MSD business models: how to build competency in business and financial analysis

Date: 5th December 2019
Business Models for Decent Work

• In market systems, partners ‘own’ change
• This means understanding partner incentives to internalise new ways of working
• Concern that a lot of project-supported innovations are failing to scale
• Why?
  • A 2016 study funded by the BEAM Exchange found the reason that half of the reviewed projects failed was because of “low profitability for partners or competitors”.
• These models are much easier to describe in theory than to put into practice!
• ILO Lab case study research to kick-start a conversation about how to get better at understanding the business-side of the impact equation
Twin ‘tests’ for a sustainable outcome

Sustainability = Improved capability of market systems to respond to changes and provide a means by which target groups can continue to derive social and economic benefits, beyond the period of intervention
A business model perspective

**Intervention model.** How can a project structure its support to partners to benefit target groups?
**A business model perspective**

**Intervention model.** How can a project structure its support to partners to benefit target groups?

**Business model.** How can companies create, deliver, and capture value for itself as well as its customers?
Win-win-win-win scenarios?
Win-win-win-win scenarios?

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<thead>
<tr>
<th>Pillar</th>
<th>Building block</th>
<th>Description</th>
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<tbody>
<tr>
<td>Product/service</td>
<td>Value proposition</td>
<td>How a company’s bundle of products and services create value for the customer</td>
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<tr>
<td>Customer interface</td>
<td>Target customer segments</td>
<td>The segment(s) of customers a company wants to offer value to</td>
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<td></td>
<td>Distribution channels</td>
<td>The means of reaching the end-customer</td>
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<td></td>
<td>Customer relationships</td>
<td>The nature of the link a company establishes between itself and the customer,</td>
</tr>
<tr>
<td>Infrastructure management</td>
<td>Value configurations</td>
<td>The mix of innovations that creates value for - such as a form of new technology, new products or services, or new distribution channel partners etc.</td>
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<td></td>
<td>Core capabilities</td>
<td>The ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer.</td>
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<tr>
<td></td>
<td>Commercial network</td>
<td>Voluntarily initiated cooperative agreements between two or more companies in order to create value for the customer.</td>
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<tr>
<td>Financial aspects</td>
<td>Cost structure</td>
<td>The representation in money of all the means employed in the business model.</td>
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<td></td>
<td>Revenue model</td>
<td>Describes the way a company makes money through a variety of revenue flows.</td>
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</table>
CONDITIONAL CONTRACT SCHEME IN NON-FORMAL EDUCATION

Niklaus Waldvogel
Helvetas Kosovo

Prishtina, 05. December 2019
**EYE**

Enriching Youth Employment

**Location**
Kosovo

**Main implementer**
Helvetas

**Consortium partner**
Management Development Associates (MDA)

**Donor**
Swiss Agency for Development Cooperation (SDC)

**Duration**
2017 – 2020, phase II

**Budget**
USD $7.5 million

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“A dynamic and socially inclusive labour market provides more and decent jobs including self-employment for young people in Kosovo”

- **Skills Development**
- **Job Matching**
- **Job creation**

Collaboration and information flows between non-formal education providers and private businesses

**Example from the ICT sector**
Conditional Contract Scheme – Problems

- Coordination failure
  - Skills mismatch
  - Exaggerated expectations
- Non-formal training providers
- Missing information
  - Financing issues
  - Lack of trust
- Huge demand

Potential ICT jobs
Skilled people

Employers
Young people
Conditional Contract Scheme – Classic Business Model

Unemployed and underskilled youth

Payment

Training delivery

Successful completion

Employment
Conditional Contract Scheme – New Business Model

Unemployed and underskilled youth

Assessment by training provider AND companies

Payment

Training delivery

Successful completion

Conditional contract

Employment
Conditional Contract Scheme – New Business Model

Young people

- Know which trainings guarantee them a job
- Can afford (expensive) trainings

Non-formal training providers

- Improved training quality and relevance
- More students are attracted

Employers

- Involved in curricula development
- Better skilled labour force
Conditional Contract Scheme – Example

