added as measures of benefits, the benefit/cost ratios were estimated at 2.2/1 and 3/1 respectively. The methodology was broadly similar to the study outlined above, except in the following notable respects: firstly, only direct benefits using the two measures mentioned were computed; and, secondly, the duration of benefits was assumed to be a year.

These two studies are noteworthy, not least because they represent a bold attempt to respond to the concern for research into the performance or cost-effectiveness of SSE extension services. They do, nonetheless, beg the question as to the validity of CBA as a tool for appraising investments in general, and small business support in particular. This question had critical implications for the approach adopted for the research and, therefore, deserves to be addressed here.

CBA has excited, and continues to excite, opinion among economists and non-economists alike. Whilst most economists who have published on the subject ultimately defend the technique - see, for example, Dasgupta et al (1972), Layard (1972) and Pearce (1983) - there is both a substantial and an influential body of opinion which is highly critical of the assumptions underlying the concepts, thus questioning its validity, especially with respect to evaluating investments in human assets such as industrial training and SSE support.

The validity of a CBA methodology can be defined as the extent to which the analysis serves the purpose for which it was designed. (Hall, 1976) Validity can be specifically considered under four distinct headings, viz:

- Content - i.e. the extent to which the analysis adequately samples the project or programme in question;

- Construct - i.e. the adequacy of the concepts behind the analysis within a theoretical framework;

- Face - i.e. the basic acceptability of the analysis in terms of (a) the concurrence of the results with other subjective assessments, (b) its comparability with other evaluative techniques, and (c) the reliability of the methodology;

- Predictive - i.e. the extent to which the methodology used can predict the outcome of a project or programme.

Misgivings have been expressed in the literature over aspects relating to all of the four areas outlined above. It is with respect to construct validity, however, that CBA meets its most severe challenge in quantifying factors whose measurements can be questioned. Amongst the most distinguished personalities who could be mentioned in this respect are Self and Schumacher. Referring to the attempt to express all benefits and costs in monetary terms, even in cases where no market in the benefit or cost existed, Self (1970) remarked

> "Cost-benefit analysis gets its plausibility from the use of a common monetary standard, but the common value of the £ [pound sterling] derives from exchange situations. Outside such situations, common values cannot be presumed, and symbol and reality become easily confused..... To call these judgements £s is to engage in a confidence trick - to exploit the ordinary man's respect for the yardstick of money in what are actually non-monetary situations". (p.8)

Schumacher (1973), in his most celebrated book, 'Small is beautiful', expressed a similar concern:

> "To express non-economic values into the framework of the economic calculus, economists use the method of

> cost/benefit analysis. This is generally thought to be an enlightened and progressive development, as it is at least an attempt to take account of costs and benefits which might otherwise be disregarded altogether. In fact, however, it is a procedure by which the higher is reduced to the level of the lower and the priceless is given a price. It can therefore never serve to clarify the situation and lead to an enlightened decision. All it can do is lead to self-deception or the deception of others; for to undertake to measure the immeasurable is absurd and constitutes but an elaborate method of moving from preconceived notions to forgone conclusions... what is worse, and destructive of civilisation, is the pretence that everything has a price or, in other words, that money is the highest of all values." (pp.41-42)

The above objections, although highly influential, are only illustrative of the criticisms of CBA. For, construct validity, or the attempt to put money values on non-marketed things, is by no means the sole focus of misgivings about the approach. Nor are Self and Schumacher alone as critics. Several other objections are found in the literature relating to content, face and predictive validity also, from various sources. (See, for example, Mishan, 1971 and Pearce, 1983.)

In addition, regarding the specific application of CBA to industrial training, Hall (1976) pinpoints various limitations concerning the the technique's validity as an evaluative tool.

In a more extensive study to explore the relevance of CBA to evaluation of training, Gibb's (1977) Ph.D. thesis shows the concept to be "subject to a great many constraints". Gibb writes in the conclusion,

> " The rigorous methodology demanded and the need for 'hard' data was, however, seen to place limits on the scope for 'investment appraisals'... In a great many cases 'other factors' were seen likely to intervene to effect the training outcome in performance terms and therefore inhibited 'controlled experiment'... Moreover most of these 'other factors were outside the scope of influence or responsibility of the trainer in the organisation". (pp.211-212)

Besides several of the points already mentioned, Gibb argues that, although most studies using CBA try to match the sample with a control group in terms of size of the firm, industry or products, there is no theoretical justification for these. In other words, the fact that a firm may be of similar size and/or

make products similar to another, for example, does not necessarily mean that they are equally matched. They could possibly be at different stages of development, for instance, which may influence the effects (or the lack) of assistance, to say little of the benefits and 'carry over' of previous training, which is not assessed in CBA.

It is thus evident from the foregoing, that objections to CBA applications and questions about its validity as an evaluative technique are both serious and wide-ranging. It ought to be stressed though, for the sake of balance, that the value of the technique in aiding pre-investment decision-making in physical assets is not, on the whole, at issue. It is, rather, the attempts to apply them in investments in human assets, such as industrial training and SSE assistance activities, which are fraught with problems and which many oppose.

Even the ILO (1985) evaluation of the technical extension services of the EIDDC - one of only two known attempts to calculate the benefit/cost ratio of SSE extension services, it will be recalled - could not help but question the assumptions behind the application of the technique:

> "The measurement of increased income or profit can be calculated with some certainty, but the influence of extension service towards creating such improvement increases rest on a number of assumptions of varying validity". (pp.1-2)

Thus, whilst recognising that CBA is useful for certain applications, it has to be said also that the technique has yet to surmount the difficulties encountered in its application to situations such as SSE assistance.

With respect to the present study, there were three practical problems in particular which mitigated against the adoption of the technique as a suitable approach for assessing the effectiveness of support agencies in Ghana.

Firstly, the analysis offered no evidence that the benefits to a SSE, which received extension services or other assistance, were a direct result of the intervention of the support agency which provided the assistance. It would have been necessary, in order

to determine this, to hold all other factors constant. In principle, a control group could be used to get round this problem, but there would still be no valid reason for supposing that the changes (or benefits) would not have occurred had the beneficiary received a different type of assistance or no assistance at all. In Ghana especially, this problem is aggravated by the effects of the Structural Adjustment Programme on the sector, massive currency devaluation and high inflation during the course of the last five years (next chapter refers).

Secondly, even if a control group was used, the technique had to ensure (a) random allocation of beneficiaries of assistance, (b) that the control group was exactly matched to the group of firms which received assistance and that (c) due account was taken of the transfer of learning or benefits from previous training or assistance - all impossible tasks, in practice.

Thirdly, before and after measures would have been needed to assess the impact of assistance over the period under review. In practice, this would have necessitated over the period in question, the identification and isolation of the control group from assistance as well as the identification of the sample to be used in the study, to say nothing of the certainty of the firms' co-operation. Clearly, apart from the difficulty of achieving these things and the morality of it all, the resources available for a Ph.D. rendered this approach highly difficult to pursue.

It might be added to the above that the research was concerned with the design of institutions and services as a whole and not with evaluation, albeit important, exclusively.

In the light of the foregoing, it was considered more appropriate to look to qualitative measures for indications of effectiveness.

Qualitative measures of outcomes and analysis adopted

The measures adopted for assessing the performance of support agencies are, not unlike other qualitative analytical methods, based on value judgment and observation, to a significant degree. These bases of measurement, as well as the adoption of qualitative analysis on the whole, have firm backing from the

literature. Tyler (1956), for example, says

> "Evaluation is a value judgement based on a process of appraisal through a variety of observation instruments". (p.1)

Whilst on the nature of the methods, Walker (1985) points out,

> "Analysis of qualitative material is more explicitly interpretive, creative and personal than in quantitative analysis, which is not to say that it should not be equally systematic and careful." (p.3)

Thus, intuition plays an undeniable role in qualitative analysis, as Miles and Huberman (1984) point out. However, as Moser and Kalton (1971, pp.439-440) confirm, inference is part of analyses; moreover, analysis does not necessarily have to be statistical. Moser and Kalton go further to suggest the following:

> "The researcher who cautiously confines his conclusions to those strictly justified by the data may be safe from criticism, but he is not making his own full potential contribution. There is surely room in every research report for the research worker's own ideas and speculations, even if he cannot offer chapter and verse to substantiate them. In the course of his work he must inevitably develop theories and hunches, and, so long as he makes clear that they are no more than this, it is a pity to omit publishing them with the results." (p.467)

It is clear from the foregoing, then, that there is firm backing in the literature for qualitative measures and analysis. Thus, to test the second hypothesis, listed under 'Organisation purpose and outcomes' above, the following approach might be adopted.

Firstly, support agencies can be characterised and scored in terms of delivery of services. Delivery of services might be assessed using criteria supplied by Gibb (1987) - Exhibit 19. The appropriateness of these measures for assessing delivery of SSE support services has been discussed elsewhere by Gibb (1987).

Secondly, awareness by SSEs of agencies might be tested.

Thirdly, agencies might be asked to rate themselves in terms of effectiveness in achieving their goals, and SSEs that have come into contact with agencies might be asked to describe their experience and evaluate the usefulness of the meeting.

Finally, all of the measures above could be compared with a matrix scoring of agencies in terms of the closeness of match of their people, structures, culture and processes to those of SSEs.

Exhibit 19 Basic design issues in delivery of SSE services

Locally provided
Easily accessed
Time effective
Informal
Personally delivered
Highly visible
Credible
Owned/accepted by business community
Opportunity/problem oriented
Trustworthy
Cheap
Integrated (as far as possible).

Source: Gibb (1987)

The earlier part of this chapter has discussed the operationalisation of the conceptual model into specific hypotheses and research questions. The reasons for the rejection of cost-benefit analysis have also been presented along with the rationale for adopting qualitative measures to indicate organisation outcomes. It remains now to examine the issues and arguments behind the choice of the strategy that was adopted for the remainder of the research.

CHOOSING A RESEARCH SITE

The parameters listed above are the components of a conceptual model which provided the framework for examining issues uncovered in the literature review and survey. From this model and the discussion of its components was derived a hypothesis which required testing in the field.

Ghana was chosen as research site for the study for the following reasons:

Firstly, it provides cases of support institutions of varying

characteristics and structures which have been established for a period long enough to allow testing.

Secondly, with two notable exceptions - which are both dated - namely, Checchi and Company (1976) and Steel (1977) - virtually no major empirical work or study had been published on SSE development in the country. (In October 1987, the ODA (ESCOR) funded a year's research project into SSI development, which was completed shortly before the submission of this thesis.)

Thirdly, given a dearth of current policies and seemingly no integrated programmes of assistance for SSEs, the supportive environment presents an opportunity as well as a challenge to implement and follow up prescriptions for action.

Fourthly, since Ghana was not included in the aforementioned worldwide institutional survey, it provided an opportunity to test findings against experience elsewhere, which was essential for the purpose of making generalisations.

Lastly, but not least, given that it is the researcher's home country, Ghana not only held natural interest, but also was attractive from the viewpoint of cost - described in the literature as "the master obstacle" to research. (Simon, 1969 p.167) Most importantly, perhaps, it presented no cultural nor insurmountable linguistic difficulties. Rather, the researcher was able to communicate effectively with SSEs and agencies in a way which may not have been easily attained, if at all possible, in another environment.

CHOOSING A RESEARCH STRATEGY

The concern, in the light of the foregoing, was to decide how best to address the research questions, given constraints of time and cost, as well as the need to demonstrate that the data were properly collected and that the analysis was appropriate and had sufficient depth.

The social sciences literature abounds with several relevant methods for empirical investigations which researchers in the

organisation and development field have employed over the years. The most common of these fall under the following: personal interviews, postal questionnaires, telephone survey and observation. For each of these, there is an array of options and techniques, besides the fact that various combinations are possible.

Personal interviewing was the main approach adopted for both agencies and SSEs, although observations, in the general and 'non-technical' sense, were always made to complement or, in a some cases, substitute direct questioning.

The reasons for choosing the approach adopted and for the rejection of the others are discussed below.

The technical use of observation methods, notably direct and participant observation, would have necessitated the intensive study over several months of SSEs and support agencies in both work and social contexts. A direct application of these would have meant, for example, accompanying extension officers and other agency staff on their trips to the field as well as being present in the office environment. In order to avoid bias and to be objective, such an approach would have necessitated studying not only several major institutions, perhaps all of them given that Ghana has but only a few, but also several staff of each institution for a considerable period of time.

Mouzelis (1967) reflects in part the foregoing in stating:

> "It is obvious that however ingenious the testing of hypotheses within one organisation, we can never be sure of their generalised validity. On the contrary, we can be almost certain that such hypotheses are only valid under certain conditions and for certain types of organisation. This being the case, the only way to find out which are these conditions is by the appropriate comparison of more than one case". (p.68)

Similar considerations would apply in any attempts at observing OMs of SSEs. Unfortunately, the constraints on time for a doctoral research render such an approach for the present research extremely difficult.

A further factor mitigating against observation methods related

to the difficulty of witnessing as well as analysing the various influences and interactions upon subjects studied. For OMs this would have necessitated being present at work, home and social gatherings, and for agencies there would have been training sessions and meetings to observe, besides going on field trips. Even supposing that willing participants would be found - by no means a certainty - it would have been practically impossible for the researcher to carry out these activities, given limited resources.

The reasons for not choosing a postal survey are equally compelling, especially with respect to SSEs. Indeed, for SSEs, a postal questionnaire was out of the question, given problems of illiteracy (both absolute and functional), the various interpretations that could have been applied to the questions and the nature of the questions (notably the open-ended ones). Moreover, insights gained through observation would not have occurred. Most importantly, the majority of the sample of SSEs could not have been contacted for lack of a postal or contact address. On top of all these, there is a major drawback with this method in the problem of non-response, accentuated in Ghana, and no doubt in many other developing countries, by a rather unreliable postal service.

Thus, given the Ghanaian environment, the postal approach was fraught with what amounted to virtual insurmountable difficulties, as far as SSEs were concerned.

With repect to support agencies, whilst some of the above do not hold, the following were important, nonetheless. Firstly, there was the usual risk of ambiguity or different interpretations to questions posed. Secondly, there was the problem of non-response coupled with the unreliability of the postal system. In these respects, it was felt that non-response by as few as two of the major agencies studied could have made a considerable difference to the findings. Thirdly, sole reliance on this method would have meant, as with SSEs, that insights gained and cross-checks by observation would not have been made nor would the several informal 'off the cuff' remarks have been available.

In the light of the prevailing conditions in Ghana, therefore,

and of alternative approaches, it is believed that the approach adopted was the most appropriate. Certainly, it has permitted the research questions to be addressed, allowed the hypothesis to be tested and enabled the necessary conclusions to be drawn. Besides, as the preceeding paragraphs have shown, the strategy adopted represented the only feasible one in Ghana for the purpose of the study.

CHOOSING A POPULATION FOR STUDY

The field study was concerned to ascertain, inter alia, the profile of OMs, the structures and processes of SSEs as well as their experiences, if any, of support institutions. In view of the vast nature of the population of SSEs in Ghana - Checchi & Co. (1976) suggested that there were over 30,000 establishments in 1976 - the only feasible option was to select a sample.

The sampling process was not made easy by the non-availability anywhere of a register of any sort of SSEs. This in fact proved to be a major constraining factor influencing the entire sample frame. Nor were matters facilitated by the lack of an official or even common definition of SSEs. The constraints of time and cost always remained.

It was against this background that the researcher sought to select, in the words of Glaser and Strauss (1968),

> "...groups that will help generate, to the fullest possible extent, as many properties to the categories as possible, and that will help relate categories to each other and to their properties". (p.49)

Thus, whilst decisions were guided by the two major principles which underlie all sample design, viz. the desire to avoid bias in the selection procedure and the need to achieve the maximum precision for a given outlay of resources (Moser and Kalton, 1971), practical considerations and prevailing environmental conditions superseded the strict requirements of sampling theory.

The resultant pragmatic approach adopted not only to sampling but indeed to the entire research design including analysis is recognised by Moser and Kalton (1971) who assert:

> "Sometimes it is more profitable to study intensively a handful of cases rather than a representative sample; to use conversational rather than formal interviewing; not to aim at a set of statistics about a group so much as at a full description of each individual". (p.488)

In the present research, nonetheless, efforts were made to adhere to what Blalock and Blalock (1971, p.326) refer to as the basic requirement of sampling, namely to select a representative sample.

Criteria for sample selection

It was decided to exclude SSEs which had been operating (as distinct from mere registration to commence business) for less than one year. This was considered necessary since firms operating for less than a year were unlikely to have evolved any clear patterns of behaviour and control processes, and also given that it was intended to ascertain the achievement of objectives and problems encountered over time, inter alia.

Secondly, only manufacturing and service industrial enterprises, including handicrafts, in the two major industrial cities, namely Greater Accra (including the port city of Tema) and Kumasi, were eligible for inclusion in the survey. Thus, traders and retailers were explicitly excluded, as were rural areas.

The reason for excluding rural firms relates primarily to the fact that SSEs in these areas fell outside the 'catchment' areas of agencies, which was an important consideration, for example, to assess the impact and effectiveness of support services. The criterion of manufacturing and service industrial enterprises to the exclusion of retailers merely reflected national priorities. Important also, however, as with the decision not to extend the study into other urban areas, were the usual constraints of time and cost.

Finally, firms had to conform to the 'working definition' of small enterprises, derived after desk and field research in Ghana. Specifically, firms should usually employ a maximum of 25 people and capital (or fixed assets), excluding land and buildings, should not exceed five million Ghanaian Cedis. (The

official exchange rate in August 1987 was approximately 160 Cedis = US$1.) The exclusion of the 'owner-manager' as a criterion was a deliberate attempt to test the prevalence of the concept.

Size and composition of the sample

57 SSEs were studied. This sample includes four exceptions to the criteria. Two of these employed 27 and 32 people respectively, whilst the other two, both printing presses, employed capital worth an estimated C6.0 million and C7.0 million respectively. These, in all other characteristics, met the selection criteria and must be regarded as the exceptions which prove the rule.

Of the total sample, 29 were selected from lists of clients of support institutions. These are termed 'agency clients'. The remaining 28 were selected using quota sampling methods. These are referred to as 'non-agency clients'. They are not a control group. They were used, rather, for two main reasons: firstly, to find out if they differed from agency clients in terms of size, views, as well as in terms of the key parameters of the research, i.e. people, structures and processes; secondly, to test awareness of external assistance amongst the vast majority of SSEs who are not clients of agencies.

Approximately, a quarter of this non-agency client group was derived from the membership list of the Association of Ghana Industries - the only business association representing the interests of SSEs, as well as large industry, at national level. The rest of the firms making up this group were selected 'randomly' (that is, in the general and not the statistical use of the term), the selection criteria above serving as the quota factors.

Of the 57 firms, 40 came from the Greater Accra region, including 2 from the port city of Tema. 21 of these belonged to the non-agency client group. The remaining 17 firms came from Kumasi, 7 of which belonged to the non-agency client group.

The foregoing begs three key questions: firstly, the question of quota versus random sampling; secondly, the basis of the quotas,

and thirdly, the choice of size.

The issue of quota versus random (or probability) sampling has been a matter of controversy for many years:

> "Some experts hold the quota method to be so unreliable and prone to bias as to be almost worthless; others think that although it is obviously less sound theoretically than probability sampling, it can be used safely on some subjects; still others believe that with adequate safeguards quota sampling can be made highly reliable and that the extra cost of probability sampling is not worth while. In general, statisticians have criticized the method for its theoretical weakness, while market and opinion researchers have defended it for its cheapness and administrative convenience". (Moser and Kalton, 1971, p.127)

The arguments for and against these methods are well-rehearsed in the literature and, thus, do not warrant a further exposition. In the context of the present research and given the Ghanaian environment, random sampling in the strict sense was simply not possible, as this method demands as a prime requirement that all the units in the population to be covered should have a calculable (and non-zero) probability of being selected. In Ghana, there exists no list, index or other population record which covers completely or adequately SSEs, which could be used as a basis for the selection. Consequently, even informed estimates of the SSE population currently in the country are reduced to little more than guesswork upon which probabilities cannot be imputed. Even if the requirement for a precise probability was waived, it would be impossible to ensure that even half of the population of SSEs would have some chance of selection.

Quota sampling, therefore, was the only practicable method in Ghana of sampling a population for which no suitable frame was available. There are additional positive reasons favouring the method. For instance, it is relatively easy to administer, avoiding the labour of random samples, and the problems of non-contacts and callbacks. All this is not to suggest that the major danger of quota sampling was overlooked, namely securing a representative sample.

The bases or factors for the quotas were identical to the

sampling selection criteria (discussed earlier). In addition, firms should reflect the industrial profile of industry at large, which had been determined through prior desk research.

On the question of sample size, Moser and Kalton (1971) have said:

> "... short of taking a sample large enough to give the desired precision for all the variables - which would rarely be possible - there is no perfect solution". (p.149)

In practice, the size of the sample was governed primarily by two considerations, namely cost and the requirements for analysis.

