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

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GRAB THE MIC

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DCED
The Donor Committee for Enterprise Development
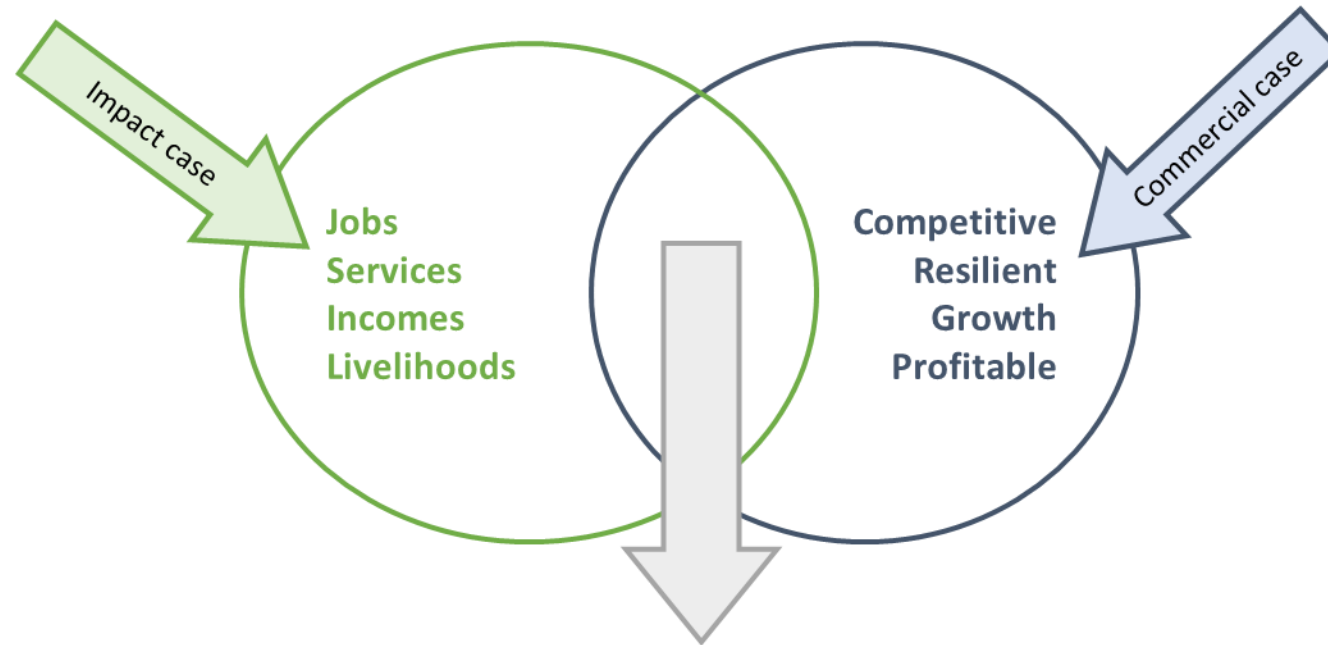
BEAM EXCHANGE

