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Business Development Services to SMEs: Experiences from an Online Business Plan Competition in Tanzania

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Business Development Services to SMEs: Experiences from an Online Business Plan Competition in Tanzania

Abstract

Many initiatives have been taken to promote the private sector, which is now considered the engine for growth in all economies. A common approach to private sector development is the building of capacities for identification of innovative ideas and transforming these into bankable business plans. Unfortunately, little effort has been done to systematically learn from such experiences and hence inform improvements and replication for impact. This paper analyses the experience of organising an online internet based business plan competition by the University of Dar es Salaam Entrepreneurship Centre in collaboration with Business in Development Network Foundation based in Netherlands in 2007. The aim is to explore and share challenges, lessons and critical success factors for such and related initiatives.

Background

It is now generally agreed that the private sector plays a critical role in economic vitality, growth and competitiveness in all economies. In attempts to boost the performance of the private sector, various institutions in both developing and developing countries do provide business support services to the existing and potential business operators with a special focus on SMEs. These services include training and support in business plan development. Business plans are drafting, learning and communication tools for businesses. They also serve as the basis for evaluating viability of business proposals by bankers, investors and other business analysts (Gumpert, et al, 2003). Indeed, the literature suggests that the development of the business plans is motivated mainly by the need for external finance (Duncan, undated; Gumpert; et al, 2003). The existence of a business plan document may improve performance by serving as a tentative guide and identifying challenges and providing for mitigation mechanism (Honig, B. and Karlsson, T. 2001).

In Tanzania, as in many developing countries, limited access to finance from formal financial institutions by Small and Medium Scale Enterprise is identified as one of the main obstacle to business development (Kuzilwa, et al, 1997; Olomi, 2001; Pissarides, 2001; URT, 2001). The main reason for this limited access is that SMEs lack capacity to prepare bankable business proposals and generally to operate businesses in ways that are consistent with the requirements of formal financial institutions. While appropriate business development services could help reduce this problem, their quality and access by SMEs is also problematic.

Problem Statement and Objectives

Effective provision of business development services, including building capacity for SMEs to develop bankable business plans is an important issue for any government concerned with improving the performance of SMEs. Many initiatives have been taken in various countries towards this end. However, little is documented about these experiences and the lessons that can be learnt by other actors. As part of its agenda of promoting entrepreneurial capacities in Tanzania, the University of Dar es Salaam, Entrepreneurship Centre (UDEC) organized a business plan competition in collaboration with the Business in Development Foundation Based in the Netherlands in 2007. The aim was to stimulate creative business ideas and to support learning among the promoters so that they could come up with bankable plans. The competition involved mobilizing financial support, extensive media communication to create awareness, recruiting and working with local and international teams of screeners and coaches, receiving and screening proposals, coaching participants mainly through an online platform and a final physical judgment event for the 25 finalists. The experience provides useful insights and lessons on low cost ways of facilitating competence building in business planning, using an online platform. This paper analyses the experience with a view to exploring and sharing the challenges, lessons and critical success factors for stakeholders in enterprise development.

The UDEC's Involvement in BID Challenge 2007

UDEC organized the Business Plan competition in 2007 following the signing of a Memorandum of Understanding with the Business in Development Foundation based in the Netherlands which already had the online platform and experience in supporting business plan competitions in other countries. The business plan competition was branded "The BID Challenge Tanzania 2007". BID Challenge is an established global competition with the objective of using the private sector to address societal concerns, such as the preservation of the environment and poverty reduction, including meeting the Millennium Development Goals. In July 2003, the UN Secretary General Mr. Kofi Annan had two basic questions: 1) How can the potential of the private sector and entrepreneurship be unleashed in developing countries? 2) And how can the existing private sector be engaged in meeting that challenge? The BID challenge was thus established to bridge the gap between the issues raised (BiNF, 2007). The business plan competition was thus branded "make poverty reduction your business".

The Business in Development Network Foundation worked simultaneously with six countries in three continents to organize namely Tanzania and Kenya (Africa), India and Philippines (Asia), and Argentina, Colombia and Peru (South America). To meet the cost of organizing the competition, UDEC recruited four commercial banks with an SME focus the national investment promotion agency and one oil company "Prizes Partners" whose contributions were used for the prize money and to meet some of the operational expenses. The organizers also recruited six supporting partners to provide screeners, coaches and to promote the competition amongst their clients. These included government owned BDS providers, a credit guarantee agency, NGOs and a private sector company. Through this network, the organizers were able to recruit more than 40 volunteer screeners, coaches and judges for the plans. In order to have an effective promotional campaign that would both reach many potential participants and meet the publicity expectations of the prize and support partners, a media company was engaged throughout the competition.

