



BDS framework and the needs of “start-ups”  
and existing and growing SMEs

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and growing SMEs

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## I. What is BDS

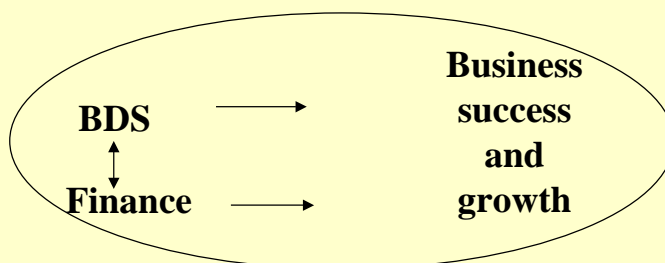
- Non-financial services critical to entry, survival, productivity, competitiveness, and growth of SMEs
- Includes: Training, consulting, advisory services, marketing assistance, information, technology development and transfer, and business linkages promotion.



## II. Why is BDS important?

- SMEs limited knowledge, appropriate skills, information, right bus. links
- Right services can reduce failure and enhance growth

### Bus. Enabling environment





### III. Characteristics of supply

- Supply (not demand) driven, and lack of focus on specific needs and target groups
- The challenge between standardised but affordable versus customised but expensive
- Poor 'ability' to pay for BDS leads to clustering of poor quality providers at the bottom of the pyramid
- Services focus on single intervention, no holistic approach to business needs
- Chaotic market, no standards, large variation in quality, low visibility of suppliers, more survivalists
- Public sector supply often lacks 'business knowledge / experience' to provide effective assistance
- Public services crowd out private services development
- Subsidies for private delivery often lead to market distortions



### III. Characteristics of BDS supply: who does what?

- Ministry Trade / Investment, or SMEs: legislation, policies to create enabling environment, investment climate, entrepreneurship culture, access to foreign markets, competitiveness enhancement, sometimes public BDS support structures (e.g. incubators) or financial incentives for private BDS
- National entrepreneurship agencies: education / training materials, ToTs, entrepreneurship culture, awards
- Nat. SME agencies: implementing gov. strategy and policy, develop support infrastructure for SMEs, information & documentation, research, referral centre for SMEs, training and advise for start-ups and growing enterprises, or referral.



### **III. Characteristics of BDS supply: who does what?**

- Specialised support institutions (technology, market info, standards)
- (SME) business associations: advocacy & representation, regulation, education. Specific member services (referrals and discounts to support services, legal help, training). Limited knowledge of, and capacity to meet needs
- Clusters
- Management institutes (training)
- Private BDS providers (consultants, trainers), commercial delivery, or with financial support from public sector



### **IV. Characteristics of demand by SMEs**

- Low understanding of supply side -> low trust with providers, and maybe poor experiences
  - Low perceived importance of BDS
  - Little willingness or ability to pay
- > Low demand
- > Vicious circle of little access to supply, and continued limited performance of SMEs



## V. BDS needs of “start-ups”

- Business plan preparation
- Market research, information
- Advise on fiscal and legal aspects
- Enterprise creation (legal & admin requirements)
- Dossier preparation
- Other support: common services, management support, housing support



## VI. BDS needs of growing enterprises

- Business management and business systems: strategy, marketing, finance, operations, HR, fiscal and legal aspects.
- Integration and alignment of business functions
- Delegation by entrepreneur, business management structure with professional managers, board structure
- Capacity building of the entrepreneur
- Quality standards
- Access to technology / transfer
- Market access and links
- Business networking (clustering, associations, new markets)



## VII. Conditions for matching supply and demand

- Integrated approach
- Quality assurance of providers (reliable)
- High impact (effective)
- Demand driven
- Sell 'tangible outputs' to increase demand
- Effective PPP constructions (affordability without crowding out the market)
- Innovative private sector approaches (sponsorships, etc.) to enhance sustainability (and affordability)
- Approach to balancing standardisation and customisation (quality and affordability)



## VIII. BDS for start-ups: Are business incubators the answer?

- Ec. dev. organization providing array of business support resources and services, e.g. physical space, capital, coaching, advice, management, common services, marketing, and networking connections.
- Objective: to accelerate growth and produce successful firms that will leave the program financially viable and freestanding.
- USA figures show survival rate up from 35% to 87%
- Mostly for growth-oriented start-ups
- Funding: gov-t, corporate, universities..
  
- Are there other models?



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**IX. BDS design for growing enterprises**

How to meet the conditions of integrated, effective, reliable, affordable ?

- Central coordination of integrated services by reputable organisations: Business association, central BDS organisation, management institute, cluster, etc.
- Private sector high quality specialised providers with a quality assurance mechanism
- Standardization of high quality relevant training with tangible outcome as low cost - high impact selling points
- Business linkages (technology, standards, markets) (low cost high impact selling point)
- Speakers /support on specialised topics (legal, tax, corp. gov. etc.)
- Networking and 'high level' events
- Customised mentoring, coaching, consulting, management support as 'add-ons'
- Innovative co-financing mechanisms (sponsorships, PPP - subsidies)
  
- What models do we have ?



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**X. BDS for enterprise creation and growth; Key questions at country / regional level**

- How is the current BDS infrastructure and support for enterprise creation and for enterprise growth?
- Who should be doing what ? What is the best division of responsibilities? What should be the role of the government, and what of the private sector?
- Who should be paying for what, and how can BDS services be delivered financially sustainable?
- How can BDS be organised in a manner that meets conditions of integration, effectiveness, reliability, affordability

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