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


the LAB
MARKET SYSTEMS DEVELOPMENT FOR DECENT WORK

International Labour Organization

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

Twin 'tests' for a sustainable outcome

Impact case

Commercial case

Jobs
Services
Incomes
Livelihoods

Competitive
Resilient
Growth
Profitable

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
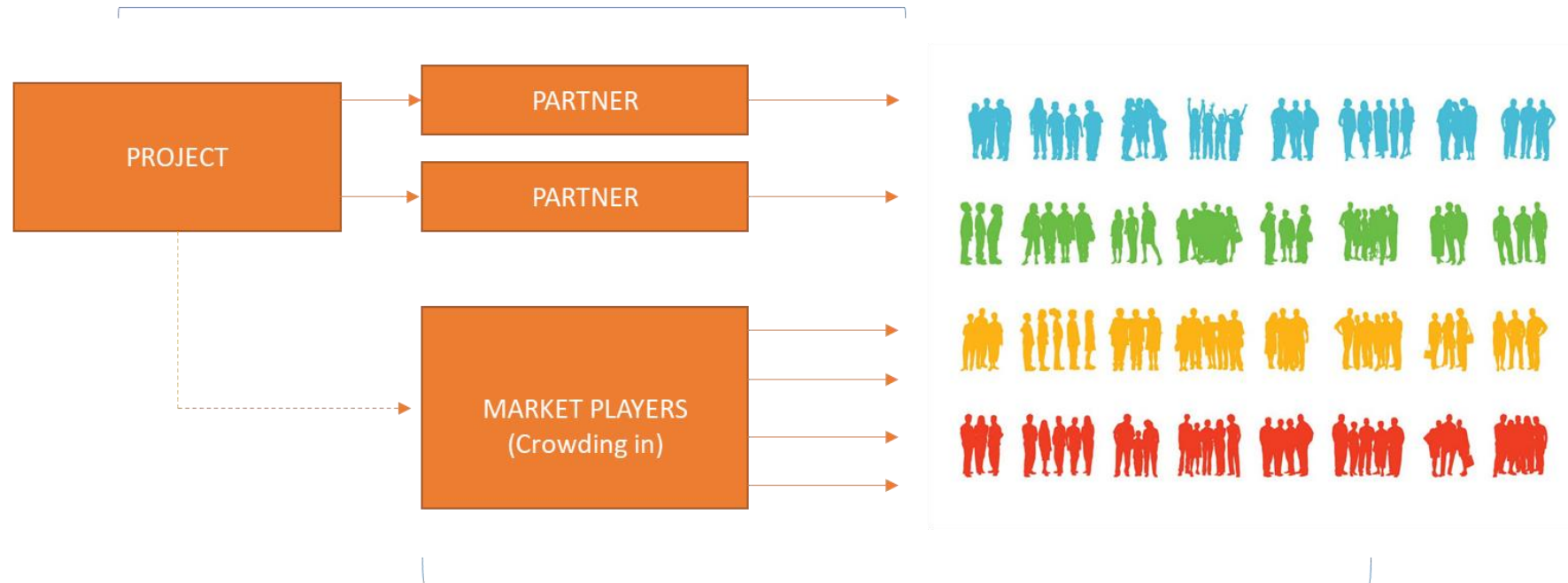
A business model perspective

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?