> "... the only reason for not taking a 100 per cent sample of the universe is cost. But how big should the sample be? The most common ways of choosing a sample are to find out how big a sample is customary in similar research and to take as big a sample as the budget will allow". (Simon, 1969, p.170)

Whilst the "most common approach" approach to sampling, namely what is "customary in similar research", was not deliberately applied, the fact had not gone unnoticed, nonetheless, that one of the most comprehensive studies of SSE development in Ghana ever published to date chose a sample size similar to this study, i.e. 60. (Checchi & Co., 1976) It was also comforting to learn that the recently-completed ODA (ESCOR) study, which took a research team to Ghana for a year, held in-depth interviews with 43 owner-managers of SSEs. (Dawson, 1988)

The second important consideration governing sample size was the need to be able to perform analysis and to generalise the characteristics of the population. (Blalock and Blalock, p.326). Prior research before going to the field led the researcher to establish that for the purpose of the analysis to be employed, a minimum sample of 25 was required. Thus, the total sample size of 57, composed of two groups of 28 and 29, appeared quite adequate.

With regards to support agencies, the research was concerned with the major providers of assistance in the areas where there was a large concentration of SSEs, and these tended to be public. It is recognised that, not unlike the worldwide survey, this meant

the exclusion of private voluntary agencies, which tend not to offer national or even regional coverage; it is recognised, though, that collectively they may be quite significant. Consequently, seven institutions representing the major agencies with a specific assistance programme for SSEs in Greater Accra (including Tema) and Kumasi were studied. (Of the estimated 32,014 urban SSIs in Ghana in 1976, 49 per cent were located in Greater Accra and Kumasi, according to Checchi & Co. 1976, Chapter 4-5.) Assistance could be 'software' (e.g. training, extension, advice and information) or 'hardware' (e.g as raw materials and equipment supplies, finance and premises).

In addition, discussions were held with the national association representing SSE member interests, three major commercial banks and minor institutions in the supportive environment, although data acquired from these were not included in the analysis. Rather these served as sign posts and facilitators to the subjects, besides providing justification for their non-inclusion. These institutions are reviewed in the next chapter dealing with the economy, policy and institutional framework in Ghana.

Having chosen the population, the next task was to negotiate access.

NEGOTIATING ACCESS

A simple letter to the directors of institutions introducing the research and announcing the researcher's intentions prior to arrival in Ghana, sufficed to facilitate access into the support agencies. Such an approach could not, however, be utilised for SSEs as the decision as to which to study could not have been taken until arrival on the terrain. Besides, there was no adequate list of names and addresses of SSEs in Ghana, as mentioned earlier.

With respect to SSEs, it would be recalled that 29 were agency clients, and a quarter of the 'non-agency client group' was derived from the membership list of the Association of Ghana

Industries. For these, the usual approach was to mention the name of the contact official of the support institution by way of introduction and then, as with all respondents, explain the purpose of the research.

OMs of SSEs were quite remarkable in their co-operation, many of them initially supposing that some benefit in the form of external assistance might follow. It was made very clear, however, that the purpose was purely academic and that strict confidentiality would be observed in not divulging individual responses nor personal matters. Respondents were, furthermore, encouraged to refuse to answer any question which they considered personal, sensitive or unacceptable.

Refusals from both categories of SSE respondents were highly negligible. Also all the institutions in the supportive environment willingly co-operated, except the Social Security Bank (SSB) which apparently is the only commercial bank in Ghana, besides the National Investment Bank, with a specific lending policy and assistance programme for SSEs. The SSB, although not flatly refusing to be interviewed, felt that it had to refer the questionnaire to its Board for approval. After several visits to the Bank, including talks with a Director, all of which failed to produce the needed data, the researcher decided not to expend further resources here.

ORGANISING DATA COLLECTION

Given the wide geographical coverage, time constraints and the size of the sample, the researcher employed three research assistants to help in interviewing OMs of the SSEs (but not institutions, for which the researcher was the sole interviewer). One of these researchers is a social scientist with the University of Ghana, the other two were final year undergraduates with previous experience of social science research. All of these were thoroughly briefed by the researcher, and pilot runs were held with each.

The interview format was informal, although structured. The basic approach on entry into the premises was to spend about an

hour or more looking around, talking to staff, examining brochures, products, production processes and engaging in general conversation - before any attempts to fill out the schedule (i.e. questionnaire). This approach proved not only useful in providing insights and answers to certain questions, thus making unnecessary further enquiries, but also served to ensure a relaxed atmosphere and to cultivate mutual trust.

Following the familiarisation process, the interview schedule would be introduced. Beginning with simple questions of a factual nature, the conversation would gradually develop to probe the specific issues of the research.

The issues or topics covered are quite clear from the schedules - Appendices 6 and 7 - and are related to parameters outlined at the beginning of this chapter.

It ought to be recognised that whilst the interview schedules prescribed a logical flow, the dynamic nature of the interveiw process very often dictated a different sequence. Attempts were always made, however, to ensure that the necessary ground was covered.

For agencies, the head of division responsible for SSEs or his/her designated official was interviewed. In addition, in most cases, discussions were also held with the head of institution and field staff whose jobs brought them into regular close contact with SSEs.

The respondents for SSEs were all managers who, in all but one case, were also the owners of the business.

Piloting and screening

The interview schedules were thoroughly screened by the academic supervisor, researcher and a computer expert, and partially tested on research colleagues before leaving for Ghana. In Ghana, the format and schedule were further screened by a couple of social scientists at the University of Ghana and tested on three OMs and the research assistants. Changes and modifications were subsequently made.

Recording responses

For both SSEs and the agencies, notes were made to record responses on interview schedules - Appendices 6 and 7 - which contain open-ended as well as precoded questions. Provision was also made on the schedules to note other pertinent information arising through observation or conversation.

Although a tape recorder was taken to Ghana, it was decided that the drawbacks of recording in this way - notably sensitivity, shyness and suspicion - and the consequent labour and time involved in decoding and analysis were too prohibitive.

Without doubt, note-taking also has its drawbacks, amongst others the danger of missing certain responses whilst writing and the air of formality associated with jotting as well as the hindrance to natural conversation. In the event, however, none of these drawbacks proved important.

Whilst direct questioning during conversation was the main approach in soliciting responses, it was often possible to gather the necessary information through observation and informal chats both before and after the interview process proper. For example, in looking around the workplace of OMs, information was often obtained on the level of technology employed, products/services offered and industry sector. Similarly, preliminary chats and observation in agency offices revealed several aspects relating to organisation structure as well as delivery of services.

PROCESSING AND ANALYSIS OF THE DATA

Data were coded on data sheets and initially analysed using the computer-based Statistical Package for the Social Sciences (SPSS-X). For data on SSEs, further analysis, of a quantitative nature, relied mostly on SPSS-X, whilst for agencies qualititative data analysis was largely employed in subsequent investigation. Thus, both qualitative and quantitative methods were used in varying degrees for both SSEs and agencies.

In using qualitative analysis, the subjective nature of the

methods were recognised. This aspect has been addressed above in the latter part of the section entitled 'Qualitative measures of outcomes and anlysis adopted'.

Choosing techniques

There is a distinct tradition in the literature on social science research methods advocating the use of multiple methods. (Jick 1984, and Moser and Kalton 1971) This is no doubt borne out of the recognition that qualitative and quantitative methods are complementary.

The purpose of the study was the major determinant in the choice of techniques for analysis. This relates to description, generating empirical relationships and explanation. Description usually requires an overall picture, such as are provided by basic statistics of frequencies, mean and standard deviations, whilst generating empirical relationships and explanation require analyses of associations, such as crosstabulations, correlation methods and regression analysis.

The basic statistics generated can be found in Chapter 9 as well as in the Appendices. Crosstabulation and correlation were the statistical tests employed to indicate differences between agency and non-agency clients and, along with qualitative analysis, to show associations between the key parameters (or variables) of the research. Significant differences between agency and non-agency clients were found to exist only in terms of number of employees, capital employed (Chapter 8) and academic attainments of owner-managers (Chapter 9). In testing associations between variables, notably the people and structures employed by agencies on one hand and the processes and outcomes on the other, qualitative analysis proved to be more meaningful than correlation methods and regression, in view of the small number of agencies involved in the study. In particular, it was found that, in order to use regression analysis, considerably more than seven cases (the number of agencies in the study) were required. Chapter 9 contains details of the analysis.

In employing these techniques, inference, intuition and personal knowledge always played a part in drawing conclusions.

ENSURING VALIDITY AND RELIABILITY

There is always a danger in research of this nature in subsuming particulars into the general. Several efforts were thus made to avoid the scenario which Miles and Huberman (1984) describe as follows:

> "When we come up with a "finding" in a field study, we quickly assume it to be typical, representative, an instance of a more general phenomenon. But is it? And, if it is, how representative?" (p.231)

Four main methods were used to test and confirm findings:

Firstly, comparisons and contrasts: A substantial part of the findings was compared with the Checchi Report of December 1976. A previous survey in 1973 by Steel, reported in his book published in 1977, also provided checks. Apart from the well-recognised capabilities of the five authors involved in these two studies, their works, although perhaps dated, also stand as the most authoritative published to date on the SSE sector in Ghana.

Secondly, checking for representativeness: Informal interviews with several OMs, including the five who were interviewed in depth but not included in the analysis, as well as extensive talks and conferring with the General Secretary and regional officials of the Association of Ghana Industries, all confirmed the generalisability of the findings. These, together with the findings of the Checchi and Steel reports, also confirmed the representativeness of the sample to the SSE population at large.

In addition, the worldwide survey of 57 SSE support institutions in 30 developing countries provided an excellent source to test the findings on the support agencies in Ghana. The similarities were striking as Chapter 10 shows.

Thirdly, checking for researcher effects: The use of three other interviewers served to counteract any possible bias on the part of the researcher or of the others. The findings do not show any bias or difference in responses obtained by the respective interviewers.

Finally, interviewing key persons: In all the agencies studied, the key senior official directly in charge of extension or support services to SSEs was the main source of information. In addition, in most cases, professional field staff were also interviewed as well as the head of institution. In SSEs, the owner-manager was the main source of information.

SUMMARY

This chapter has discussed the operationalisation of the conceptual model adapted in Chapter 6 and examined the issues and questions behind the choice of research strategy. The research strategy employed combined both observation and personal interviewing with the aid of an interview schedule. All the major SSE support institutions in Ghana as well as a sample of 57 SSEs were interviewed in depth over several months in the Summer of 1987. The problems and choice of methods of sampling and data gathering have been discussed in context as have been the reasons underlying the choice of research strategy including data analysis. Finally, issues of validity and reliability of the findings have been addressed.

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CHAPTER 8

GHANA:

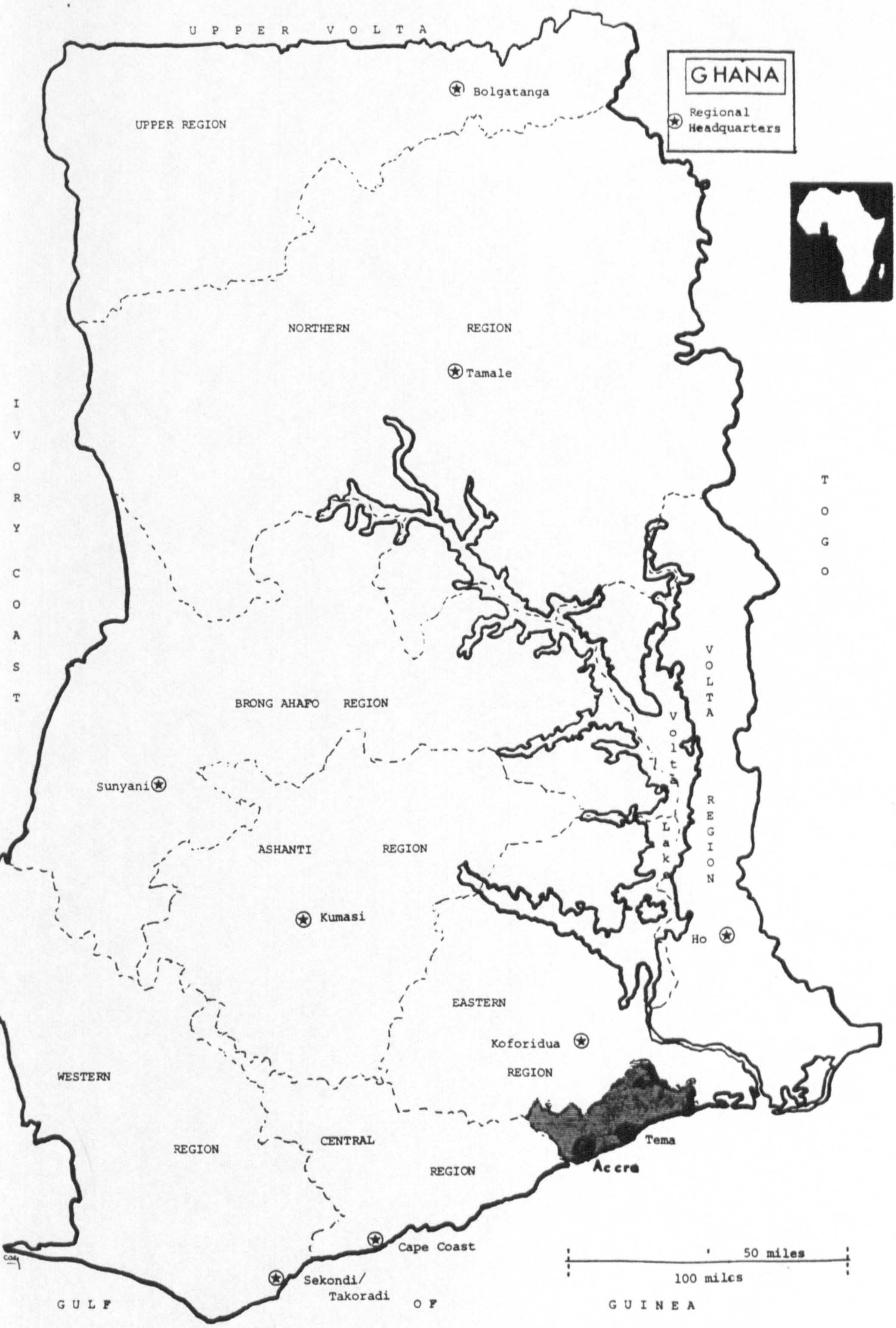
THE POLICY AND INSTITUTIONAL FRAMEWORK

FOR SMALL-SCALE ENTERPRISE SUPPORT

OVERVIEW

This chapter presents the policy and institutional framework for SSE support in Ghana. The current framework, however, must be understood in the light of the economic background and historical perspectives. The latter is, therefore, traced and outlined briefly, before proceeding to examine policy and subsequently support institutions.

EXHIBIT 20 MAP OF GHANA



ECONOMIC BACKGROUND

Exhibit 20 shows the map of Ghana which, with a population of 14 million (1986 estimate), was formerly one of the richest countries in tropical Africa with a per capita income in 1970 of US$262. This position had developed from an economy which until the end of the nineteenth century consisted mainly of traditional agriculture, crafts, hunting and gathering and trade. The technology in the Gold Coast, as it then was, was simple and modern types of industrial activity were confined to the coastal belt and a samll gold mine at Tema. (Oppong and Abu, 1987) Within a period of 20 years, however, the country became the world's largest exporter of cocoa and gold mining flourished. This pattern of the economy was to remain until 1960, the rapid expansion facilitated by people with long commercial experience.

The relative high standard of living, by African standards, of the decade after independence in 1957, was shortly to be followed during the late 1960s and 1970s by economic stagnation and declining real incomes. The decline of cocoa - the major export item - was crucial. Output declined steadily in the 1970s from the 1960s average of 566,000 tonnes of cocoa beans per year. By 1977, Ghana's annual output had fallen to 250,000 tonnes and Brazil and Cote d'Ivoire had taken the lead in cocoa production. (Bank of Ghana, 1980-86; Lloyds Bank, 1987)

By mid-1978, large budget deficits, increasing money supply, a greatly over-valued currency and hyper-inflation characterised the economy. Low producer prices, poor rainfall and lack of fertilisers and machinery reduced agricultural production and exports. Cocoa continued its decline into the 1980s, with the lowest level of production occuring in 1983 when output fell to 158,000 tonnes. At the same time, manufacturing was hindered by lack of imported raw materials and spare parts, and per capita income dropped to below the level of 1970. Nearly 12 per cent of the labour force was recorded as unemployed. (Oppong and Abu, 1987)

From 1978 to 1983, the cedi (C), which is the unit of currency, was being officially maintained at C2.75 = US$1, despite annual

Table 11 Selected economic indicators of Ghanaian economy - DOMESTIC

	1982	1983	1984	1985	1986
Population Growth(%)	2.5	3.8	3.5	3.3	3.3
Real GDP Growth (%)	-7.2	0.7	7.5(e)	5.0(e)	5.0(e)
Consumer Prices (% change)	22.3	122.9	39.7	10.3	24.6

(e) estimate

Table 12 Selected economic indicators of Ghanaian economy - EXTERNAL

	1982	1983	1984	1985	1986
Trade Balance (US$m)	18	-61	33	-37	60
Exports	607	439	566	632	773
Imports	589	500	533	669	713
Current Account Balance (US$m)	-109	-174	-39	-134	-43
Debt Outstanding (US$m)	1312	1217	1322	1477	1637
Cedis/US$ (Period average)	2.75	3.45	35.34	54.05	89.29

Exchange Rate: US$1 = Cedis (C) 179.00 (February 1988)

Source: Bank of Ghana, International Financial Statistics

inflation rates of between 50 per cent and 120 per cent (Bank of Ghana, 1980-86) and 'black market', or shadow, exchange rates of over 20 times the official rate.

In 1983, an IMF/World Bank-funded economic recovery programme (ERP) was initiated. Since then, positive rates of real GDP growth have been recorded - see Table 11 - attributable largely to an upturn in agricultural production, chiefly cocoa, but more recently also a recovery in the manufacturing and construction sectors. Indeed, a 5% real GDP growth rate is estimated for 1987 and 1988. In addition, there has been a continuous devaluation of the currency and the trade balance has improved (see Table 12), with cocoa continuing to account for over half of export revenues, thus making significant contribution to government receipts. Real per capita incomes, however, remain low.

In order to consolidate economic growth and improve the budget and balance of payments position, a second ERP was announced in November 1985 to cover 1986-88. Policy measures include further financial incentives to farmers, structural reforms in the key sectors, privatisation of a number of state-owned firms, streamlining of the public sector and continued depreciation of the cedi. This streamlining of the public sector will mean the loss of 45,000 jobs over the next three years. The Government, as well as the IMF and World Bank, expect a substantial proportion of these redundant workers will start their own businesses or find jobs in small and medium-sized firms.

In September 1986, a two-tier exchange rate system came into operation. The first-tier rate was applied to certain official transactions, imports of petroleum products and pharmaceuticals, and revenues from cocoa exports. All other transactions were settled at the second-tier rate which was determined in a weekly foreign exchange auction, conducted by the Bank of Ghana. In February 1987, however, the first-tier rate was abolished so that all transactions are now conducted at the market-determined auction rate.

GOVERNMENT POLICY

The Government of Ghana (GOG) began as far back as the late 1960s to shift its policy focus away from large-scale, capital-intensive, State-owned industries to privately-owned, small-scale industry. This change in emphasis occurred primarily in response to the growing realisation and indeed disillusionment in the development circles that the erstwhile pre-occupation with the former had not yielded the results expected. Consequently, with the advent of the Aliens Compliance Order, the Government's concern to promote the efficient take-over of business activities previously controlled by aliens, saw the passing of the Ghana Business Promotion Act in 1970.

Specifically, the 1970 Act created an agency to assist Ghanaians to acquire businesses, culminating in the approval of the Ghana Enterprises Development Decree in 1975. This Decree established the Ghana Enterprises Development Commission (GEDC) and its Secretariat whose function was to create, inter alia:

> "...an effective institution providing technical and financial assistance, as well as general advisory service to Ghanaian businessmen...."

Shortly before the 1970 Act was passed, another key policy measure to assist SSE development in the form of the Credit Guarantee Scheme (CGS) was adopted in 1969. Administered by the Bank of Ghana (the central bank), the CGS insured against defaults in loans made by commercial banks to small businesses. By the end of 1976, approximately C150 million in loans had been underwritten by the Bank of Ghana.* (Checchi & Co, 1976)

The Guidelines for the Five-Year Development Plan, published in 1975, gave specific recognition to the previous neglect of the SSE sector, proposing a range of incentives to accelerate its growth including access to additional commercial bank credit, raw

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* In December 1976, the Ghanaian Cedi (C) was worth US$0.87 at the official rate of exchange. The shadow, or 'black' market, exchange rate was about thrice the official figure.

materials, tax exemptions and management training by the Management Development and Productivity Institute (MDPI). The Guidelines also incorporated a recommendation of the World Bank regarding the creation of a "special institute for small-scale industry". Subsequently, the Small-Scale Industries and Training Centre was established in the city of Tema as a training and demonstration centre for SSE managers and workers.

In November 1975, in a further expression of policy to hasten the growth and improve the productivity of small-scale industry in Ghana, the GOG requested the UNDP to initiate a study and recommend courses of action. The World Bank was subsequently chosen as executing agency for the study, which in turn retained a team of consultants from Checchi and Company of Washington, D.C., USA, to undertake the study and provide recommendations.

