

BUSINESS LINKAGES  
Practice Notes

# Developing SMEs through Business Linkages

A MANUAL FOR PRACTITIONERS  
BASED ON THE MOZLINK MENTORSHIP EXPERIENCE IN MOZAMBIQUE



**International  
Finance Corporation**  
World Bank Group



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*A Manual for Practitioners Based on the MozLink Mentorship  
Experience in Mozambique*

*Version 1.0*

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## **Acknowledgments**

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## **Abbreviations**

**APDF** – African Project Development Facility

**CBF** – Capacity Building Facility

**CDM** – Cervejas de Mocambique

**CPI** – Mozambican Investment Promotion Center

**HSEC** – health, safety, environment, and community

**IFC** – International Finance Corporation

**KPI** – key performance indicator

**MBN** – Mozambican Business Network

**PODE** – Enterprise Development Project

**PR** – public relations

**NGO** – nongovernmental organization

**SMEELP** – Small and Medium Enterprise Empowerment Linkages Program

**SMEs** – small and medium enterprises (also referred to as local businesses)

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# Overview

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## Executive Summary

This manual provides step-by-step practical guidance on how to create competitive small and medium enterprises (SMEs) that can be integrated into the supply chains of large companies, using a technical and business skills mentoring approach. It also highlights the key success factors and challenges involved in developing local SMEs in a postconflict and poor country.

This manual demonstrates that it is possible to make local companies competitive, bring them up to international standards, and above all spur economic growth in the region by spreading the benefits of large industrial investments to a wider cross-section of society when there is:

- Corporate commitment
- Support from development institutions
- A dedicated team of mentors, and
- A well planned and coordinated program.

### Rationale

Large companies in emerging markets with millions of dollars of annual procurement provide a significant business opportunity to stimulate the local economy by including local SME companies in their supply chain. Moreover, engaging local SMEs provides large companies with a social license to operate. Such a social license is especially important to companies in extractive industries, such as oil, gas, and mining. The absence of a social license can be detrimental to the future of the project.

The MozLink SME development program—implemented by Mozal aluminum smelter, IFC, and the Mozambican Investment Promotion Center (CPI) in Mozambique—has been effective in building local capacities and increasing local content, with SME performance increasing by 20 percent on average and local procurement more than doubling. This manual presents the framework adopted during the implementation of the MozLink program.

### The MozLink Model

SME development in the MozLink model centers on training a batch of 15–20 SMEs over a twelve-month cycle, under the guidance of a team of four mentors. The MozLink process develops the technical and business skills of SMEs and prepares them to perform adequately on contracts with large companies through a series of assessments, concentrated mentoring, training, and workshops spread out over five phases. The number of batch cycles depends on the company, its SME targets, and the availability of mentors.

Although the program is more effective during the operational phase of a large company with sustainable contracts and a stable pool of potential mentors, it also can be applied during the construction phase.

### Success Factors

The key factors that contribute to the success of this model are strategic and operational.

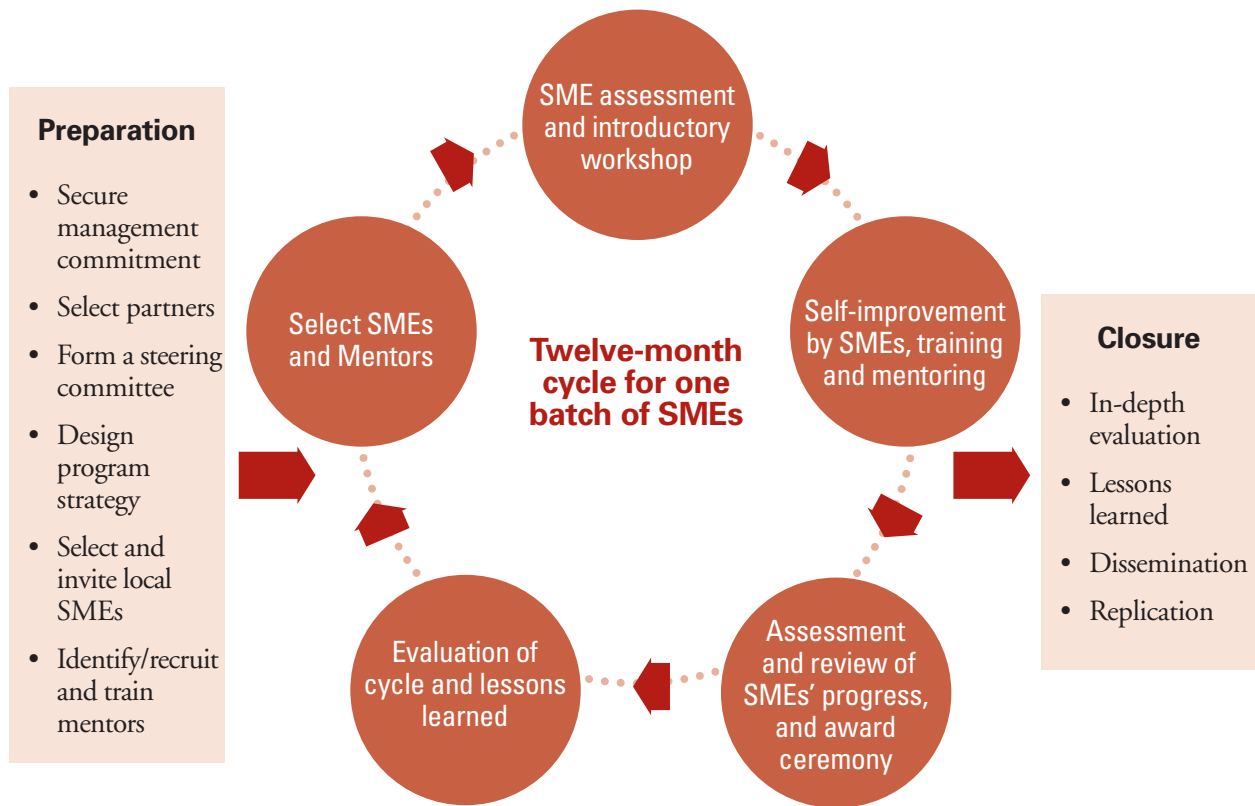
#### *Strategic factors*

- **Corporate commitment.** Strong corporate commitment and alignment of staff incentives toward local procurement and SME development greatly contribute to the success of the program.
- **Program strategy.** A clear program strategy is needed for local procurement, finance, management, program monitoring, and communications.
- **Focus on SME development.** While cost reduction is a potential outcome of the program, the driving force is the desire to make the SMEs world class.

#### *Operational factors*

- **Steering committee and program coordinator.** A steering committee with representatives from all partners acts as a higher-level body overseeing the program, and the program coordinator has responsibility for managing it.
- **Active participation of SMEs.** The SMEs have a sense of ownership, play an active role in their development process, and above all demonstrate a willingness to change their business practices.
- **Hands-on mentoring.** Mentors provide regular one-on-one support to the SMEs and expose them to global technical and business best practices through field visits to successful peer companies locally.
- **In-house mentors.** In-house mentors ensure the cost-effectiveness and relevance of the program to company requirements and local conditions.
- **Monitoring and evaluation.** Baseline, midline, and endline surveys for every SME batch regularly measure the progress the of the program.
- **Postprogram diversification.** SMEs are encouraged to diversify their client base to ensure their sustainability.

Figure 1. Developing SMEs through Business Linkages—The MozLink Model (Version 1.0)



Context	Partners	Program Components	Key Success Factors
<ul style="list-style-type: none"> <li>• Construction and operation phase</li> <li>• Existing local SME base</li> <li>• Local business development service providers</li> </ul>	<ul style="list-style-type: none"> <li>• Lead company</li> <li>• Development institutions</li> <li>• Local business organization</li> <li>• SMEs</li> </ul>	<p><b>SMEs</b></p> <ul style="list-style-type: none"> <li>• 15–20 SMEs in each batch</li> </ul> <p><b>Mentors</b></p> <ul style="list-style-type: none"> <li>• Four business and technical mentors per batch</li> </ul> <p><b>Duration</b></p> <ul style="list-style-type: none"> <li>• Twelve-month cycle for one batch</li> <li>• Number of batch cycles dependent on company, SME targets, and mentor availability</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of incentives among internal stakeholders in the lead company</li> <li>• Well-defined roles for each partner</li> <li>• SMEs' willingness to change business practice</li> <li>• Highly motivated team of mentors (preferably in-house)</li> <li>• A well-planned and coordinated program</li> </ul>

## About this Manual

This manual describes the approach adopted during the MozLink SME Development Program.

### Objective

This manual aims to:

- Provide step-by-step practical guidance on how to effectively engage local SMEs, build their capacity, and integrate them into the companies' supply chains
- Provide a tool for organizations interested in implementing an SME development program that forges competitive, sustainable, win-win business partnerships between large companies and local SMEs in developing regions
- Show how to create sustainable and competitive SMEs through coaching and mentoring
- Highlight the key success factors and challenges involved in building linkages with local companies in a developing environment.

### Target Audience

The target audience for this manual is every organization that is involved in SME development and linkages activities around the world. This includes:

- Companies that intend to invest in developing countries
- Managers and field staff of large companies with operations in developing countries
- Development institutions and organizations involved in SME development and linkage activities
- Government bodies in developing countries interested in building linkages between large companies and local businesses
- Nongovernmental organizations (NGOs) and consulting firms involved in building capacities of local businesses.

### Version 1.0

This is a live document that will continue to be revised with new project cycles and replications. In this light, the steps described should be considered as a guide only and not a rule. It is possible that parts of the document will be completely altered with subsequent revisions.

### Customize this Manual

Replicating the program in other companies or countries might require altering some of the phases and steps within the provided framework to fit the environment where the program is going to be implemented. ***Before beginning implementation, care should be taken to customize the program prescribed in this manual to suit local conditions, as well as the requirements and policies of the company involved.*** The following areas in particular should be considered for customization:

- The program strategy
- Number and nature of partners
- Criteria for selecting SMEs
- Criteria for number and nature of mentors
- Selection of categories and subcategories for mentoring.

## Introduction

This manual was written to document the process of the MozLink SME development program, implemented by Mozal, an aluminum smelter in Mozambique, and IFC in association with the Mozambican Investment Promotion Center. MozLink successfully bridges the needs of a world-class company—bound by business, operational, and technical standards—with the needs of local SMEs striving for an opportunity to build their capacity and become competitive economic players.

## Background

Large companies with operations in developing regions of the world are often faced with a poorly developed local economy characterized by bad infrastructure, fledgling financial markets, and a poor business and regulatory environment. Further, it is a challenge to find local SMEs with the potential to meet industry's stringent business standards (including safety, technical, quality, and delivery) and with the motivation and drive to invest time and resources in building their capacity and competitiveness. At the same time, large company operations, with millions of dollars of annual procurement needs, provide a tremendous business opportunity for procurement from local companies, particularly SMEs. Not only can increased local procurement ease operational issues for the large company, but it also can help stimulate the local economy and, more importantly, build the capacity of local SMEs by making them more competitive and ready for future challenges.

## Mozal

Mozal is an aluminum smelter that has been developed near Maputo, Mozambique, in a \$2 billion joint venture involving BHP Billiton, Mitsubishi, the Government of Mozambique, and the Industrial Development Corporation of South Africa.<sup>1</sup> Phase 1 of the aluminum smelter started in 1999. Phase 2, which started in 2001 and became operational in 2003, doubled the size of the plant. The plant is now one of the largest and most efficient aluminum smelters in the world and a technical benchmark for many smelters in the industrialized world. The Mozal investment came at a time when Mozambique was still reeling from the effects of the nation's prolonged civil war (1977–92). Little investment was being made in the country, and business activity had come to a near halt. After the war, a new reform-minded government was committed to policies that encouraged economic investments. Since 1997 and the beginning of the construction for the Mozal smelter, the country's fortunes have begun to change. Mozal's output accounted for 7 percent of Mozambique's GDP in 2005.

## SMEELP

SME development activities at Mozal started as early as the construction phase in 2001 with the Small and Medium Enterprise Empowerment Linkages Program (SMEELP). SMEELP, started with the help of IFC, trained local SMEs and provided one-on-one mentoring to enable them to bid, win, and deliver on construction contracts that met Mozal standards.

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<sup>1</sup> Mozal is registered in Mozambique and owned by BHP Billiton (47 percent), Mitsubishi (25 percent), the Industrial Development Corporation of South Africa (24 percent), and the Government of Mozambique (4 percent). The Mozal smelter was built in two phases and is operated by BHP Billiton.

## **MozLink**

The success of SMEELP encouraged Mozal to have a similar SME development program for the operational phase. Consensus among the partners to rebrand the SME program from the generic name SMEELP, and give it a more Mozambican focus, led to the birth of MozLink in 2003. MozLink is based on the belief that gaining the participation of local communities and strengthening local supply chains is crucial to the long-term success and sustainability of large private investments. In that spirit, Mozal has been committed to incorporating local Mozambican SME suppliers in its supply chain for goods and services, with the support of IFC and other partners.

## **Objective**

The overall objective of MozLink is to “develop the SMEs’ capacity to a level where the local company is competitive and qualifies to bid for work with Mozal as well as other large companies.”<sup>2</sup> The program was designed to address market constraints such as:

- A failure to match business opportunities with the SME level of competency and technical skills
- The large gap between Mozal’s world-class standards and those of local SMEs
- The lack of business management skills and experience among local SMEs.