PROJECT

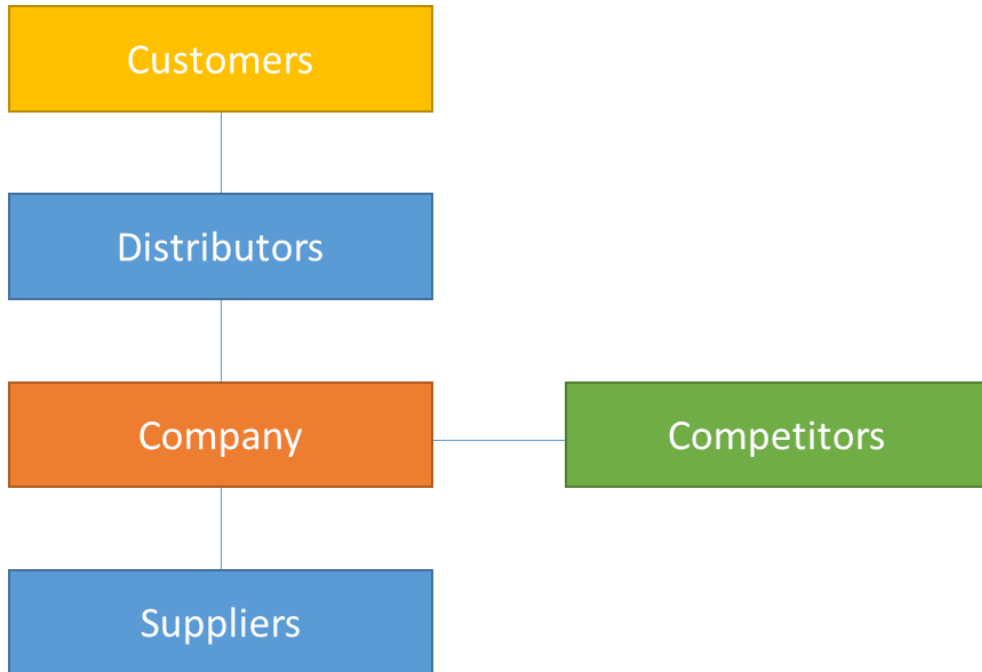PARTNER

PARTNER

MARKET PLAYERS
(Crowding in)
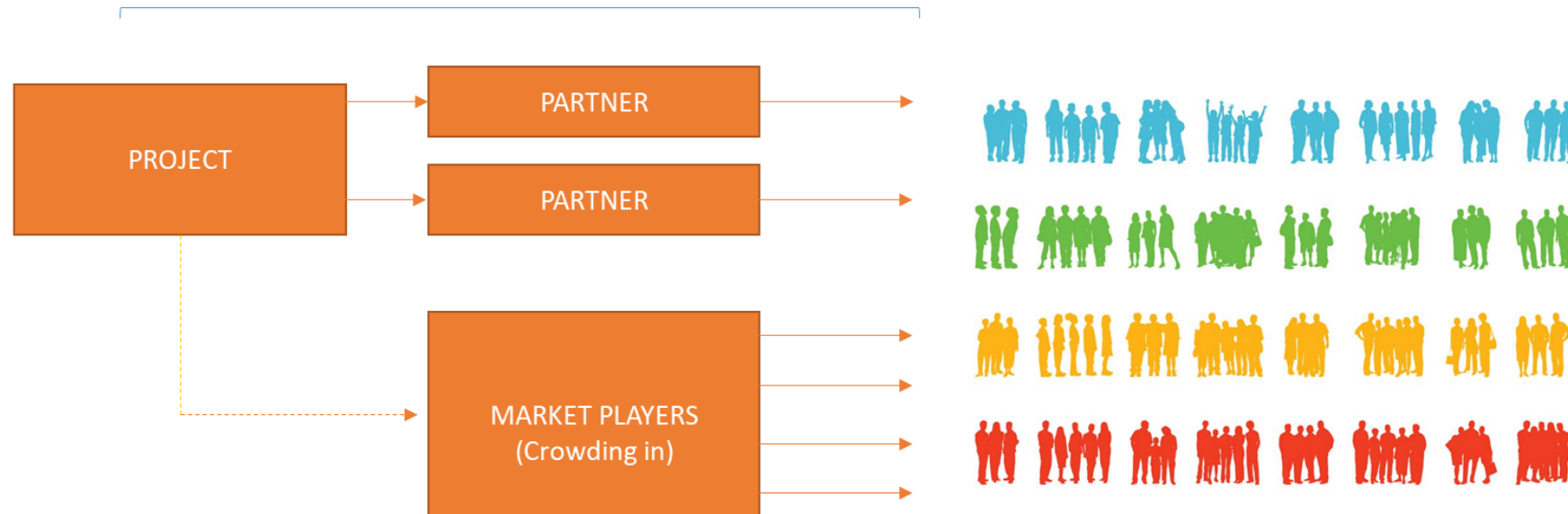
Business model. How can companies create, deliver, and capture value for itself as well as its customers?