The Checchi study, which took the consultants to Ghana for a period
lasting six weeks, included a survey of approximately 60 small-scale manufacturing establishments in five regions of the country, besides data collection and talks with officials of Government agencies, commercial banks and private firms.

The Small-Scale Industry Program proposed by the Checchi report of December 1976 consisted of three components, viz.: urban industry, rural industry and technical assistance. Basically, the programme proposed financing of new or expanded businesses in urban areas, financing the purchase of imported raw materials for use in processing plants and agro-industries in rural areas and technical assistance to finance the costs of strengthening Ghanaian SSE support institutions, in particular the GEDC, the MDPI and the Council for Scientific and Industrial Research (CSIR) - please see below. A five-year budget for external assistance from the World Bank of $16 million was recommended, along with a definition of SSI for the purpose of administering their proposed loan programme.

The Checchi Report and its recommendations for action are significant, not least because the study remains one of the most extensively-researched to be published on the SSE sector in Ghana. Additionally, the wide recognition and respect commanded by the authors, to say little of the fact that the study was commissioned by the Government and executed by the World Bank, make the report the most authoritative. (The only other substantial piece of work that has been published is the one by Steel, 1977. A few days before the submission of this thesis, an ODA (ESCOR)- funded research, which begun in October 1987, was completed.)

A change in political leadership soon after the release of the Checchi Report and three successive changes of government between 1979 and 1982, with their different policy orientations, inadvertently resulted in the non-implementation of the recommendations of the Checchi Report. The subsequent severe economic recession of the early 1980s, the fall in export earnings and in foreign reserves, massive devaluation of the currency (over 10,000 per cent against the US$ since 1976) and political instability combined in producing seemingly more urgent needs and prescriptions akin to crisis management.

It was, thus, not until 1985 that a significant policy expression favouring SSE was made with the establishment of the National Board for Small-Scale Industries (NBSSI) - described below.

Very little currently remains or functions of the policy framework that existed in the late 1960s up to the mid-70s. The CGS has long ceased to function. The GEDC although still active, finds its revolving loan fund scheme crippled by the massive devaluation of the currency, high inflation over the years and lack of fresh injections of capital for on-lending. Some institutions have become altogether defunct, most notably the Small-Scale Industries and Training Centre, or changed their orientation away from the SSE sector, such as the CSIR.

The newly-established NBSSI is charged with the job of playing a catalytic role as well as policy-making, inter alia. However, after over two years of existence, this apex body has yet to produce fresh policies translated into action programmes.

With an IMF/World bank Structural Adjustment Programme in full swing in Ghana incorporating the retrenchment of 45,000 civil servants over the next three years, the search for employment opportunities has been gathering momentum during the past year. The potential role that SSEs could play not only in absorbing redundant civil servants but also in spearheading the Government's seemingly new focus in favour of the market economy have again put SSEs in the limelight and led to another search for courses of action to develop and hasten the growth of the sector.

As the researcher prepared to leave the country in August 1987, one such study executed by the International Financial Corporation, an affiliate of the World Bank, was being undertaken on the banking system. Another World Bank-funded project was shortly to bring in experts from the Entrepreneurship Development Institute in India to assess training requirements and subsequently to design a training of trainers programme. A further study executed by UNIDO was initiated late in 1987 to identify industrial sectors for growth and development.

Given the current lack of a co-ordinated or integrated policy it is perhaps not surprising to find that no official definition exists as to what constitutes a SSE (in Ghana the term small-scale industry is more often preferred). It became necessary, therefore, before conducting the research proper, to define the target population of the study.

Definition of small-scale enterprise in Ghana

The need for a definition of SSE has been spelt out in the previous paragraph. For another reason also, a definition was important, namely to compare the criteria employed by agencies with the reality of the profile of SSEs.

The lack of an official definition was not made up by common agreement or perceptions. All the institutions used different terminology. Two main criteria, however, characterised the working definitions employed, viz. number of employees and value of capital (or assets), the upper limits being fixed at 50 and

C16 million (then equivalent to US$100,000) respectively. The only conceptual definition was supplied by the Technology Consultancy Centre in the following terms:

> "Family-type enterprises which are labour-intensive".

The afore-mentioned Checchi (1976) Report, proposed the following definition, for the purpose of administering their recommended SSI Program:

> "A manufacturing or service company whose original fixed assets (exclusive of land and buildings) do not exceed C300,000 as the result of a proposed loan."
> (chapter 4-2)

Table 13 presents the present study's findings on the employment and criteria and shows that the SSEs in the survey employ,

Table 13 Capital and employment in SSEs in Ghana

	Mean	Std. Dev.	Min.	Max.
Capital (C mill.)	1.69	1.96	.1	7.0
Employment	7	7	1	32

on average 7 people. Given that two firms in the survey employ 27 and 32 respectively, the mode employment is considerably less, as reflected in the standard deviation. The same obtains with capital, where two firms have C6 and C7 millions respectively. An interesting, although not suprising, finding is that, when cross-tablulated, agency clients are both larger and more capitalised than the non-agency client group.

Ownership and degree of family involvement of SSEs

With one exception, the manager is also the owner, or joint-owner, in all the firms surveyed. Family members (immediate) of the owner-manager (OM) are highly or partially

active in 63 per cent of firms, and in 91 per cent of cases the technology employed could be described as manual (40%) or appropriate (51%).

The foregoing suggests, therefore, that SSEs in Ghana, assuming the sample is representative, are characterised by owner-managed firms which:

- usually employ manual or appropriate technologies
- employ an average of 7 people
- employ capital worth C1.7 million on average (1987 prices)
- often, but not always, involve immediate family members.

Whilst perceptions of agencies mirror individual elements of the above, no single agency supplied the whole picture, although the TCC came close with its conceptual definition quoted earlier.

The support institutions which were studied complete the discussion of the policy and institutional framework and are discussed next.

SSE SUPPORT INSTITUTIONS IN GHANA

The following constitute the major agencies responsible for assisting SSEs in Ghana were studied:

- Technology Consultancy Centre (TCC)
- Management Development and Productivity Institute (MDPI)
- Ghana Enterprises Development Commisssion (GEDC)
- National Investment Bank (NIB)
- National Council on Women and Development (NCWD)
- National Board for Small-Scale Industries (NBSSI)

All of these institutions, as well as the Opportunities Industrialisation Centre (the only major skills training agency), were studied. Exhibit 21 shows a mapping of these institutions alongside activities.

In addition to the above, discussions were held with officials of three commercial banks, viz.: Barclays, Ghana Commercial (the largest in the country) and Agricultural Development Bank. It was decided not to hold formal interviews as these either made no distinction between SSEs and larger businesses for lending purposes and did not render technical assistance (in the case of the first two) or dealt with projects and firms which did not conform to the criteria for inclusion. From discussions with these and others, it was also decided not to approach the other banks for the same reasons.

Interviews were also held with the Executive Secretary and regional officials of the Association of Ghana Industries (AGI), which is effectively the only business association representing the interests of both small and larger businesses at the national level.

The background, including the objectives and functions, of the major agencies follows below. The descriptions are based largely on interviews with key officials as well as observation. In addition, in the case of the NCWD and NIB, reliance has been placed upon brochures and published reports.

EXHIBIT 21

MAPPING OF ASSISTANCE INSTITUTIONS AND ACTIVITIES FOR SSES IN GHANA

INSTITUTIONS	TYPES OF ASSISTANCE								
	POLICY-MAKING/ REGISTERING SSES/CO-ORDINATION	GENERAL ADVICE & INFORM-ATION	FEASIBILITY/ MARKET STUDIES	CONSULTANCY/ COUNSELLING	EXTENSION SERVICES	MANAGEMENT/ SKILLS TRAINING	TECHNICAL/ TECHNOLOGY DEVELOPMENT	RAW MATERIALS & EQUIPMENT SUPPLIES	FINANCE AND CREDIT
NATIONAL BOARD FOR SMALL-SCALE INDUSTRIES	x	x							
ASSOCIATION OF GHANA INDUSTRIES		x							
CHAMBERS OF COMMERCE		x							
MANAGEMENT DEVELOPMENT AND PRODUCTIVITY INSTITUTE		x	x	x		x			
TECHNOLOGY CONSULTANCY CENTRE		x		x	x	x	x	x	
GHANA ENTERPRISES DEVELOPMENT COMMISSION		x	x		x				x
NATIONAL INVESTMENT BANK		x	x	x	x				x
OTHER COMMERCIAL BANKS		x							x
COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH				x			x		
OPPORTUNITIES INDUSTRIALISATION CENTRE						x			
NATIONAL COUNCIL FOR WOMEN AND DEVELOPMENT		x			x			x	

NATIONAL BOARD FOR SMALL-SCALE INDUSTRIES (NBSSI)

This institution was established in 1985 to (a) advise the Minister of Industries (now also Science and Technology) on all matters pertaining to small-scale industries (SSIs); and (b) accelerate the growth of SSIs in Ghana. As the apex institution, the NBSSI is meant to play a catalytic role in working through the various implementing agencies. Among its specific functions are:

- policy-making for the SSE sector
- co-ordinating activities of all other institutions
- registering all SSEs in Ghana
- negotiating access to credit and other services for SSEs as well as drafting the necessary special terms
- acting as a referral agency for all services.

The Board which reports to the Ministry of Industries is composed of the Executive Director, OMs of SSEs (one of whom is Chairman), a researcher and representatives from the NCWD, AGI and large industry.

As at August 1987, the NBSSI had three SSE professional staff, including its Executive Director. The Director was expecting to recruit additional staff, office accommodation permitting.

The NBSSI had managed to register approximately 150 SSEs as at August 1987.

TECHNOLOGY CONSULTANCY CENTRE (TCC) OF THE UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

The TCC was established in 1972 as a link between university faculties and the outside world. Since then, it has built up a wide reputation, both in Ghana and abroad, in the appropriate technology field for its work with SSEs, notably the development and transfer of technologies.

Its main activities include training, provision of equipment,

common service/workshop facilities, research and development, feasibility studies and advice and information pertaining to these.

One of its most remarkable and successful ventures has been the establishment of the Intermediate Technology Transfer Unit (ITTU) in the heart of the small-scale industrial belt in Kumasi. This bold concept of taking its services to entrepreneurs, instead of expecting the artisans and tradesmen to come to their univeristy compus-based office, has worked so well that the Director of the TCC has been recruited to head a national unit to replicate ITTUs elsewhere in the country.

As at August 1987, the TCC employed 9 professional staff - 6 graduates, including 3 postgraduates - and 3 technicians, in addition to students on national service.

THE MANAGEMENT DEVELOPMENT AND PRODUCTIVITY INSTITUTE (MDPI)

A UNDP-funded project executed by the ILO led to the incorporation in 1967 of the MDPI. Today, it stands as the leading post-experience management institute for the private sector and the only institution specialising in the provision of management training for SSEs in Ghana. Besides training, the MDPI undertakes consultancy, earning 21% of its income from fees, as well as research and feasibility studies. Most of its assignments, however, are for unpaid government work, restricting its ability to earn consultancy income from elsewhere.

Its broad goals are to introduce suitable practices and techniques to promote increased productivity; and to improve and develop management in all aspects and at all levels.
The Institute employs 63 professional staff - all graduates including 29 postgraduates - in its seven divisions, which includes the SSI Division.

THE GHANA ENTERPRISES DEVELOPMENT COMMISSION (GEDC)

The origin of this institution can be traced to December 1970 when, as discussed earlier, under the Business Promotion Act, it was established to provide financial and technical assistance to newly-established small enterprises and Ghanaian managers of former foreign-owned firms, inter alia. The GEDC, as it stands today, came into being in 1975, under the Ghanaian Enterprises Development Decree (NRC Decree 330) to carry out the following functions:

- implement the provisions of the Investment Policy Decree 1975 (NCRD 329) and to ensure the assumption of the control of economy by Ghanaians within the shortest possible time;

- create an effective institution providing technical and financial assistance as well as general advisory service to Ghanaian businessmen; and

- examine any questions concerning commerce or industry affecting Ghanaian business which the Government may refer to the Commission and to report to the Government on all such questions so referred.

Specifically, the credit and technical assistance activities of the GEDC consist of lending operations under the Small Business Credit Schemes, including a revolving loan fund, referring some SSEs to the MDPI for training as a condition for loans, project identification and market studies and extension services. The GEDC has branches in all 10 regions of the country. In addition to headquarters staff, each branch has a project analyst, besides the regional Director - all graduates.

The Commission is responsible and reports to the Ministry of Finance and Economic Planning. The policy-making body is the Joint Consultative Committee, which consists of the Chief Executive, Unit Heads, Secretary to the Commission and employee representatives. In addition, there are representatives of various groups on regional committees.

THE OPPORTUNITIES INDUSTRIALISATION CENTRE (OIC)

The OIC, Ghana, is part of a Philadelphia-based international organisation. Its goals and objectives are universally applied to all OICs worldwide, namely: to provide employable skills and job placements for its trainees - consisting of the youth and the disadvantaged in society. It is, thus, strictly speaking, not an SSE organisation. However, it was included because (a) some of its trainees go into self-employment and (b) by virtue of its NGO status, it provides a dimension for comparing support institutions.

With branches in three regional capitals - Accra, Kumasi and Takoradi - and 33 instructors and counsellors, it provides training lasting between 10 and 18 months including basic numeracy and literacy education.

Although originally a non-governmental organisation, OIC (Ghana) is now partly-funded by Government (50%), to whom it also has reporting obligations through the Ministries of Finance and Economic Planning and of Mobilisation and Productivity, besides donors.

Its 22-memeber board consists of independent businessmen and representatives of government ministries and large businesses. Local centres have committees which report to the national board.

THE NATIONAL INVESTMENT BANK (NIB)

The National Investment Bank was established in March 1963 by an Act of Parliament as an autonomous joint state-private development finance institution to promote and strengthen the productive capacity and efficiency of the national economy, especially industry and agriculture. In furtherance of this objective, the Bank is expected to mobilise internal and external funds and channel these into productive sectors of the economy.

The Bank has three operational divisions: Development Banking, Commercial Banking and Finance, and Administration. The

Development Banking Division has seven major departments including Small-Scale Enterprise Development.

The Small-Scale Enterprise Department

The SSE Department was created in 1985 in recognition of the role of SSEs and in a bid to respond more effectively to the needs of entrepreneurs.

The objectives of the Department are: firstly, to oversee the Bank's growing portfolio of small-scale projects in the area operations; and, secondly, to facilitate easier access of small and medium-scale industries to needed appropriate technologies, opportunities and financing.

Its major functions are stated to include:

(a) identifying and promoting SSIs in rural and urban areas;

(b) evaluating material requirements, the level of technology and the financial requirements of the small-scale entrepreneurs in specific sectors;

(c) undertaking technical and financial appraisal of small-scale projects;

(d) promoting and financing technologies for SSI; and

(e) offering advisory services to SSEs financed by the Bank through on-site extension and other interventions.

At the time of the study, three professional staff, including the Director, were employed in the SSE Department. These were all based at headquarters in Accra. Besides the head office, the Bank has branches and area operations in all the regional capitals of the country. The National Investment Bank stands not only as the first bank to establish an SSE department but also is currently unique in maintaining one.

THE NATIONAL COUNCIL ON WOMEN AND DEVELOPMENT (NCWD)

The National Council on Women and Development was established in April 1975 by the then ruling Government primarily as a body to advise Government on matters concerning women, especially rural women.

With time, however, the role and functions of the Council have been broadened to include the following, inter alia: serving as the official national body for co-operating and liaising with national and international organisations on matters relating to the status of women; carrying out studies and submitting plans and proposals for the establishment of non-formal education and training for the purpose of raising living standards and eradicating illiteracy notably in rural communities.

The NCWD is currently composed of 11 persons, mostly but not all women, chosen largely from the public sector. The ratio of women to men on the Council has traditionally been 3:1. Members are appointed by Government for a period of two years.

The Council has five specialised committees responsible for the following: education, home, women in society, women in employment, and legal matters. These provide counselling for girls and women on available opportunities in education, training, employment, marriage, child care and other matters relating to the family. A number of regional secretariats and advisory committees provide support to the Council's work.

A major thrust of the Council's work with respect to employment and training, and with the aim of raising living standards, has been the development of small-scale village and cottage industries. NCWD's programme for the development of such industries aims to:

(a) set up viable industries which will create employment avenues for women in their own communites;

(b) provide materials and develop recipes for the manufacture or processing of items in the home, such as soap and food, with a view to saving money; and

(c) teach skills and motivate women to enter into self-employment.

NCWD's programme, in reviving traditional crafts and cottage industries as well as developing new skills, emphasises the use of local raw materials for production.

OTHER INSTITUTIONS

In addition to the above, four other institutions deserve mention. Firstly, the School of Administration, University of Ghana: An informal interview was held, although it was decided not to include data gathered in the analysis because the School does not currently offer any SSE-specific courses or programmes. Efforts are in hand, however, to consider the feasibility of establishing a Small Business Centre within the School.

Secondly, the Council for Scientific and Industrial Research (CSIR): An informal interview was held with CSIR also, although it was decided not to include it either. The CSIR carries out research activities on scientific and technological matters, some of which is of relevance to the SSE sector. The bulk of its work, however,are provided for Government and parastatal organisations.

Thirdly, Technoserve, Inc.: A consulting company which provides engineering and marketing advisory services to agro-industry. Given that the organisation concentrates on projects of medium to large size, it was considered outside the scope of the study.

Lastly, but not least, the Association of Ghana Industries (AGI): The only organisation de facto representing the interests of both small and larger business members at national level. A quarter of the non-agency clients was derived from their list of members. Discussions with the Executive Secretary and regional officials also served to confirm the validity of the findings and the representativeness of the sample. It was decided, however, not to include data gathered form the association in the analysis, as it is a business association (or pressure group) rather than a support institution per se.

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CHAPTER 9

FINDINGS AND ANALYSIS

OVERVIEW

This chapter presents the evidence and discusses the findings of the research carried out in Ghana. The research methodology as well as the institutional framework and policy for small business support, which provide the context for the study, were discussed in the preceding chapters.

INTRODUCTION

This chapter presents and examines the evidence from the study of support agencies and SSEs in Ghana. The evidence is presented first, followed by the analysis in the latter part of the chapter.

It will be recalled that the overall objective of the research was to test the central hypothesis that the key issues of concern that arise in the organisation and operation of SSE extension and support institutions in developing countries are determined by mismatches between the people, structures and processes employed by support agencies and those of SSEs.

In attempting to test this hypothesis in Ghana, the point was recognised that not all of the institutions provided extension services. In fact, as Exhibit 21 shows, three of the institutions studied did not run extension programmes. For the purpose of the research, therefore, the definition of extension (contained in Chapter 4) was widened to include other types of SSE assistance which may not be pro-active nor emphasise personal delivery.

The specific research questions for testing the central hypothesis appear below with the evidence under the following relevant parameters derived from the conceptual model:

- People
- Structures
- Behaviour, process and dominant coalition
- Culture
- Human outputs
- Outcomes.

THE EVIDENCE

The presentation of the evidence follows this format: firstly, the specific objectives and hypotheses are stated in relation to the parameter under investigation; secondly, the evidence from SSEs is given, followed finally by the evidence from support agencies.

PEOPLE

It was intended to test the hypotheses that, on the whole:

(a) support agency staff are different from owner-managers (OMs) of SSEs with respect to gender, age, academic attainments, skills and previous work experience;

(b) support agency staff are academically over-qualified for the task environment and, at the same time, lack the skills and practical small business experience of OMs;

(c) the number of agency staff and training provisions are inadequate for the task environment;

(d) all of these factors contribute to an inability to assist SSEs properly.

SMALL-SCALE ENTERPRISES - BACKGROUND AND PROFILE OF OWNER-MANAGERS

Gender

Over a quarter (28%) of OMs in the sample are female.

Age

Almost a half (46%) of OMs are over 45 years old: 21% are aged between 26 and 35, and a third between 36 and 45.

Of the remainder, 12% are over 56 years old.

Academic attainments

Table 14 presents the academic attainments of OMs derived from the research, and shows that the majority fall under the categories of those with less than secondary school education and a trades qualification. The Table also shows the breakdown of the figures in terms of agency and non-agency clients.

Skills and previous work experience

The overwhelming majority (84%) of OMs and a greater proportion (57%) of their employees possess technical skills relevant to their businesses, many of these having served an apprenticeship.

Almost a half (45%) of OMs previously managed or worked in a small business, prior to starting their own.