## **Success**

The MozLink program has had a significant and positive impact on SMEs and the local economy at various levels:

- It has successfully built the capacities of 45 local SMEs.
- Over a five-year period from 2002 to 2007, Mozal increased its operational spending with Mozambican companies from \$5 million to \$17 million a month.
- In the same period, the number of Mozambican companies Mozal purchased goods and services from increased from 40 to 250
- Annual local purchasing from MozLink-affiliated companies increased from \$5 million to \$13 million from 2001 to 2005.
- SME performance in key areas of quality, management, maintenance, and safety have improved by 20 percent on average.
- Creation of the MozLinkWeb site makes information available regarding training, contract opportunities, best practices, and so on ([www.mozlink.com](http://www.mozlink.com)).
- The Mozambique Organization for Quality (AMISQ) was established to promote and train Mozambican companies in international health, safety, quality, and environmental standards.
- The Mozambican Business Network was formed to encourage interaction between SMEs.

## **MozLink II**

The success of MozLink encouraged four corporations in Mozambique—Mozal, Sasol, Cervejas de Mocambique (CDM), and Coca-Cola—to partner with IFC to design a three-year SME development and linkages program, MozLink II. MozLink II intends to build on the MozLink experience to create market opportunities for local Mozambican SMEs by capitalizing on the high-capital, long-term industrial projects that are

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<sup>2</sup> Mozal Empowerment and Linkages Programme, ADPF, April 2003.

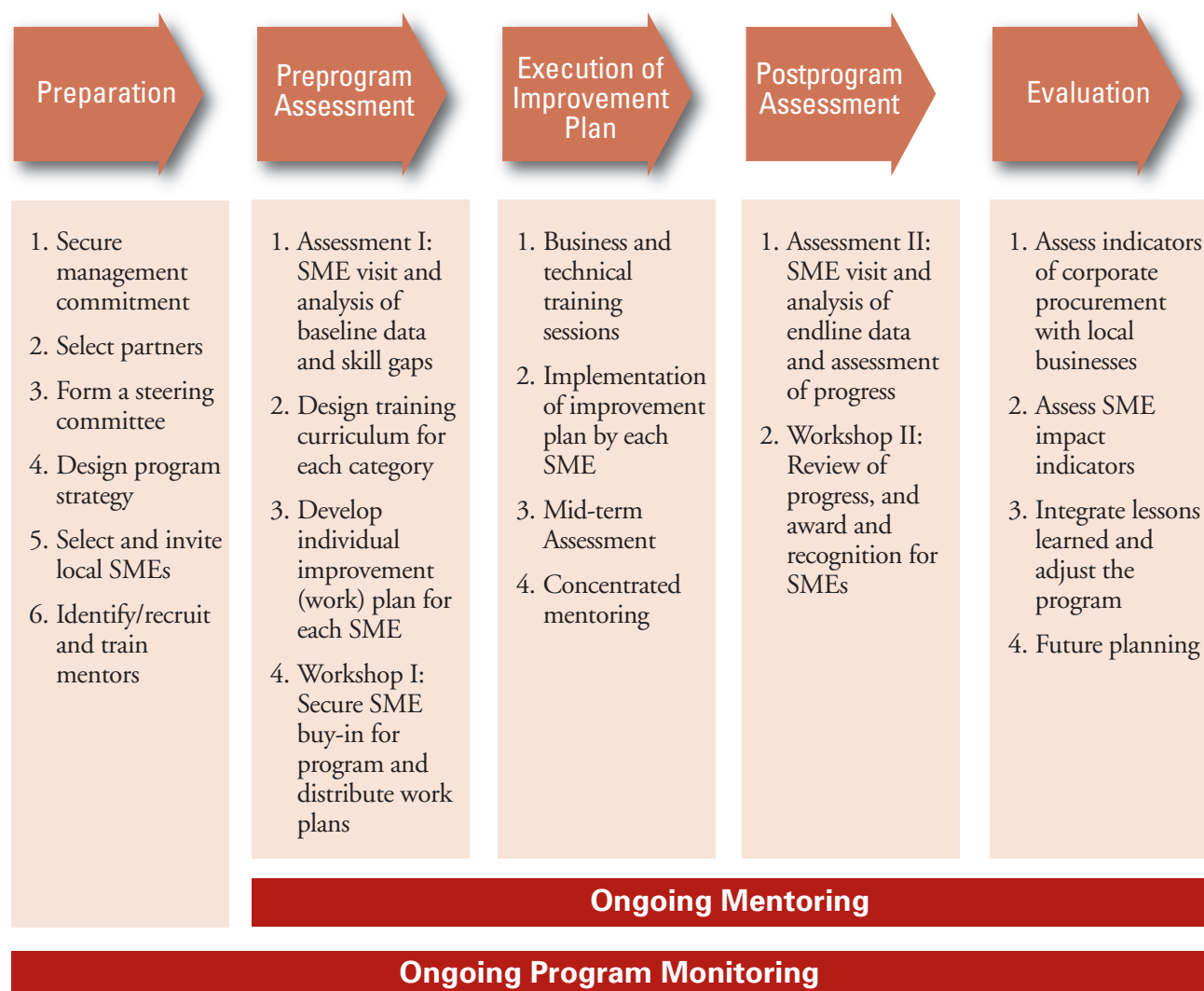


launched by the five companies in sectors such as mining, natural gas, and others and have annual procurement needs in the millions of dollars.

### **The Process**

The MozLink approach has been divided into five phases: preparation, preprogram assessment, execution of SME improvement plan, postprogram assessment, and evaluation (see figure 2, p. 10). A time line has also been provided to give an idea about the approximate time required for each phase (see figure 3, p. 11). The discussion that follows in the second part of this manual describes each phase and the steps involved in detail. Where appropriate, concrete examples from MozLink have been provided to demonstrate an idea or step.

Figure 2. The MozLink Framework and Phases



*Note:* The phases are repeated with every new SME batch, except for steps 1 to 4 in the preparation phase.

Figure 3. Timeline for the SME Batch Cycle

SME Development Program		Timeline (month) <sup>a</sup>											
		1	2	3	4	5 to 10	11	12	Ongoing				
1. Preparation													
1. Secure management commitment													
2. Select partners													
3. Form steering committee													
4. Design program strategy													
5. Select and invite local SMEs		■	■	■	■	■	■	■	■	■	■	■	
6. Identify/recruit and train mentors		■	■	■	■	■	■	■	■	■	■	■	
2. Preprogram Assessment													
1. Assessment I		■	■	■	■	■	■	■	■	■	■	■	
2. Design training curriculum for each category		■	■	■	■	■	■	■	■	■	■	■	
3. Develop individual work plan for each SME		■	■	■	■	■	■	■	■	■	■	■	
4. Workshop I		■	■	■	■	■	■	■	■	■	■	■	
3. Execution of Improvement Plan													
1. Business and technical training sessions		■	■	■	■	■	■	■	■	■	■	■	
2. Implementation of improvement plan by each SME		■	■	■	■	■	■	■	■	■	■	■	
3. Mid-term assessment		■	■	■	■	■	■	■	■	■	■	■	
Ongoing concentrated mentoring <sup>b</sup>													
4. Postprogram Assessment													
1. Assessment II		■	■	■	■	■	■	■	■	■	■	■	
2. Workshop II		■	■	■	■	■	■	■	■	■	■	■	
5. Evaluation													
1. Assess indicators of corporate procurement with local businesses		■	■	■	■	■	■	■	■	■	■	■	
2. Assess SME impact indicators		■	■	■	■	■	■	■	■	■	■	■	
3. Integrate lessons learned and adjust program		■	■	■	■	■	■	■	■	■	■	■	
4. Future planning		■	■	■	■	■	■	■	■	■	■	■	
Ongoing monitoring													

<sup>a</sup> Each square in the column for the months refers to one week (four weeks to a month), except for the column for months 5 to 10, where each square represents one month. The time line might vary slightly, depending on how the manual is customized.

<sup>b</sup> Concentrated mentoring begins in phase 3 and is ongoing.



# **The Five Phases of Developing SMEs through Business Linkages**

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# Phase 1 Preparation



	Step	Objective
Step 1	Secure management commitment	To ensure that company policies, management, and staff incentives at every level are aligned with the goals of the SME development and business linkages program.
Step 2	Select partners	To gain wider support for the program and access to resources, and to ensure sustainability by involving other parties.
Step 3	Form steering committee	To have a higher-level body overseeing and monitoring the program.
Step 4	Design program strategy	To develop an overall strategy for the SME development program that addresses the local procurement, finance, management, program monitoring and evaluation, and communications components of the program.
Step 5	Select and invite local SMEs	To select SMEs considered suitable for the SME development program and formally invite them to join the program.
Step 6	Identify/recruit and train mentors	To identify and recruit technical and business mentors and orient them to the program before implementation begins.

## Key Success Factors

- Strong corporate commitment and alignment of incentives toward local procurement and SME development
- Enthusiastic and committed partners and mentors
- Willingness of SME to change business practice
- Appointment of a capable program coordinator
- A clear and well-defined SME development strategy
- Personal introductory visit to the SME to signal commitment of program partners.

## Step 1. Secure Management Commitment

### Objective

To ensure that company policies, management, and staff incentives at every level are aligned with the goals of the SME development program.

### Process

Securing the commitment of management, especially at the corporate and senior management levels, to a local business linkage and SME development program is the first and most crucial step toward ensuring the success of the program.

### Company Charter

Gaining the support, or buy-in, of the company's senior management is more likely if the company charter includes values that display a corporate commitment to improve the quality of life, create jobs, and stimulate growth in the region the company operates in.

### Internal Champions

Simply having the commitment on paper at the corporate level is not enough, however. The drive and resolve for implementing a SME development program must come from senior management. Only then will it trickle down to middle management and the entire staff of the company.

In this light, it would be beneficial to have internal champions at senior management level who endorse the program, motivate others to participate, and assist in monitoring and marketing the program internally. Moreover, it is necessary to identify a program champion whose primary function is to promote local purchasing.

**For example**, even though BHP Billiton's commitment to building win-win relationships that create value for their suppliers was a necessary ingredient in MozLink's success, it was not sufficient (see appendix A). Creating a program such as MozLink—and making it a reality—required the dedication and commitment of the entire Mozal management team, and more specifically the commercial manager at Mozal and his procurement team.<sup>3</sup>

*The stronger the commitment shown by the senior management to encourage local procurement, the faster and more effective will the SME development program be.*

### Role

The role of management is to demonstrate active support for the SME development program by:

- *Aligning staff incentives with the SME development program*

**For example**, up to 15 percent of the bonus of the procurement specialists at Mozal is linked to the amount of increase in procurement and contracts from local companies (see appendix B).

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<sup>3</sup> Frans-Jozef Jaspers was the commercial manager at Mozal (2003–8), and MozLink was essentially his brainchild, in association with IFC.



- *Support for staff volunteering in linkage projects*  
**For example,** some Mozal staff volunteered as technical mentors for MozLink in addition to their regular job. They could do this only because of companywide support and recognition for their activities. At Mozal, these additional roles are seen as development opportunities for its employees.
- *Encouraging development-related activities in company departments*  
**For example,** each department at Mozal has a compulsory key performance indicator (KPI) that measures the number of outreach activities done by the department in the community, such as painting schools, helping elderly centers, and engaging communities to improve road safety. These KPIs are integrated into the managers' personal scorecards. Hence, success in this area directly influences bonuses.

*Although one of the outcomes of the SME development program is reduction in procurement costs, this should not be the driving force for the program.* Adopting an approach focused on cost reduction could destroy the spirit of the program, which is to build and support local companies to become world-class providers of services and materials. On the other hand, successful implementation of an approach centered around SME development may promote efficiencies that could ultimately lower local procurement costs.

## Challenges

Securing management commitment can be a long and challenging process since it often involves:

- Changing the way business is done in the company
- Changing the mindsets of managers
- Changing the company charter (if necessary).

At the same time, its importance in ensuring the success of any SME development program cannot be overstated.

## Approximate Time Required

The time required for securing management commitment varies from company to company, largely depending on whether the company has a precedent for involvement in such programs.

## Step 2. Select Partners

### Objective

To gain wider support for the program and access to resources, and to ensure sustainability by involving other parties.

### Process

Selecting the right partners is an important step for a SME development program because the selected partners set the tone for the rest of the program. This tone in turn will determine whether the program will be a success.

### Number and Nature of Partners

For an effective SME development program, the MozLink experience suggests that it is important to have at least three partners: the lead company, a member from the development institution's community (such as IFC or the World Bank), and a regional business organization (such as the chamber of commerce). The roles and benefits of involving these partners are shown in table 1.

Table 1. Partners in an SME Development Program

Partners	Role	Benefit
Company	<ul style="list-style-type: none"> <li>• Be the lead sponsor for the program</li> <li>• Identify work packages for SMEs</li> <li>• Select SMEs to participate in the program</li> <li>• Clarify and adjudicate submitted bids</li> <li>• Identify categories for technical capacity building and facilitate training</li> <li>• Provide and allocate technical mentors.</li> </ul>	<ul style="list-style-type: none"> <li>• Access to tenders and contracts</li> <li>• Exposure to and experience in global industrial standards</li> <li>• Technical support</li> <li>• Access to capacity-building initiatives</li> <li>• Available SME vendor list</li> </ul>
Development institution	<ul style="list-style-type: none"> <li>• Design program</li> <li>• Mobilize cofunding</li> <li>• Provide program coordination</li> <li>• Monitor and evaluate program results</li> <li>• Mobilize business mentors</li> </ul>	<ul style="list-style-type: none"> <li>• Access to financial resources</li> <li>• Access to technical expertise</li> <li>• Access to best practices from other countries</li> <li>• Other support from a globally recognized organization</li> </ul>
Local business organization	<ul style="list-style-type: none"> <li>• Be the local knowledge and information center</li> <li>• Provide SME database</li> <li>• Create awareness for program, using its SME network</li> <li>• Interface with government and media, when needed</li> </ul>	<ul style="list-style-type: none"> <li>• Access to databases of local businesses and resources such as office space and staff</li> <li>• Local expertise</li> <li>• Access to networks of government officials and local experts</li> </ul>

The main program partners in MozLink were Mozal as lead sponsor, IFC as development institution and project coordinator, and CPI as the local knowledge center (see appendix C).

