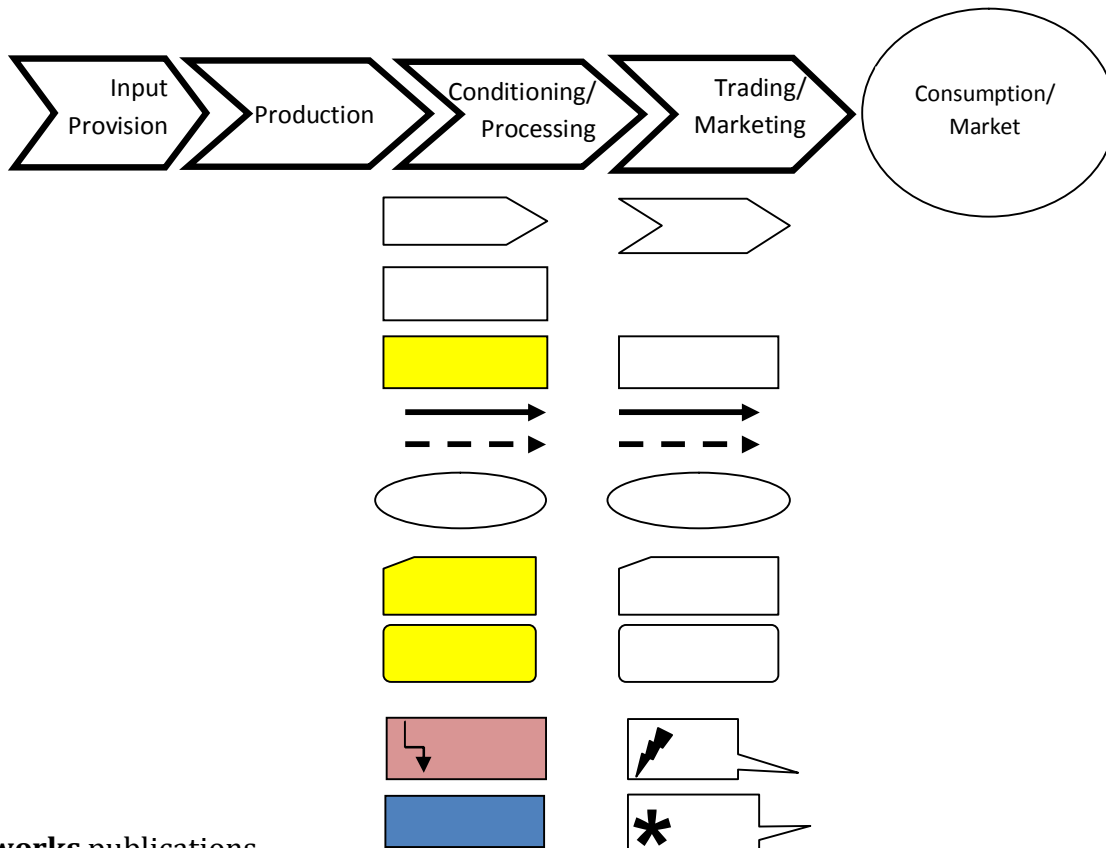


# Value Chain Analysis Modular Training (VCAMT)



# 1 Introduction

BCaD-Consulting Management is a business consulting firm which is established in 1998 according to the commercial code of Ethiopia. BCaD has excelled in the field of Private Sector Development (PSD) with main emphasis in the areas of entrepreneurship development, value chain analysis (VCA) and business management in the last 12 years. BCaD has twelve permanent professional employees and more than twenty outsourced experts in the field of business administration, management, accounting, MIS, economics and agricultural engineering. All of these professionals are trained and certified for the various training and consulting programs they are assigned to in addition to their academic achievements.

BCaD positions itself as a competent capacity builder in the private sector development with acquiring internationally reputed development packages in the field of entrepreneurship development, value chain development (VCD), supply chain management (SCM) and business management systems (BMS®). We have worldwide networks such as ValueLinks International (VL) for VCA, CEFE Internationals for Competency based Economies through Formation of Enterprise (CEFE™) and International Trade Centre (ITC) for BMS® and Modular Learning System in Supply Chain Management (MLS-SCM®).