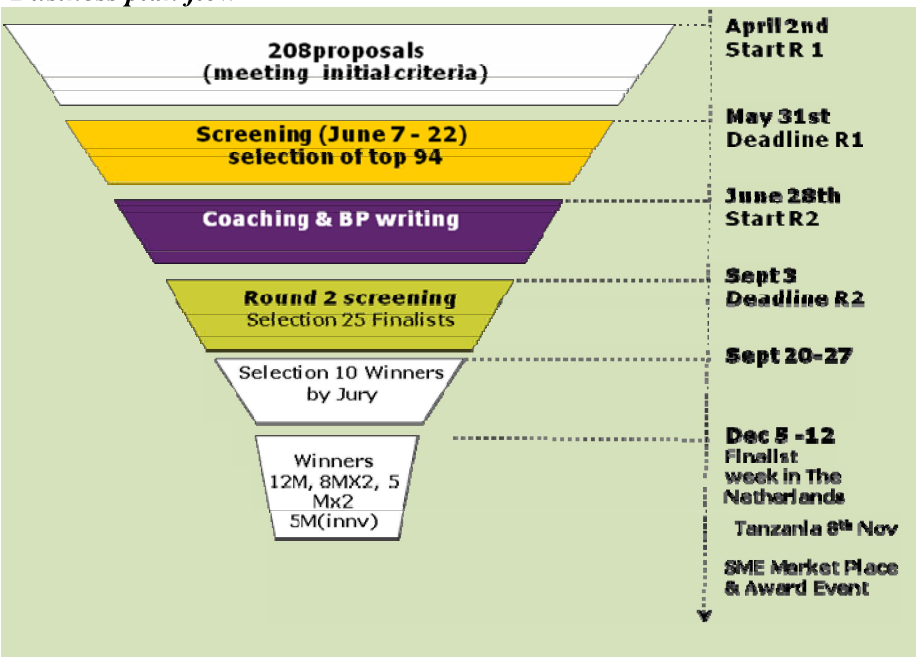
Organization of the 2007 Business Plan competition

The business plan competition was organized in three phases. The first was the promotional phase whereby invitation for a three page proposal was announced. There were concerns, from the very beginning, that response could be very low due to limited capacities of the targeted audience, both in terms of the confidence and skills for developing the plan and the use of internet. It was therefore important to raise awareness to as many people as possible. This was done through a massive promotional campaign, involving direct e-mail, press conferences, press releas and TV talks as well as public lectures in various areas. This period was between 2nd April to 1st June 2007. A total of 319 outlines were submitted, out of which 208 were judged as meeting the basic criteria. Participants were allowed to register more than one plan. The second phase followed by selecting the plans for the second round where by 94 plans were chosen. Local and international screeners, who had been identified and requested to register and sign a confidentiality statement on the website screened the plans, with each being assessed by three screeners. The plans were assessed and scored with regard to innovation, market viability, contribution to societal objectives (poverty, environment) and motivation of the proposer. The average score for each plan was used to rank the plans. Screeners also indicated which plans they were interesting in coaching. The best 94 plans were selected for Round 2 of the competition.

Round 2 participants were offered two one-day workshops focusing on market assessment and financials respectively. In addition to the training, the best 34 participants were allocated coaches based on the preferences indicated during screening. Participants were required to submit fully developed business plans by 3rd of September 2007. A total of 53 complete plans were submitted. The third phase involved screening of the full plans by a group of highly experienced people. The plans were printed and given to the screeners with an elaborate score sheet assessing all the important aspects of the plan. The highest scoring 25 plans were selected and their promoters were invited to present these plans to a Jury constituted by experienced senior staff selected from supporting and prize partners. The Jury first selected the best 5 plans for start-up and the best 5 from existing businesses. The Jury met again to rank

the 10 best plans. Then, the 10 plans were ranked according to their scores and the prizes were offered according to the rank. Also the Jury selected the Most Innovative Plan, for which a special prize had been set. The process can be summarized in the figure below.