### **Challenges**

The biggest challenge in working with partners is coordinating the activities among them and ensuring that all of them are on the same page regarding their roles and responsibilities at every phase of the program. This problem can be eased by appointing a coordinator.

### **Program Coordinator**

The coordinator should be appointed by the steering committee and could be from one of the partners.<sup>4</sup> The coordinator's role should be to:

- Coordinate activities among partners
- Facilitate stakeholder collaboration and communication
- Organize workshops and training
- Coordinate activities of the business and technical mentors
- Track the performance and results of the program.

**For example,** it was beyond Mozal's capacity to mobilize all the necessary resources for the training or to coordinate the day-to-day running of the project. It relied heavily on the IFC program coordinator for this function. Hence, IFC's involvement as a development institution in MozLink was key to getting constant financial, technical, and coordination support for the program.

### **Approximate Time Required**

Step 2 takes two to twelve months, depending on the company and the availability of partners.

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<sup>4</sup>The steering committee consists of representatives from all the partners and one or two of the SMEs. See step 3 of the preparation phase for more details.

## **Step 3. Form a Steering Committee**

### **Objective**

To have a higher-level body overseeing and monitoring the program.

### **Process**

Once the partners are identified, a steering committee consisting of the program leaders, preferably senior managers of the partner organizations, is formed to monitor the implementation and progress of the SME development program.

The steering committee should also include representatives from two SMEs that have previously gone through the program, to ensure that there is direct input from them on the design and implementation of the program. The position for the SMEs can rotate. Two SMEs from each year's cycle can get an opportunity to be part of and contribute to the activities of the steering committee.

### **Role**

The main role of the steering committee is to:

- Plan the SME development program and its strategy
- Oversee all the activities of the program
- Meet quarterly to monitor the progress as specified in the plan
- Propose any changes or modifications to improve the program
- Develop a monitoring and evaluation system to track the performance and results of the program, in association with the program coordinator
- Secure sufficient budget, and allocate funds to different program stages.

### **Approximate Time Required**

Step 3 takes two to twelve months.

## Step 4. Design Program Strategy

### Objective

To develop an overall strategy for the SME development program that addresses the local procurement, finance, program monitoring and evaluation, management, and communication components of the program.

### Process

Before implementing the SME development program, it is essential to have a clear strategy for the program at five levels as discussed below.

### Procurement

It is important to have a strategy for local procurement that enables the building of linkages with local businesses within the framework of the company and its operations.

- ***Identify linkage opportunities***

The company management, in association with the procurement team, needs to identify potential opportunities for local procurement within the framework of company policies and operations. The SME development program should be viewed as an enabler for local procurement. All the departments of the company often know what could potentially be sourced locally. The management of these departments need to actively establish liaison with the procurement department to participate in the process of localizing their services and materials.

The first linkage opportunities are usually identified in the procurement of *non-core goods and services* from local businesses such as gardening, tailoring, and maintenance (see appendix D).

- ***Identify number and size of work packages for SMEs***

A plan should be made to develop work packages of the size that can be handled by local businesses. This can be done by developing smaller packages or breaking a big package into smaller parts. In addition, a decision should be made regarding the minimum number of packages that need to be awarded to local companies.

For instance, Mozal decided to award at least 15 work packages solely to local companies.

- ***Have a clear policy favoring local businesses***

It is important to make it clear that preference is given to local businesses over nonlocal ones in cases where quality, safety, and cost demonstrated by the companies are equal. Although no compromise should be made on quality and safety, some concessions on cost can be given to a local company.

**For example,** four companies bid for a contract at Mozal with the prices and scores for safety and quality shown in table 2, p. 22. As long as there was no compromise on quality and safety, the local Company B would be given preference over nonlocal Company A, even though the former's price is slightly higher.

Table 2. A Comparison of Local and Nonlocal Companies

Factor	Company A	Company B	Company C	Company D
Local or nonlocal company	Nonlocal	Local	Local	Local
Cost	\$200,000	\$210,000	\$190,000	\$250,000
Quality	5	5	4	5
Safety	5	5	3	4

### Finance

Having a financing strategy that clearly states the financing structure of the program is essential to ensure the smooth and sustainable running of the program. Such a strategy should:

- Originate from the partners
- State the costs components of the program
- State the funding source (partner) for each component of the program
- Be approved by the steering committee.

SMEs should be encouraged to contribute to program components, especially training and mentoring, since doing so helps inspire a sense of ownership of and responsibility for the program on the part of SMEs, and ensures their active participation.

**For example,** in MozLink, the major cost components were training, mentoring, and project coordination. Costs were shared by the development institution, lead company (Mozal), and SMEs.

### Program Monitoring and Evaluation

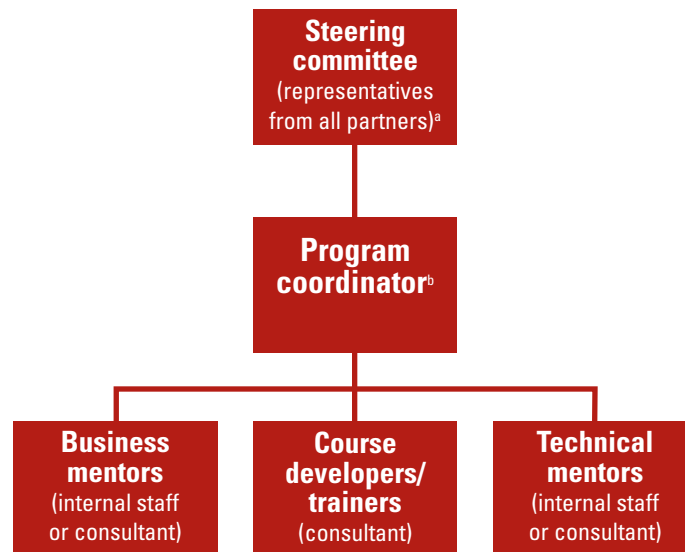
To ensure that the program achieves its stated objective of increasing procurement and building the capacities of local companies, a program monitoring and evaluation strategy should be developed. Such a strategy should:

- Be devised and implemented by the steering committee
- Keep in mind the stated objectives of the program and standards of the company involved, while developing indicators
- Identify key performance indicators (KPIs) for measuring change in lead-company procurement from local business
- Identify KPIs for measuring impact of the program on the local businesses
- Have a well-defined tracking system in place for each phase of the program
- Aim to monitor the progress of the program, using the KPIs at regular intervals, preferably quarterly, under the leadership of the program coordinator.

### Management

Finally, considering that multiple partners are involved in this program, it is important to have a well-defined management and organizational structure to ensure a clear line of reporting and accountability. The steering committee should have responsibility for overseeing the management structure. Figure 4 presents an example of the basic organizational structure that can be followed, based on the more detailed MozLink organization chart in appendix C.

Figure 4. Basic Organizational Structure



<sup>a</sup> Partners include the development institution, lead company, local business organization, and SMEs

<sup>b</sup> Although the program coordinator in MozLink was from IFC, this arrangement is not a requirement for other similar projects. The coordinator can be from any of the partner organizations and could even be an external consultant.

## Communications

The MozLink experience revealed the importance of having a sound communications and public relations (PR) strategy for the program. Since the SME development program involves working with a variety of stakeholders that are new to the concept of linkages and SME development, it is essential that the program, its purpose, and its benefits be demystified and explained to the stakeholders and general public. Such a communications strategy can be developed with the help of a professional PR consultant.

## Approximate Time Required

Step 4 takes two to twelve months, depending on the company.

## Step 5. Select and Invite Local SMEs

### Objective

To select SMEs considered suitable for the SME development program, and formally invite them to join the program.

### Process

The local SMEs that are to be part of the SME development program are usually selected by the procurement department of the lead company in association with the partner business association. Often, the SMEs in the first batch are local SMEs that are already supplying to the company but need a lot of technical and business capacity building to help them reach the standards prescribed by the company, or to become stronger and more competitive.

### Criteria

Criteria for SMEs that want to participate in the program include the following.

- Be locally registered
- Demonstrate the potential to deliver on the work contract
- Have fewer than 200 employees
- Have a low management turnover
- Be self-motivated and willing to change
- Be a facility instead of a shop.

***Self-motivation is probably the most important criterion to look for in an SME. How eager is the entrepreneur to change his or her business practice?*** The SME should not be waiting for the program to do everything for it. Instead the SME and its management already should be motivated to improve their capabilities and grow the business. The program should play the role only of a facilitator that helps the SME achieve its ambition through proper training, guidance, and access to resources.

A low rate of turnover of key management in the SME is another important criterion for selection, to ensure consistency and commitment from the management to enforce new procedures and standards within the firm, as taught to them through the program.

### Other Considerations

#### ***Facility SMEs vs. Shop SMEs***

Although most SMEs have their own manufacturing facilities, some SMEs are basically shops and source their goods from various producers. Since the purpose of this program is to build the capacities and improve the internal business processes of local SMEs, it is preferable, so far as possible, to select SMEs that have their own manufacturing facilities.

If shop SMEs are selected, they should be considered as a separate group from the facility SMEs for purposes of evaluation and training. This is because it is easier and cheaper for shop SMEs to achieve maintenance and health and safety targets than for facility SMEs to do so, making it relatively easier for shop SMEs to report better progress. For instance, unlike a facility SME, a shop SME has limited or no equipment and does not



require a preventive maintenance schedule. This makes it easier for the shop SME to show 100 percent compliance in evaluations than for the facility SME, which would need to invest time and resources to have a good preventive maintenance schedule in place.

***Number***

A group of 15 to 20 SMEs is a manageable number per team of four mentors for each SME development cycle.

***SME visit***

Once the list of SMEs for the SME development program is ready, it is time to make brief visits to each SME to:

- Inform the owner about being selected
- Provide details about the program, stressing that the purpose is to build the capacity of the SME to world-class standards
- Clearly state the time and financial commitment required from the SME
- Explain that participation in the program, while increasing the likelihood, does not guarantee a contract from the lead company
- Get a response regarding the SME's interest in the program.

*This visit is usually made by senior-level representatives of at least two partners. The personal visit to invite SMEs is important, because it conveys the seriousness of the program to the SME owners, and it creates buy-in from the top management of the SME.*

***Give the SME a choice***

The team should emphasize that selection should not mean confirmed participation. Given the time and financial commitment involved with the SME development program, it is essential that the SMEs be given a choice about going ahead with the program. This practice also ensures that only SMEs that are motivated to improve and grow will agree to participate.

**Approximate Time Required**

Each visit usually lasts 30 to 60 minutes. Hence, 15 SMEs can easily be visited within two weeks. However, the entire process of selecting and inviting SMEs can take up to two months.

## Step 6. Identify/Recruit and Train Mentors

### Objective

To identify and recruit technical and business mentors and orient them to the program before implementation begins.

### The Mentorship Component

The mentorship program is a key component of the SME development program. It has two main objectives:

- To assist SMEs to perform their contracts with the company to specification, on time, and to budget
- To help SMEs develop capacity within their businesses.

The idea behind the mentorship program is to improve the business processes and sometimes to re-engineer the SME's entire business—including its business strategy, health and safety systems, management style, technical skills, and staffing—over a long period of time. The mentorship program is carried out by mentors and is tailored to the individual needs and weak areas of each company.

### Role of Mentors

The general role of mentors is to coach, give exposure to, and protect and motivate the SMEs.

- ***Coach***  
Mentors have to teach the SMEs how to deliver goods and services on time and to budget, and to perform at the standard demanded by the company. This means the mentors have to be available to the SMEs to answer questions, share best practice, give examples, and to challenge the entrepreneurs' thinking regarding the necessity of certain improvements for their business.  
  
**For example**, an entrepreneur might not see it as useful to implement a safety culture in the company. It is the task of the coach to explain the long-term benefits of a safety culture, the cost reductions related to it, and the improved competitiveness it brings over time.
- ***Give exposure***  
Often there are SMEs that display great potential, but have very limited experience regarding contracts with a big company. It is the role of the mentors to expose the SMEs to the actual contracting environment.
- ***Protect and motivate***  
It is the mentors' task to protect the SMEs while they are learning to overcome the barriers of past experience and at the same time deal with a world-class contracting environment and professionals. Mentors need to motivate and help the entrepreneur to overcome certain changes in their companies during difficult times.

## Process

The process of identifying mentors involves selection of categories, selection of mentors, and the training of mentors.

### Selection of Categories

Before selecting the mentors, it is a useful step to determine the business and technical categories that require mentoring, and to develop weights for each. The following seven categories were identified during the MozLink I experience (see appendix E). The list was further condensed into four categories by grouping all the business categories under a common “business” heading:

#### *Technical Categories*

- Health, safety, environment, and community (HSEC)
- Maintenance capability
- Quality management

#### *Business Categories*

- Business management
- Finance
- Human resource management
- Marketing
- Tendering

While the business categories will probably remain the same in future replications (since all SMEs generally have the same weak business areas), there might be more or fewer technical areas in which SMEs require capacity building, depending on the nature of the company’s operations. Such additions or subtractions would need to be determined in association with company staff.

