

SUPPORTING THE ENTREPRENEURIAL FABRIC : leveraging big companies' social acceptability and sustainable impact on local development

Interview with Xavier Boutin
General Director of the European Institute for Cooperation and Development (IECD)

By David Ménascé
General Manager, Azao consulting/
Affiliate Professor at the "Social Business/
Enterprise and Poverty Chair", HEC



IECD (European Institute for Cooperation and Development) is a development assistance agency created in 1988 at the initiative of entrepreneurs and academics. IECD promotes the human and economic development of the countries where it operates and seeks to build supportive environments where everyone has the opportunity to develop their talents through education and vocational training. IECD also works to support small enterprises and promote access to health and education for vulnerable people. The organization conducts 45 development projects in 14 countries with more than 50,000 beneficiaries. Xavier Boutin is co-founder and general director of IECD.

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In view of the challenges developing countries are facing, big companies are setting up new models that seek to benefit both themselves and local populations. Often conducted in partnership with NGOs, these projects involve training young people and providing support for SMEs, and enable big companies to undertake actions that have a lasting impact on a country's development. In this interview, Xavier Boutin highlights the means to implement successful programs adapted to the local context by talking about the different projects carried out by the IECD in partnership with major companies. He also reveals the elements necessary for the success and sustainability of projects to train young people and support the local entrepreneurial fabric.

David Ménascé: While emerging countries are confronted with a strong increase in unemployment rates and SMEs find it difficult to access the services required to launch or consolidate their activities, big companies are developing win-win models, frequently with the support of NGOs, focusing on training, access to funding and innovation. What do you think of these models and to what extent do they enhance the social acceptability of large companies?

Xavier Boutin: Big businesses contribute to local development insofar as they help develop the entrepreneurial fabric and require a skilled workforce, which they employ either directly or indirectly, when they contract work out to other businesses that use this skilled labor. These businesses in fact need to be able to count on a workforce which, in addition to having theoretical knowledge of the activity, has been able to put that knowledge into practice, in particular through internships or work/study training programs, in large firms or in partner businesses.

The example of Schneider Electric is interesting because the group works in the areas of civil, industrial and electrical engineering, which have a high potential for improvement of industrial efficiency. This type of business also has sub-contractors, who buy the equipment, distribute or use it in various sectors (building, industry, elevators, etc.). We have tested vocational training models with Schneider Electric in Lebanon, Morocco, Egypt and Nigeria. In Morocco, especially in partnership with Schneider Electric and Nexans, one of the components of the program consisted in creating a training center for apprentices in Mkanassa, a suburb of Casablanca. It is one of the first learning centers in Morocco for the electricity trades, set up in a building supplied by the Moroccan authorities and run by civil society. We offer young school dropouts basic training in the electricity trades, as well as proficiency courses in French and IT. The courses also promote the acquisition of "life skills" (teamwork, communication, respect for others, punctuality, empathy, etc.). The course lasts one year, during which trainees alternate between four weeks in a business and one week at the training center. These young people, who are trained in particular in the use of Schneider

Electric hardware, do their work/study experience in businesses that use similar equipment. Once they have graduated, they can join the workforce of that business, which is sometimes a subcontractor or distributor of Schneider Electric.

This model, which has proven its worth, strengthens the top to bottom entrepreneurial integration in a given sector or trade, thanks to the contribution of a professional workforce, qualified and aware of energy performance issues, and to the establishment of manufacturing plants or chains that use innovative and modern technologies. For Schneider Electric there are multiple benefits, including enhancing its local acceptability. First of all, it is the most direct way of promoting its technology and know-how. There is also a visible impact on its image and the public's knowledge of its business. In addition, across the four countries where the program is currently implemented, the insertion of over 800 young people per year into hundreds of industrial transformation, building or maintenance companies, represents a unique opportunity to penetrate the world of Moroccan SMEs. Added to this is the issue of electrical standards: the manufacturer that manages to assert its standard and influence local regulations will enjoy a significant advantage on the market.

D.M.: Would you say that the development of business/NGO partnerships focused on supporting the entrepreneurial fabric, whether or not it is of local content, is recent?