Figure 1: The Business plan flow



Source: Modified from BiD Challenge International Guidelines, 2007

Notable Challenges

The first challenge experienced was to find the sponsors. It was important for UDEC to seek partners to cover both the prize and operation costs. Due to the newness of the business plan competition in Tanzania, it was very difficult to convince corporate organizations and other potential partners of the viability and value of the competition. Most of those approached expressed skepticism and tended to take the view that they would like to see how it works first. It took a lot of time and effort to get enough sponsors. The second challenge relate to the low know how experience of participants in using the Internet, the limited access and slowness of the Internet and frequent power outages, which sometimes disrupted online submissions and screening. Some participants preferred to submit by e-mail or hard copy, and some could not submit on time. To address this problem, UDEC assigned one staff to support those seeking assistance through telephone as well as those who came to the office with soft copies to upload or submit to the website. Thirdly, there was a challenge in the management of the supporting partners especially getting the volunteer staff to participate in screening and provide value added services to the entrepreneurs. This was not possible for most of the volunteers of these services either due to the lack of incentives to do so or due to the lack of volunteering culture. Fourthly, some of the potential and actual participants feared that their ideas could be stolen and some even suspected that the main motive behind the organization was to get and steal business ideas. Other challenges were operational. The organizer (i.e. UDEC) is a virtual centre which relies on associates for its outreach activities. These associates are mainly University lecturers and other consultants who have no time or passion for such operational activities. Related to this is the issue of space and facilities. As the deadline for the submission of the plans approached there were more visitors in UDEC offices looking for IT know how and support in some aspects of the

plan than could be handled by the space and staff. These challenges were handled by recruiting some part-time support staff, hiring facilities outside UDEC.

The Results from the Process

All business plans were submitted through secured internet based platform. Entrepreneurs were required to change the concepts only up to the deadline dates which were communicated before official submissions. The submission rate was focusing investment projects to be invested in Tanzania by Tanzania citizens or non Tanzania citizens. The results were above the set target of attracting 150 business concepts, taking consideration of the ICT infrastructure.

Originality and Business Location

All business plans were submitted through secured internet based platform. Entrepreneurs were required to change the concepts only up to the deadline dates which were communicated before official submissions. Out of 208 businesses registered 72.9% indicated as residents of Tanzania, 26.0% did not indicate their residency while 1.5% indicated that they were not Tanzania residents 30% of the participants indicated that their businesses were located in Dar es Salaam, 1.9% in Arusha. Other regions indicated in the submitted plans were Iringa, Mbeya, Kilimanjaro, Ruvuma, Tanga, Tabora, Mwanza, Pwani and Zanzibar. However, 62.0% did not indicate their region of originality. Out of the submitted businesses, 11.5% submit along with the concepts, already developed business plans.

Occupation of the Entrepreneurs

Leaving along the missing categories, for the occupations, it is indicated from the submissions that 42% were self employed followed by students. The challenge was well publicized at the University of Dar es Salaam, Sokoine University of Agriculture and College of Business Education. Considering the occupation status of the top 25 plans, 56% of the entrepreneurs were self employed while in the student category only one plan made it to top 25.

Table 1: Participants Occupation

Occupation	Frequency	Percent	Valid Percentage
Missing	64	30.8%	-
Self-employed	42	20.2%	29.2%
Student	30	14.4%	20.8%
Employed in a non-governmental organization	24	11.5%	16.7%
Employed in government organization	23	11.1%	16.0%
Employed in a company with less than 250 employees	18	8.7%	12.5%
Employed in a company with more than 250 employees	7	3.4%	4.9%
Total	**208**	**100%**	**100.0%**

Source: Data Analysis from submitted plans

Business Establishment

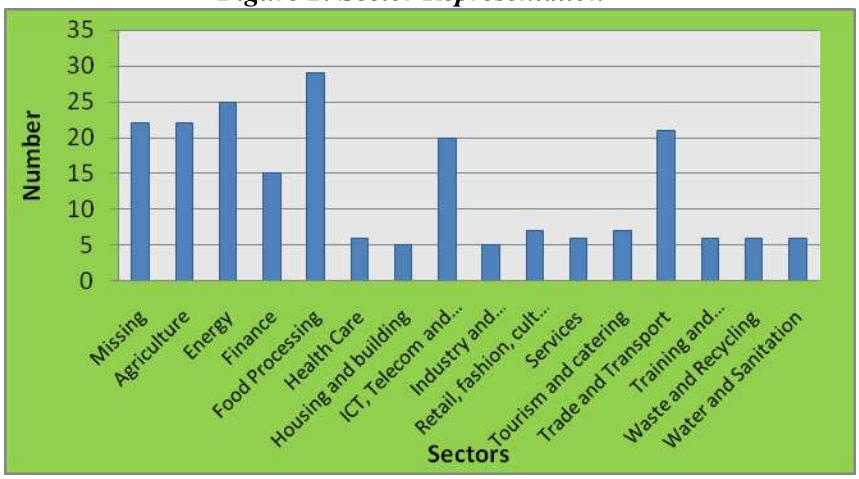
The competition was looking for either new business ventures of expansion businesses. The startups were 77.9% and existing accounts for 21.1% of all the businesses. In the jury session,

out of selected 25 plans 13 were start up businesses and 12 were existing ones. 68% of the entrepreneurs indicated that their businesses were to start between 2007 and 2008. In the selection process it was decided that the startup to be assessed separately from the existing ones. Some of the existing businesses were not formally registered although they were still in the business.