#### *Additional training in HIV/AIDS and other diseases*

Even though HIV/AIDS training was compulsory for all the contractors on the Mozal site, and it was recommended that all SMEs have an HIV/AIDS policy in their workplace, it was not formally categorized as a subcategory. As a result, off-site SME workers were often left out of the training. To avoid this omission, it is advisable to incorporate HIV/AIDS as one of the subcategories under the HSEC category and develop a structure whereby the HSEC mentor works with the company’s in-house (or external) HIV/AIDS specialist. Mozal has now incorporated HIV/AIDS in the HSEC category for the new SME development cycles. Depending on the region where the company’s operations are located, it would also make sense to promote programs for dealing with other diseases of high incidence (such as malaria) in the HSEC training.

### Selection of Mentors

Once the categories are determined, it is time to select the mentors. Two types of mentors need to be selected:

- **Technical mentors** typically are employees of the lead company selected to volunteer to work with the SMEs. Employees are usually selected from the department related to a category identified for skill development in the SME.

- **Business mentors** are usually external business consultants contracted to carry out the task of mentoring SMEs in developing business skills.<sup>5</sup>

### ***Criteria for Selecting Mentors***

The following are the qualities to look for in an effective mentor:

- ***Experience and qualification***

It is important for mentors to have in-depth experience in their field of specialty, to equip them to perform the task of training and developing SMEs. **For example,** business mentors should have a commerce or business qualification and at least three years of experience in business advising. In the case of technical mentors, it is preferable for them to have been associated with the company for a long time, to ensure that mentors are aware of company policies regarding local procurement.

- ***Patience***

It is a slow and challenging process to build the capacities of SMEs that have limited experience in the area of supplying to large companies and adhering to international business and technical standards. This process requires a lot of patience on part of mentors, whose job is to change the mindset of managers in the SMEs and bring the SMEs step by step closer to international standards.

- ***Love of teaching and coaching***

Good mentors should enjoy teaching and have a love for imparting knowledge. This is particularly important considering that mentors (especially technical) are often volunteers and hence need to be self-motivated individuals who believe in the program and are willing to use their knowledge to empower SMEs.

### ***Number of Mentors***

From the Mozal experience, it was sufficient to have one mentor per category for a group of 15–20 SMEs.

### ***Training of Mentors***

Mentors need initial training and ongoing opportunities to meet and exchange information.

### ***Workshops***

Once the mentors have been selected, it is useful to conduct a half-day workshop with them and with representatives from all the partners. The focus of this workshop should be to:

- Ensure that all the mentors understand the spirit of the SME development program
- Reiterate the important role that mentors play in this program
- Have a panel session with mentors from previous programs to share their experiences.<sup>6</sup>

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<sup>5</sup> MozLink adopted the approach of getting external business mentors because capacity was not available internally. It is possible for a replicating company to find business mentors from internal staff. Alternatively, it is also possible that a company may decide to get both technical and business mentors externally.

<sup>6</sup> This will not be possible for the first cycle of SMEs, but it can be started with the next. In the case of replication in Mozambique, mentors from MozLink I can be invited.

***Quarterly Meetings***

Quarterly meetings should be planned for all the mentors to give them the opportunity to share experiences and ideas regarding the program and discuss cases of particular SMEs. These meetings are particularly important to ensure regular communication between mentors in the case where the technical and business mentors are internal as well as external.

**Challenges**

The biggest challenge in the mentoring program is to identify the right candidates as mentors. The mentorship component of MozLink was successful only because there was a team of extremely dedicated technical mentors at Mozal who went out of their way to assist and build the SMEs and were always accessible for troubleshooting in spite of having full-time jobs at Mozal.

Even though the Mozal mentors often had MozLink as an additional task to their existing professional roles in the organization, they viewed the task as a development opportunity for themselves as well as for the SMEs. The Mozal mentors found it to be extremely rewarding to see SMEs growing into strong and competitive entities over time.

**Approximate Time Required**

Selection and training of mentors takes approximately one month and can be done in parallel to SME selection and visits.

# Phase 2 Preprogram Assessment



	Step	Objective
Step 1	Assessment I: SME visit and analysis of baseline data and skill gaps	To visit the SMEs and analyze baseline data in order to have a realistic assessment of the SMEs' current technical, business, and management capacity, and identify areas in which they need assistance to deliver products and services at the level required by the company.
Step 2	Design training curriculum for each category	To use the results from the analysis of baseline data collected from the initial assessment to identify common skill gaps and design a group training curriculum for all the SMEs.
Step 3	Develop individual improvement (work) plan for each SME	To develop an individual improvement (work) plan for each SME, detailing all the categories and subcategories in which it needs to build its capacity, the targets it needs to achieve, and the associated deadlines.
Step 4	Workshop I: Secure SME buy-in for program and distribute work plans	To present the findings of the first assessment, finalize the improvement plan with the SMEs, and above all secure their buy-in for the program.

## Key Success Factors

- The creation of rapport between the mentors and SMEs
- Realistic and honest assessment of each SME's current level
- Identification of areas or categories for development for each SME
- A detailed SME improvement plan with a clear schedule of targets and deadlines
- Setting up the improvement plan together with the SME to obtain SME buy-in and commitment for the program.

## Step 1. Assessment I

### Objective

To visit the SMEs and analyze baseline data in order to have a realistic assessment of the SMEs' current technical, business, and management capacity, and identify areas in which they need assistance to effectively deliver products and services at the level required by the company.

### Process

A diagnosis of each SMEs' skills will enable the program managers to identify the capacity gaps in the skill levels of SMEs, which in turn helps with the design of the training and mentoring components of the SME development program.

### Types of Assessments

Two types of assessments need to be carried out:

- Technical assessment, by the technical mentors
- Business assessment, by the business mentors.

### Questionnaires

The assessments are carried out with the help of two questionnaires, one addressing business categories (see appendix F) and the other technical (see appendix G). The questionnaires are prepared by the respective mentor.

The questionnaires are designed with two specific objectives:

- To build a baseline database that reflects the current condition of each company, and
- To provide information for the design of the training and mentoring components.

For this purpose, weights and scores are provided for each business and technical category and subcategory.

### Visits to SMEs

The questionnaires are administered during a visit to each SME by the business and technical mentors at different times. The mentors meet with the manager and staff, and inspect the premises.

The business questionnaire is supplemented with meetings with the owners and/or top managers of key areas (such as finance and production) and additional documentation (such as financial reports, brochures, organization charts, and product or price lists).

### Analysis

The data obtained from the questionnaire is analyzed to create a baseline database. A separate report is created for each SME, which includes graphs detailing the SME's competency level in each category. Each category is measured on a scale from 0 to 100 percent: the higher the percentage, the better the capacity. Appendix H provides an example of the baseline graph created for one SME during MozLink. Finally, the baseline information for all the SMEs is compiled, along with the targets to achieve (see appendix I).

**Challenges**

The main challenge in collecting baseline data from the SMEs is to ensure that the SME managers are open about sharing information regarding their operations, standards (for health, safety, and quality) and finances. The idea is to assure the SMEs that this program is for their benefit and that it is in their interest to be honest and not defensive about the current state of their business. This assurance must be given by the mentors at the beginning of the visit, before they begin their assessment. In that sense, the mentors should view the first assessment as an opportunity to gain the trust of the SMEs by being informal and friendly—not formal and strict.

**Approximate Time Required**

Each SME visit and assessment by a mentor takes about two hours. Thus, three technical assessments and one business assessment would take a total of eight hours. This means it would take at least 15 days to completely assess 15 SMEs. Considering that mentors are often full-time employees, the analysis of the data collected through the assessment can often take up to one month. In all, the entire assessment and analysis process can take from 1.5 to 2.0 months.



## Step 2. Design Training Curriculum for Each Category

### Objective

To use the results from the analysis of baseline data collected from the initial assessment to identify common skill gaps and design a group training curriculum for all the SMEs.

### Process

Before the mentors commence their one-on-one coaching with the SMEs, it is useful to have a series of group training sessions that cover the skill gaps common to SMEs. Not only does this ensure that all SMEs are exposed to a certain level of general training that covers the basics in each business and technical category, but it also helps to make the mentoring process more personalized and effective because mentors can spend more time on the details instead of basics.

Results of the assessment give a clear indication of:

- The common areas in which all the SMEs require training and guidance, such as management
- The specific areas in which each SME needs mentoring.

The information regarding the common skill gaps is used to design training curricula that broadly cover the main business and technical categories identified.

**For example,** in MozLink, one-day curricula were developed for each of the following business categories:

- Tendering
- Strategic planning
- Management
- Marketing
- Financial management

See appendix J for details of specific areas covered in the MozLink training.

Similarly, half- to one-day training curricula can be developed to cover general issues in technical areas such as quality, maintenance and HSEC.

### Approximate Time Required

The process for designing the curriculum should start soon after the first assessment and analysis of data, and should not take more than two weeks.

Once the training curriculum has been designed for the first batch of SMEs, the time required to adjust the curriculum for subsequent batches of SMEs should be significantly less than two weeks.

## **Step 3. Develop Individual Improvement Plan for Each SME**

### **Objective**

To develop an individual improvement (work) plan for each SME, detailing all the categories and subcategories in which it needs to build its capacity, the targets it needs to achieve, and the associated deadlines.

### **Process**

The aim for developing a work plan is to give each SME a detailed schedule of the business and technical areas in which it needs to build its capacity. This helps the SME and mentors plan as well as keep track of the changes to be made.

Once the level and skill gaps for each SME are calculated using the weights assigned for every skill area or subcategory, the areas identified for skill development are put into a matrix format (see appendix K). Clear targets to achieve and deadlines for each category are also provided, to enable the SME to visualize its goals and get motivated to achieve the targets. These factors together make up the SME improvement plan for each SME.

It is important to involve the SME in the development of the plan in order to secure its buy-in and commitment to the program.

### **Approximate Time Required**

The improvement plans take approximately two weeks to prepare. The plans can be prepared once the baseline data are analyzed, and at the same time the training curriculum is being designed.

## Step 4. Workshop I

### Objective

To present the findings of the first assessment, finalize the improvement plan with the SMEs, and above all secure their buy-in for the program.

### Process

The agenda and components of the workshop are as follows:

#### Introduction and Open Session

The workshop starts with an open session that aims to:

- Introduce the program to the participants
- Introduce the partners
- Reiterate the core purpose of the program (that is, to develop local companies)
- Briefly highlight the standards the company expects from its suppliers
- Touch on the important issue of HIV/AIDS (or any other locally relevant issues)
- Relate the program to the company's charter and procurement policies
- Present some results from the assessments to show the SMEs their current level as compared to the level expected by the company
- Introduce the mentors and explain their role in the program.

#### Getting the Buy-in of the SMEs

Reiterating the core purpose of the program should be the focus of the introduction process. It is extremely important to get the SMEs to buy in to the program and to create a sense of ownership of the program in their minds. The SMEs need to be excited about the program and feel like the program is for them and by them. *They have to believe that this program is about their growth and development, and not about the lead company.* Only then will they enthusiastically participate in the program activities and build their capacity.

#### Meeting with Mentors to Discuss the SME Improvement Plan

After the SMEs are divided into four groups (each consisting of four SMEs), each group meets with one of the mentors. Each mentor discusses the assessment results of the category he or she represent and takes each SME through the changes it needs to make in its company, using the SME improvement plan as a guide. The groups rotate so that each group meets with every mentor. For instance, in MozLink, the four mentors covering the four main categories took turns meeting with groups of four SMEs each (see table 3).

Table 3. Initial Meeting with Mentors

Maintenance mentor	HSEC mentor
Business mentor	Quality mentor

It is important to note that the improvement plans are not simply handed to the SMEs. A lot of explanation and discussion about the improvement plan and its objectives goes on between the mentor and SME during the session. If the SME and trainer agree to alter parts of the program, this is done during this session. ***This process is important because it helps the SME participants understand that the improvement plan is made by them instead of for them, and hence creates greater commitment from them.***

At the end of the workshop, each SME receives the finalized improvement plan, along with an explanation that they are expected to implement the plan in the coming six months.

### **Information about Implementation of the Work Plan, Training, and Mentorship**

The SMEs reconvene and receive information regarding the implementation of the work plan. The following issues should be explained to the SMEs:

- ***Upcoming training***  
SMEs are informed that they will be asked to come for training sessions in the next three months for some of the areas mentioned in the work plan. A draft timetable for the upcoming trainings should be provided to them.
- ***Mentoring***  
SMEs are informed that the mentors will come to their company at regular intervals to provide one-on-one coaching. In addition, the mentors will be available for troubleshooting by phone.
- ***Exposure to best practice***  
SMEs are invited to go and visit companies from previous batches of SMEs that have done well and received high scores in their assessments. This gives the SMEs exposure to best practice in their environment.

### **Upcoming Activities**

It is important to flag the upcoming events and activities for the SMEs, such as:

- Mid-term assessment
- Assessment II
- Workshop II and awards ceremony

The SMEs should also be made aware that the company with the best improvement will be given an award at the end of the program, during Workshop II. This creates competition among the SMEs and gives them an incentive to work hard to implement their improvement plans.

### **Approximate Time Required**

This step can be completed during a one-day event in a conference room.

# Phase 3

## Execution of the Improvement Plan



	Step	Objective
Step 1	Business and technical training sessions	To take all the SMEs through training sessions that cover the common skill gaps identified in the main business and technical categories and bring them all to a similar level of competency.
Step 2	Implementation of improvement plan by each SME	To implement the improvement plan provided at the end of Workshop I by putting into practice the learning from the training and mentoring sessions.
Step 3	Mid-term assessment	To assess the progress made by the SMEs halfway into the implementation of their work plans, identify problem areas, and take action.
Step 4	Concentrated mentoring	To provide constant support and guidance to the SMEs in implementing the improvement plan, building their capacity, and delivering contracts at international standards.

### Key Success Factors

- Concentrated support and guidance from mentors for the six months when improvement plans are being executed
- Commitment of SMEs to the program, and their eagerness to learn
- Accurate identification of problem areas in SMEs during the mid-term assessment
- Constant availability of mentors to provide feedback beyond the program period.