BCaD has accumulated extensive achievements in value chain development especially with agricultural commodities in the country in working as VCD facilitators in our long-term contractual assignments with SNV-BOAM in honey, edible oil, highland fruits and perennial crops value chains; with Overseas Development Institute (ODI) UK in Tourism Value Chain Development; with dvv international IWEP in developing a comprehensive market assessment manual for sub-sector analysis and value chain development in search of market entry point for grassroots women; training a pool of consultants in value chain development for a consortium of ICCO, SNV and GTZ ECBP which is called a value chain competency pool (VCCP).

Our extensive involvement in the area of value chain development in Ethiopia proves our competence to commercially deliver training in VCA.

## 2 Learning Objectives

The learning objective of the training is to enable the participants:

1. Discuss the value chain concepts,
2. Gather relevant data to analyze value chain dynamics,
3. Carryout value chain analysis with the detailed financial analysis on the different commodities they are working on,
4. Identify opportunities and constraints especially in relation to marketing in the production cycle which might be holding or contributing to the growth and competitiveness of the value chains,
5. Be aware of the role of different actors and equip them on value chain development facilitation skill.
6. Do a sub-sector analysis and select viable sub-sectors for a value chain development and mitigate poverty with wealth creation,

7. Do economic analysis,
8. Analyze VC governance,
9. Analyze the concept of VC finance.

Hence, the methods of the TNA and the training delivery are elaborated below.

### 3 Methodology

#### 3.1 Structure of Training Material

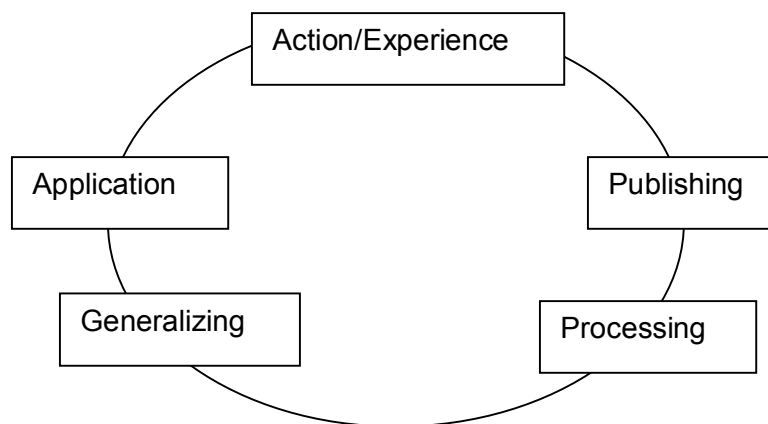
The training material will cover all the instruments described below with a logical flow from sub-sector analysis up to the report writing. It will give a comprehensive and precise view of the VCA and development effort an expert of VC should demonstrate.

#### 3.2 Method of training delivery

The training delivery will be based on adult training method reinforced with structured learning exercises (SLEs) designed to pursue the experiential learning cycle (ELC) of the non-reductionist view of human behavior.

This approach is also called Learning by doing where by the participants take lessons with being fully engaged on deliberately prepared activities for each session such as role plays, simulation games, exercises, reconnaissance, etc. Moreover, learning materials on which trainees have exercised will be displayed for visualization with the use of cards, charts and markers. These principles are in line with the thought of a Chinese philosopher who said, “*What I hear I forget, what I see I remember, what I do I know*” Confucius.

#### Experiential Learning Cycle



## 4 Coverage

### 4.1 Matrix of instruments, process and outcome

To address the above objectives it takes a comprehensive set of methodologies combined all together in a training program which start with different data collection methods both from the primary and secondary sources for the identification of customer needs & selection of viable sub-sectors for VCD and other conceptual frameworks in the field of business management on business diagnosis and gap assessment for identifying constraints in order to design support services for VC promotion. Thus the training would cover sub-sector analysis, segmentation, selection and positioning; identification of VC constraints and opportunities in light of customer needs both at B2B and B2C levels; VC mapping and VC economic analysis; VC governance and VC financing; gap assessment of support services both at demand and supply sides to mitigate constraints and upgrade/promote selected VCs.