Sectors

Small and medium scale in Tanzania spread in various sectors. Among the leading sectors in Tanzania is the agriculture sector. In total agriculture sector scored 34.5% of all business plans submitted. Some of the business plans were having more than one sector. The identified ones were the most related sector to the plan. The figure below shows various sectors indicated in the initial business plan submissions. Considering the top 25 plans, energy plans were 16%, agriculture and food processing 12% each.

Figure 2: Sector Representation



Source: Data Analysis from submitted plans

Business Services Needs

The entrepreneurs indicated various business services needs which they will require from the businesses indicated. In terms of financial intervention table 2 below shows the needed.

Table 2: Financial intervention required

Financial Intervention needed	Frequency	Percent
Grant	53	43.1%
Medium Term Loans	48	39.0%
Growth Loans	2	1.6%
Private Investors	20	16.3%
Total	**123**	**100.0%**

Source: Data Analysis from submitted plans

The results observed that the entrepreneurs were looking for grant for their business may be due to the development nature of the proposed projects. This can also reflected based on the occupation of the entrepreneurs as indicated in table 1, especially for the students and those entrepreneurs in the non government organizations. Considering the final 25 plans, the grant element was not a matter to the entrepreneurs.
In terms of other business services and advice the following table indicates some of the results.

Table 3: Advice and Resources requirement for the SMEs

Advice/Resources	Frequency	Percent	Valid Percent
Missing	82	39.4%	0.0%
Resources: Business management	**42**	**20.2%**	**33.3%**
Resources: Buyer	**13**	**6.3%**	**10.3%**
Advice: IT/Telecom	**11**	**5.3%**	**8.7%**
Advice: PR/Marketing	**10**	**4.8%**	**7.9%**
Advice: Agriculture	**9**	**4.3%**	**7.1%**
Advice: Logistics/Supply chain	**9**	**4.3%**	**7.1%**
Advice: Construction	8	3.8%	6.3%
Resources: Local & Central Government	6	2.9%	4.8%
Resources: Trade Import/Export	6	2.9%	4.8%
Resources: Material	5	2.4%	4.0%
Advice: Production	3	1.4%	2.4%
Advice: Engineering/Architecture	2	1.0%	1.6%
Resources: Personnel	2	1.0%	1.6%
Total	**208**	**100.0%**	**100.0%**

Source: Data Analysis from submitted plans

Investment Value
One of the criteria in the invitation of the business plan is that the businesses should not have more than Tshs 800mil in their investment value. This is approximately equivalent of US $ 680,000. The businesses above this range were not considered favorable for the purpose of the competition. This was take into consideration due to among others the fact that some the entrepreneurs who may required more than the stated amount can easily be able to pay for professionals to develop their plans and access bank loan or other financial intervention with little hassles.

Table 4: Indicative Investment Value of the businesses

Investment value	Frequency	Percentage	Valid Percentage
US $ 0 – 10,000	5	2.4%	2.7%
US $ 10,000 – 50,000	65	31.3%	34.8%
US $ 50,000 -100,000	66	31.7%	35.3%
US $ 100,000 - 500,000	38	18.3%	20.3%
More Than US$ 500,000	13	6.3%	7.0%
Missing	21	10.1%	0.0%
Total	**208**	**100.0%**	**100.0%**

Source: Data Analysis from submitted plans

Other Issues

Other issues which were observed from the business concepts submitted were involvement of women entrepreneurs (50, 24%), Social entrepreneurship (47, 22.6%), technology and innovation requirements (26, 12.5%) and SMEs support services (79, 38%). More than 88% of the entrepreneurs indicated that they would like to have a coach to develop their plans. Other issue of concern was struggling of the entrepreneurs in meeting the deadlines. 87.0% of the business plans were submitted on the last week of May, while 42.8% submitted on the deadline days (May 31st and June 1st 2007). Further analysis shows that start up businesses have more struggles in submitting the business plans than do the established businesses. 41.3% if the established businesses submit their plans in the deadline dates as opposed to 45.0% of the startups. 36% of the top 25 finalists were submitted on the deadline dates. This can be due to the fact that some of the start up businesses may not had have access to the internet and computers as do the start up ones. Based on the international competitive of the plans, the first winner in Tanzania satellite was also the first winner in all satellites which gave more concern to the foreign investors on the Tanzanian plans.