## **Step 1. Business and Technical Training Sessions**

### **Objective**

To take all the SMEs through training sessions that cover the common skill gaps identified in the main business and technical categories and bring them all to a similar level of competency.

### **Process**

The training curriculum developed earlier on the basis of the analysis of the first assessment is used to conduct the training sessions.

### **Business Training**

These sessions are conducted over a period of one week and cover the main identified business categories, such as finance, management, and marketing. Each category is covered in a one-day training workshop.

### **Venue**

Training sessions are usually conducted by the business mentors/consultants in conference rooms of hotels.

### **Cost Sharing**

The cost of the mentors/consultants is usually borne by the development institution partner. However, each SME is asked to pay a nominal fee per day to cover food and the cost of renting the training venue. For instance, a fee of \$100 was charged to each SME per day of training.

### **Technical Training Sessions**

Only business training sessions were conducted during the MozLink experience. In retrospect, there is also a need to have a more structured training schedule for the technical areas. Given that much of the technical training is best done hands-on in a one-on-one mentoring session on the shop floor, the technical group training (covering all the basics of the main categories, such as health and safety, maintenance, and quality) can easily be conducted in a one-day session.

### **Approximate Time Required**

Step 1 requires one day (minimum) for each business category.

## Step 2. Implementation of Improvement Plan by Each SME

### Objective

To implement the improvement plan provided at the end of Workshop I by putting into practice the learning from the training and mentoring sessions.

### Process

The SMEs start implementing the schedule prescribed in their work plans to build their skills and capacity in various business and technical areas. Putting the work plan into practice often involves:

- Investing in purchasing new equipment, safety gear, and so on
- Changing maintenance and service delivery rules in the company
- Recruiting new staff
- Introducing new programs to tackle health issues such as malaria and HIV/AIDS
- Changing the management structure of the company
- Changing the accounting systems of the company
- Developing a growth and marketing strategy.

*The SMEs are strongly encouraged to contact the business and technical mentors regularly for clarification and troubleshooting.*

If an SME is unsure about how to carry out certain activities, the mentors provide examples or organize a field visit to another company that is doing that particular task well. The mentors, however, must ensure that they only coach and supervise the SME to implement the changes, and not do the work for them.

### Approximate Time Required

The SMEs are given a total of six months to implement the work plan before the final assessment is done.

## **Step 3. Mid-term Assessment**

### **Objective**

To assess the progress made by the SMEs halfway into the implementation of their work plans, identify problem areas, and take action.

### **Process**

This step involves assessment and follow-up actions, including evaluation of the program.

### **Mid-term Assessment**

The business and technical mentors go to the SMEs to conduct a mid-term assessment three months after the start of the implementation of the work plan. For this assessment, they use the same questionnaires that they used for the first assessment.

The mentors attempt to assess whether:

- The SMEs are progressing in the desired direction toward building their capacity as prescribed in the work plan
- The SME owners display the same enthusiasm and commitment to the program as demonstrated during the first workshop.

### **Follow-up Action**

If an SME's progress is not satisfactory, the mentors meet with the SME manager/owner to understand the reason for the lack of progress, and take action depending on the nature of the problem. The action taken usually involves:

- Working with the SME to address the identified problem area(s), to bring the SME back on track toward achieving the work-plan targets
- Exit from the program in cases where the SME is seen to be unresponsive and uninterested in improving the business.

### **Steering Committee Meeting**

The steering committee also has a mid-term meeting to evaluate the progress of the program, make recommendations, and provide support, if required, for the remainder of the program.

### **Approximate Time Required**

The mid-term assessment usually involves a one-hour visit to the SME by each mentor at the three-month point. Each mentor should be able to complete the visits within a two-week period.



## Step 4. Concentrated Mentoring

### Objective

To provide constant support and guidance to the SMEs in implementing the improvement plan, building their capacity, and delivering contracts at international standards.

### Process

It is unrealistic to expect SMEs to change their business habits overnight because such change involves altering mindsets that have existed for years. The SMEs need regular guidance and close monitoring to be able to deliver a world-class contract. The mentoring component of the SME development program is designed to do precisely this. This process starts from the first interaction between the SME and mentor during the first assessment and continues beyond the end of the program cycle. The mentors constantly help the SMEs to deliver better-quality contracts and improve their standards. This is achieved in two parts. In the first three months, mentors provide more time for regular and detailed coaching. They show global best practice for every category, provide examples to clarify doubts, and oversee the implementation of activities by the company while resisting the temptation to implement those activities themselves. For the rest of the program, and beyond, the mentors are available for troubleshooting and support.

*It is important to bear in mind that the mentoring component of the SME development program should not be viewed as a single, finite step but as an ongoing interactive process between the mentors and the SMEs. The mentor is merely facilitating the implementation of the improvement plan; the drive should come from the entrepreneur.*

### Approximate Time Required

On average, this step requires one-on-one meetings every two weeks for the first three months, followed by visits every one or two months. In addition, mentors should be available for continual support by phone.

### The Need for Ongoing Mentoring

Although the phase when the SMEs are executing their improvement plan requires concentrated mentoring support, mentoring is an ongoing process that continues beyond the batch cycle. The mentors are expected to always be available for any support that the SMEs need after the formal program has concluded. In this light, it is more sustainable to have internal or in-house mentors instead of consultants that might not be affordable beyond the project period.

# Phase 4 Postprogram Assessment



	Step	Objective
Step 1	Assessment II: SME visit and analysis of endline data and assessment of progress	To return to the SMEs six months after the first assessment to observe the progress made by the SME, collect endline data, and analyze it against the baseline data.
Step 2	Workshop II: Review of progress, and award and recognition for SMEs	To review the performance of the SMEs at the end of the SME development program, give awards and recognition to the SMEs, discuss the next steps, and get feedback from the participants.
<b>Key Success Factors</b> <ul style="list-style-type: none"> <li>• Identification of appropriate SMEs for recognition and reward</li> <li>• Consistency in endline and baseline surveys</li> <li>• Quality of presentation by SMEs in the workshop.</li> </ul>		

## Step 1. Assessment II

### Objective

To return to the SMEs six months after the first assessment to observe the progress made by the SME, collect endline data, and analyze it against the baseline data.

### Process

The mentors return to the SMEs six months after the first assessment and administer the same questionnaires to collect endline data for each of the identified categories.

As during Assessment I, the data are analyzed using the weights assigned to each subcategory. Then, graphs are made covering every category for each SME. Each category is measured on a scale from 0 to 100 percent; the higher the percentage, the better the capacity. The graphs are then contrasted with the graphs from the first assessment to observe the actual level of improvement in the SME (see appendix L). The progress made by each SME is analyzed this way, and the SMEs that make the greatest progress are identified. It is expected that the SMEs show as much improvement as possible in each category.

### Using the Graphs as a Tool

The *before* and *after* graphs provide a powerful and motivating visual tool for:

- The SME to communicate to its organization and other stakeholders about the effectiveness of the program on its operations
- The company to measure and demonstrate the results and progress of the SMEs and the program.

### Comparing SMEs

Once the graphs have been created for all the SMEs, it is possible to create one graph per category with the results of all the SMEs plotted on it. This would help identify the best SME per category. However, it should be noted that the best SME should not be determined on the basis of the graphs alone.

Good progress should be based on the combination of:

- ***The highest percentage of improvement in all the categories***  
Here the focus is more on identifying SMEs that have the highest percentage of improvement in each category, as opposed to SMEs that simply have the highest score. For instance, if SME A and SME B had scores of 30 percent and 50 percent, respectively, in the baseline survey for health and safety and scores of 75 percent and 80 percent, respectively, in the endline survey, the progress of SME A (an increase of 45 percent) is more commendable than that of SME B (an increase of 30 percent) in the health and safety category.
- ***Enthusiasm and commitment of SMEs***  
There are often SMEs that get very poor first assessments and need a lot of capacity building but display great enthusiasm and commitment to the program and are willing to work very hard to improve and grow their business. It is important to recognize and encourage the efforts of such SMEs, even though they do not end up getting the highest percentage of improvement in the second assessment.

*It is important to ensure that there is consistency in the baseline and endline surveys to get an accurate measure of improvement in SMEs. The same entity should conduct both (or more) of the surveys, using the same survey technique and questionnaire.*

### **Approximate Time Required**

Each SME visit and assessment by a mentor takes about two hours. Thus, three technical assessments and one business assessment would take a total of eight hours for each SME. This means it would take at least 15 days to completely assess 15 SMEs. Further, considering that mentors are often full-time employees, the analysis of the data collected through the assessment can often take up to one month.

## Step 2. Workshop II

### Objective

To review the performance of the SMEs at the end of the SME development program, give awards and recognition to the SMEs, discuss the next steps, and get feedback from the participants.

### Process

The second workshop is the culmination of the SME development program and has the following components:

#### Review of Performance

Results from the second assessment are presented to the SMEs to display the progress made by the companies over the program period, in contrast to their results after the first assessment. The program partners and mentors also briefly describe their experience in working with the SMEs.

#### Presentation by Select SMEs

Two or three SMEs are selected to make PowerPoint presentations about their experience in the program, the activities they conducted to build their capacity, the programs they have introduced in their company, and the impact the program has made on their business.

#### Award Ceremony

The presentation by SMEs is followed by an award ceremony that recognizes the SMEs that have made the greatest progress, according to the criteria discussed in the previous step (see appendix M for a case study).

#### Next Steps

As the workshop is the last formal event of the SME development program, the SMEs should be directed to build upon progress in the following ways:

- ***Diversify clients***  
The SMEs should not rely only on the lead company for contracts. Instead, they should use their training in marketing to get contracts from different companies. This not only helps them to avoid depending on only one company, but also exposes them to competition and builds their capacity to deal with a portfolio of clients.
- ***Mentoring support***  
The SMEs should be assured that they will have the continued support and guidance of their mentors and should feel free to contact them. If mentors are external consultants, perhaps they can charge a discounted fee for the services.
- ***Two-year reevaluation***  
The SMEs should be alerted that an evaluation will be conducted two years later to ensure that they are maintaining the standards they achieved through this program.

### **Feed-back from SMEs**

It is important to get feedback from the SMEs regarding:

- Their experience in the program
- The mentors
- The training program
- Suggestions for improvement.

This can be done with the help of a questionnaire and/or through a question-and-answer session.

### **Approximate Time Required**

Step 2 requires a one-day workshop.

# Phase 5 **Evaluation**



	Step	Objective
Step 1	Assess indicators of corporate procurement with local businesses	To use the results from the monitoring system to assess the impact of the SME development program on the corporate and local procurement patterns of the lead company.
Step 2	Assess SME impact indicators	To use the results from the monitoring system to assess the impact of the SME development program on the SME, its performance, and its business.
Step 3	Integrate lessons learned on adjust program	To get feedback from all the stakeholders of the project, draw lessons, and use the learning to change the SME development program before the next cycle begins.
Step 4	Future planning	To start looking beyond the current program cycle, and plan for activities to ensure the sustainability of the program.

## Key Success Factors

- Timely and accurate measures of impact indicators
- Obtaining honest feedback from all the stakeholders
- Willingness to incorporate feedback into the program and make appropriate changes.

## **Step 1. Assess Indicators of Corporate Procurement**

### **Objective**

To use the results from the monitoring system to assess the impact of the SME development program on the corporate and local procurement patterns of the lead company.

### **Process**

The change in the local procurement patterns of the lead company is a good indicator of the impact of the program. Indicators related to local procurement patterns are obtained from the ongoing tracking system devised under the monitoring and evaluation strategy in the preparation phase.

As discussed in the preparation phase, the indicators should measure:

- The dollar value of goods and services procured locally
- The quantity of goods and services procured locally
- The local procurement proportion of total corporate procurement
- Number of SMEs in the supply chain.

The local procurement indicators at the end of the SME development program should be compared with the indicators at the beginning of the program to assess the impact on procurement.

### **Approximate Time Required**

This assessment is an ongoing process across program cycles. Data are collected at scheduled times.



## Step 2. Assess SME Impact Indicators

### Objective

To assess the impact of the SME development program on the SME, its performance, and its business.

### Process

It is imperative to understand whether the SME development program is having a positive impact on the SMEs, since improving the performance and capacity of the SMEs is the key goal of the program. As with local procurement indicators, the impact of the SME development program on the SME is measured using the indicators developed for the tracking system during the preparation phase of the program. These indicators usually track areas such as:

- Change in employment
- Change in the quantity of contracts
- Change in the size of contracts
- Change in turnover
- Change in the number of client companies (reduced dependency on the lead company over time).

The SME indicators at the end of the SME development program should be compared with the indicators at the beginning of the program to assess the impact on the SMEs' performance.

### Ongoing Mentoring

Indicators obtained at the end of the program cycle might not show the actual impact of the program. The real impact of the program on areas such as turnover, employment, and new clients can be measured only over a period of two to three years. For this reason, ongoing monitoring that goes beyond the program period is essential. It is the responsibility of the program coordinator to ensure that there is monitoring at regular intervals.

### Approximate Time Required

This step is an ongoing process across program cycles. Data are collected at scheduled times.

## Step 3. Integrate Lessons Learned and Adjust the Program

### Objective

To get feedback from all the stakeholders of the project, draw lessons, and use the learning to change the SME development program before the next cycle begins.

### Process

The following steps are involved in adjusting and improving the SME development program:

#### Compilation of Feedback

Feedback from all the stakeholders should be compiled by:

- Gathering and analyzing SME feedback from Workshop II
- Having a feedback session with the steering committee, the operational team from partner organizations, and mentors.