Table 14 Academic attainments of small firm owner-managers in Ghana

Highest level attained	Firms	Clients	
		Non-agency	Agency
Postgraduate degree	1	1	
Degree/Professional qual.	4	0	4
Technical/trades qual.	13	5	8
Diploma	4	3	1
GCE 'O' or 'A' Levels	7	3	4
Middle School Certificate	22	13	9
Self-educated	1	-	1
Illiterate	5	3	2

Table 15 Academic attainments of staff of SSE support agencies in Ghana

Highest level attained	No. of insts.*	No. of staff
Postgraduate degree	5	36
Degree or equivalent	6	99
Diploma/Teaching cert.	2	13
'O' or 'A'levels/trades qual.	2	57

* Number of respondent institutions = 7

Number of SSEs

There are no official nor reliable statistics available on the current number of SSEs in Ghana. The Government Statistical Service which compiles and publishes industrial statistics explicitly excludes firms engaging less than 30 people. (Statistical Service, 1986 p.2)

The most reliable published figures date back to 1976, when Checchi & Co. estimated that there were 32,014 urban and 98,000

rural SSI establishments in the country. Of the urban establishments, approximately 31% were located in the Greater Accra region, 18% in the Ashanti region (whose capital city is Kumasi), 12% in the Eastern region, 11% in the Western region, 10% in the Central region, and 18% in the other 4 regions combined.

SSE SUPPORT AGENCIES - PROFILE AND BACKGROUND OF STAFF

Gender

Women are either not at all employed or otherwise account for less than 15 per cent of the professional/field staff in 5 of the 7 agencies. The two exceptions are the NCWD, which is a women's organisation for rural women, and the NIB where one of the only three professional staff in its Small-Scale Industry Department is female.

Age

The proportion of agency staff in the 26 to 35 age bracket ranges from 50% to 67%. The remainder fall between 36 and 55, in decreasing order. 2% are over 56 years old.

Academic attainments

Table 15 above profiles the academic attainments of agency staff, and shows, in sharp contrast to SSEs, that the majority have a first degree, with a considerable proportion possessing even higher qualifications.

Skills and previous work experience

With the exception of the OIC (which is a skills training agency) and the TCC, both of which employ a large proportion of technicians and skills instructors, none of the institutions employ staff, to any significant degree, with technical skills.

As regards professional (or field) staff with previous business, in particular small business experience, figures vary from none,

in the case of the OIC and NCWD, through 10% (MDPI), 22% (TCC)*, 33% (NIB)**, to 67% (NBSSI)**. GEDC was unable to specify.

Number of professional/field staff

The number of professional staff employed by institutions varies from 3 (NIB, SSI Department and NBSSI) to 63 (MDPI, although these are spread over 7 divisions, of which the SSI division is only one). The arithmetic mean is 24.

With the exception of the TCC, which is based and operates in and near Kumasi only, all the institutions either have headquarters in, or operate mainly from, Accra. The GEDC stands as the only agency with a network of branches in each of the provincial centres, but each regional branch is staffed by only two professionals. It must also be said that although the NIB has branches nationwide, its specialist SSI Department, composed of three professional staff, is confined mainly to the Greater Accra region. The OIC has centres in two other regional capitals. The rest - the MDPI, NCWD and NBSSI - operate from their sole office in Accra.

Staff development

None of the institutions has a systematically-organised training programme - for either new or existing staff. Rather, training tends to be ad-hoc. Three institutions have had no training provision at all for new staff.

STRUCTURE

It was intended to test the specific hypotheses that, on the whole:

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*This excludes staff who had gained 1 - 2 years' experience with the institution as graduates on national service, who were then later absorbed into full-time service with the organisation.
**As at August 1987, these employed 3 professional staff each.

(a) the organisation structure, type, ownership and funding of support agencies do not match those of SSEs;

(b) agencies are unable to respond effectively to SSEs' needs, due in part at least to their structure. (Evidence for this appears with others under Behaviour and Process below.)

SMALL-SCALE ENTERPRISES - STRUCTURE

Ownership and type of organisation

Most of the SSEs surveyed have sole proprietorships (56%). Limited companies account for a little over a third (37%) and partnerships make up the remainder with 7%.

Upon analysis, however, it would appear that virtually all the limited companies and partnerships are in fact only nominal as the manager owns the business either independently (70%) or together with his family (90%) in most cases as shown by Table 16.

Table 16 Small firm ownership in Ghana

Owner	Percentage
Manager independently	71.9
Manager and immediate family	17.5
Manager and others	8.8
Others	1.8
	100.0

Financing

Most OMs raised the initial capital for their business and have financed it since by relying on personal resources, notably savings and borrowing from friends. Assistance had been sought from a bank in one out of 5 cases, to say nothing of the outcome.

Organisation structure

The ownership and type of SSEs above provide several clues on this issue. For confirmation, two questions were posed. Firstly, respondents were asked to state who would take charge of their businesses if they were away or off-sick for a short time - about a week. Secondly, they were asked the same question but this time for a longer period of say a month to three months.

In reply to the first question, a key employee would be entrusted with the business in 61% of cases and children and spouses 26%. A combination of key employee and family member would take charge in 4%, whilst 2% would shut. There is virtually no difference between agency clients and the control group here.

Different responses, however, were obtained for the second question. A key employee would run the business in a reduced 42% of cases. Children and spouses are also reduced to 16%. However, the combination of family member and key employee rises five-fold to 22%, as does the proportion which would shut which quadruples to 9%.

Finally, the evidence from observation and responses to other questions points to a paternalistic structure whereby the OM is the pivot point around which all aspects of the business operate.

On the whole, there are no significant differences between agency clients and the control group in respect of this parameter.

SUPPORT INSTITUTIONS - STRUCTURE

Ownership and type of organisation

5 of the 7 agencies studied are government-controlled parastatals reporting directly to a government ministry of one kind or another. With respect to the exceptions, the NIB is a joint state and private bank, whilst the TCC, although autonomous financially and in management, is part of the University of Science and Technology. The OIC, originally a fully-fledged non-governmental organisation (NGO), now reports to the

government which provides 50% of its budget. It however retains more autonomy than most.

In all 5 afore-mentioned agencies, remuneration as well as other conditions of service are linked to the rest of the civil service. A key instrument for exercising control of the institutions is funding.

Funding

All 7 institutions rely on the government to some degree for funding, although an exception could be made of the NIB where the government is a shareholder (75%) rather than paymaster as such. 3 institutions, however, are entirely dependent on this source, namely the NBSSI, the GEDC and the NCWD. (Several of the NCWD's ILO-executed projects are funded by foreign donors, but staff must rely on the government for salaries and overheads.) The others receive the following proportions of their total income from the government: MDPI (79%), OIC (50%) and TCC (31%).

Of relevance also to this issue is SSEs' willingness to pay for services, the evidence for which appears below.

Organisation structure

The foregoing provide several clues to the organisation structure of agencies. It is certain that the NBSSI, MDPI, GEDC and NCWD are, for practical purposes, parastatals with civil service structure, pay and conditions. In all of these, the head of institution is usually a political appointee. The other agencies have quite different organisation structures.

The NIB observes normal banking practice, although as the major stakeholder, the State exercises ultimate control. The TCC, as part of a university, employs staff on univeristy scales and conditions, and reports to a committee composed of the vice-chancellor and deans of faculties. It is otherwise autonomous financially and in management. The OIC, although reporting to a government ministry and with government representatives on its Board, is still managed and structured like an NGO.

The organisation charts of the parastatals show several levels from the professional/field staff to the head of institution. In contrast, professional staff of the SSI Department of the NIB report directly to the head of department who has direct access to the Managing Director. A similar situation obtains at the TCC. OIC skills instructors, however, are separated by several tiers from top management.

BEHAVIOUR, PROCESS AND DOMINANT COALITION

It was intended to test the hypotheses that, on the whole:

(a) the control, decision-making and communication processes of support agencies do not match those employed by SSEs;

(b) the constraints to agencies' effectiveness are related to their control and management.

SMALL-SCALE ENTERPRISES - BEHAVIOUR, PROCESS AND DOMINANT COALITION

Control

The issue of control of SSEs has been looked at en passant in the section entitled Structure above. The evidence suggests that the OM, supported by members of his/her immediate family, assumes and exercises control of the business on policy and other important matters. In many cases, however, day-to-day operational matters may be delegated.

Decision-making

It was intended here, besides the nature of and influences on decision-making, to establish the extent of SSE awareness and use of external assistance. Reasons behind the choice or rejection of consultants were of related interest as were the relationships between all of these and the people and structures employed by agencies.

With respect to the nature of and influences on decision-making, it was found that whilst operational aspects of the business may be delegated, the OM is in all cases the sole decision-maker on aspects of policy and where money is involved. Although a significant proportion (21%) are self-reliant (i.e. consult no-one) about their business, the majority of OMs talk to others about their business.

Appendix 8 shows that the banks have a 20% share of this 'market', with friends or others in business and close family accounting for 18%. The support agencies account together for a quarter, although this figure does not reveal the fact that the TCC is consulted by a third of the sample in Kumasi - all of which are their clients in fact.

The reasons for consultation are considered below under Human Outputs, and are mainly to do with trust as well as perceptions of ability to assist - Appendix 9.

Communication

It was intended here to compare the meeting places of OMs of SSEs with the communication channels or media employed by agencies. OMs were asked if they met with friends or relatives in business and, if so, to state where. The evidence is conclusive: 90 per cent of OMs meet with others in business. The most preferred location is the home. Other places for meeting are social gatherings or fairs, and organised events.

A large majority (84%) of respondents, including virtually all of the agency clients, belong to a business, trades or the TCC clients association. 60 per cent, however, appear not to make any use of their membership. On the whole, associations are patronised only if members feel there is some tangible benefit to be derived therefrom, such as finance, equipment, import licences, or in order to meet and discuss with others in business.

SUPPORT AGENCIES - BEHAVIOUR, PROCESS AND DOMINANT COALITION

Control and decision-making

The evidence on the issue of control of support agencies, like SSEs, has been presented en passant under Structure above.

With respect to decision-making, agencies were asked to describe in an open-ended fashion the nature and process, in particular stating who made policy and operational decisions, and reporting requirements. Reporting requirements were stated above in the section dealing with Structure.

In all the parastatals the government is the ultimate policy decision-maker. Additionally, in two of these, namely the MDPI and the NCWD, the government also effectively controls strategic and operational decision-making and management through the appointment of the chief executive officer. The other three all have management committees on which representatives from government and other public bodies sit.

The NIB and the TCC are different however. The former operates in conformity with normal banking practice and, given that 25% of its shareholders are from the private sector, it is arguable that private individuals and organisations have some say in decision-making and in appointments to the Board. The TCC, apart from regular meetings with its university committee, is generally not interfered with. Thus, the management of the institution - namely the director, his deputy and senior fellows - make and recommend decisions as they consider appropriate.

With the exception of the NBSSI (the apex body) and the OIC, both of which have OMS of SSEs on board, SSEs are not represented at the highest levels of decision-making in any of the other agencies.

Communication

The concern here was two-fold: firstly, to ascertain whether agencies promoted themselves and if so, secondly, to determine

the channels or media used.

With the exception of the TCC, which has established an intermediate technology transfer unit (ITTU) in the heart of the Kumasi industrial belt, none of the agencies actively promotes itself. Whilst occasionally the NBSSI may be interviewed on the mass media or hold seminars, there is little to show for a systematic, regular and sustained effort to promote. Rather, the attitude, both explicitly stated and implied, was one where SSEs were expected "to come to us".

Nor do agencies or their staff play an active role in the business or trades associations, except for the TCC which has organised its own clients association, and the NBSSI which is playing a catalytic role in the imminent formation of a national association of small-scale industrialists.

Constraints to effectiveness

In their efforts to deliver assistance, agencies face the following major constraints to effectiveness: finance, staffing and government restrictions and controls. All 4 and 5 agencies citing staffing and government restrictions/controls respectively are government-controlled parastatals.

CULTURE

It was intended to test the hypothesis that the value systems of support agencies are not congruent with those of SSEs.

Several questions were posed, and observations made, to ascertain value systems. Firstly, OMs were asked to describe what they considered to be their most significant achievements. Secondly, SSEs and agencies were asked to state their evaluation criteria. Finally, SSEs and agencies were asked for their views on what constituted a well-managed SSE.

SMALL-SCALE ENTERPRISES - CULTURE

Significant achievements of SSEs

Appendix 10 presents the factors that OMs consider to be their most significant achievements, and shows that for a large proportion of OMs, getting their business off the ground, creating a product from scratch and increasing production or otherwise expanding are the landmarks in their entrepreneurial ventures.

Evaluation criteria

SSEs in Ghana measure success, at the end of a given period of time, by profitability, assets, sales, product quality and survival. Appendix 11 contains a fuller listing of their evaluation criteria.

Characteristics of a well-managed SSE

Appendix 12 contains OMs' views on the characteristics of a well-managed firm. The major indicators, not dissimilar from their evaluation criteria, are profitability, regular income, good quality products and good attention to customers.

SUPPORT AGENCIES - CULTURE

Evaluation criteria

Agencies were asked firstly to describe their monitoring and evaluation procedures and, secondly, to state the measures or criteria used for evaluation.

The general picture on monitoring and evaluation procedures may be best described as sporadic. Two agencies, viz. the NBSSI and the MDPI, do not conduct or have evaluation in the technical sense of the word. The farthest they go are annual reports, and in the case of the MDPI self-administered course evaluation after training programmes. At the other extreme, the TCC and NCWD have both had in-depth external evaluations conducted, which have been

published by the ITDG, London, and ILO respectively. Besides these, the only institution which evaluates activities regularly is the OIC which, it will be recalled operates as a non-governmental organisation.

With respect to monitoring, the GEDC and the OIC appear to be the only agencies with a systematic procedure for collating monthly reports and compiling quarterly returns.

The measures, or criteria, employed for evaluation are as follow:

- Course attendance, consultancy income (MDPI)
- "Success of operations" (TCC)
- Amount advanced, loan collection rate (83%), no. of businesses assisted and growth of businesses assisted (GEDC)
- Based on Bank review of sector (NIB) - Income and successful operation of women assisted (NCWD)
- Long waiting list for places, government willingness to assist institution (an NGO originally) and based on external evaluation (OIC).

Characteristics of a well-managed SSE

Appendix 13 contains agencies' perceptions of a well-managed SSE. The major characteristics are proper book-keeping, cash management, growth of business over time and a tidy, properly supervised operation.

HUMAN OUTPUTS

It was intended to test the following specific hypotheses:

(a) Support agencies have different attitudes, or perceptions, on how to manage or appraise a small business.

(b) Lack of trust and OMs' perceptions that agencies are unable to assist satisfactorily account, at least in part, for why greater use is not made of external assistance by SSEs.

(c) SSEs would be willing to pay for services provided that these met their needs for support.

To operationalise these, agencies and SSEs were asked to describe the characteristics of a well-managed SSE. (As stated in Chapter 7, it is recognised that there is an overlap between organisation culture and human outputs; the model suggests that they shape and influence each other.) Secondly, OMs were asked to state the reasons for their choice of business consultants. Finally, OMs were asked to explain the conditions under which they would welcome external assistance, and to state whether they would be willing to pay for such asssistance.

SMALL-SCALE ENTERPRISES - HUMAN OUTPUTS

Perceptions

Appendix 10 presents the factors that OMs consider to be their most significant achievements, and shows that for a large proportion of OMs, getting their business off the ground, creating a product from scratch and increasing production or otherwise expanding are the landmarks in their entrepreneurial ventures.

Further perceptions may be gleaned from the evaluation criteria employed, the evidence for which appears above.

Reasons for consultation and for choice of consultants

OMs say when asked that they consult the people they do, in the main, either because the latter can be trusted and/or are perceived to be able to positively assist.

The reasons for consultation and for the choice of consultants - Appendix 9 - indicate that in particular OMs have a great deal of respect for views of others in business. Whilst for assistance, help with finance, equipment, import licences and raw materials supplies is regarded with the highest esteem.

(Appendix 8 shows the consultants used by small firms in Ghana; it indicates that, on the whole, agencies are scarcely used, especially given that 50% of the sample are drawn from their client lists.)

Conditions and willingness to pay for external assistance

The conditions under which OMs would welcome external assistance are summarised in Appendix 14, and shows that, like the other findings, hardware assistance is most sought after.

On attitudes towards payment, and thus financing operations of agencies, a remarkable 88% of the 50 respondents to the question say that they are prepared to pay for services. The breakdown indicates that agency clients are slightly ahead in their willingness than the control group (24 out of 25 agency respondents as opposed to 20 out of 25). Of the remainder, 3 firms (6%) gave a qualified yes (2 control and 1 agency client).

SUPPORT AGENCIES - HUMAN OUTPUTS

Perceptions

Appendix 13 contains agencies' perceptions of a well-managed SSE. The major characteristics are proper book-keeping, cash management, growth of business over time and a tidy, properly supervised operation.

Further perceptions and attitudes may be gleaned from the evaluation measures used by agencies, the evidence for which appears above.

ORGANISATION PURPOSE AND OUTCOMES

It was intended to test the hypotheses that, on the whole:

(a) Support agencies are not meeting the needs for assistance and objectives of SSEs, and for that matter not meeting their own goals;

(b) the closer the support agency is to SSEs in terms of its people, behaviour and process, the more effective will be the agency in responding to the needs of SSEs.

To operationalise the first hypothesis, the goals of agencies as well as the objectives and needs of SSEs were examined against the backcloth of services provided by agencies. An important related aspect on rating of agency effectiveness is considered under Human Outputs above.

With respect to the second hypothesis, effectiveness was assessed using a combination of delivery of services, SSEs' awareness of agencies as well as agencies' and SSEs' rating of agency effectiveness and usefulness of contact respectively. These were then compared with a matrix scoring of the closeness of match between agencies and SSEs. The reasons and arguments behind the choice of these measures have been discussed in the chapter on research methodology.

Small-scale enterprise objectives and needs

To establish the objectives of small firms, OMs were asked to explain, firstly, the factors which led them into business and secondly, their plans for their businesses.

Appendix 15 gives the reasons for going into business and shows that the major factors are exploiting a market opportunity, the pursuit, utitilisation or extension of hobbies and skills, 'social responsibility' and a quest for financial gain. (The term 'social responsibility' refers to replies such as "to help the country", "ease the burden on foreign exchange" and the like.)

Against the background of the reasons for entrepreneurship, expansion features prominently in the plans of most SSEs, as Table 17 below illustrates.

Table 17 Future plans of small-scale enterprises in Ghana

	Percentage
Increase production/expand	58.6
Improve quality of products/services	11.4
Diversify	10.0
Export	8.6
Other	11.4
	100.0

To determine needs for assistance, three questions were posed. Firstly, OMs were asked to suggest areas in their business which could be improved. Secondly, they were asked to indicate their perceptions of priorities for external assistance for the sector. Thirdly, they were asked to indicate their problems. (Two other related questions sought to determine the conditions under which OMs would be prepared to receive external assistance and whether they would be willing to pay for such assistance. These are considered under Human Outputs above.)

Appendix 16 contains the responses to the first question and shows that SSEs place the greatest value on 'hardware' assistance, viz. finance, equipment/machinery and raw materials supplies. Their priorities for assistance and the conditions under which they would be willing to receive external assistance, in Appendices 17 and 14 respectively, mirror the foregoing.

Regarding problems faced, OMs were asked to discuss, firstly, difficulties experienced in the past, secondly, difficulties anticipated in pursuing their plans for the future and, thirdly, desired current improvements in their business.

To all three questions, the major factors are identical, viz. finance, equipment and raw materials supplies. Management know-how in all cases accounts for less than 5 per cent of reponses. Appendix 18 shows the problems anticipated in the future which are typical also for those experienced in the past. Desired improvements remain the same - Appendix 16.

Goals and activities of support agencies

Goals are stated differently by agencies, although the common theme running through all of them is the aim to develop and promote SSEs. The OIC, however, is essentially a skills training agency, and whilst some of its trainees end up in self-employment, this is not the explicit end-purpose.

The goals and activities of the NBSSI, NCWD, GEDC and MDPI - all government-controlled - were established by government at incorporation.

Against the backcloth of their own goals as well as SSE objectives, needs and problems, Table 18 shows the major activities of support agencies.

Table 18 Major activities of SSE support agencies in Ghana

Activity	No. of institutions
General advice/information	6
Feasibility/market studies/appraisals	5
Counselling/consultancy	4
Extension services	4
Training	3
Technical/technological assistance	2
Credit/finance	2
Policy, assistance co-ordination, registering SSEs	1

It is evident from Table 18 that assistance is predominantly of the software variety. Indeed, the TCC and the NCWD are the only agencies which assist with equipment and raw materials supplies. Their assistance is quite limited, though: the TCC is confined to Kumasi and often cannot meet the demand there, whilst the NCWD is restricted to its projects for rural women. Similarly, the NIB and the GEDC are the only agencies able to offer financial help. The NIB, however, requires collateral, like any other commercial bank, whilst the GEDC is extremely limited by the small and dwindling amounts in its portfolio.

Finally, the major constraints to effectiveness, according to the agencies themselves, are finance, staffing and government restrictions/controls. All 4 and 5 agencies citing staffing and restrictions/controls respectively are government-controlled parastatals.

The performance, or organisation outcomes, of the support agencies in Ghana was assessed using a combination of measures. The assessments are presented below.

Delivery of services

Delivery of services was characterised and assessed using the

following criteria, which were presented earlier - Exhibit 19.

Locally provided
Easily accessed
Time effective
Informal
Personally delivered
Highly visible
Credible
Owned/accepted by business community
Opportunity/problem oriented
Trustworthy
Cheap
Integrated (as far as possible).