- **Initial Idea**
  - 2018
  - Initial business model

- **Business Model Development Support**
  - 2019
  - Adaptation of business model
  - Search for partner companies

- **Equipment Purchase**
  - 2019
  - Green light from donor

- **Final Business Model**
  - 2020
  - Pilot batch
  - 2nd batch

- **Profitability**
  - 2020
  - Funding
  - Monitoring
Conditional Contract Scheme – Key Learnings

- Building trust takes time
- Finding capable partners is challenging
- The balance between external pressure and local ownership is delicate
- Always think about long-term profitability
- Develop business models together and stay flexible
- Heavily donor crowded training sector is difficult to navigate
ILO Road to Jobs Project (R2J)

Developing Markets in the Middle of Ongoing Conflict: BUSINESS MODELS FOR DECENT WORK
Lessons Learnt from Practical Experiences of the Road to Jobs Project in Afghanistan

Tonderai Manoto, CTA, Road to Jobs

BEAM Exchange, 5th December 2019
Background to R2J Project

• 4-year MSD project – more and better jobs – Sida funded.

• Aid-Intensive environment – thin markets – high aversion to risk

• Dairy. Poultry. Sheep and Goats – Quick wins (RMA)

• Grapes. Cotton (MSA)
Business Model Elements

▪ Constraints addressed:
  • Farmers have limited income from dairying.

▪ Value proposition:
  • Supply issues of quality and consistency resolved by processor with farmers.

▪ Impact on market system:
  • Supply chain strengthening
R2J Project Support

• Technical Support for training farmers

• New Product Development – Iranian Consultant for chocolate making

• Learning exchange visit to Sudan for Mozarella cheese making

• Business coaching support – helped to expand market beyond Mazar

• HACCP Certification – Now suppliers a national airline with dairy products for both domestic and international flights.
Results

- 4,000 dairy farmers now have access to market.
- A new entrant set up mobile cooling facilities. Door-to-door milk collection.
- Pakiza has now expanded out to another district.
Key Takeaways

• Find partners who already have a strong business incentive to try new models.

• Respond to market signals all the time.

• In aid-intensive environments, it may be impossible to find companies that have not received significant ‘free’ support.
### Key takeaways from report

<table>
<thead>
<tr>
<th>Lessons for implementers</th>
<th>Possible implications</th>
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<tbody>
<tr>
<td>(1) Making money is not same as making a profit</td>
<td>Is there a need to build skills to better understand business models and conduct financial analysis/appraisal?</td>
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<tr>
<td>(2) Focus on the metrics that matter</td>
<td>During early piloting, focus less on impact measurement and more on a small set of business KPIs</td>
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<td>(3) Explore the pathway to profitability; not profitability from Day One</td>
<td>How to set realistic expectations for different types of profitability – as this determines when to trigger crowding-in/scale up</td>
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<td>(4) Growth is not always good</td>
<td>What is an appropriate level of support to help companies think through risk-return trade-offs?</td>
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<td>(5) Look towards long-term value creation</td>
<td>How do we support business models in the long term, while retaining our temporary facilitation role?</td>
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MSD Competency Framework

**Group A - Analysis & insight**
Understand the factors, root causes and dynamics that shape the behaviour of market systems.

Think through and predict how a specific system might react to different interventions.

- A1 Systems analysis for economic inclusion
- A2 Business & financial analysis
- A3 Behavioural insight
- A4 Integrating sectoral knowledge
- A5 Knowledge synthesis
- A6 Critical thinking, foresight & vision
- A7 Innovative thinking

**Group B - Intervention delivery**
Iteratively explore entry points in systems, develop interventions and manage implementation.

Decide when and how to revise assumptions based on new information.