Lessons learned

Various lessons were leant during the business plan competition process. Some of the notable issues are: Firstly, the technology outsourcing is important. The online platform which was used in accepting and providing feedback was developed by the foreign counterpart which was merely a heavy investment. Secondly, provide support for the entrepreneurs as much as possible. One of the support activities provided to the entrepreneurs is training. This has enhanced the entrepreneurs in the development of the business plans and makes them effective in submitting the final business plans. Thirdly, online business plan competition can be supported by non online versions. In this case, it was very difficult for the team to get entrepreneurs from every angle in Tanzania due to the ICT infrastructure and availability of internet services. The support by the UDEC help desk was badly required by the entrepreneurs who no only are not aware with the internet use but also the computer use. This can be indicated by the number of the business concepts submitted which was 319 and the approved ones which were only 208 or 65% of the p}

The fourth lesson is that some the entrepreneurs who participate in business plan competition cannot be regarded as real entrepreneurs but prize mongers. In this case it is difficult to distinguish true entrepreneurs when conducting a business plan competition due to the fact that some of the entrepreneurs were looking for the grants to fund their dreamed business operations. Fifth, engagement of the partners is important for a successful business plan competition organization. There should be a support of various partners in the business plan competition and this is important to pool resources such as manpower and financial to run the activities. Supporting partners are important for the whole process of publicity, screening, coaching and judging the business plans backed on their experiences in dealing with entrepreneurs in various levels. Lastly, personnel volunteerism is not among the cultures of many. Through the business plan competition, we requested supporting institution to allow their employees to devote time, knowledge and their skills to assist the entrepreneurs in coming up with good bankable plans. Most of the supporting institutions employees did not buy the idea of giving away their time for others. Only two institutions had their employees fully committed to the task as agreed.

Discussions, Conclusion and Implications

Based on the results from the business plans it can be indicated that there is a lot to be done in terms of the access to credit for the Tanzania SMEs. As indicated in table 2, 43.2% of the entrepreneurs think that they can access grants to run their businesses. Depending on grant is not a business goal and hence it cannot be sustained. Another observation is based on the issue of business development services required by the entrepreneurs. One of the prominent issues which are coming out is the issue of business management. This is a very important factor for the sustainability of small businesses and is indicated in table 3.

Based on the submission of the plans on an online platform it can be argued that there is a still a big problem in the use and application of the ICT among the SMEs. This is indicated among other on the responses of the communication to the SMEs which were experienced during the execution of the competition. In the final days there was interaction many calls from the SMEs on the technicalities of the business plans submissions. One of the key obstacles coming from the evaluation was inability to access internet by most of the SMEs. This can also be indicated on the location aspect where by most of the plans were originating from Dar es Salaam and major cities in Tanzania.

The competition also brought up issue on the policy making where by the participants formulated a venture capital association. This will have an influence in the changes in various policies regarding the financing of the SMEs in Tanzania. One of the measures taken is establishment of a Ministerial committee to find out ways to assist the entrepreneurs with potential from the business plan competitions.

It can be concluded that the experience in the organization of the business plan competition by UDEC in Tanzania had been a catalyst to many of the activities in the business SMEs development and a key to the future organization of further business support to the SMEs in Tanzania. The collaboration with international organization has not only benefited from the information technology platform but also exposure of the Tanzanian plans to the venture capitalists.

Regarding the lessons learnt it can be concluded that an online ICT application platform can be applied into developing countries to assist SMEs despite challenges which can be observed. In his own words one entrepreneur had this to say "*I have learned a tremendous amount from participating in the competition. I have been busy the last three months putting to work the lessons I learned during the process and I must tell you that I can now see my company more clearly than I did before November 2007".* The use of contracted services such as Media Company can help reduce the weight of logistical workload which can be incurred by the organizers of a business plan competition especially in a franchise mode as the BID Challenge. The use of supporting partners and associates is important in running a successful business plan as observed by UDEC.

The implication of the results calls for a SMEs involvement in the use of ICT and online training. It is also creating further challenges for multinational collaboration through local/multinational support towards empowering SMEs through ICT application technologies which may be cheaper than physical delivery of such services. The business plan competition also created a contribution towards meeting the Millennium Development Goals (MDGs) by applying the slogan "Making Poverty your Business".

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