The assessment of the above was based on data derived from the interview schedule as well as on observation during the visits. Exhibit 22 shows a characterisation and assessment of agencies using the above criteria. With a point given for each one of the measures, the TCC emerges as the most effective agency with 10 points. The OIC (scored for its skills training) and the NIB come joint second with 8. In contrast, the NBSSI - the apex institution - with a professional SSE staff of 3 and a whole country to cover, has yet to make its mark on the SSE sector.

Small firms' awareness of external assistance

To test their awareness of external assistance, SSE respondents were asked several questions: (a) who did they consult about their business and why? (b) who else could they consult but have chosen not to? (c) whether there had been previous contact with any of the support institutions and, if so, which as well as the nature of assistance.

The evidence for (a) was presented earlier and can be found in Appendix 8. Responses to the other questions demonstrate that the vast majority (over 80%) of the non-agency client group of SSE respondents are not aware even of the existence of any support agency, let alone services offered. Similarly, very few agency clients are aware of agencies or services other than their present one, notwithstanding the finding that on the whole they are more aware of assistance. Appendix 19, which shows the lack of awareness of agencies amongst the non-agency client group, is also suggestive of the little use made of support agencies by 'agency clients'.

Exhibit 22 A characterisation of SSE support agencies in Ghana in terms of delivery of services

	GEDC	MDPI	NBSSI	NCWD	NIB	OIC	TCC
Locally provided	X			X	X	X	X
Easily accessed							X
Time effective		X			X	X	X
Informal			X	X		X	X
Personally delivered	X			X	X		X
Highly visible					X	X	X
Credible	X	X		X		X	X
Owned/accepted by business community			X		X		X
Opportunity/ problem oriented		X				X	
Trustworthy	X	X			X	X	X
Cheap	X		X	X		X	X
Integrated (as far as possible)	X			X			
Total	6	4	3	6	7	8	10

The issue of previous contact is implicitly addressed in the foregoing, viz. a negligible proportion as far as the non-agency client group is concerned. Whereas, as may be expected, 83% of agency clients without prompting confirmed that they had come into contact. The nature of assistance, for those that had had contact i.e. agency clients, is contained in Appendix 20 which is self-explanatory.

Small firms' rating of external assistance

Table 19 shows how 26 respondents, all agency clients, rated assistance received.

Table 19 Small firms rating of external assistance

	Percentage
Very useful	33.3
Fairly useful	7.4
Not useful/nothing materialised	33.3
Interest rates high (refers to banks)	14.8
Other	11.2
	100.0

The overwhelming feeling amongst the 60 per cent or so who did not derive any benefit from their contact is one of sympathy with the agencies' predicament. Most attribute the blame for the latter's inability to assist to government policy (or the lack of it) and other "impossible" restrictions - notably financial - under which agencies operate.

Table 20 shows how 26 small firms, all of whom were agency clients, rated the assistance received in terms of usefulness.

Table 20 Small firms' rating of external assistance - breakdown by agencies

Rating/ No. of respondents	NBSSI 5	NIB 1	MDPI 7	GEDC 6	TCC 7
Very useful	20%	100%	29%	17%	86%
Fairly useful			57%	17%	14%
Not useful	80%		14%	66%	

Clients of the NCWD and OIC were not interviewed. The Table shows clearly that, if the figure for the NIB is discounted, on the grounds that one respondent is a poor basis for analysis, then the TCC emerges as the most highly rated institution by its clients, with the MDPI and the GEDC trailing a low second and third.

SSE support agencies' rating of themselves

In some contrast to the above, none of the support agencies considers itself totally ineffective in terms of goal attainment. On a five-point scale rating (5 = very effective, 1 = not at all effective), 2 institutions (NCWD and MDPI) rated themselves 3;

the SSI department of the NIB rated the Bank 3, but itself 5; the GEDC scored 4, with the TCC and OIC on top with 5 each - Table 21. NBSSI was not assessed.

Table 21 SSE support agencies' rating of their effectiveness

	Rating	Agencies
Very effective	5	TCC, OIC, SSI Dept. (NIB)
Effective	4	GEDC
Moderately effective	3	NCWD, MDPI, NIB
Not effective	2	
Not all effective	1	

The key contributory factors to effectiveness (or the lack of it) are stated as follow:

Positive

- Timeliness and nature of servcies
- Technical development and transfer and training
- Sympathetic hearing/ability to relate to SSEs
- Softer loan terms
- Interest in SSEs/Agency expertise

Negative

- SSEs inability/unwillingness to pay for services
- Lack of finance for on-lending
- Infrequent visits to SSEs/lack of monitoring
- Restrictive government controls.

Evaluation of SSE support agencies in Ghana - A small firm's perspective

Exhibit 23 presents an assessment of the congruence between SSE support agencies in Ghana and SSEs in the environment. Appendix 21 contains the basis for the scores, and shows that for every specific parameter of each dimension, agencies with a "very" close match to SSEs are awarded 2 points. 1 point is given for agencies which are "fairly close", whilst nothing is

EXHIBIT 23

ASSESSMENT OF CONGRUENCE BETWEEN SSE SUPPORT AGENCIES AND SSEs IN GHANA - A SSE PERSPECTIVE

PARAMETERS INSTITUTIONS	PEOPLE TOTAL POINTS = 8	STRUCTURE = 6	BEHAVIOUR & PROCESS = 8	CULTURE = 4	HUMAN OUTPUTS = 4	OUTCOMES = 4	TOTAL POINTS = 34
Ghana Enterprises Development Commission GEDC	2	0	1	2	2	1	8
Management Development Productivity Institute MDPI	1	2	1	0	1	0	5
National Board for Small-scale Industries NBSSI	3	0	4	-	1	0	8*
National Council for Women and Development NCWD	4	0	2	2	4	1	13
National Investment Bank NIB	3	3	1	0	3	3	13
Opportunities Industrial-isation Centre OIC	6	4	3	0	3	2	18
Technology Consultancy Centre TCC	5	4	6	2	4	4	25

Basis of scoring: see Appendix 21

* Based on 5 (out of total of 6) parameters

given for "little or none". Thus, for the dimension of people, for example, a total of 8 points may be awarded, 2 for each of the following parameters: (i) skills and experience, (ii) academic attainments, (iii) age, (iv) gender.

All the measures of effectiveness used - Exhibits 19, 21 and 22 - indicate that the TCC is by far the most effective SSE support institution in Ghana. This is confirmed by, and in turn confirms, the central hypothesis as Exhibit 23 shows quite clearly. The OIC (assessed for its skills training), would appear to be next, with the NIB closely behind.

ANALYSIS OF FINDINGS

Evidence has been presented above on support agencies and SSEs with respect to various dimensions identified in the conceptual model. This section examines the evidence in relation to the central hypothesis of the study and the research approach adopted. The main concern is to analyse, in terms of the model, the differences between SSEs and agencies, and to establish the association between people, structures and process on one hand and outputs and outcomes on the other.

People

Nowhere perhaps are incongruences between agencies and SSEs more pronounced than in the profile and background of people employed. The typical support agency field/professional staff is male, relatively quite young (26-35 years old), very highly educated (first degree or post-graduate degree holder) and lacking in technical skills and business experience.

In contrast, over a quarter of OMs of SSEs are female, and the typical OM is much older (almost a half are over 45 years old), largely unschooled beyond basic education (less than 10 per cent have a degree; most have no more than primary school education), highly skilled and have previous work or management experience in a small business.

Whilst agency clients possess, on the whole, higher academic

qualifications than the non-agency client group, the overall evidence allows little comparison between support agency staff and OMs, not only in terms of academic background but in all the other characteristics just outlined.

In addition, the virtual lack of training provision for agency staff - neither on initial recruitment nor on-the-job - means that no systematic efforts are made through staff development to bridge the gaps or address the differences in profile and background.

Nor are there sufficient staff or agencies to cover even the provincial capitals, such as Tamale and Cape Coast, beyond Accra. Worse still, with tens of thousands of SSEs spread all over the country, institutions such as the NBSSI (the apex body) and the SSI department of the NIB, with a professional staff of six between them, could hardly cover the Greater Accra region, let alone the whole country.

Against this background lies the TCC and OIC which emerge as the most effective agencies in the Ghanaian environment. The profile and background of their staff are suggestive and lend support to the argument that support agency staff are, on the whole, over-qualified for the task environment.

The TCC, for example, employs a large proportion of technical staff (i.e. with skills) whose academic backgrounds are quite similar to a large proportion of the OMs with whom they interact.

These skilled technicians (who comprise a third of total staff), are of similar age and come from social backgrounds comparable to those of the OMs in the Suame Magazine in Kumasi where they work, by and large. Besides, a quarter of the total staff received one or two years' training as students on national service with the institution before being fully absorbed.

Staff of the OIC are similar in many other respects. For example, none of instructors have a degree. Rather, they are all skilled craftsmen, who previously served an apprenticeship and worked in their trades.

In conclusion, the foregoing lends support to the conceptual model that the people employed in extension organisations, with their abilities, skills, qualifications and experience - either brought into the organisation or acquired on the job - ultimately affect the outcome in terms of effectiveness. Specifically, it provides proof of the research hypotheses viz., on the whole:

(a) support agency staff are different from owner-managers (OMs) of SSEs with respect to gender, age, academic attainments, skills and previous work experience;

(b) support agency staff are academically over-qualified for the task environment and, at the same time, lack the skills and practical small business experience of OMs;

(c) the number of agency staff and training provisions are inadequate for the task environment;

(d) all of these factors contribute to an inability to assist SSEs properly.

Structure, behaviour and process

SSEs - whether agency clients or not - are mostly sole proprietorships, independently-owned and controlled by the manager and his/her family, have a paternalistic style and autonomous decision-making, with the OM remaining the pivot point around which all aspects of the business rotates. Most raised their own initial capital for their business and have financed it since from private sources.

In contrast, 5 of the 7 major agencies are government-controlled parastatals with civil service structures, pay and conditions, and lacking in management and financial autonomy. Structure is hierarchical, with several tiers between field staff and the head of institution. Management is of the committee type, with some members having no interest or experience in SSEs whatsoever, and accountable to a government ministry or department. Moreover, in all of the five institutions, the head is usually a political appointee. The two exceptions to the foregoing are the TCC and NIB.

All 7 institutions rely on the government to some extent for funding. The government-controlled agencies, however, are the most heavily dependent on government for funding. They are also unique in citing finance and staffing as the major constraints to their effectiveness - despite the finding that SSEs are willing to pay for services.

Communication between agencies and SSEs is unsystematic and irregular, operating only on an ad-hoc basis. Virtually no promotion is done to bring about awareness or to encourage the use of services. All this despite the fact OMs meet regularly with each other at work, home, social gatherings and at organised meetings.

Nor are agencies consulted over business matters by those aware of external assistance, OMs preferring to talk to people who they can trust and/or who they perceive as capable of assisting positively. That "others in business" are preferred is in conformity with the analysis above on people, where it was concluded that the profile of agency staff ultimately affects performance.

It is significant that the main exception to the foregoing scenario is the TCC. To take as a case in point, the issue of communication and promotion: although, part of a university, the TCC has reached out and pioneered the establishment of an intermediate technology transfer unit (ITTU) in the heart of the industrial belt in Kumasi. This serves as a workshop, common service facility, demonstration unit and a base for extension and training. So successful has been the concept and the practice, that the Director (ex) of the TCC, Dr. Powell, is now spearheading a national initiative to replicate ITTUs in other parts of the country, with the full backing of the government. On this issue, it is not insignificant that before accepting the appointment, Dr. Powell made it a condition of acceptance that his unit should be autonomous of government control in financing and management.

It is thus not surprising, to take another example, that a third of the sample of respondents in Kumasi are aware of the TCC.

Nor is it coincidental that the TCC is autonomous of government and the university, of which it is a part, in its day-to-day management and finances. Or, that, it is the least-funded by government and raises the bulk of its funds from elsewhere. Income from fees to SSEs and publications is the largest single source of revenue.

In conclusion, the above lends support to the hypotheses that, on the whole:

(a) the organisation structure, type, ownership and funding of support agencies do not match those of SSEs;

(b) the control, decision-making and communication processes of support agencies do not match those employed by SSEs;

(c) the constraints to agencies' effectiveness are related to their funding, control and management;

(d) the closer the structure, behaviour and process of an agency to those of SSEs, the more effective will be that agency.

Culture

For most OMs, getting their business off the ground, creating a product from scratch and increasing production or otherwise expanding are considered to be the most significant achievements. Success is measured by profitability, assets, sales, product quality and survival. Similarly, a well-managed small firm is characterised by profitability, regular income, good quality products and good attention to customers.

In contrast, for agencies, success of operations, at the end of a given period, is measured by factors such as course attendance, loans advanced and collection rate, waiting list for places and consultancy income. A well-managed firm is characterised by proper book-keeping, cash management, growth over time and a tidy, supervised operation.

The evaluation criteria of agencies, thus, are neither derived from nor directly related to those of SSEs. Nor are agency

perceptions of a well-managed firm, which by definition should guide and influence their behaviour and operations, similar to those of OMs. Overall, these indicate that the organisation culture, or value systems, of agencies does not fit the goals and aspirations of SSEs.

Moreover, whatever agencies' reasons for their choice of criteria, it is beyond reasonable doubt that by current evaluation standards, the measures are at best indicators of activities and not of objectives accomplishment. Consequently, they are highly inadequate.

On the other hand, the measures suggested by SSEs will be acceptable to most evaluation experts as good indicators of objectives attainment. It is arguable, moreover, that the measures of importance to SSEs should be, or guide, those of agencies, since the former is the market and therefore the raison d'etre for agencies. Certainly, that would the position in applying the marketing concept.

It is telling that the two external in-depth evaluations of the TCC, conducted by the Intermediate Technology Development Group, support this view, inasmuch as performance of firms assisted - in terms of profitability, assets and value added - is presented both before and after assistance to show impact of support.

In conclusion, the above lends support to the hypothesis that the organisation culture of support agencies in Ghana does not match with the goals, aspirations and value systems of SSEs in the environment.

Human outputs

The stark contrast between the perception of SSEs and that of agencies has been portrayed in looking at the evidence concerning their views on the characteristics of a well-managed small firm, inter alia.

Whilst most OMs talk to others about their business, agencies are not consulted due to an implicit lack of trust and/or perception that they are unable to assist. Given that SSEs see hardware

assistance as their main need, and that agencies provide mainly software, there is some truth at least in this perception.

It is ironic as well as an indication of the distance betweeen most of the agencies and SSEs that, although the former complains about finance, 88% of SSEs are willing and prepared to pay for services which meet their needs. That one agency actually cited, as a major contributory factor to its ineffectiveness, "SSEs unwillingness to pay for services," is evidence of contradiction to the reality.

In conclusion, the above lends support to the hypotheses that, on the whole:

(a) Support agencies have different attitudes, or perceptions, on how to manage or appraise a small business.

(b) Lack of trust and OMs' perceptions that agencies are unable to assist satisfactorily account, at least in part, for why greater use is not made of external assistance by SSEs.

(c) SSEs would be willing to pay for services provided that these met their needs for support.

Organisation purpose and outcomes

The evidence presented earlier on this parameter is self-explanatory and requires little further comment. The overall findings lead to the conclusion that, on the whole:

(a) support agencies are not meeting the needs for assistance and objectives of SSEs, and for that matter not meeting their own goals;

(b) the closer the support agency is to SSEs in terms of its people, behaviour and process, the more effective will be the agency in responding to the needs of SSEs.

Given the detailed treatment of this parameter earlier, it is proposed not to enter into a further discussion here as this

might serve only to repeat what has been said elsewhere. Instead, presented below, in Exhibit 24, is a summary profile of the TCC which not only provides a sharp contrast to the other agencies but also supports the main hypothesis.

Exhibit 24 Summary profile of the Technology Consultancy Centre, Kumasi, Ghana

Structure, control and funding

The TCC is financially autonomous of the university of which it is a part and, to a large extent, of government. It receives the lowest proportion of income from government (31%), compared with other SSE agencies in the country.

The management have complete autonomy in operational decision-making and, within their overall mission to promote and upgrade SSI through the use of appropriate technologies, are free to run the Centre without interference from any quarter.

Operations and people (staff)

The Centre, in the establishment of the Intermediate Technology Transfer Unit (ITTU), a common services workshop located in the heart of the SSE industrial belt, has taken a pro-active approach to reaching SSEs. In fact, the Suame ITTU in Kumasi has been so successful that it is being replicated now in other parts of the country under the direction of the ex-Director of the TCC.

A third of the Centre's staff are technicians whilst approximately a half of the remainder received 1-2 years' on-the-job experience as graduates on national service before being fully absorbed.

The Centre provides equipment to SSEs, which ranks next to finance in SSE needs, and training on the equipment and technologies, i.e technical assistance, which ranks third in priority services OMs would like provided.

It also has a demonstration/pilot training plant where SSE staff are trained on-the-job.

Pricing

It takes a business-like approach to assistance, charging for services rendered and pricing on the following basis: Cost of materials and overheads plus labour plus 15% margin.

Evaluation

Extension officers carry out monitoring and evaluation, albeit limited. In addition, two extensive external evaluations have been conducted.

Focus of assistance

The focus of assistance and industrial concentration of the

Exhibit 24 continued.

Centre reflects the overall SSE profile. Handicrafts/cottage industry is targeted as priority followed by smaller manufacturing industry (employing less than 10 people).

Delivery

The TCC scores the highest rating of all institutions in delivery:

- It is local, operating primarily in and near Kumasi only.
- Extension services are provided.
- It is easily assessed, informal and easily understood.
- It is relatively cheap.
- It is accepted and trusted by the artisans and tradesmen.
- The ITTU is highly visible.
- It has organised a clients association through which assistance can be channelled.

Exhibit 24 portrays an institution which is different from other agencies in Ghana not only in the closeness of the match of its staff, structures and behaviour and process to those of SSEs, but also consequently in effectiveness and impact. It lends overwhelming support to the central hypothesis.

CONCLUSION

It remains to be added that the concepts and models examined in Chapter 6 have been proven to be very useful for not only describing the functioning of SSE support institutions but also for exploring the appropriateness of organisational components and delivery mechanisms. The precise nature of these components, however, have yet to be specified. The next chapter will attempt to specify these.

A summary of major organisation mismatches between support agencies and SSEs - Exhibit 25 - provides a fitting conclusion to the chapter.

Exhibit 25 Major organisational mismatches between SSE support agencies and SSEs in Ghana

SMALL-SCALE ENTERPRISES	SUPPORT AGENCIES
PEOPLE	
28% of OMs are female.	Women account for less than 15% of field staff.
46% of OMs are aged over 45. 12% are over 56 years old. Most of remainder are aged from 36-45.	50% to 67% of staff are aged under 36. 2% are over 56 years old.
Less than 2% possess a post-graduate degree; 7% have a first degree. 39% have diploma or trades/ technical qualification; 12% received secondary education. The rest received primary or none.	5 (out of 7) agencies employ post-graduates who account for 18% of staff. 6 employ graduates, who account for 48% of staff.
84% of OMs and 57% of staff have technical skills relevant to their business.	Only 2 agencies employ skilled technicians.
45% of OMs have previous work or management experience of SSEs.	Previous staff experience of SSEs varies from none to 22% for all but 2 agencies.
STRUCTURE	
Mostly sole-proprietorships. 90% are independently owned by OM or his family.	All but 2 are parastatal.
Capital and finance raised from personal/private sources.	All rely on government for funding.
Paternalistic and flat structure, revolving around OM.	Civil service structure, pay and conditions.
BEHAVIOUR AND PROCESS	
Independently controlled and managed by OM and family.	Most are government controlled, managed by a committee and report to a govt. ministry.
Frequent and regular communication with other OMs.	Virtually no promotion nor regular communication with SSEs.
CULTURE	
Evaluation criteria are profitability, assets, regular income, survival and product quality.	Evaluation criteria are course attendance, loans advanced and repayment, number of businesses assisted.

Exhibit 25 continued.

SMALL-SCALE ENTERPRISES	SUPPORT AGENCIES
Well-managed small firm perceived to be profit-making, have regular income, have good quality products, supervised and pays attention to customers.	Well-managed small firm perceived to keep books, be tidy, have well-managed cash and growth.
HUMAN OUTPUTS	
40% of OMs found agencies useful, 60%, however, did not.	None considers itself ineffective.
88% of agencies are willing to pay for external assistance which meet their needs.	All government-controlled agencies cite finance as major problem. Half rely on government entirely for funding.
OMS seek advice and help from people they can trust and who are perceived to be able to assist with hardware. Most are unaware of the existence of agencies. Those that are, tend not to talk to agencies about their business.	Agencies offer in the main software assistance.
ORGANISATION PURPOSE AND OUTCOMES	
OMs are in business to exploit market opportunities, pursue/extend hobbies, interests, and skills, for financial gain and 'social responsibility'.	Agencies have as their main goal to develop and promote SSE sector.
	Most agencies are not successful in meeting the needs of SSEs or, for that matter, their own goals.