Win-win-win-win scenarios?
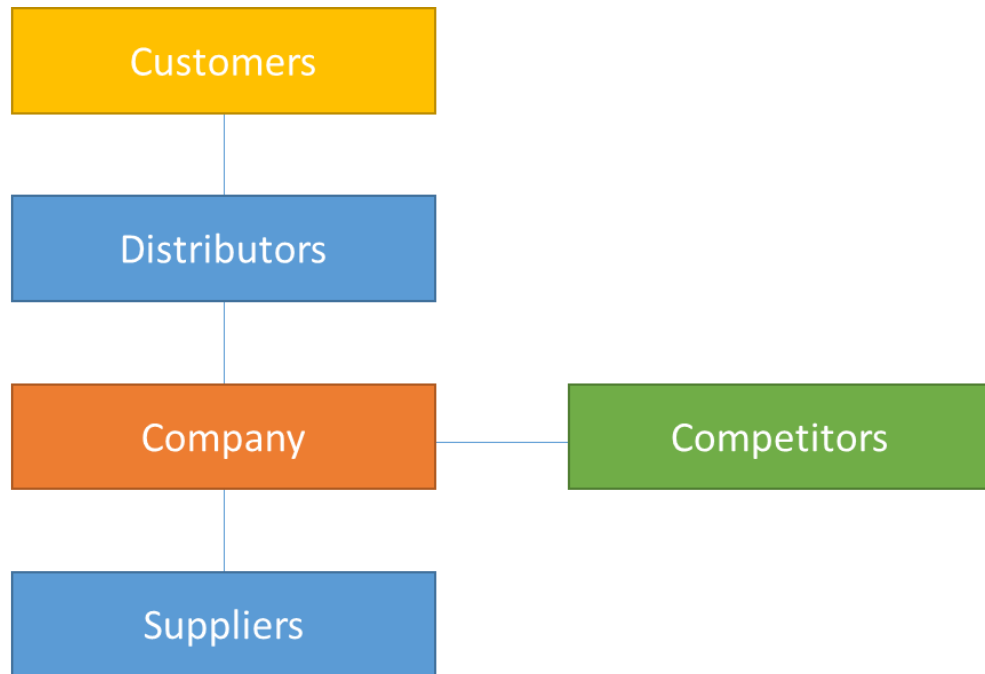
Win-win-win-win scenarios?

Pillar	Building block	Description
Product/service	Value proposition	How a company's bundle of products and services create value for the customer
Customer interface	Target customer segments	The segment(s) of customers a company wants to offer value to
	Distribution channels	The means of reaching the end-customer
	Customer relationships	The nature of the link a company establishes between itself and the customer.
Infrastructure management	Value configurations	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.
	Core capabilities	The ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer.
	Commercial network	Voluntarily initiated cooperative agreements between two or more companies in order to create value for the customer
Financial aspects	Cost structure	The representation in money of all the means employed in the business model.
	Revenue model	Describes the way a company makes money through a variety of revenue flows

CONDITIONAL CONTRACT SCHEME IN NON-FORMAL EDUCATION

Niklaus Waldvogel
Helvetas Kosovo

Prishtina, 05. December 2019

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EYE Enhancing Youth Employment

Location

Kosovo

Main implementer

Helvetas

Consortium partner

Management Development Associates (MDA)

Donor

Swiss Agency for Development Cooperation (SDC)