Once the feedback is consolidated, the lessons learned from the program cycle can be distilled.<sup>7</sup>

#### Focus on Failures

While it is tempting to notice only the successes from the SME development program and commend them, it is equally important to focus on the failures and learn from them. Analysis of a few cases of SMEs that failed can aid in understanding what went wrong, and might reveal gaps in the program design or implementation and shed light on areas in need of improvement.

**For example,** when those who implemented the MozLink program tried to understand why certain companies were not successful in the program, they found that the main reason was a lack of drive from the entrepreneur. This led them to focus more on the drive of the entrepreneur during selection for the next round of SMEs.

#### Adjustments to the Program

Once the areas for improvement are identified, the program should be adjusted using the lessons learned to ensure that the same problems do not arise in the next program cycle.

#### Approximate Time Required

This step takes about one month.

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<sup>7</sup>The process of integrating lessons and adjusting the program was conducted very informally during MozLink. The above recommendations emerged from the lessons learned from this experience.

## Step 4. Future Planning

### Objective

To start looking beyond the current program cycle, and plan for activities to ensure the sustainability of the program.

### Process

A number of initiatives can be considered for the future as offshoots of the SME development program, as described below.

#### Plan for Evaluation of the Program and SME After Two Years

Programs and their participants—the SMEs, in this case—often demonstrate high standards during the initial years of operation and then later lapse into substandard performance. Planning for an evaluation of the SMEs as well as the program after two years can help to ensure continued adherence to the standards set forth at the beginning.

#### Plan a Mentor Pool for Next Year

Once a couple of program cycles are completed, a mentor pool can be created to ensure that:

- New staff have the opportunity to become mentors each year
- Mentors can be rotated, reducing the pressure on the first set of mentors
- The program can be scaled up by taking in groups of more than 20 SMEs.<sup>8</sup>

#### SME Business Network

Creating a business network can be a powerful and effective way for the SMEs that have gone through the program to stay in touch with one another afterward and exchange knowledge, information, business ideas, and strategies.

**For example,** the Mozambican Business Network (MBN) was formed for the SMEs that participated in MozLink. These SMEs continue to benefit from contact with one another as well as from the activities organized by the MBN.

#### Program Web Site

Creating a Web site for the program can be great tool for increasing visibility and access. Such a Web site can have some of the following features:

- SME database and password-protected access for SMEs
- Facility for companies to post upcoming tenders and contract opportunities
- Information about upcoming SME development programs
- Publication of relevant articles and capacity-building documents.

One of the partners can take the responsibility for managing the Web site. For instance, in MozLink, CPI took on the responsibility of managing the MozLink Web site ([www.mozlink.com](http://www.mozlink.com)) (see appendix N).

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<sup>8</sup> Creating a mentor pool might be relevant only when mentors are identified from staff within the lead company, as was the case in MozLink. A mentor pool has not yet been created in Mozal.

## **Conclusion**

This manual has attempted to document the entire process involved in the MozLink experience in Mozambique. It is hoped that it will provide a useful framework and serve as a companion for organizations attempting to develop SMEs and build linkages between SMEs and large corporations.

Building the capacity of SMEs in a developing environment is a challenging process that involves investing considerable time and resources. Yet it is possible to make local companies competitive, bring them up to international standards, and above all spur economic growth in the region by bringing the benefits of large industrial investments to a wider cross-section of society. All it requires is the right mix of corporate commitment, support from development institutions, a dedicated team of mentors, and a well-planned and coordinated program.

## Appendixes

### Appendix A. BHP Billiton Charter

#### We Are BHP Billiton, A Leading Global Resources Company

Our purpose is to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To prosper and achieve real growth, we must:

- Actively manage and build our portfolio of high quality assets and services.
- Continue the drive towards a high performance organisation in which every individual accepts responsibility and is rewarded for results.
- Earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in our communications and consistently delivering on commitments.

We value:

- **Safety and the Environment** — An overriding commitment to health, safety, environmental responsibility and sustainable development.
- **Integrity** — Including doing what we say we will do.
- **High Performance** — The excitement and fulfilment of achieving superior business results and stretching our capabilities.
- **Win-Win Relationships** — Having relationships which focus on the creation of value for all parties.
- **The Courage to Lead Change** — Accepting the responsibility to inspire and deliver positive change in the face of adversity.
- **Respect for Each Other** — The embracing of diversity, enriched by openness, sharing, trust, teamwork and involvement.

We are successful in creating value when:

- Our shareholders are realising a superior return on their investment.
- Our customers and suppliers are benefiting from our business relationships.
- The communities in which we operate value our citizenship.
- Every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment.

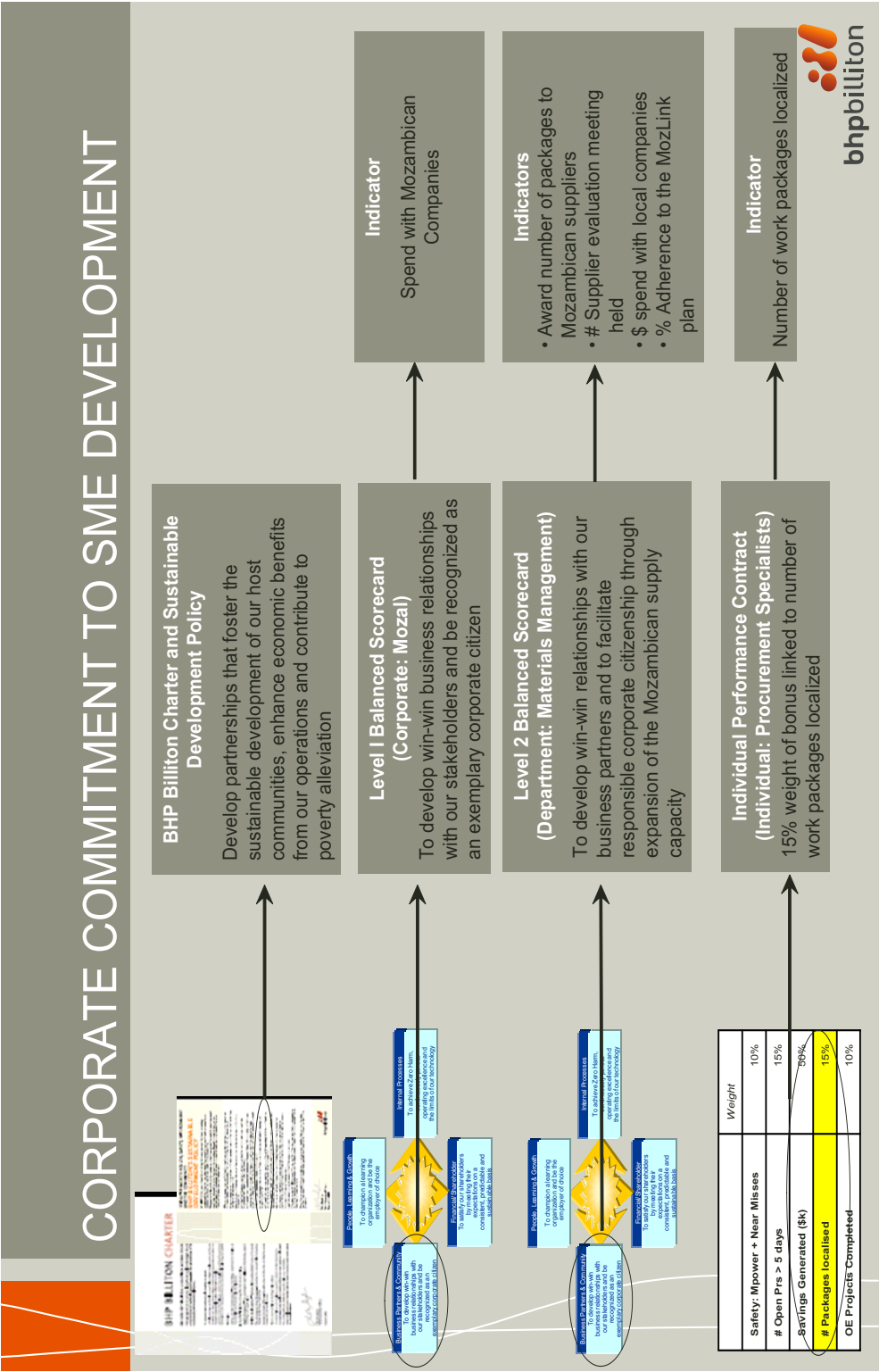
#### Chip Goodyear

Chief Executive Officer

October 2004

Source: <http://www.bhpbilliton.com/bb/aboutUs/charter.jsp>

Appendix B. Alignment of Incentives at Mozal/BHP Billiton



## Appendix C. Detailed Information about All the Partners in MozLink

The program partners in MozLink were Mozal as lead sponsor, the IFC/CBF as donor, the APDF as project coordinator, the CPI as the local anchor, and PODE as the training coordinator. Partners were assigned the following roles and responsibilities:

**Mozal** was the lead sponsor and provided most of the technical support. This included:

- Identifying ten or more SME work packages
- Prequalifying SMEs to participate in MozLink in collaboration with CPI
- Compiling the SME work package schedule and release plus adjudication of submitted tenders
- Conducting bid clarification meetings
- Providing and allocating technical mentors.

A Mozal Empowerment Coordinator was responsible for overseeing the program and for coordinating the involvement of Mozal management and staff on the mentorship component of MozLink.

The **International Finance Corporation (IFC)/Capacity Building Facility (CBF)** was the donor for the program.

The **Mozambique Investment Promotion Centre (CPI)**, through its Linkages Department, was the local anchor. Its role was to create awareness of MozLink using its SME network, and invite SMEs to participate in the program. CPI's role also included building internal capacity, which will increase its ability to take on a larger role and execute similar programs in the future. In this program, CPI participated in the selection process of the SMEs. Its mandate of promoting linkages between large and small local companies made it ideally suited for this task.

The **Africa Project Development Facility (APDF)** was the program coordinator. Its tasks included:

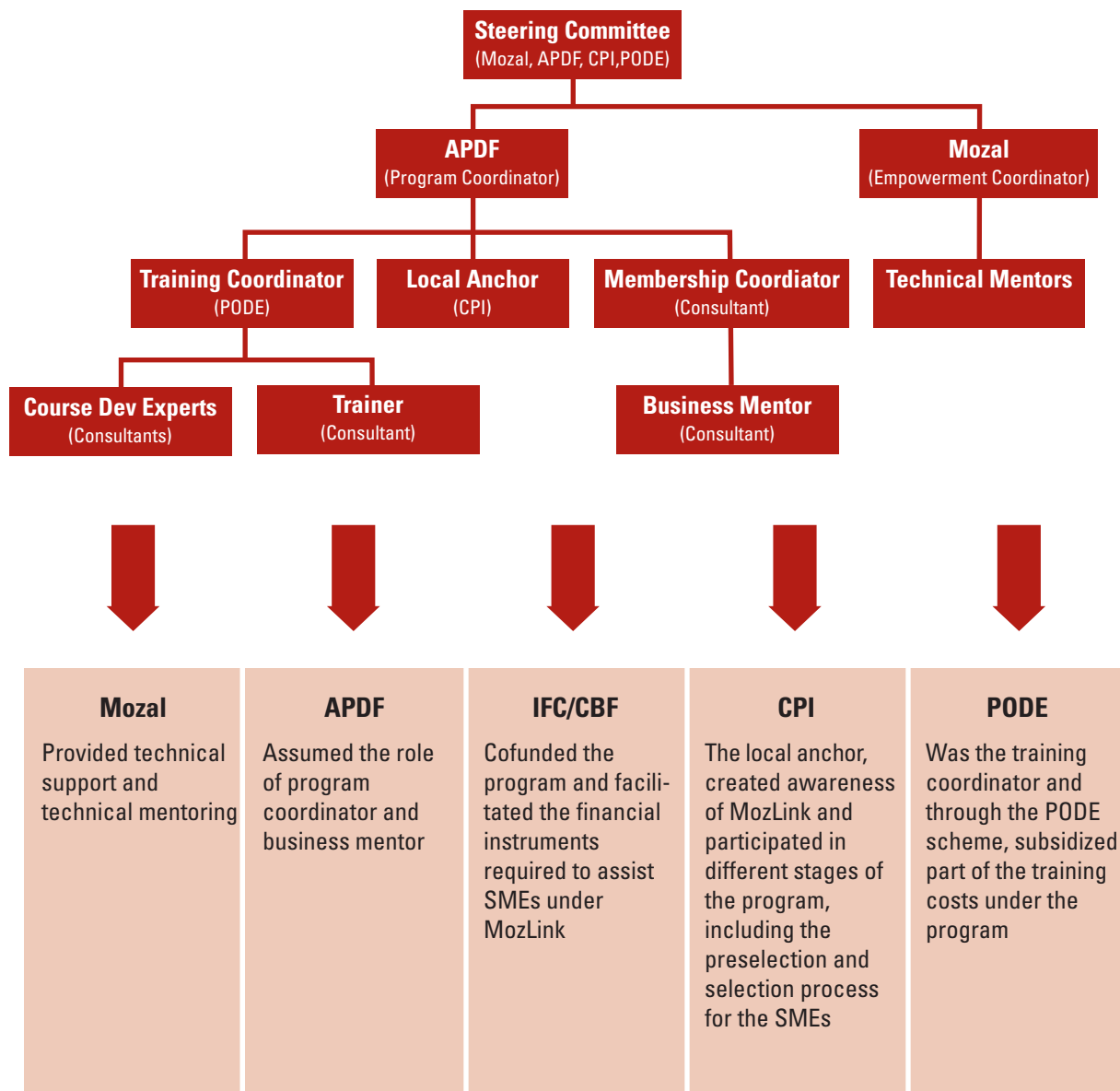
- Program design
- Mobilizing program funding
- Facilitating stakeholder collaboration and communication
- Human resource recruitment and management
- Program monitoring and evaluation
- Contract administration.