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CHAPTER 10

TOWARDS A NEW MODEL FOR THE DESIGN OF SSE EXTENSION AND SUPPORT INSTITUTIONS IN DEVELOPING COUNTRIES

OVERVIEW

This chapter sets out, first of all, to generalise outwards the wider meaning of the research findings for SSE support organisations and services elsewhere and, on the basis of this, secondly, to propose a model which might be used in the design of organisations and services in developing countries.

VALIDITY OF FINDINGS

Miles and Huberman (1984) have warned:

> "When we come up with a "finding" in a field study, we quickly assume it to be typical, representative, an instance of a more general phenomenon. But is it? And, if it is, how representative?" (p.231)

Accordingly, comparisons were made of the findings with three major pieces of research. Some of the salient features of these are presented here. Other efforts made to substantiate the findings have been discussed in the chapter on research methodology.

The findings on SSEs were compared with both the Checchi (1976) report and an earlier work in 1973 by Steel (1977). For agencies, the worldwide study of SSE extension and support institutions (Chapter 5) provided a yardstick. All of these led to the conclusion that the findings are valid and reliable. Some examples below demonstrate.

Chapters 2 and 4 in particular of the Checchi Report confirm several findings including those relating to definition and characteristics of SSEs, problems/constraints and needs, geographical and sector concentration, government policies and support agencies.

Appendix 22, for example, containing the industrial profile Checchi uncovered, is virtually identical to the sample profile of the present study in Appendix 23.

To take another example, the Checchi report found the following to be the most serious constraints facing SSEs: (a) shortage of raw materials, spare parts and machinery; (b) the difficulty of obtaining credit on the part of the smallest firms - described as those with fixed assets of less than C5,000 and engaging an average of 7 persons; (c) lack of technical assistance to improve accounting, control and production methods, and (d) the complicated procedures which must be followed in order to start or expand.

The major constraints above are identical to the findings of the present study: the 57 firms in the sample presented the same factors as their major constraints, whilst also expressing a wish to expand their business.

The definition of SSEs used for this study - a very important factor for determining the representativeness of the sample - is also borne out by both the Checchi and Steel findings. The Checchi consultants acknowledged that SSEs have fixed assets of less than C5,000 and engage on average 7 persons. [C5,000 in December 1976 was worth US$4,200 at the official exchange rate, or thrice on the 'black' market.] The present study has also found that SSEs employ on average 7 people, and have capital (or fixed assets) worth on average C1.69 which was equivalent to US$6,000 at the rate of exchange during the period of the research, i.e. C260=US$1.

With regards to upper limits, Steel in his survey, defined SSI as firms employing 1 to 9 persons and larger SSIs as firms employing 10 to 29. These compare favourably with the average as well as the number of employees of the largest firms in the sample which were 27 and 32 respectively. This also serves to validate the choice of the upper limit of 25 employees in the sampling frame.

Several other findings are supported by Steel's study. As a further example, Steel (1977, pp.93 and 181) revealed the importance of personal and family savings in financing small enterprises, indicating that capital was not available through the established financial intermediaries for small firms. The present study has found that owner-managers raised the initial capital for their business, and have financed it since, by relying on personal resources, notably savings and borrowings from friends. Furthermore, it has found, assistance has been sought from a bank in one out of five cases, to say nothing of the outcome.

In all of the characteristics outlined above as well as in others contained in the findings, SSEs in Ghana mirror their counterparts elsewhere in developing countries.

As a case in point, in respect of the last finding reported

above, Little, Mazumdar and Page (1987) report, in their recent book

> "The great majority of new private firms start very small and rely entirely on personal savings, mostly their own but eked out by loans from relatives or friends...". (p.311)

With respect to support agencies, the findings reported in the study demonstrate that institutions in Ghana mirror closely their counterparts elsewhere in the Third World in most respects. A comparison of Chapter 5 with Chapters 8 and especially 9 reveals striking similarities in terms of profile and characteristics of staff, structure, control, decision-making processes, problems and constraints to agency effectiveness, the focus of their assistance and monitoring and evaluation procedures.

To take but a few examples, virtually all of the institutions in Ghana are predominantly publicly-funded and under the control of government, just like their counterparts represented in the survey reported in Chapter 5. Most agencies in Ghana insist on a first degree as a minimum entry qualification for professional field staff. Moreover, only a small proportion of staff had previous work experience of SSEs before joining the service. With respect to organisation and structure, the agencies in Ghana are largely run not like private enterprises but rather as departments in the civil service, reporting to a Government ministry. These were also the findings in the survey reported in Chapter 5.

The above shows, therefore, that many of the findings on SSEs and most on support institutions are supported by other major pieces of research. It is logical, therefore, to conclude that:

- The sample used in the study is representative of SSEs in Ghana.

- SSEs in Ghana are similar to SSEs in other developing countries, in terms of definition, people, structures, behaviour, the environment in which they work and other characteristics.

- Support institutions in Ghana are typical of those

elsewhere in many developing countries in terms of staffing, structure, organisation, control, behaviour, processes and other characteristics.

It is reasonable therefore to generalise outwards the findings of the present study to SSE support institutions in other developing countries. To recap, the present study has shown that the key problems and issues that arise in the organisation and operation of SSE extension services are determined by mismatches between the people, structures and processes of support agencies and those of SSEs. More specifically, it has been proven that the closer the people, structures and processes of agencies to SSEs, the greater will be the impact on the sector. Conversely, the farther the agency gets away from the enterprise model, the less effective it will be in developing and promoting the sector.

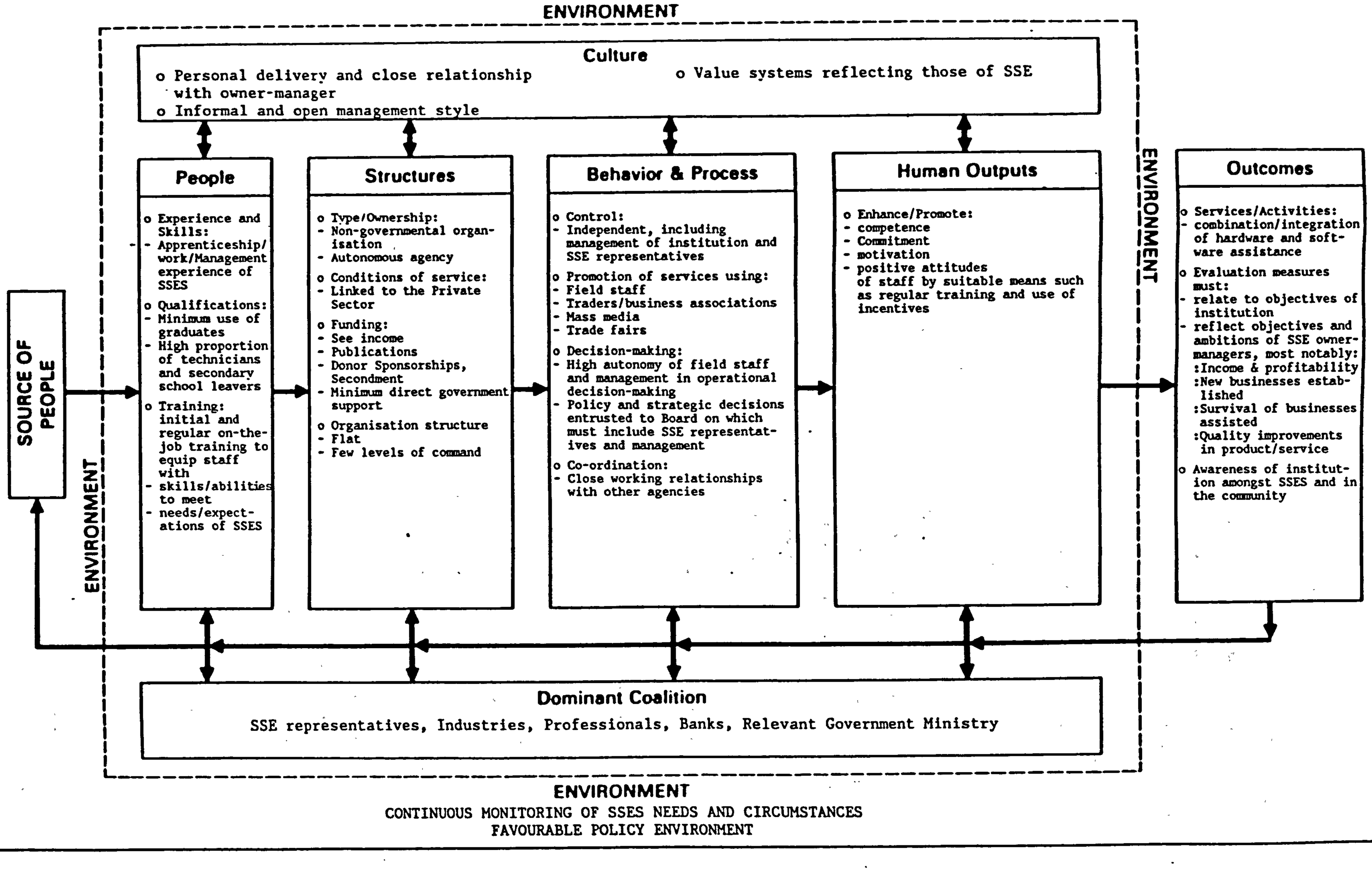
The characteristics and organisational components of SSEs in any given environment, thus, provide the best guidelines for designing appropriate support organisations and services. The caveat relating to the environment is an essential one, given the the notion of contingency.

A MODEL FOR THE DESIGN OF SSE EXTENSION AND RELATED SUPPORT INSTITUTIONS IN DEVELOPING COUNTRIES

Exhibit 26 presents the emergent model that might be used in the design of SSE extension and support institutions in developing countries. The dimensions and their nature, given under each of the components, is specific to Ghana. It is proposed, however, on the basis of the foregoing, that given adaptation to the task environment, the model may be applicable to other developing countries.

The components and mechanistic operation of the model are derived from systems theory, whilst the framework has been adpated from Beer's model.

The proposed model, however, is substantially different in two important respects, viz. firstly, it represents an application of systems thinking specifically to the design of SSE support


ENVIRONMENT
Culture
o Personal delivery and close relationship with owner-manager
o Informal and open management style
o Value systems reflecting those of SSE
SOURCE OF PEOPLE
People
o Experience and Skills:
- Apprenticeship/ work/Management experience of SSES
o Qualifications:
- Minimum use of graduates
- High proportion of technicians and secondary school leavers
o Training: initial and regular on-the-job training to equip staff with
- skills/abilities to meet
- needs/expectations of SSES
Structures
o Type/Ownership:
- Non-governmental organisation
- Autonomous agency
o Conditions of service:
- Linked to the Private Sector
o Funding:
- See income
- Publications
- Donor Sponsorships, Secondment
- Minimum direct government support
o Organisation structure
- Flat
- Few levels of command
Behavior & Process
o Control:
- Independent, including management of institution and SSE representatives
o Promotion of services using:
- Field staff
- Traders/business associations
- Mass media
- Trade fairs
o Decision-making:
- High autonomy of field staff and management in operational decision-making
- Policy and strategic decisions entrusted to Board on which must include SSE representatives and management
o Co-ordination:
- Close working relationships with other agencies
Human Outputs
o Enhance/Promote:
- competence
- Commitment
- motivation
- positive attitudes of staff by suitable means such as regular training and use of incentives
Outcomes
o Services/Activities:
- combination/integration of hardware and software assistance
o Evaluation measures must:
- relate to objectives of institution
- reflect objectives and ambitions of SSE owner-managers, most notably:
:Income & profitability
:New businesses established
:Survival of businesses assisted
:Quality improvements in product/service
o Awareness of institution amongst SSES and in the community
ENVIRONMENT
Dominant Coalition
SSE representatives, Industries, Professionals, Banks, Relevant Government Ministry
ENVIRONMENT
CONTINUOUS MONITORING OF SSES NEEDS AND CIRCUMSTANCES
FAVOURABLE POLICY ENVIRONMENT

institutions and, secondly, specifies the nature and contents of the dimensions for the task environment.

The model shows the various factors which influence or affect the performance (outcomes) of an extension service, beginning with the attributes extension staff (people) bring into the organisation upon recruitment through structures which shape the behaviour and processes of the organisation to competence and psychological states (human outputs) developed by extension staff after a period of time with the organisation.

All of the components may be influenced by, and may also influence, the value systems (culture) as well as the key decision-makers (dominant coalition) of the organisation.

All of the above components function within, and must constantly adapt to, the environment, in which SSEs are the crucial dimension. The effectiveness, or impact, of the service is a function of the degree of congruence, or fit, between the various components and the environment. The performance of the extension service is thus a function of the working of all the components of the system.

As suggested earlier, the type and nature of the dimensions in the proposed model are specific to Ghana, but may be adaptable to other countries. Thus, in the context of Ghana, the model proposes that field staff to be hired should reflect or match the profile of owner-managers and should include a high proportion of technicians and secondary school leavers. Some previous experience of working in or with SSEs should be desirable. Graduates and postgraduates, when retained, may be employed for specialist duties or to provide assistance to SSE owner-managers who are also graduates. Initial and regular on-the-job training should be designed into the service, to equip extension officers with the skills and abilities to meet the needs and expectations of owner-managers and to reflect their values.

With regards to structure, it is proposed that institutions operate autonomously of direct government control. As far as possible, conditions of service should be linked to the private sector. Sources of funds, other than the government, must be

explored - especially sponsorships or secondments from industry and donors. In addition, fees should be charged for use of services and, where applicable, publications income generated. All of this should go towards minimising direct government inputs and control in this area. A flat organisation structure with few levels of command might make for faster communication and response.

Independent management and control is emphasised, with the management of the institution responsible for operational decision-making. The involvement of SSE representatives in strategic or important decision-making should augur well for a service which takes due account of the views of clients. Similarly, staff should be encouraged to play an active role in small business initiatives such as business associations and industry fairs. A well-trained professional field staff should also be entrusted with a high level of autonomy in the conduct of their duties.

The motivation, commitment, competence and attitudes of staff are essential to the overall performance of services. Thus, attention ought to be paid to enhancing these by, for example, regular training and the use of suitable incentives, e.g. financial rewards, public recognition, overseas travel etc.

The key influences on the service must include representatives of the people and professions who usually come into regular contact with, and/or are held in high esteem by, owner-managers of SSEs. In Ghana these include bankers, industrialists and other owner-managers of SSEs.

In the organisation, marketing, monitoring and evaluation of services, it is important that the value systems of clients are regularly researched and reflected in services, procedures and measures, if the service is to tackle real needs or to be perceived to be relevant by SSEs.

The desired outcomes from the foregoing should be the provision of services and the availability of activities which meet needs for assistance, within a favourable policy environment. These should be underpinned by proper evaluation of services using

measures which not only relate to the objectives of the institution but also at the same time reflect the objectives and ambitions of SSE owner-managers. The awareness of the institution amongst SSEs and within the community would be a step in the right direction towards creating interest in and ultimately adoption of services on offer.

Finally, all of the above serve to highlight an important operating principle which is to anticipate, find out and adapt continuously to the environment, in which small-scale enterprises are the principal dimension.

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CHAPTER 11

CONCLUSION

OVERVIEW

This final chapter appraises the study, indicating its contribution to the existing body of knowledge, its significance for researchers and practitioners as well as who might find it valuable. It concludes by specifying, for the benefit of future efforts, the major problems encountered, the major lesson learnt and some outstanding issues for research.

APPRAISAL OF THE MODEL AND FINDINGS OF THE STUDY

A model for the specific design of SSE extension and related support organisations and services is now available. This model, derived from systems theory, is a dynamic one and works on the premise of the need for congruence between the major organisational components for effectiveness.

More specifically, it has been suggested that the closer the support institution is to SSEs - in terms of the people, structures, behaviour and processes employed - the greater the likelihood of impact of services in catering to the recognised needs of entrepreneurs and in promoting a healthy development of the SSE sector. Conversely, the farther the support institution gets away from the enterprise model, the lesser the likelihood of impact.

The central hypothesis in arriving at the model was the proposition that the key issues of concern and problems that arise in the organisation and operation of SSE extension services are determined by mismatches between the people, structures and processes employed by the support institutions and those found in SSEs.

The field study which took place in Ghana to test the hypothesis validated the concept. It was found that the most effective institution was the one closest to SSEs with respect to the people, structures and processes employed. In contrast, the least effective institutions had structures, processes and staff whose attributes did not match those of SSEs.

It is believed that the findings of the study including the proposed model, which is both conceptually derived and empirically tested, meet the need for research in the field. In addition, the concepts employed make it possible for other researchers to test the findings, whilst for practitioners in the field the proposals may provide useful guidelines.

Importantly, also, the contingency notion embodied in the concept and model ensures that the type and nature of the dimensions of

the model are conditioned by the given environment. Thus, the findings may be applicable to other developing countries.

This study should be of interest to all developmental institutions with a concern for the effective delivery of services. In particular, small business development and extension agencies should find the extensive review of the literature and of support measures revealing. For international agencies and others actively engaged in the field of SSE support in developing countries especially, the research findings and the proposed model should meet a long-standing need for guidelines for the design of support institutions and for the organisation of extension and related support services.

The foregoing, against the backcloth of the overall study objectives, leads to the conclusion that this research has made a useful contribution to an important area of development.

FUTURE RESEARCH

Finally, it is perhaps to be desired that a study of this nature might highlight major problems encountered or lessons learnt as well as outline a few outstanding issues for the benefit of future research efforts.

In retrospect, the major problem encountered was to do with the identification of suitable concepts to not only express but also translate the research idea into a form appropriate for academic testing. This requirement, ostensibly necessary for a Ph.D., and the subsequent process to conceptualise the research idea, more than any other single factor, accounted for the delay in completion. It ought to be stated also, however, that it was an intellectually stimulating experience.

Another significant challenge concerned the derivation of suitable measures to assess and compare the performance or effectiveness of SSE support agencies in Ghana. The relevant issues and arguments have been discussed at length in the chapter on research methodology. Suffice it to say only that the findings and analysis may have been even more conclusive if the

constraints and objections to applying cost-benefit analysis could have been overcome and quantitative measures used as well as the qualitative ones employed. This is not to diminish the value of qualitative analysis; for, qualitative and quantitative methods are complementary techniques for analysis, as demonstrated in Chapter 7, and are both widely recognised and accepted in the literature.

To turn now, in conclusion, to outstanding areas for further research, it goes without saying that the issues in the subject area of SSE development in developing countries about which guidelines or firm conclusions need to be drawn are many, and it is beyond the scope of this study to examine or even mention all of them. In respect of extension services, however, a number of important issues, other than those specifically addressed, might be mentioned.

An often neglected area in practice, and yet an important aspect, is the whole issue of policy, especially those aspects relating to the formulation of appropriate measures and what might be reasonably expected from certain types of interventions.

Other areas relate to the programme, or programming, level, and although these have been mentioned or touched on in a tangent in the present study, further empirical work is required to allow firm conclusions to be drawn. These include the issue of whether extension and credit are best integrated or kept separate. That these should be closely co-ordinated is not at issue. Allied to this is the institutional base for services, i.e. whether extension services operate better or not from a financial as opposed to a non-financial institution base. Finally, the issue of monitoring and evaluation of services, especially with respect to practical and appropriate measures and systems, is still the subject of some debate.

Clearly, in order to resolve these issues and refine practices, further research as well as experiments on design proposals, such as the one put forward in this study, would be required.

APPENDICES

APPENDIX 1

Developing Countries and Territories by Income Group:
OECD Classification System

LICs: 62 low-income countries

* Afghanistan
Angola
* Bangladesh
* Benin
* Bhutan
Bolivia
Burma
* Burundi
* Cape Verde
* Central African Republic
China
* Chad
* Comoros
Djibouti
Egypt
El Salvador
Equatorial Guinea
* Ethiopia
* Gambia
Ghana
* Guinea
* Guinea-Bissau
* Haiti
Honduras
India
Kampuchea
Kenya
* Laos
* Lesotho
Liberia
Madagascar
* Malawi
* Maldives
* Mali
Mauritania
Mayotte
Mozambique
* Nepal
* Niger
Pakistan
* Rwanda
St. Helena
Sao Tome and Principe
Senegal
Sierra Leone
Solomon Islands (Br.)
* Somalia
Sri Lanka
* Sudan
* Tanzania
Togo
Tokelau Islands
Tonga
Tuvalu
* Uganda
* Upper Volta
Vanuatu
Viet Nam
* Yemen, North
* Yemen, South
Zaire
Zambia

MICs: 73 middle-income countries

Bahamas
Bahrain
Barbados
Belize
Bermuda
Botswana
Brunei
Cameroon
Chile
Colombia
Congo
Cook Islands
Costa Rica
Cuba
Cyprus
Dominican Republic
Falkland Islands
Fiji
Gibraltar
Guadeloupe
Guatemala
Guiana, French
Guyana
Israel
Ivory Coast
Jamaica
Jordan
Kiribati
Lebanon
Macao
Malaysia
Malta
Martinique
Mauritius
Morocco
Nauru
Netherlands Antilles
New Caledonia
Nicaragua
Niue Island
Oman
Pacific Islands (U.S.)
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Polynesia, French
Reunion
St. Pierre and Miquelon
Seychelles
Surinam
Swaziland
Syria
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uruguay
Wallis and Futuna
Western Samoa
West Indies
Zimbabwe

NICS: 11 newly industrialising countries

Argentina
Brazil
Greece
Hong Kong
South Korea
Mexico
Portugal
Singapore
Spain
Taiwan
Yugoslavia

OPEC: 13 Organization of Petroleum Exporting Countries

Algeria
Ecuador
Gabon
Indonesia
Iran
Iraq
Kuwait
Libya
Nigeria
Qatar
Saudi Arabia
United Arab Emirates
Venezuela

* LLDC (29 least-developed countries).