X.B.: IECD was initiated by Total in this approach, which I find innovative. A workshop was conducted through the "Business Development" program on the Bakassi Peninsula in Cameroon. In this production area, which crystallizes the issues of acceptability, the company cannot employ a lot of local manpower and populations may accordingly feel they do not benefit from the activity. Given that these very small businesses do not have the capacity to become suppliers, the Group decided to focus on strengthening the entrepreneurial fabric in the broader sense.



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The Bakassi Peninsula experience led us to work with Total in the Port Harcourt region in Nigeria, which faces a similar problem. We sought to go beyond the conventional approach – often based on the distribution of electricity or the renovation of roads and buildings – and train entrepreneurs and allow them to benefit from the company’s know-how in the fields of management and performance. For that purpose, we adapted our Cameroon program by supporting a center in Nigeria called Small Medium Enterprise Development Network (SMEDN). The program was intended to allow these companies to improve their performance as regards administrative and financial flows management, via a six-week general training course followed by individual assistance for the business for six months, including an assessment of the impact on the business in terms of profit, profitability and job creation. The entrepreneurs who followed the course acquired a far greater degree of mastery of the business tools than can be achieved through labor-intensive programs where teaching relies on simplified and schematic kits.

These programs have a very high impact on access to jobs and reducing unemployment. On the one hand, consolidating small businesses by rationalizing costs, improving organization and implementing a more adequate market positioning may lead them to grow and create new jobs; on the other hand, simultaneously offering young people technical or *ad hoc* training through work/study programs improves their employability.

D.M.: How big are the companies that IECD supports? Is it only SMEs?

X.B.: Local SMEs are indeed our core target. Generally speaking, the targets of our programs are small and very small enterprises, whose turnover varies between 2-3 and 10-15 million CFA francs per year, to give an example on the African continent. We look for entrepreneurs who have a business project. Some of them discover through our program that they head a true small business, which to grow requires a vision and ambition. Through our training and support, entrepreneurs can take a more objective look at their activity and understand what they can implement in terms of organization, performance, expenditure management, etc.

The program involves several stages during which the enterprises will grow. In the entrepreneurs’ club, which brings together the beneficiaries of past courses, IECD supports certain businesses, which move from a logic of survival to logic of a construction.

Under the program to support very small businesses (VSBs) in Ho Chi Minh City (Vietnam), cheese manufacturer Bel asked us to assist street vendors on bikes selling fruits and vegetables, so that they could sell The Laughing Cow products. The challenge for the



company was to enable these women vendors to distribute a Bel product to a very large number of people with low purchasing power, and having an impact on nutrition (The Laughing Cow is often in used sandwiches instead of mayonnaise or margarine).

We had to develop an extremely simplified support program, aimed at improving their activity’s performance so that they could, in particular, achieve a greater cash flow. As regards acceptability, the aim was to make them understand the benefits of the Bel product, not just for their customers but also for their commercial activity. In this case, this very simple training was intended to promote the image of the product and the company to the vendors, but also help them grow their activity. These saleswomen do not carry stocks because they have little ready cash and do not always understand how their cash flow works nor how to optimize it. This means that they don’t know how much money their activity earns them, if any. But they must be able to determine the gross margin in order to pay for overhead costs, pay themselves or even reap a profit. In this kind of training, it would be possible to introduce the concept of savings, especially for the women, who manage the family and domestic expenses.

This project incorporates the entire socio-economic fabric of the neighborhoods. Approaching the subject through the Bel product makes the training appealing for the street vendors, creating a direct link between the product that they are invited to sell and the training course. The Bel Access approach is very attractive because it involves several factors: in addition to strengthening the vendors’ capacity and ensuring a better redistribution in the value chain, the fact that saleswomen are deeply embedded in the social fabric makes it possible to achieve a nutritional impact on the populations, particularly children. The Bel Access product therefore has an integral role to play, and increases the motivation of this very specific “micro” public, the street vendors, with whom we do not usually work because they are very difficult to reach out to.