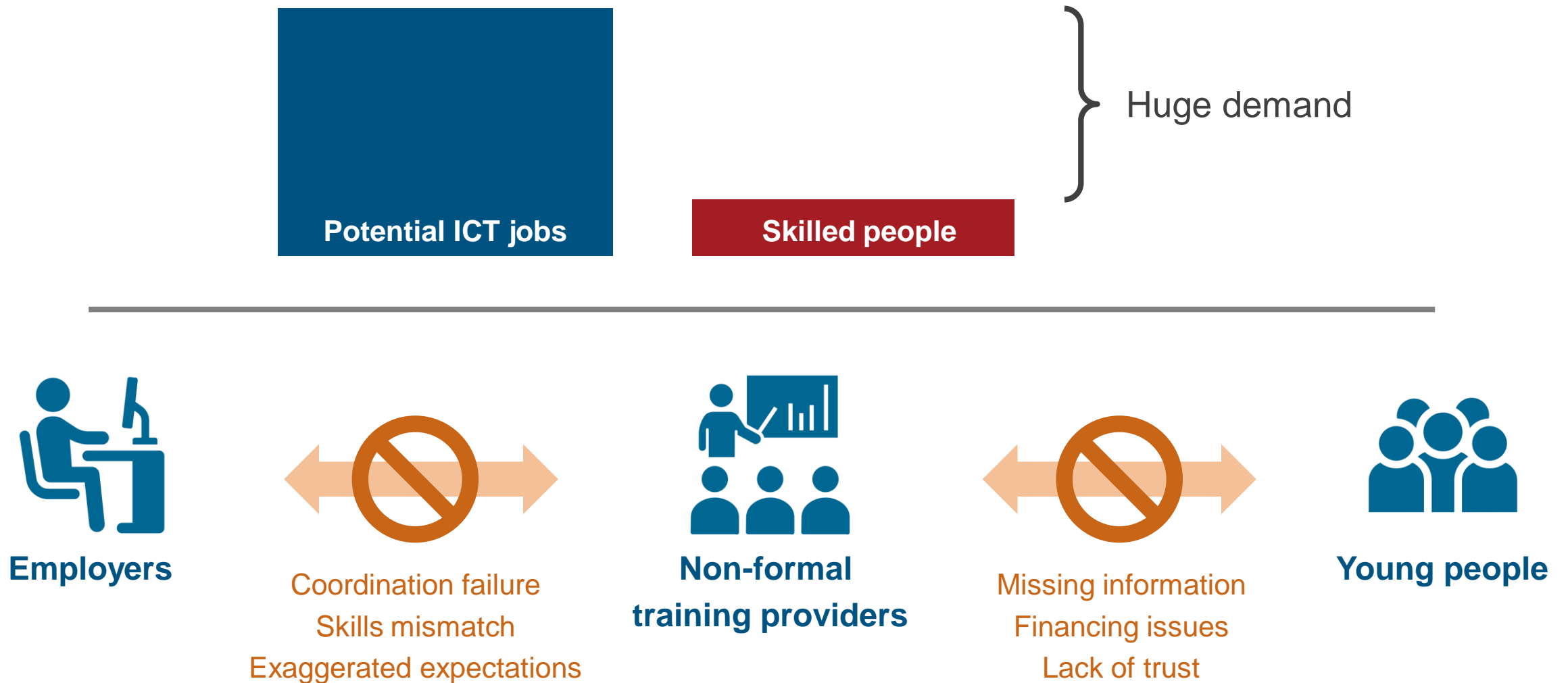**Duration**

2017 – 2020, phase II

Budget

USD $7.5 million

"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 |

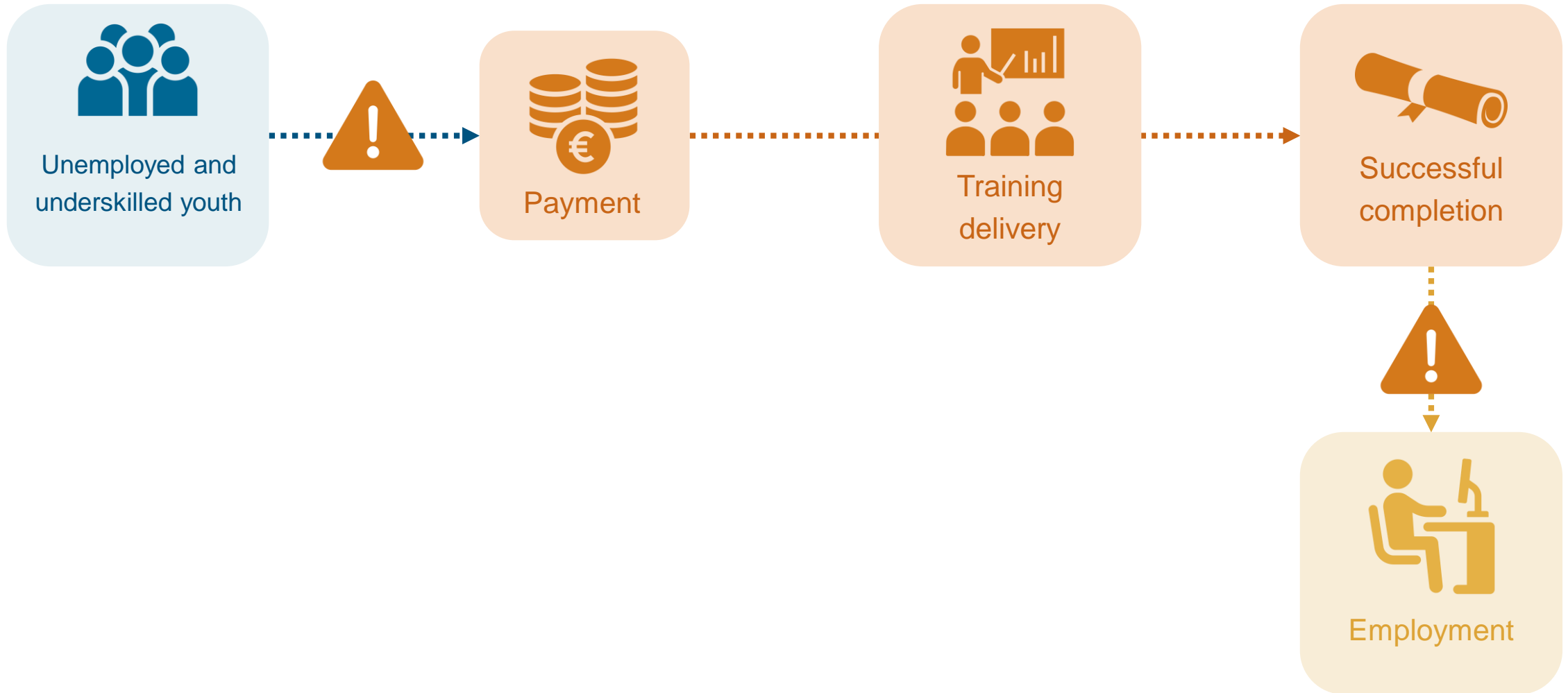Collaboration and information flows between non-formal education providers and private businesses