Source: Todaro (1985)

APPENDIX 2

COURSE OUTLINE
Industrial Extension Training
Industrial Development Board
Sri Lanka

1. SSIs, An Overview

1.1. Introduction to Small Scale Industries (SSIs)
1.2. SSIs in Sri Lanka
1.3. SSI Identification and Development
1.4. SSI Programming Concepts
1.5. SSI Fiscal Incentives

2. Total Approach

2.1. Small Business Management - An Overview
- Marketing
- Organization and Personnel
- Management Guidance

2.2. Planning, Analysis and Control of Production Systems
2.3. Financial Evaluation and Appraisal

3. Cost Reduction & Profit Maximization Tools

3.1. Cost Control Techniques
3.2. Materials Management and Inventory Control
3.3. Value Engineering
3.4. Methods Engineering
3.5. Work Sampling & Production Study
3.6. Fundamentals of Quality Control
3.7. Industrial Safety Regulation and Hygiene

4. Technological Development

4.1. Framework of Technological Development
4.2. Low Cost Automation Technology
4.3. Rational Problem Solving Techniques
4.4. Diagnostic Techniques
4.5. Technology Audit
4.6. Practical Strategies for Extension Work

5. Industrial Extension Education

5.1. Extension Strategy
5.2. Philosophy, Principles and Processes
5.3. Extension Methods and Tools
5.4. Communication - Its Relevance to Extension Service

5.5. Extension in Practice - Certain Models
5.6. Methods of Conducting Studies
5.7. Sources of Scientific and Technological Information
5.8. Role of Extension Agent

6. Field Work Orientation

6.1. Briefing
6.2. Meeting the Coaches
6.3. Actual Fieldwork
6.4. Presentation of Report
6.5. Evaluation of Report

7. Recommendation of Action Program for the Development of SSIs in Sri Lanka

Source: Technonet Asia (1985), Vol. 2 pp.125-126

APPENDIX 2 - contd.

COURSE OUTLINE
Small Business Consultancy Course
University of the Philippines Institute for Small-Scale Industries

1. Introduction

1.1.	Course Introduction
1.2.	Group Dynamics

2. Philippine Business Environment

2.1.	Philippine Business Environment
2.2.	Development Prospects

3. Enterprise Management

3.1.	The Process of Management
3.2.	Organizational & Human Resource Management
3.3.	Marketing Management in Small Business
3.4.	Production Management in Small Business
3.5.	Financial Management in Small Business
3.6.	Crisis and Growth Management
3.7.	Business Policy

4. Philippine Small Business Consultancy

4.1.	Overview of Small Business Consulting
4.2.	Consulting in Organizational Management
4.3.	Case Study in Organizational Management Consultancy
4.4.	Presentation of Case Study on Organizational Management
4.5.	Consulting in Marketing Management
4.6.	Plant Visit I
4.7.	Discussion of Plant Visit I
4.8. - 4.10.	Consulting in Production Management
4.11.	Plant Visit II
4.12.	Discussion of Plant Visit II
4.13.	Consulting in Financial Management
4.14.	Case Study on Financial Management
4.15.	Presentation of Case Study on Financial Management Audit
4.16.	Environmental Analysis
4.17.	Information Generation
4.18.	Data Analysis
4.19. - 4.20.	Forecasting
4.21. - 4.23.	Business Strategy Formulation (BSF)
4.24. - 4.28.	BSF Workshop
4.29. - 4.30.	Technical Writing
4.31.	Developing and Packaging Proposals
4.32.	Workshop
4.33.	Presentation of Workshop Outputs

4.34. Facilitating Change
4.35. Implementation of Proposals, Maintenance, Control and Disengagement

5. Practicum on Business Strategy Formulation and Consultancy Practice (BSF/CP)

5.1. - 5.2. Introduction to Practicum on Business Strategy Formulation and Consultancy Practice
5.3. BSF Fieldwork

6. Final Seminar

6.1. - 6.5. Dialogue With Small Industry Consultants
6.6. - 6.12. Presentation/Evaluation of Practicum Reports
6.13. Introduction to Consultancy Practice
6.14. - 6.24. Repackaging of Practicum Reports/Workshops
6.25. - 6.27. Business Game
6.28. - 6.47. Engagement Period
6.48. Sharing of Experiences

Source: Technonet Asia (1985), Vol.2 pp.127-129

APPENDIX 3

COURSE OUTLINE
Industrial Extension Trainers' Training
for
DP/DJIK* Industrial Extension Officers

Session No.	Sessions
1	Introduction
2 - 13	Group Dynamics/Entrepreneurial Motivation Training
14 - 15	National Development Plan and the Role of SSIs
16 - 17	Nature and Characteristics of SSIs in Indonesia
18 - 19	The Role of Industrial Extension Services in SSI Development
20 - 22	Technical Resource Information and SSI Development
23 - 28	Plant Visits
29 - 30	Management Aspect of SSIs in Indonesia
31 - 32	Marketing Aspect of SSIs in Indonesia
33 - 35	Production Aspect of SSIs in Indonesia
36 - 38	Financial Aspect of SSIs in Indonesia
39	Technical Report Writing Techniques
40 - 41	Diagnostic Techniques
42 - 43	Project Feasibility Study Preparation
44 - 45	Project Evaluation
46 - 47	Management of Industrial Extension Centre
48 - 49	Educational Psychology
50 - 61	Plant Visits (4 days)
62 - 63	Personal Skills of a Trainer
64 - 67	Teaching/Learning Principles in Adult Education
68 - 69	Planning and Designing Training Programs
70 - 77	Training Methodologies and Teaching
78 - 79	Aids in Training
80 - 82	Workshop in Planning and Designing of Training Programs for SSI Development in Indonesia
83 - 84	Planning and Designing of a Session
85 - 87	Workshop in Planning and Designing of a Session
88 - 89	Managing and Administering the Training Function
90 - 99	Practicum (Actual Feedback Practice)
100 - 110	Back Home Action Plan
111	Integration
112	Evaluation

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* Directorate General of Small-Scale Industries under the Ministry of Industry, Indonesia

Source: Technonet Asia (1985) Vol.2 p.134

APPENDIX 3 - contd.

COURSE OUTLINE
Advanced Extension Training

1. Objectives

On completion of the course, the participants will be able to :

a) Review the general concepts, functions and tools for conducting extension services to small-scale industries (SSIs).

b) Understand the processes (marketing, production services, maintenance, administration, personnel and financial aspects) of managing common service facilities for SSIs.

c) Observe and analyse the applicability of extension approaches to SSI development, particularly in improving design and engineering (D & E) and process technology.

2. Curriculum

The course will be composed of six modules, viz :

a) Review of Extension Concepts - this will discuss the principles, functions, tools of extension services for SSIs.

b) Management of Common Service Facilities - a common service facility centre is equipped with machinery and equipment to complement SSIs' processes. As a service unit, it provides production services (renting out of M & E at nominal cost), quality testing, product design, training and demonstration functions. The participants must acquire know-how on :

1) Marketing of CSF Services (Market Plan, Sales Forecasts, etc.)
2) Operations of the CSF (Production Function, Maintenance Management, Production Planning and Control, Quality Control of CSF Services, Work Distribution, etc.)
3) Administration (Personnel Management, etc.)
4) Financial Aspects (Budgeting, Cash Flow, Cost Recovery, Income & Loss and Balance Sheet).

c) Design and Engineering - this will describe the process of absorbing new and modified products on the part of SSIs, i.e. from working drawings to final production. Inter alia, this will include : preparation of engineering drawings, value analysis, parts standardization, metrology, matching the product and process capacities, engineering phase (jigs, fixtures, methods, etc.), adaptation (pilot production trial shipment) and extension approaches.

d) Process Technology - this will be based on the course's sectoral orientation and will describe the various processes in manufacturing a product. Process will start with raw materials up to the final quality control check. Various technology levels available per process should likewise be discussed.

e) Special Topics - this will inject flexibility in the course design. Each topic as well as emphasis will be suggested by the national extension agency prior to course implementation. Some of the special topics include : Standardization, Sub-contracting, Quality Control, Modernization of SSIs, Mechanization, Mini-Industrial Estates, etc.

f) Fieldwork Module - this module will provide the opportunity to observe and analyse the various SSI extension approaches in other countries of comparable economic level. The fieldwork module will be executed in line with the agency's sectoral specialization. In this module, activities will include SSI and institutional visits.

Source: Technonet Asia (1985) Vol.2 pp.132-133

APPENDIX 4

INSTITUTIONS AND COUNTRIES REPRESENTED IN THE SURVEY

1. Argentina

1. Subsecretaria de la PYME, Ministerio de Economia, Buenos Aires.
2. Instituto de la Cooperacion (IDELCOOP), Rosario.
3. Instituto Movilizador de fondos Cooperativos, Rosario.
4. CIME-INTI (Centro de Investigacion de Metodos y Technicas para Peguenas y Medianas Empresas) Buenos Aires.

2. Bangladesh

5. Development of Rural Industries, Bangladesh Small Scale and Cottage Industry Corporation (BSCIC), Dhaka.

3. Botswana

6. Granelelo (PTy) Ltd., Gaborone.
7. BEDU, Gaborone.
8. Dept. of Cooperative Development, Gaborone.
9. PFP Botswana, Gaborone.
10. BRIDEC, Gaborone.

4. Cameroon

11. FOGAPE Fonds d'Aide et de Garantie des Credits aux PME), Yaounde.
12. CAPME (Centre d'Assistance aux PME), Douala.

5. Chile

13. INACAP (Instituto Nacional de LCapacitacion Profesional), Santiago.
14. Servicio de Cooperacion Technica, Santiago.

6. Cyprus

15. Cyprus Productivity Centre, Nicosia.

7. Egypt

16. Engineering and Industrial Design Development Centre (EIDDC), Cairo.

8. Ethiopia

17. Handicrafts and Small Scale Industries Dev't Agency (HASIDA), Addis Ababa.
18. Ethiopian Chamber of Commerce, Addis Ababa.

9. The Fiji Islands

19. Economic Development Board of Fiji, Suva.
20. Ministry of Cooperatives, Suva.

10. Gabon

21. Promogabon (Agence Nationale de la Petite et Moyenne Entreprise) Libreville.

11. The Gambia

22. Indigenous Business Advisory Service (IBAS), Banjul.

12. Greece

23. Hellenic Organisation of Small and Medium Size Ind. and Handicraft (E.O.M.M.E.X.)

13. Hong Kong

24. Hong Kong Productivity Council, Kowloon.

14. India

25. Small Industries Service Institute, Bangalore.
26. GITCO Ltd., Ahmedabad.

15. Indonesia

27. BIPIK (Guidance and Dev't. of Small Industry Project), Min. of Industry, Jakarta Selatan.

16. Korea

28. Small and Medium Industry Promotion Corporation (SMIPC).

17. Lesotho

29. Lesotho Opportunities Industrialization Center (LOIC), Maseru.
30. Basotho Enterprises Development Corporation, Maseru.

18. Liberia

31. Extension Services to SMEs, SME Dep't., National Investment Comm., Monrovia.
32. Business Advisory Service/Small Enterprises Financing Organisation, Monrovia.
33. PFP Liberia.

19. Malaysia

34. Majlis Amanah Raayat (MARA), Kuala Lumpur.
35. Advisory Service and Consultancy, National Productivity Centre.

20. Mali

36. Institut de Productivite et de Gestion Previsionnelle (IPGP), Bamako.

21. Nepal

37. Small Business Promotion Project, Kathmandu.
38. Cottage and Village Industry Development Board, Kathmandu.

22. Nigeria

39. Nigerian LAssociation of Small Scale Industrialists, Ibadan.
40. Centre for Industrial Research and Development, University of Ife, Ife.

23. Paraguay

41. Servicio Nacional de Promocion Profesional, Asuncion.

24. Peru

42. Instituto de Apoyo a la Mediana y Peguena Industria (IDAMPEI).

25. The Philippines

43. University of the Philippines Inst. for Small-Scale Industries (UP ISSI), Metro Manila.
44. Economic Development Foundation, Metro Manila.
45. National Cottage Industries Development Authority, Metro Manila.

26. Senegal

46. SOFISEDIT (Societe Financiere Senegalaise pour le developpement de I'industrie et du tourisme), Dakar.
47. SONEPI, Dakar.

27. Singapore

48. Singapore Institute of Standards and Industrial Research (SISIR).

28. Sri Lanka

49. Small Scale Enterprise Development Div. of the Ministry of Youth Affairs and Employment, Colombo.
50. Maliaval: Economic Agency, Colombo.
51. Sri Lanka Business LDevelopment Centre, Colombo.
52. National Youth Cooperative Society Ltd., Maharagama.
53. Industrial Development Board, Moratuwa.

29. Thailand

54. Northern Industrial Promotion Centre, Chianginai.
55. Department of Industrial Promotion, Bangkok.
56. Thailand Mgmt. Dev't. and Productivity Centre, Bangkok.

30. Zambia

57. Village Industry Service, Lusaka.

APPENDIX 5

A Study of Extension Services for Small Enterprises

COUNTRY BACKGROUND AND INSTITUTION QUESTIONNAIRE

Introduction

This questionnaire is in two parts. The first part asks questions about the state of small business support in the country concerned. The second part asks detailed questions about the major extension service or services in the country.

1. Name of completor of questionnaire _____

2. Address (Organisation working with) _____

_____

_____

_____

3. Telephone number _____ 4. Telex number _____

PART 1 - COUNTRY DATA

1. Does the country have a federal or national government? _____

2. If a federal government, please indicate the relative responsibility of the individual states for economic development (circle appropriate number on the scale below of 7 to 1).

High			Medium			Low
7	6	5	4	3	2	1

3. Is there an overall written policy statement on small business development? If so, please attach a copy (e.g. extract from development plan).

4. Please give some indication of the degree of population dispersion through the country (circle).

Highly concentrated		Some concentrated areas		Fairly evenly dispersed	
7	6	5	4	3	2 1

5. Official definition of small enterprise (and medium if defined separately). Please describe including source and purpose.

_____

_____

_____

6. Please indicate degree to which support for small business is provided (circle):

Mainly by Public-funded Institutions		By Mixed Public and Private Institutions		Mainly by Private Institutions (associations, private banks, etc.)	
7	6	5	4	3	2 1

7. Is there an accepted definition of "Extension Service" in the country?:

Yes/No

Please describe (if no accepted definition, your understanding of what is an extension service in your country context): _____

_____

_____

_____

8. How prominant are the employers organisations (e.g. employers federations, chambers of commerce, small business associations, trade associations, etc.) in supporting small enterprise development?

Highly prominent			Moderately prominent			Not very prominent
7	6	5	4	3	2	1

9. Is there a strong association of small businesses in the country?

Yes/No

If yes please give name and address _____

_____

_____

_____

10. Overall in your country please indicate the relative weight of specialist support to small business in your opinion between "software" and "hardware" (circle): .

Mainly "software" (Information, Advice, Counselling, Training)				Mainly "hardware" (Credit, Common Facilities, Premises etc.)
7	6	5	4	3	2	1

11. Please indicate the clients where you feel the major focus of assistance in your country is concentrated:

Rank in order of importance of focus 1 to 4 (4 being the area of least focus)

(small traders/retailers	☐
(handicrafts + cottage industry	☐
(very small (micro) manufacturing + service firms (under 5 employees)	☐
(larger manufacturing + service firms (5 to 50 employees)	☐

12. Is, in your view, assistance to small firms concentrated in the hands of few organisations or spread among many (circle):

Concentrated in few assistance organisations			Moderately spread		Widely spread among a number of agencies
7	6	5	4	3	2	1

13. In your view, do those agencies supporting small business development work closely together in most of the programmes or mostly individually (circle):

Agencies work closely together in most programmes			Work together occasionally on programmes		Rarely work together
7	6	5	4	3	2	1

14. Please list the four most important problems facing agencies seeking to support small enterprise development:

Problems

1. _____
2. _____
3. _____
4. _____

15. In your view, are small entrepreneurs in general widely aware of help available to them from assistance agencies? (circle)

Widely aware of assistance			Moderately aware		Relatively unaware of assistance	
7	6	5	4	3	2	1

16. In some countries attempts have been made to provide "integrated" forms of assistance to small businesses bringing together finance, advice, training and technical assistance in one package. In your country, are there many examples of this integrated approach? (circle)

Integrated approach widely used			Some examples of integrated approach		Few examples of integrated approach	
7	6	5	4	3	2	1

17. How widely available are advisory services locally, regionally or nationally?

Widely available locally			Widely available in some regions		Available only nationally	
7	6	5	4	3	2	1

18. Are there programmes aimed at youth encouraging them to become entrepreneurial and/or self-employed? (circle)

Programmes widely available			Some programmes		More or few only	
7	6	5	4	3	2	1

PART II - KEY EXTENSION SERVICE INSTITUTION QUESTIONNAIRE

Please provide brochure, if possible, or annual report:

1. Name of Extension Service: _____

2. Address and telephone number: _____

_____

_____

3. Name of the Director General: _____

4. Type of organisation:

Government dept. _____ Autonomous govt. parastatal _____

Other type of organisation (specify) _____

5. To whom does your institution directly report? _____

_____

6. Is there an advisory or governing board? (if so please describe composition) _____

_____

_____

_____

_____

7. Is there any official mechanism for coordinating the work of your institution with other official or unofficial small business agencies? (if so please describe briefly) _____

_____

_____

_____

_____

8. Are small business associations formally represented on any advisory or governing board? (circle)

Yes No

9. Major activities carried out by the extension service: _____

_____

_____

_____

_____

_____

10. Estimates of the volume of your activity (please attach any brochures, reports etc. that may give further background).

. Please list promotions (exhibitions, competitions, publicity seminars, media coverage promoting small enterprise development)

_____

_____

_____

. Information/literature available for small business (list here or separately) _____

_____

_____

. Total numbers of individual enterprises advised and counselled over the last full year _____

_____

. Total number of advisory or counselling services in last full year (if different from above) _____

_____

Average duration of counselling (please estimate) _____

_____

. Numbers and nature of training programmes (number of persons through programmes) (please complete attached form 10X)

. Number of loans or grants given: _____

. Total value of loans or grants in last full year: ($ value) _____

_____

. Building programmes if any. Sq. ft. built: (last full year) _____

_____

Value in dollars _____

10X Training/Education

Programme Title	Who aimed at (and average Nos. of each course)	Full-time* Part-time	Duration (spread over what period)	Total No. of hours	No. of programmes run each year

17. Foreign aid in last two years. Total (dollar equivalent) broken down by:
(i) advisers _____ (ii) equipment _____
(iii) other (specify) _____

18. How frequently do you work with other small business support organisations?

Very frequently			From time to time			Rarely
7	6	5	4	3	2	1

19. Where other organisations are worked or coordinated with, please specify the nature of this contact for each organisation.

Name of organisation	Whether link is formal/ regular or informal/ irregular	Exact role of other organisation and services provided

20. Please describe your organisation (organogram) and indicate numbers of professional staff in each department.

21. Numbers of professional staff: _____

If possible, please break down between::

- Trainers _____
- Business counsellors _____
- Information officers _____
- Loan officers _____

Technical counsellers _____

- Managers of Estates/workshops _____
- Others (please specify) _____

11. Please indicate (by rough percentage) which types of small business your institutic

	% of effort
traders/retailers	____
handicrafts/cottage industry	____
very small manufacturing + service (less than 5 employees)	____
larger manufacturing + service businesses (5 to 50 employees)	____

12. Does your institution concentrate its efforts upon particular industry sectors? (c:

Yes No

If so, please indicate (e.g. construction, agricultural processing, etc).

_____

_____

_____

_____

13. Does your institution have centres in various parts of the country? (circle)

Yes No

If yes, please indicate the number of centres throughout the country:

_____

14. Average staffing of centres and types of staff: _____

_____

_____

_____

_____

15. Total budget of the institution (dollars equivalent) _____
supported by breakdown by department if possible.

16. Percentage of income from: regular government contribution _____%
other public contributions _____% fee income _____%
other (specify) _____%

22. Foreign advisers (if any) over last 2 years (specify number, nature, duration) _____

_____

_____

23. Are your staff salary scale based upon (tick): Government scales _____

parastatal scales _____ education/training scales _____

private business scales _____ Other (specify) _____

24. Please indicate (roughly) the proportion of your professional field staff with the following educational qualifications:

	%
Post graduate degree	____
Degree	____
Diploma	____
Secondary school education	____

25. What proportion of your professional field staff has experience in the management of small business? (percentage)

____

26. Is there a local induction training programme for new professional staff (circle)?

Yes No

If yes, please describe: _____

_____

_____

27. Are there any standard local programmes designed to assist professional adviser development generally or for promotion to a high grade (circle)?