In addition, APDF provided business advisory services to participating SMEs.

The **Enterprise Development Project (PODE)** was the MozLink training coordinator. PODE is a government/World Bank project set up to develop the private sector. One of the PODE project objectives is to help the competitiveness of SMEs in linkage programs with the so-called “megaprojects” in Mozambique. Under the Technical Learning Component, PODE also subsidized part of the training costs of the MozLink program.

MozLink was implemented by a project team and overseen by a **Steering Committee (SC)** comprising heads of each partner organization. The MozLink organization chart, as well as a summary description of each organization's role, follows.

### MozLink Organization Chart





**Appendix D. List of Linkage Opportunities Identified During MozLink**

The list below is for only one batch of SMEs.

Sectors of Activity
Metallurgical services and products
Transportation services
Construction
Electrical products and services
Laundry

## Appendix E. Identified Categories and Subcategories for MozLink and their Respective Weights

### Technical Categories

Categories and subcategories	Weight (%)
<b>Health, safety, and environment</b>	
Protective clothing and equipment in place	50
Accident recording and investigation system in place	25
Visible commitment toward HIS in place	25
	<b>100</b>
<b>Maintenance</b>	
Maintenance	10
Company maintenance policy documented	10
Full equipment list	10
Care in operations program	10
Systematic maintenance program	10
Spares holding program	10
Malfunction notification methodology	10
Corrective action methodology	10
Failure root cause analysis	10
Equipment life cycle determination	10
	<b>100</b>
<b>Quality management</b>	
Evidence of quality planning and objectives	10
Document management system in place	20
Record keeping procedure in place	15
Inspection and test on incoming, intermediate and final product	20
Customer satisfaction is measured and records are available	20
Training and development procedure in place	15
	<b>100</b>

**Business Categories**

<b>Categories and subcategories</b>	<b>Weight (%)</b>
<b>Business management</b>	
Define company goals and strategy	33.3
Investment plan reporting drawn up	33.3
Management reporting and master plan in place	33.3
	<b>100</b>
<b>Finances</b>	
Annual budget available	20
Cash flow projection available	13.3
Credit control measures in place	13.3
Monthly balance sheet available	13.3
Project control in place	13.3
Material management system in place	13.3
Account structure and national account plan in place	13.3
	<b>100</b>
<b>Human resource management</b>	
Recruitment policy and procedure	13.3
Company employment contracts in place	13.3
Conditions of services available	6.7
Industrial relations policy and procedures in place	13.3
Compliance with legislation	20.1
Training and development program in place	6.7
Organizational chart available	13.3
Job descriptions	13.3
	<b>100</b>
<b>Marketing</b>	
Business sales and marketing plan available	50
Tendering strategy available	50
	<b>100</b>

**Appendix F. Example of the Business Questionnaire from MozLink****MozLink Program****Business Questionnaire**

<b>CONTACT INFORMATION</b>
Company name:
Ownership:
Address:
Telephone number:
Mobile number:
Fax number:
E-mail:
NUIT number:
Number of employees:
Products or type of business:

**1. REPORT PURPOSE AND OUTPUT**

The objective of the assessment is to identify which kind of assistance the company needs by investigating the company's existing management tools and what it needs to run in a competitive, efficient and controlled manner.

The outcome will be discussed and agreed upon with management, so that the training proposed is in accordance with the management expectations.

**2. ASSESSMENT**

2.1. Describe the company:                      –Brief description

- 2.2. Management:
- Daily management structure
  - Organizational chart
  - Company goals and strategy regarding marketing, administration, production, and human resources
  - Investment plan
  - Management reporting
  - Yearly planning
  - Overview regarding meetings, reporting, sales, production, quality, and finance (monthly, quarterly, and yearly)
- 2.3. Marketing:
- Business/sales marketing plan
  - Costing
  - Tending
- 2.4. Finance:
- Budget
  - Financial management
  - Cash management
  - Cash flow statement
  - Credit control
  - Accounting structure
  - IT level
  - Financial capability
  - Financing needed
  - Requirement necessary to obtain financing
- 2.5. Human Resources:
- Recruiting procedures
  - Staff level
  - Training
  - Job descriptions
  - Industrial relations
  - Compliance with the labor law
  - Payment to INSS

2.6. Production:

- Planning and logistics
- Procurement, material management, stores
- Costing
- Production capacity
- Maintenance
- Technical level of machines and equipment
- Safety

2.7. Quality assurance:

- Control system
- Inspection
- Testing
- Service to costumers
- ISO 9000
- Strong/weak sides of the company

3. TRAINING NEEDED AND AGREED WITH THE COMPANY

4. PREVIOUS WORK PACKAGES FOR MOZAL

## Appendix G. Example of the Technical Questionnaires from MozLink

This appendix presents a maintenance questionnaire (appendix G.1), a quality questionnaire (appendix G.2), and a health, safety, environment and community questionnaire (appendix G.3).

### Appendix G.1. Maintenance Questionnaire

The objective is to ensure that the supplier has maintenance procedures, both preventive and corrective, in place so as to ensure that equipment is in a condition fit to render the service that the supplier provides to his customers.

In order to satisfy the objective, it is envisaged that the following criteria need to be satisfied:

1. Company maintenance policy documented. For example:
  - Fully outsourced
  - Partially outsourced–In-house preventive and first line repairs with major corrective outsourced
  - Fully in-house, both preventive and corrective
2. Full equipment list of all assets required to render the service, with criticality indicated
3. Care in operation program
  - Daily pre-operation checks
  - Periodic “fit for service” inspections
4. Preventive maintenance program
  - Machine availability for maintenance schedule
  - Consumables availability program
  - Tasks to be performed, as well as frequency
5. Spares holding program
6. Malfunction notification methodology
7. Corrective action methodology
8. Failure root cause analysis methodology
9. Equipment life cycle determination


Indicators within categories, maintenance capability	Yes	No	Partially
Company maintenance policy documented			
Full equipment list			
Care in operation program			
Systematic maintenance program			
Spares holding program			
Malfunction notification methodology			
Corrective action methodology			
Failure root cause analysis methodology			
Equipment life cycle determination			

## Appendix G.2. Quality Questionnaire

Focus Area	Target	Actual
<b>Evidence of quality planning and objectives</b>	10	
Document management system in place	2	
Document template	3	
Business process flow chart in place	3	
Document master index	3	
Signed copies of approved procedures	3	
Doc. management system conforms to ISO 9000	3	
<b>Record keeping procedure in place</b>	2	
Records for major business transactions available	13	
<b>Inspection and test carried out on incoming, intermediate, and final products</b>	2	
Nonconforming product/material identified and separated from use	9	
Measuring and monitoring devices are identified and calibrated	9	
<b>Customer satisfaction is measured, records available</b>	2	
Customer complaints are recognised, documented, and resolved	6	
Process in place to improve customer satisfaction	6	
Regular interface meetings are held with customers and minutes available	6	
<b>Training and development program in place</b>	3	
Records of employee qualifications available	4	
Records of training and development in place	4	
Employees aware of quality policy and procedures	4	
Prepare the first audit by the external audit from Mozal	1	
Audit	1	
Follow-up audit will take place as per scheduled	1	
	<b>100</b>	



## Appendix G.3. Health, Safety, Environment, and Community (HSEC) Questionnaire

 <b>MozLink HSEC Assessment Checklist</b>			
Company: _____ Assessment Number: _____ Manager: _____ Date of Assessment: _____ Assessment Team: _____			
MARK IF NA			
<b>1. HOUSEKEEPING</b>	<b>Target</b>	<b>Actual</b>	
Buildings not damaged	5	0	
Floors not damaged	5	0	
Lights adequately functional and positioned	5	0	
Sufficient lightning	5	0	
Good ventilation/airflow	5	0	
Not exposed to temperature extremes	5	0	
Hygienic toilets/urinals	5	0	
Hygienic canteen/kitchen	5	0	
Hygienic changerooms/lockers	5	0	
No chemical/petrol products spillages	5	0	
Work areas are clean and free of excess trash debris	5	0	
Walkways and passage ways demarcation	5	0	
Material or equipment properly stored	5	0	
Any trip hazards	5	0	
Scrap material free of protruding nails or other puncher hazards	5	0	
Are sufficient bins provided?	3	0	
Are bins of the right type?	2	0	
<b>Total</b>	<b>80</b>	<b>0</b>	
<b>2. BARRICATION / SITE IDENTIFICATION</b>	<b>Target</b>	<b>Actual</b>	
Is site identification board present?	5	0	
Is required information displayed?	5	0	
<b>8. HSE MANAGEMENT SYSTEMS</b>	<b>Target</b>	<b>Actual</b>	
Risk management procedure	5	0	
Incident reporting and investigation procedure	5	0	
Labour law compliance	5	0	
Reporting lagging indicators	5	0	
Training modules are adequately facilitated and reviewed	5	0	
HSE communication to employees	5	0	
HSE policy is present, updated, and displayed	5	0	
Non-compliance reports properly analysed	5	0	
Corrective actions close-out	5	0	
Punctuality and proactiveness during assessment	5	0	
Positive response to feedback from audit team	5	0	
Personnel shows commitment to HSE	5	0	
Management involvement on the present assessment	5	0	
<b>Total</b>	<b>65</b>	<b>0</b>	
<b>9. LADDERS</b>	<b>Target</b>	<b>Actual</b>	
Is the ladder properly secured?	5	0	
Is the ladder identified and inspected?	2	0	
Are ladders in safety conditions?	5	0	
<b>Total</b>	<b>12</b>	<b>0</b>	
<b>10. PORTABLE ELECTRICAL EQUIPMENT</b>	<b>Target</b>	<b>Actual</b>	
Are all extension cables earthed?	5	0	

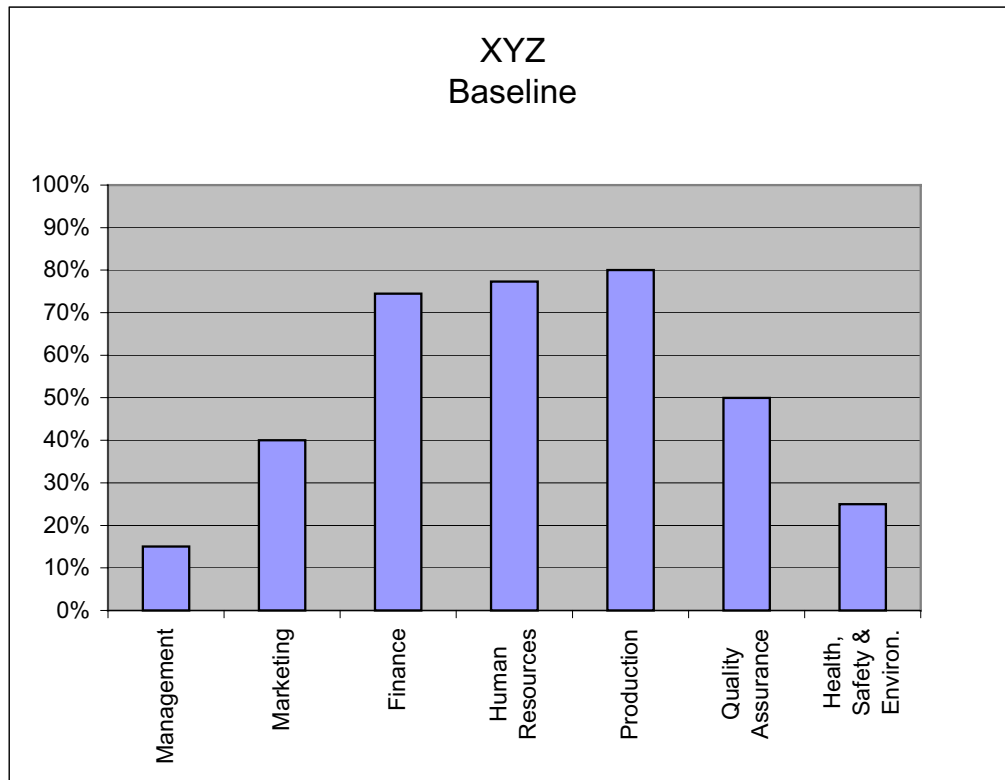
Does the barrication conform with standards?	5	0
Are access and exit available?	5	0
Signs and warning lights in good condition	5	0
<b>Total</b>	<b>25</b>	<b>0</b>
<b>3. GOOD STACKING AND STORAGE</b>	<b>Target</b>	<b>Actual</b>
Stacks correctly erected following stacking practices	5	0
No unstable or hazardous stacks, with sufficient bins	5	0
<b>Total</b>	<b>10</b>	<b>0</b>
<b>4. PERSONAL PROTECTIVE EQUIPMENT</b>	<b>Target</b>	<b>Actual</b>
Record kept of all personnel's issues regarding personal protective equipment.	5	0
Regular checks carried by supervisor.	5	0
Hand protection in good condition and used where required.	5	0
All clothing in good condition.	5	0
Jackets/vests being used.	5	0
All foot wear safe for that specific area.	5	0
Eye protection correctly worn as required.	5	0
Head protection provided where necessary	5	0
Respirators approved types.	5	0
Regular checks carried out by supervisor.	5	0
Respirators worn where required and in adequate conditions.	5	0