- B1 Decision making
- B2 Intervention design
- B3 Coordinating multiple interventions
- B4 Monitoring and learning
- B5 Donor relations & compliance

**Group C - Teamwork & interaction**
Build and maintain productive relationships with diverse stakeholders.

Balance influence with openness to others’ ideas, firmness with flexibility, learning from failure with performing confidently.

- C1 Relationship building
- C2 Facilitation
- C3 Communication
- C4 Influence
- C5 Self-learning

[https://beamexchange.org/msd-competency-framework/](https://beamexchange.org/msd-competency-framework/)
Competency A2: Business & financial analysis

Competency definition

Practitioners evaluate the viability of a business and identify areas for improvement. They can use established frameworks to analyse a business or organisation in terms of:

› product and service offerings
› marketing and delivery channels
› differentiated customer segments
› costs and revenues
› cash flows
› return on investment
› financing, debt and equity
› growth strategy

https://beamexchange.org/msd-competency-framework/
Competency A2: Business & financial analysis

Knowledge areas

Practitioners with this competency will be knowledgeable about types of concepts and ideas described and explored in the following resources...

- The Business model canvas tool for improving organisational performance, as described in this introductory video
- Pre-intervention investment toolkit to help MSD programmes analyse and assess the potential of private sector partnership interventions
- Business planning for growth - as described in this guide on how make a business plan into a dynamic management tool

https://beamexchange.org/msd-competency-framework/
Competency A2: Business & financial analysis

Skills and experience

Practitioners with this competency will have acquired qualifications, skills and practical experience that may include:

› conducting due diligence on a business or organisation for the purposes of investment or grant-making
› consulting experience in operational research or market research where the client is a business
› qualifications and experience as a financial analyst

https://beamexchange.org/msd-competency-framework/
Developing business & financial analysis

Guidance for teaching this competency

Content delivery
Definitions and application of business terminology, both strategic (value proposition, target market, marketing channels) and financial (costs, revenues, cash flows, financing, return on investment). Discussion on how these concepts apply, and can be adapted, to civil society organisations and government.

General advice on content delivery methods

Research assignment
Ask participants to interview and research a business or organisation in the local context, and report back on it using a framework such as the business model canvas.

General advice on research assignments

Case study
Provide a package of information on an organisation that includes details on its mission, activities, and financial model. Provide detailed numerical data if possible. Ask participants, individually or in groups, to process and analyse the information and develop an assessment of the organisation.

General advice on case study methods
Using case studies to drive staff learning

Case studies are a teaching tool that enable participants to consider real or fictional scenarios from multiple perspectives. Cases are often rich in information and context, challenging practitioners to filter and interpret what is most important.

https://beamexchange.org/msd-competency-framework/msd-competencies/case-studies/
Using case studies to drive staff learning

Trainer guidance

▸ Have a clear idea of which capabilities you want to develop through a particular case. It will often make sense to combine thinking - deciding and interacting learning objectives into a single case. Create the time to debrief these individually.

▸ If using small groups, consider the composition of the groups and any potential inter-group dynamics that you can use to increase engagement and deepen learning. How could these mimic real-world dynamics? For example two sector teams trying to work with the same partner on different interventions.

▸ Cases are often written from the perspective of a single protagonist. Consider developing some additional material so different groups can approach the case from different actors’ perspectives. This can model complexity and deepen insights.
... Or to hire new staff

MSD Competency Framework

Guidance for hiring and recruitment

Using targeted interview questions or customised case study scenarios

The MSD Competency Framework can be used to improve hiring processes for MSD programmes. This page focuses on using assessment guidance to redesign interviews around the key MSD competencies – through targeted interview questions or customised case study scenarios.

Target Audience:
Managers and HR professionals who are involved in the design and implementation of hiring processes for MSD practitioners.
MSD business models: how to build competency in business and financial analysis

Questions to the speakers
Post your questions in the Chat Box on the right

Full Report: https://beamexchange.org/resources/1250/

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