Example from the ICT sector

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Conditional Contract Scheme – Problems

Potential ICT jobs

Skilled people

} Huge demand

Employers

Coordination failure
Skills mismatch
Exaggerated expectations

Non-formal training providers

Missing information
Financing issues
Lack of trust

Young people

HELVETAS

Conditional Contract Scheme – Classic Business Model

Unemployed and underskilled youth → Payment → Training delivery → Successful completion → Employment

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Conditional Contract Scheme – New Business Model

Conditional Contract Scheme – New Business Model

Young people

- Know which trainings **guarantee them a job**
- Can **afford** (expensive) trainings
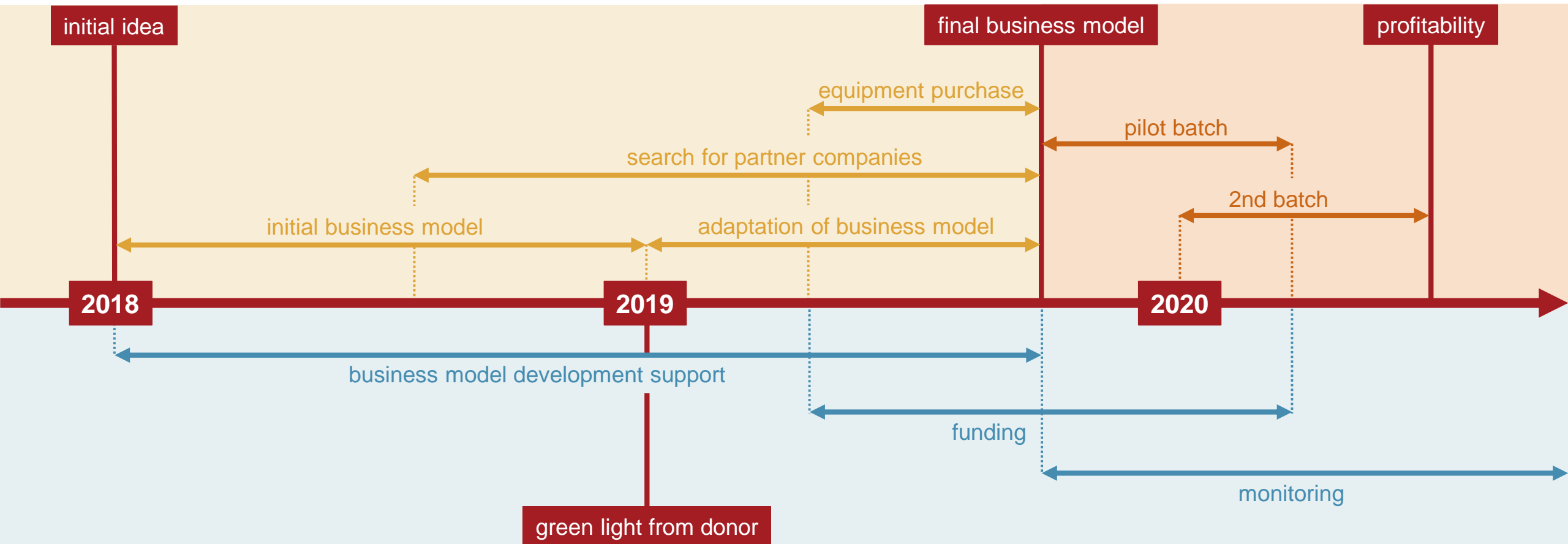
Non-formal training providers