Is all equipment properly listed in a register and identified?	5	0
Are plugs points in good conditions?	3	0
Are guards and safety devices installed and working correctly?	5	0
Are pre-work and statutory inspections being carried out on equipment before commencing work?	3	0
Is equipment stored correctly when not in use?	3	0
Have fail-to-safe switches been installed on manually operated power hand tools?	5	0
<b>Total</b>	<b>29</b>	<b>0</b>
<b>11. HAND TOOLS</b>	<b>Target</b>	<b>Actual</b>
Are tools in good working condition?	5	0
Are proper tools used in the correct fashion?	5	0
No homemade tools present?	5	0
<b>Total</b>	<b>15</b>	<b>0</b>
<b>12. LIGHT VEHICLES</b>	<b>Target</b>	<b>Actual</b>
Condition/roadworthiness of vehicles/equipment, tires, windows, brakes, seatbelts, lights/reflector tape, flag, flashing light, chock blocks and three triangles.	5	0
Is checklist correctly filled in by the operator?	5	0
Is the operator trained to use the equipment?	5	0
Is the equipment safely parked when not in use, with chock blocks in place?	5	0
Is there a fire extinguisher in the vehicle?	5	0
<b>Total</b>	<b>25</b>	<b>0</b>
<b>13. LIFTING EQUIPMENT</b>	<b>Target</b>	<b>Actual</b>

Hearing protection being used?	5	0
<b>Total</b>	<b>60</b>	<b>0</b>
<b>5. WORKING AT HEIGHTS</b>	<b>Target</b>	<b>Actual</b>
Is a work permit system in place to control all works at heights?	5	0
Has a risk assessment been consulted before commencement of work?	5	0
Weather conditions to influence the working conditions.	5	0
Has all safety harnesses been inspected by a competent person?	5	0
Safety helmets secured by using chinstraps?	5	0
A system must be in place to prevent tools, materials and other objects from falling from heights.	5	0
Barricading and warning signs must be in place on all lower levels where personnel or objects may fall.	5	0
Personnel operating elevated work platforms and cages must be trained and certified.	5	0
<b>Total</b>	<b>40</b>	<b>0</b>
<b>6. EXCAVATIONS</b>	<b>Target</b>	<b>Actual</b>
Excavation permit in place (150 mm)	5	0
Excavations make safe with orange netting.	5	0
Road work safety signs/lights for night work.	5	0
Is flagman in place where needed (traffic control)?	5	0
<b>Total</b>	<b>20</b>	<b>0</b>
<b>7. SCAFFOLDING</b>	<b>Target</b>	<b>Actual</b>
Is area identified for overhead work in progress?	5	0
Are safety handrails installed?	5	0
Does the scaffolding provide safe access?	5	0
Is the scaffolding identified and demarcated?	5	0

Is all equipment in good working condition?	5	0
Is all equipment identified, load tested, and on a register?	5	0
Are safety devices in place for all equipment used for lifting?	5	0
Is area for use of equipment demarcated with orange netting and safety signs?	5	0
<b>Total</b>	<b>20</b>	<b>0</b>
<b>14. HAZARDOUS MATERIAL</b>	<b>Target</b>	<b>Actual</b>
Is material/substance correctly stored?	5	0
Are MSDSs available? Storing, working place and medical station?	5	0
Are all containers labeled?	3	0
<b>Total</b>	<b>13</b>	<b>0</b>
<b>15. EMERGENCY EQUIPMENT</b>	<b>Target</b>	<b>Actual</b>
Is the correct equipment available?	5	0
Is equipment identified and certified for use?	5	0
Is equipment free of obstructions and in working conditions?	5	0
No damage to equipment.	5	0
<b>Total</b>	<b>20</b>	<b>0</b>
<b>16. PERMITS</b>	<b>Target</b>	<b>Actual</b>
Is a valid permit issued?	5	0
Are all employees in possession of valid access permits?	5	0
If required, is a valid hot work permit issued?	5	0
If required, is a valid confined space entry permit issued?	5	0
If required, is a valid isolation and lockout permit issued?	5	0
If required, is a valid X-ray permit issued?	5	0

Is the base of the structure secure?	5	0	Did all employees complete the workman's declaration form?	5	0
Is the scaffolding being secure to the equipment?	5	0	Is the information board being updated?	5	0
Has the scaffold been built by competent personnel?	5	0	<b>Total</b>	<b>40</b>	<b>0</b>
Have inspections been carried out by competent personnel?	5	0	<b>17. EMERGENCY PROCEDURES</b>	<b>Target</b>	<b>Actual</b>
Is all scaffolding material in good condition?	5	0	Do company's employees understand the procedure?	5	0
Is there an inspection tag on the scaffold?	5	0	Is a copy of emergency procedure plan available? Where?	5	0
Are toe-boards fitted?	5	0	<b>Total</b>	<b>10</b>	<b>0</b>
<b>Total</b>	<b>55</b>	<b>0</b>	<u>PPC/PPE Compliance</u>	<b>0%</b>	
			-	-	
			<u>Incident Reporting &amp; Investigation System</u>	<b>0%</b>	
			-	-	
			<u>Visible commitment towards HSE</u>	<b>0%</b>	
<b>AUDIT SCORE (POINTS):</b>	<b>0</b>				
<b>AUDIT SCORE (%):</b>	<b>0%</b>				
<b>SAFE ACTS OBSERVED</b>					
Include action taken to encourage continued safe performance					
<b>AT-RISK BEHAVIOURS OBSERVED</b>					
Include immediate corrective action and action to prevent a re-occurrence					
<b>DATE:</b>	<b>OBSERVER(S):</b>		<b>TASK(S):</b>		
<b>TEAM:</b>	<b>SECTION(S):</b>		<b>AREA(S) :</b>		

**Appendix H. Graph Analysis for One MozLink SME**

## Appendix I. Baseline Analysis and Targets to Achieve for MozLink SMEs

[illegible]

## **Appendix J. Details of Specific Areas Covered in the MozLink Training**

Details of the areas covered in the business training sessions follow:

### ***Management***

- Goal and strategy
- Investment plan
- Management reporting
- Master plan for meetings and reporting

### ***Marketing***

- Business marketing plan
- Costing for tendering
- Tendering

### ***Finance***

- Annual budget
- Financial management

### ***Human Resources***

- Recruiting procedure
- Job descriptions
- Condition of service
- Staff insurance
- General staff

### ***Production***

- Planning
- Production costing
- Practical training
- Maintenance system
- Safety

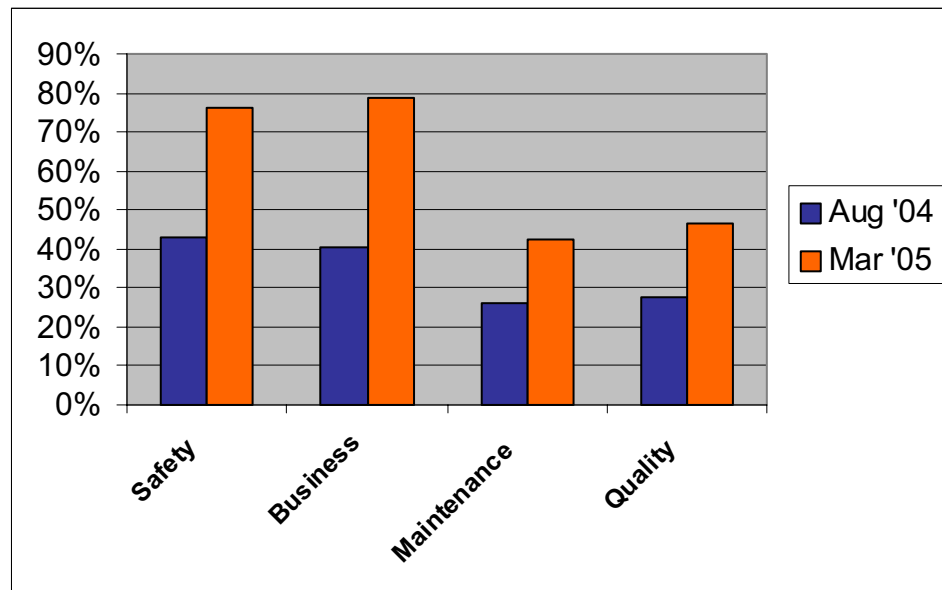
### ***Quality Assurance***

- Information system
- Control system

## Appendix K. SME Improvement Plan for MozLink Companies

[illegible]



**Appendix L. Example of MozLink SME Before and After the Program**

## Appendix M. SME Case Study: Escopil

(Web site: <http://www.escopil.co.mz>)

### Background

Escopil International, Lda. was founded by Rogério Samo Gudo and his family in 1998 with a commitment to be a leading company and an active participant in the newly growing Mozambican economy.

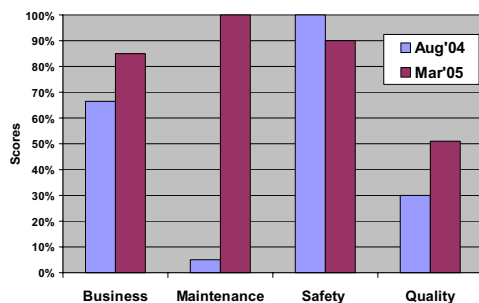
The firm started work for Mozal in 2001 with five employees doing industrial maintenance work. Rogerio's drive and commitment prompted Mozal to select Escopil for the MozLink SME development program in 2003.

### Impact

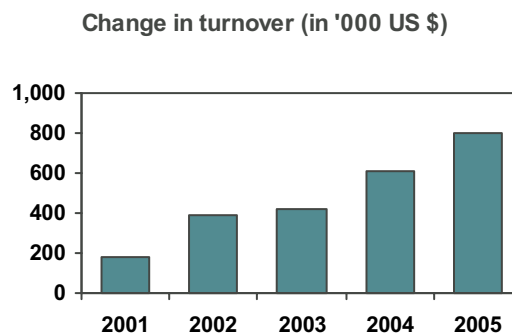
MozLink has had a positive impact on Escopil's operations in different areas:

- There are health, safety, and environment policy and systems in place
- Escopil has invested in new premises
- HR policies and procedures have been developed
- Maintenance policy and procedures are in place
- A competitiveness strategy has been developed
- It has a five-year strategic plan
- It is implementing ISO 9001:2000
- Employees increased from 5 in 2001 to 200 in 2007
- Turnover increased from \$200,000 in 2001 to over \$1 million in 2007

#### Impact on Categories



#### Impact on Turnover



**Before MozLink****After MozLink**

### Interview with Rogerio Samo Gudo, Managing Director, Escopil

#### **Why did you join MozLink?**

I was very ambitious and had a dream to grow Escopil into a big Mozambican company, but I did



not have the skills to do so. I was trained as an engineer and had no business management background or skills. MozLink provided me with an opportunity to build my capacity and consequently grow my company. I attended all the trainings offered by MozLink and later by IFC. I also spent a lot of time with the mentors to improve our maintenance, health, and safety measures as well as quality control. In that sense, I am truly a “MozLink baby.” In fact, we also won the Best SME for Health and Safety award in the second workshop in MozLink.

#### **How did being a part of MozLink impact your business?**

Being a part of MozLink has helped in more ways than one:

- Our employees have increased from 5 in 2001 to 200 in 2007.
- Our turnover has increased from \$200,000 in 2001 to over \$1 million in 2007.
- MozLink has helped me to minimize risk by setting up other businesses like IT and reduce my dependence on Mozal for business.
- I am using the strategy training sessions to build a strategy for future growth and to make changes in our operational and management structure.

#### **Do you still benefit from MozLink?**

Yes, I still do. I often interact with the technical mentors from Mozal to keep improving my HSEC, maintenance, and quality standards. I have hired three students recently only for quality control.

The other way in which I benefit from MozLink is the informal network that has been created between the participating SMEs. We meet regularly to discuss ideas and strategies for growth. This type of knowledge sharing and brainstorming is invaluable for our progress.

***What was the most challenging part of MozLink?***

The biggest challenge for us was to orient our staff regarding the high standards expected by Mozal in service delivery. Operating inside Mozal and outside with another company are two very different experiences, as Mozal requirements are first world and way more challenging and strict. This was initially confusing for the staff. But we took an internal decision to take the responsibility to set a precedent for other companies by maintaining Mozal standards in all our operations.

***What do you think are the factors that make an SME a successful? What would you advise future participants of MozLink?***

My advice to other SMEs that want to grow their business would be:

- To participate in all the programs offered by MozLink earnestly
- To show commitment to their area of expertise and to the standards demanded by the client
- To ensure that the top management is committed, as they play a huge role in driving through changes
- To realize that each SME has a role to play in the economy and has the responsibility to contribute to the development of their country
- To take advantage of projects like Mozal to bridge poor technical skills.

***Do you have any recommendations to improve MozLink?***

I have two recommendations. First, it would be easier to get the SME's commitment to the program if it is clearly explained and demonstrated to them how MozLink will benefit them using examples. For example, it would be useful to show them the standards of first-class suppliers that SMEs can set as targets to achieve.

Second, I believe this program should exist not only in Maputo, but all over Mozambique.

## Appendix N. Snapshot of MozLink Web site

The MozLink Web site can be reached at [www.mozlink.com](http://www.mozlink.com)



## References

### Documents

- APDF (African Project Development Facility). 2003. *Mozal Empowerment and Linkages Program* (April).
- ICC Economic Development and Management Consulting Services. 2005. *MozLink Close-Out Report* (July).

### Interviews

#### **SMEs**

- Escopil International
- Mocauto
- Pro-Air
- Servimetal

#### **Mozal**

- Frans-Jozef Jaspers, Commercial Manager, Materials Management Department
- Mentors
  - Ana Lobo, Health, Safety, Environment, and Community
  - Pieter Crous, Maintenance
  - Inos Viagem, Quality
- Catarina Salite, Supply Control Superintendent, Materials Management

#### **IFC**

- Issufo Caba, Program Manager for MozLink, Mozambique

#### **Others**

- Henriqueta Hunguana, ICC Consulting, Mozambique