In the VSB support framework program that IECD promotes and provides in 10 countries, it is the small entrepreneurs, exercising varied trades, who take the initiative to take part in the training courses. By contrast, for the street vendors, the program must be adapted to match their profile and concerns and be taken to them. This is rather complex because these women work all the time, are mobile, and it is difficult to convince them to follow a training course; this is not the case for an entrepreneur,

who is better able to manage his time and orders. Added to this is the issue of literacy and numeracy, which are absolutely essential to run a small business.

D.M.: What are the main benefits for IECD of operating within this kind of partnership with big companies?

X.B.: There are multiple benefits. To return to the partnership with Bel, it has allowed us to move into in a new geographical area – Ho Chi Minh City in this case. We already worked in Vietnam, but not in providing support for very small enterprises; and we would have undoubtedly been more reluctant had this not been the case, given the costs and the professional deployment required when first starting to operate in a country. This project was an opportunity that allowed us to gain experience in Vietnam and has truly given us a boost, professionally and to morale.

The program is now very broad, and we have extended it to other populations, in particular through a partnership with the oil company Perenco, whose way of operating was different to Bel since the company wanted to set up a CSR/philanthropic-type program through its subsidiary, carrying out local development actions that were not directly related to the company's activities. Perenco sought to showcase its involvement in the country's development, beyond the royalties or fees paid to the public authorities for its activity. Its expectations were centered on obtaining recognition, both social and institutional from the Vietnamese authorities.

D.M.: In addition to these training programs targeting local entrepreneurs, does IECD develop other types of partnerships with businesses?

X.B.: Yes, we have also started developing "social businesses". For instance, we are working in Cameroon and Côte d'Ivoire with Compagnie Fruitière. IECD created an agrifood technology laboratory on a venue provided (and previously equipped) by the company, open to small producers who need to increase the value of their products (e.g. transforming pineapples into juice). The site operates today through subsidies from IECD but aims to become profitable within two to three years by charging a fee. The goal is thus to establish a "business incubator" that both helps process farm produce and also supports the activities of these small enterprises. Although Compagnie Fruitière does not directly benefit from this laboratory – it does not process the company's products – it derives many benefits from this strategy: the laboratory is a place to brainstorm operational ideas, has a direct impact on local economic development and employment, and enhances the company's local acceptability and societal impact.

D.M. : In the light of your experience and the many projects that you have conducted with big businesses, what do you think are the key factors to ensure the success of these partnerships?

X.B.: Mutual understanding is essential. In most cases, the problem is conveying the vision of the head office to the subsidiaries, which will be the key players in implementing the projects, through their privileged

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position in the developing countries. The subsidiary's understanding of the project is crucial to avoid sticking points in adapting the project and implementing it in the country. It requires a good relationship between the head office and the subsidiary around this shared project. Any change in the composition of the subsidiary's management may disrupt the quality of the partnership.

To address this, we try to involve the subsidiary in the project as much as possible by using steering committees, to ensure that the subsidiary as a whole, including its management, is involved in the project's implementation and understands what it stands to gain, in particular by communicating with the local authorities and thus interacting with the institutional, regulatory and political environment. This communication is essential for the businesses, whose ability to penetrate the market will depend on their future actors, the employees and the small businesses.

In addition, any disparity between the views of the subsidiary and the vision of the head office quickly becomes apparent, with the latter often setting very ambitious goals in terms of the number of beneficiaries. As far as the initial vocational and technical training of young people, is concerned, it is important to focus on quality if you want to end up with quantity. Thus, for the program to have a sustainable impact on young people and businesses, training must be organized in such a way as to be intensive rather than extensive. The young people must be familiar with their activity's environment and the scientific, technical and technological aspects of the products it uses. It is also necessary for the training to address both academic and human factors that better prepare them to enter the world of business and adapt to life's changing circumstances. At IECD, we always strive to ensure they achieve a sustainable work situation, and I think it is important to share this goal with the businesses.

This means that, for the partnership to be successful, constant dialog is necessary not just with the subsidiary but also with the head office, to explain that overly ambitious goals in terms of communication and CSR can be detrimental to a project's success.