- Improved training **quality** and **relevance**
- **More students** are attracted

Employers

- Involved in **curricula development**
- **Better skilled** labour force

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Conditional Contract Scheme – Example

Conditional Contract Scheme – Key Learnings
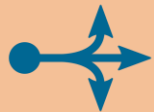
Building trust takes **time**

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

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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**

Business Model
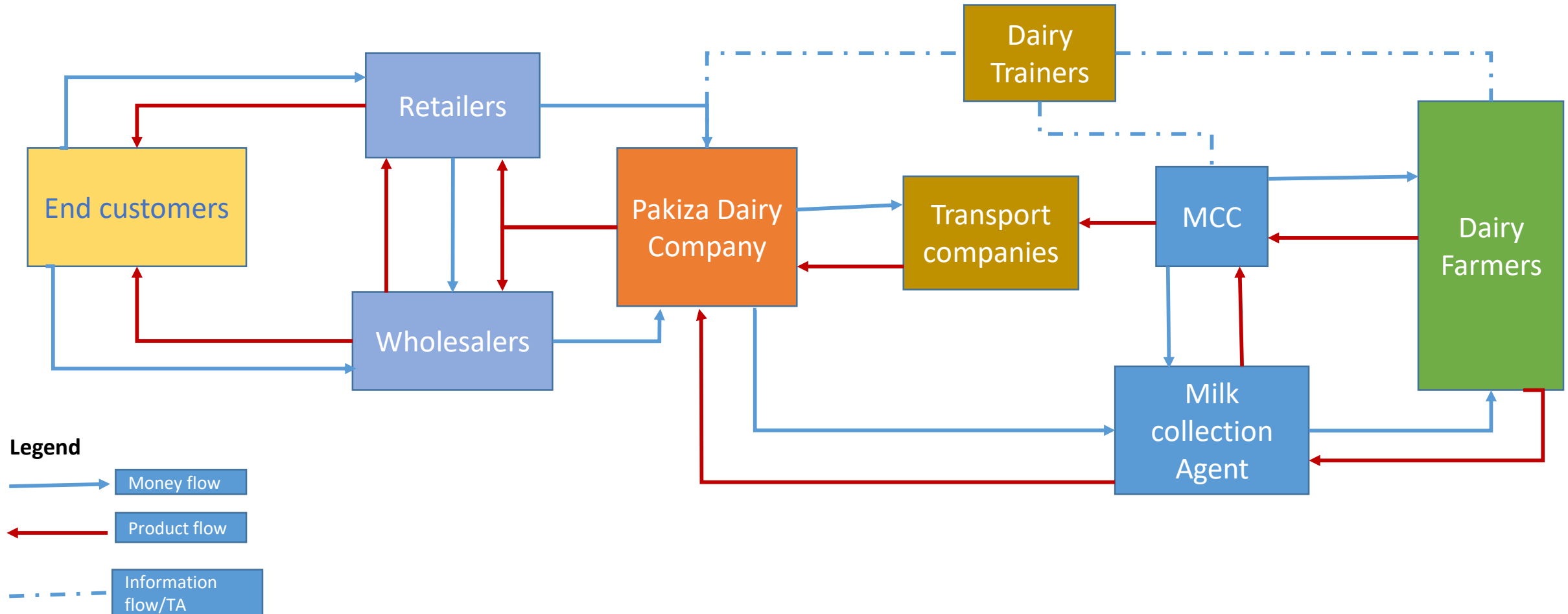
R2J Project Support

- **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

- **Organic expansion of company through product diversification. Chocolate. Cheese. Jam.**