Yes No

If yes, please describe: _____

_____

_____

_____

28. What are the major barriers to your organisation being generally more effective (major problems)? _____

In particular what are the major difficulties experienced in providing:

more effective advisory services: _____

more effective training programmes: _____

more effective lending or other schemes (if relevant): _____

29. How are the activities of your institution monitored and evaluated? Please describe: _____

_____

_____

_____

_____

_____

_____

30. Please attach any monitoring or evaluation reports. These will be treated completely confidentially and will not be referred to specifically in the study report.

SMALL-SCALE ENTERPRISES (SSEs) SURVEY

1. Name and Address of Business Enterprise

.....
.....
.....

2. (a) Name of owner-manager (OM) .....

(b) Type of business:

Sole trader .....
Partnership .....
Co-operative .....
Limited company .....

(c) Age of business/ when established:.....

3. (a) Products/Services Manufactured/offered: (Indicate also whether manufacturing, assembling, service, handicrafts, retailing - tick.)
.....
.....
.....

(b) Industry sector:

Garments and textiles .....
Furniture and other wood .....
Bakery .....
Grain milling and food processing .....
Motor vehicle repair .....
Shoe repair .....
Jewellery .....
Metal products .....
Building and construction .....
Electrical and electronic goods repair .....
Printing .....
Watch repair .....
Manufacture of travel bags .....
Other manufacturing (specify) .....
.....
Other service (specify) .....
.....
.....
Other repair (specify) .....
.....
.....

(c) Customers/Markets - aimed at or existing (indicate):
.....
.....
.....

(d) Processes/technologies employed:
.....
.....

(e) management/production tools and methods normally employed:
.....
.....

1. (a) Who owns the business?

.....
.....

(b) Degree of involvement of family or close friends:

.....
.....
.....

5. Major reasons/objectives for starting or being in own business. (List & state)

.....
.....
.....
.....

6. (a) Most significant achievements (business) in the last 2 or 3 years.

.....
.....
.....
.....

(b) What were the major problems encountered in achieving what you did?

Capital/Finance	.....
Premises	.....
Marketing	.....
Supplies	.....
Government/Regulatory	.....
Competition	.....
Managerial know-how	.....
Technical know-how	.....
Equipment/Machinery	.....
Other (please specify)	.....

.....
.....

7. (a) Plans for the future, i.e. what OM is trying/intends to do:

.....
.....
.....

(b) Major problems/difficulties expected/anticipated:

Capital/Finance	.....
Premises	.....
Marketing	.....
Supplies	.....
Government/Regulatory	.....
Competition	.....
Managerial know-how	.....
Technical know-how	.....
Equipment/Machinery	.....
Other (please specify)	.....

.....
.....

8. If you were to improve your business what you are doing at the moment, what things would you need to do this:

Capital/Finance .....
Premises .....
Marketing .....
Supplies .....
Government/Regulatory .....
Competition .....
Managerial know-how .....
Technical know-how .....
Equipment/Machinery .....
Other (please specify) .....
.....
.....

9. (a) Who do you talk to/consult about your business (i.e. activities, problems etc)?

.....
.....
.....

(b) Why do you choose to talk to/consult these in particular?

.....
.....
.....

(c) Who else could you talk to/consult but have preferred not to?

.....
.....
.....

(d) Please explain why you prefer not to talk to/consult with these?

.....
.....
.....

10. Have you had contact or received assistance from any of the following?

Technology Consultancy Centre .....
Management Devt. & Productivity Institute .....
Ghana Institute of Management & Pub. Admn. .....
School of Administration, Univ. of Ghana .....
Small Scale Business Bureau, Min. of Industries .....
Opportunities Industrialisation Centre .....
Centre for Scientific and Indusrial Research .....
Others (specify).....
.....
.....

If yes, (a) please explain (how it came about, who originated the contact)

.....
.....
.....

(b) the nature and length of contact/assistance

.....
.....
.....

If not, (c) are there any reasons to explain this?

No .....
Yes (please explain) .....
.....
.....
.....

11. (a) What has been your experience with (or in using) services provided by support institutions? **(Probe for problems and issues)**
.....
.....
.....

(b) What has been the experience of other SSEs that you know?
.....
.....
.....

(c) In your opinion, what reasons account for these experiences? **If necessary prompt, e.g. is it the people, i.e. staff, structure, governemnt control, methods of operation, etc?)**
.....
.....
.....

12. (a) Academic qualifications of owner-manager:

Postgraduate degree .....
Degree .....
Professional qualification .....
Diploma
(specify subject/area of specialisation).....
Secondary school education .....

(b) Proportion of employees with the following (please state):

Postgraduate degree .....
Degree .....
Professional qualification .....
Diploma .....
(specify subject/area of specialisation).....
.....
Secondary school education .....

(c) Special skills possessed or apprenticeship training of

- owner-manager .....
- employees.....
.....

(d) Previous industrial experience or background prior to being in the SSE of

- owner-manager.....
.....

- employees.....
.....
.....

13. What in your view are the key characteristics of a well-managed SSE?
.....
.....

14. (a) Structure of SSE:

.....
.....
.....
.....

(b) When you are away or ill for a short period of time (say less than a week) who takes over/is in charge, if any?

.....
.....

(c) If you were away or ill for an extended period of time (say up to 1, 2 or 3 months), who would run the business?

.....
.....
.....
.....
.....

15. (a) Under what conditions circumstances, if any, would OM be prepared to use outside assistance in running SSE?

.....
.....
.....

(b) Would you like to see the advisers?

Regularly:
Once a week/month/quarter/year (tick) .....
Other (specify).....

Irreguarly:
As and when you need them .....
Other (specify).....

(c) Where would you prefer to see them?

On site .....
Elsewhere (specify).....

(d) Period - for what length of time?

.....
.....

(e) Would OM be prepared to pay a fee for services meeting conditions.

Yes .....
No (please explain) .....
.....
.....

16. Supposing you were to set up a service (or institution) to help SSEs like yourself, what would be your priorities?

.....
.....
.....
.....

17. Do you meet with friends or relatives who are also in business?

Yes .....
No .....

(a) If yes, where do you meet them?

.....
.....
.....

(b) Do you belong a business or trades association, chamber of commer : or club?

No .....
Yes (please specify) .....
.....
.....
.....
.....

(c) Do you use these?

Yes .....
No .....

Please state reasons for using or not using these?

.....
.....
.....
.....

18. Criteria for evaluating performance of SSE/ of OM (specify):

.....
.....

(a) Reasons for selecting these criteria?

.....
.....

19. Number of employees:.....

20. Trends over last 5 years (or since the start of the business if less :

No. of Employees.....
.....

Sales.....
.....

Profits.....
.....

Capital.....
.....

21. (a) Please indicate to which of these age groups you (OM) belong.

16 - 25 .....
26 - 35 .....
36 - 45 .....
46 - 55 .....
Over 56 .....

(b) Gender:

Male .....
Female .....

22. Any other pertinent information:

.....
.....
.....
.....
.....
.....
.....

23. Date and place of interview .....

APPENDIX 7

SSE SUPPORT INSTITUTIONS SURVEY

1. Name and Address of institution (or agency)
.....
.....
.....

2. Name and Position of interviewee(s):.....
.....

3. Major activities carried out (or services provided) by institution. Please rank in terms of the major thrust of your resources the first ... the rest tick):

Training .....
Technical/Technological assistance .....
Common services/workshop facilities .....
Research and Development .....
Credit .....
Advice and Information .....
Premises .....
Marketing assistance .....
Entrepreneurship development .....
Business Counselling .....
Feasibility/market studies/appraisals .....
Other (please specify).....
.....
.....

(b) Degree of integration between 'software' and 'hardware'.
.....
.....
.....

4. (a) Does institution assist SSEs?

Yes .....
No .....

(b) Operational definition of SSEs:
.....
.....
.....

5. Please indicate (by ranking from 1 to 4 in descending order importance the types of small business your institution assists?

Traders/retailers .....
Handicrafts/cottage industry .....
Smaller manufacturing +
service (less than 10 employees) .....
Larger manufacturing +
service (5 to 30 employees) .....

6. Does your institution concentrate its efforts upon particular industrial sectors?

Yes .....
No .....

(a) If so, please indicate (if possible rank in importance):

Garments and textiles .....
Furniture and other wood .....
Bakery .....
Grain milling and food processing .....
Motor vehicle repair .....
Shoe repair .....
Jewellery .....
Metal products .....
Building and construction .....
Electrical and electronic goods repair .....
Printing .....
Watch repair .....
Manufacture of travel bags .....
Other manufacturing (specify) .....
.....
Other service (specify) .....
.....
.....
Other repair (specify) .....
.....
.....

7. Mission and goals/objectives of the institution generally and with respect to SSEs:
.....
.....
.....

(a) How were these derived at (e.g. needs analysis)?
.....
.....

8. (a) Is there an accepted definition of extension service in agric.
Yes .....
No .....

(b) Please describe (if no accepted definition, please state your understanding of the term):
.....
.....
.....
.....

9. Major needs of/ problems facing agency in providing/delivering extension services (or assistance) to SSEs.

Finance .....
Staff .....
Government policy/control .....
Transportation .....
SSEs - lack of co-operation .....
Resources/facilities/equipment .....
Other (please specify).....
.....
.....

10. (a) In which areas of small business management does your institution provide the type of assistance you indicate?

General .....
Marketing .....
Book-keeping/Accounting/Finance .....
Business Planning .....
Production .....
Technology .....
Other (please specify) .....
.....
.....

(b) Level and depth of coverage. **(Probe for specialist versus generalist support)**

.....
.....
.....
.....
.....

11. Kinds of programmes offered - nature, length, geographical coverage:

.....
.....
.....
.....

(Collect brochures, pamphlets if available)

12. What do OMs of SSEs need and what do they look for in support

.....
.....
.....

(a) How were these ascertained?

.....
.....

13. (a) Please state how you generate clients for your services:

.....
.....
.....

(b) In what other ways do you promote your services?

.....
.....
.....

14. Number of professional staff:.....

(a) If possible, please provide a breakdown as follows:

Trainers .....
Business Counsellors .....
Technical Counsellors .....
Loan Officers .....
Information Officers .....
Others (please specify).....
.....
.....

15. What do you consider to be the major operational problems facing

	(a) SSEs in the region	(b) targeted SSEs
Finance/Capital	.....	.....
Premises	.....	.....
Marketing	.....	.....
Government/Regulatory	.....	.....
Equipment/Machinery	.....	.....
Other (specify)		
.....	.....	.....
.....	.....	.....

(a) How were these determined:

.....
.....

16. What in your view are the characteristics of a well-managed SSE?

.....
.....
.....
.....

17. Please indicate the proportion of your staff with the following qualifications:

Postgraduate degree	.....
Degree	.....
Professional qualification	.....
Diploma	.....

(please specify main areas of specialisation)

.....
.....
.....

Secondary school education	.....

18. (a) What are the major criteria you look for in recruiting and selecting professional staff?

.....
.....
.....
.....

(b) Any difficulties experienced with finding such people?

.....
.....
.....

19. What proportion of your field staff have experience:

(a) in the management of a small business? .....

(b) working in a small business? .....

(c) in big business in a professional capacity? .....

20. Are there training programmes either for new professional staff or to assist professional adviser development?

No .....
Yes - for new staff .....
Yes - for existing staff .....

(a) If yes, please describe:

.....
.....
.....

21. Structure, control and formalised reporting requirements of agency:

.....
.....
.....

22. Who are the key decision-makers - policy and operative - and how influential are they?

.....
.....
.....

23. Funding - source of income:

	%
Regular government contribution	.....
Other Public (specify)	.....
Fee income	.....
Private (specify)	.....
Other (specify)	.....

(a) If fee income, indicate the rationale and how prices are set.

.....
.....
.....

24. What problems do you encounter with the prevailing structure, reporting systems, control and funding of the institution in effectively assisting SSEs?

.....
.....
.....
.....

25. What key factor would you take into account in designing an effective agency for reaching and assisting SSEs?

.....
.....
.....
.....

26. (a) Which other institutions to your knowledge assists SSEs?

Technology Consultancy Centre	.....
Management Devt. & Productivity Institute	.....
Ghana Institute of Management & Pub. Admn.	.....
School of Administration, Univ. of Ghana	.....
Small Scale Business Bureau, Min. of Industries	.....
Opportunities Industrialisation Centre	.....
Centre for Scientific and Indusrial Research	.....
Others (specify).....	

.....

(b) Which of these do you work with?

Technology Consultancy Centre .....
Management Devt. & Productivity Institute .....
Ghana Institute of Management & Pub. Admn. .....
School of Administration, Univ. of Ghana .....
Small Scale Business Bureau, Min. of Industries .....
Opportunities Industrialisation Centre .....
Centre for Scientific and Industrial Research .....
Others (specify).....
.....
.....

(c) What have you done with them?

.....
.....

27. (a) Do you personally or as an institution **(indicate)** have an contact or involvement with any trades association, small business association or chambers of commerce?

No .....
Yes (please indicate) .....
.....
.....
.....

(b) Are SSEs formally represented on the board (or similar committee) in your institution?

No .....
Yes (please specify) .....
.....

28. (a) How would you rate the effectiveness of your institution in achieving its goals/objectives with respect to SSEs? (please indicate)

Very effective Fairly effective Not at all effective

5 4 3 2 1

(b) What criteria do you use in this assessment?

.....
.....
.....

(c) Please indicate the major factors for your effectiveness or the barriers to your being more effective.

.....
.....
.....
.....

29. (a) Are the activities of your institution evaluated?

Yes .....
No .....

If yes,

(b) How (by what criteria) and by whom are the activities of the institution monitored and evaluated?

.....

(c) To whom does the report go?

30. (a) Gender distribution of professional adviser staff:

Male .....
Female .....

(b) Age Distribution:

16 - 25 .....
26 - 35 .....
36 - 45 .....
46 - 55 .....
Over 56 .....

31. Please indicate the trend/rate of growth of your institution in the last five years (or since its establishment if less):

Employees:.....
.....

Budget/Income:.....
.....

Businesses "assisted"
(define):.....
.....

Other (specify):.....
.....

32. Any other pertinent information:
.....
.....
.....
.....
.....
.....
.....

33. Degree to which services/institution are:

Locally provided .....
Easily accessed .....
Time effective .....
Easily understandable .....
Informal .....
Personally delivered .....
Highly visible .....
Credible .....
Owned/accepted by business community .....
Opportunity/problem oriented .....
Trustworthy .....
Cheap .....
Integrated (as far as possible) .....
Other (specify).....

34. Date and place of interview:.....

APPENDIX 8 CONSULTANTS TO SSES IN GHANA

	Percentage
Nobody	21.9
Banks	19.2
Friends/Others in business	12.3
NBSSI	11.0
TCC	8.2
Close family	5.5
AGI	4.1
MDPI	2.7
GEDC	2.7
NIB	2.7
Others	9.7
	100.0

APPENDIX 9 OWNER-MANAGERS' REASONS FOR USING CONSULTANTS

	Percentage
Know-how/Advice/Also in business	39.6
Source of finance	29.2
Source of equipment/Help with supplies/import licence	14.6
General help	8.3
	100.0

APPENDIX 10 SIGNIFICANT ACHIEVEMENTS OF SSE OWNER-MANAGERS

	Percentage
Getting business off the ground/ Creating product from scratch	16.4
Increasing production/expansion	10.4
None	10.4
Investment - bought machines, car etc	7.5
Meeting real needs of people	6.0
Public recognition/won a prize	6.0
Providing a quality product/service	6.0
Built a house/bought land	4.5
Other	32.8
	100.0

APPENDIX 11 EVALUATION CRITERIA USED BY SSES IN GHANA

Criteria	Percentage
Profit/assets	33.7
Sales/customers	26.7
Product quality/craftsmanship	17.4
Survival or 'keeping business going'	7.0
Other	15.2
	100.0

APPENDIX 12 OWNER-MANAGERS' PERCEPTIONS OF A WELL-MANAGED SSE

	Percentage
Profitability/regular income	21.5
Good quality products	17.2
Good attention to people/customers	17.2
Constant/regular production	10.8
Good management/subordinate relations	6.5
Managerial abilities of OM	4.3
Other	22.5
	100.0

APPENDIX 13 SUPPORT AGENCIES' PERCEPTION OF A WELL-MANAGED SSE

	No. of insts.
Proper book-keeping/cash management	4
Growth of business over time	2
Well-organised operation/proper supervision	2
Product quality	1
High profitability/investment	1
OM enquires about assistance	1
OM ambitious/wants to grow	1
OM delegates responsibility	1
Repays loans and financial commitments	1
Collective decision-making	1

APPENDIX 14 CONDITIONS UNDER WHICH SSES WOULD USE EXTERNAL ASSISTANCE

	Percentage
Help with obtaining equipment, supplies or machinery	29.5
Credit access/provision	23.0
Managerial know-how/ technical help	16.4
Others	31.1
	100.0

APPENDIX 15 REASONS FOR ENTREPRENEURSHIP IN GHANA

	Percentage
Exploit gap in market/respond to needs	20.7
Utilise skills/pursue talents	17.2
Social responsibility	16.1
Pursue interest or hobby	12.6
Financial/profitable gain	11.5
Independent/wish to start something of one's own	5.7
Create own employment/means of livelihood	3.4
Alternative to/cannot find government work	3.4
Other	9.4
	100.0

APPENDIX 16 OWNER-MANAGERS' DESIRED IMPROVEMENTS FOR THEIR BUSINESS

	Percentage
Finance/Capital	41.3
Equipment/Machinery	23.1
Raw materials supply	16.3
Premises	5.8
Marketing	3.8
Managerial know-how	2.9
Technical know-how	1.9
Other	4.9
	100.0

APPENDIX 17 SSE PRIORITIES FOR ASSISTANCE

	Percentage
Finance/Capital	35.5
Raw materials supply	17.8
Technical know-how	13.1
Managerial know-how	12.1
Equipment/Machinery	10.3
Marketing	5.6
Extension services/ Comptetent personnel	2.8
Other	2.8
	100.0

APPENDIX 18 MAJOR PROBLEMS/DIFFICULTIES ANTICIPATED BY SSES

	Percentage
Finance	37.3
Equipment/Machinery	21.6
Raw materials supply	14.2
Premises	10.4
Marketing	6.7
Competition	3.7
Government/Regulatory	2.2
Managerial know-how	1.5
Technical know-how	1.5
Other	0.9
	100.0

APPENDIX 19 CONSULTANTS SSES PREFER NOT TO USE

	Percentage
Nobody	43.9
Banks	22.0
Support institutions	17.1
Government agency	4.9
Other	12.1
	100.0

APPENDIX 20 ASSISTANCE PROVIDED BY SSE SUPPORT AGENCIES

	Percentage
Management training/ feasibility studies	44.1
Source of equipment	20.7
Source of finance	17.6
Advice/help generally	8.8
Nothing materialised	8.8
	100.0

APPENDIX 21 ASSESSMENT OF CONGRUENCE BETWEEN SSE SUPPORT AGENCIES AND SSES IN GHANA - BASIS OF SCORING

Scoring

Closeness to SSE profile	Points
Very (i.e. >50%)	2
Fairly (i.e. 25 - 50%)	1
Little or none (i.e. <25%)	0

Parameters

A. People:
1. Age; 2. Gender; 3. Academic qualifications; 4. Skills and business experience. Total points=8.

B. Structure:
1. Organisation structure/operational autonomy; 2. Funding; 3. Ownership. Total points=6.

C. Behaviour and process:
1. Decision-making; 2. Control; 3. Communication/promotion; 4. SSE representation on Board. Total points=8.

D. Culture:
1. Characteristics of well-managed firm; 2. Evaluation criteria. Total points=4.

E. Human outputs:
1. Effectiveness rating; 2. Activities/services vis-a-vis SSEs needs. Total points= 4.

F. Outcomes:
1. Delivery of services; 2. SSEs' awareness and use of services. Total points=4.

APPENDIX 22 INDUSTRIAL PROFILE OF SSI ESTABLISHMENTS IN GHANA

Source: Checchi & Co. (1976), chapter 4-7

INDUSTRY	Percentage of total
Garments and textiles	44
Furniture and wood products	9
Bakery products	7
Grain milling and other food processing	5
Motor vehicle repair	5
Shoe repair	4
Jewellery	4
Metal products	3
Electrical and electronic goods repair	3
Printing	2
Watch repair	2
Manufacture of travel bags	1
Other repair	3
Other manufacturing	9
	100

APPENDIX 23 INDUSTRIAL PROFILE OF SURVEY SAMPLE OF SSES IN GHANA

INDUSTRY	% TOTAL
Soap, cosmetics and toiletries	11.6
Food processing incl. m/cs & implements	10.1
Industrial/Automotive parts & m/cs	10.1
Garments & textiles	8.7
Furniture & Wood	8.7
Motor vehicle repair	5.8
Metal products	5.8
Shoe repair/manufacturing	4.3
Chemicals/drugs/paints	4.3
Hairdressing	4.3
Hotel & Catering	4.3
Other	22.0
	100.0

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