- **4,000 dairy farmers now have access to market.**

- **A new entrant set up mobile cooling facilities. Door-to-door milk collection.**

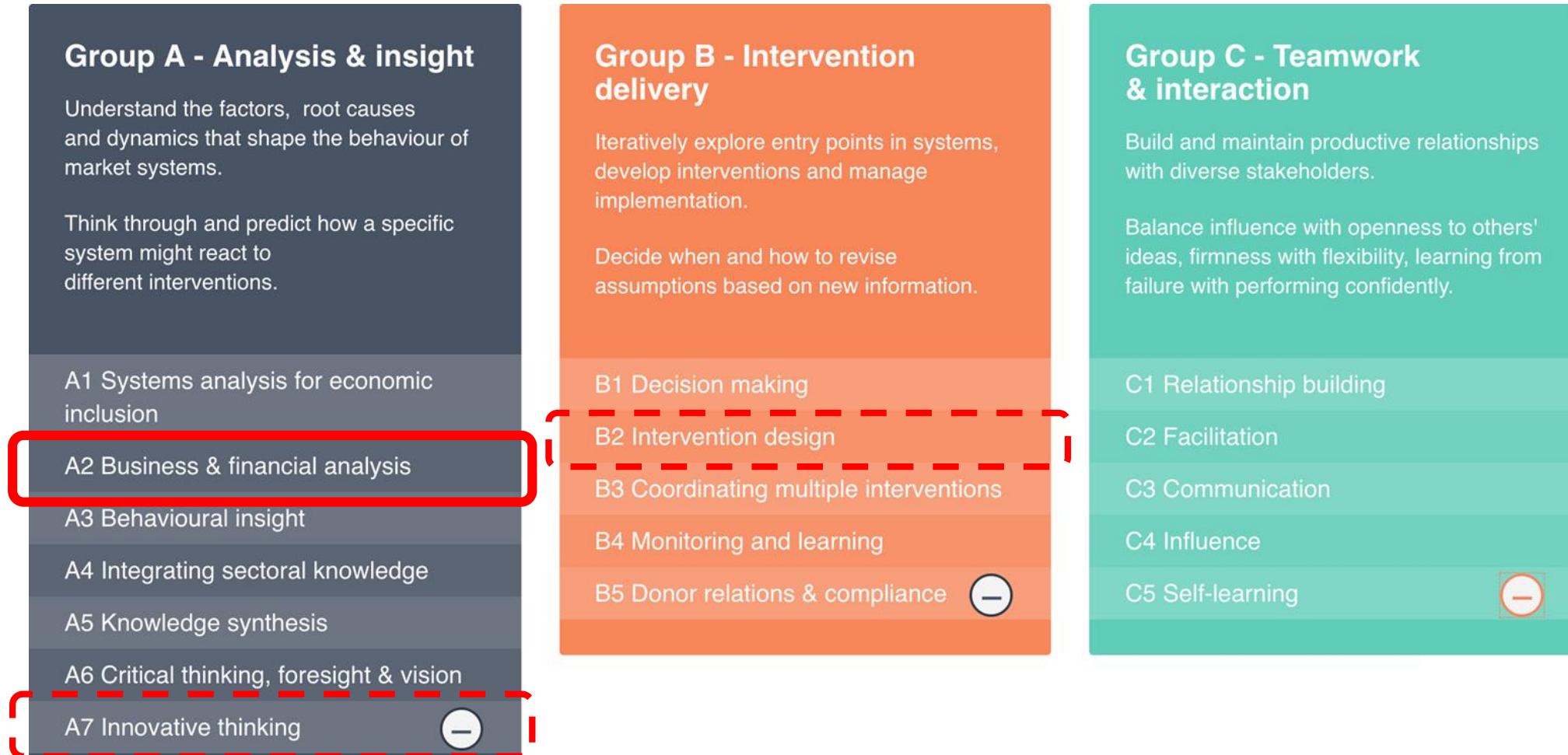- **Pakiza has now expanded out to another district.**

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

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

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/

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

Competency definition

Knowledge areas

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

Teaching and learning mode

Case studies

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.

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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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