We have already developed a comprehensive and formidable instrument to handle this assignment and even have proven with actual utilization of the instrument in Afar and Tigray regions for dvv International Integrated Women Empowerment Program (IWEP) program and on another assignment by SNV-Ethiopia Southern Portfolio to train SNNPRS Trade and Industry Experts.

The following table shows the process, the instruments and the outcome in due course of the VCA which participants will be enabled to comprehend.

S/N	Process	Instrument	Outcome
1	Reviewing relevant documents	Desk review guideline	Identified relevant Sector
2	Discussion, brainstorming, screening and selection of feasible sub-sector, chain and channel among sector experts, researchers and partners' representatives.	Sub-sector analysis matrix; rules of brain storming; Eisenhower's portfolio and quantitative screening matrix)	Confirmation of relevant sub-sector; identified, selected and quantified chains and channels;
3	VC mapping and quantification among experts and researchers	Mapping guideline and value added and profitability of chain operators	Maps of selected channels at micro and meso level; quantified channel segments
4	Diagnosis of businesses of MSE operators within the identified channels	Diagnostic questionnaire for MSE operators	Definition of businesses of the MSMEs operating within identified channels and identify priority tasks for designing business strategies
5	Customer survey at preferred markets	Questionnaires for end consumer as well as business buyer surveys, Checklists for browsing the internet and asking contacts in the international arena,	Identified needs and wants of selected customers; confirmation of viability of chosen channels; positioning (strategy formulation) for selected MSMEs operating within the selected channel.

S/N	Process	Instrument	Outcome
6	Observation of preferred market	Market observation matrix	Finding on the competitive situation of selected channels existing gaps in the market;
7	Lead company survey	Lead company interview questions	Willing and attractive lead company for linkage with MSME operators within selected channels
8	Gap assessment of MSMEs	Gap assessment matrix for MSMEs	Identified competency and resource gaps of MSMEs operating within selected channels
9	Gap assessment of support service providers	Gap assessment questionnaire matrix for support service providers	Identified competency and resource gaps of potential support service providers for filling gaps of targeted MSMEs.
10	Report writing	Standard format	Recommendation for intervention to fill the competency and resource gaps of targeted MSMEs and possible market linkages and functional up-takes for capturing additional values.
11	Monitoring and Evaluation	Performance Matrix	Corrective measures

## **4.2 Desk Review**

Participants will be enabled to conduct a desk review technique since there isn't a need to repeat the same study, but conduct a desk review of those documents and fill the missing information through primary sources where there is a possibility to review already conducted studies.

## **4.3 Sub-sector Analysis**

Participants will be enabled to identify major existing economic sectors or sub-sectors with greater potential for boosting the economy of respective operational Woredas and increasing the engagement of the poor MSME operators including women. Any given sector should have several sub-sectors under it which could further be analyzed into various chains and channels depending on specific items which are commonly produced or could possibly be produced within a chosen sub-sector.

The following steps lead from sub-sector selection toward the selection of value chains and channels if need be. These steps will be part of the training if the client dedicates enough training days.

### **Stages:**

1. Apply a brainstorming technique to list down sub-sectors which have promising potential for the increased income of selected MSMEs and the economic growth of respective woredas.
2. Clean list of sub-sectors by crossing out generic sectors and brand names.

3. Conduct a plenary discussion to breakdown the sub-sectors into chains and possible market channels.
4. Applying a quantitative ranking and scoring grid for a further screening and selection of most promising sub-sectors based on additional analytical criteria.
5. Use Eisenhower's project portfolio for prioritization of selected chains or channels based on two basic analytical criteria i.e. strategic attractiveness and economic attractiveness

#### ***4.4 Mapping of the Selected Value Chain***

The participants will be enabled to map VCs based on the ValueLinks (VL) symbols which is the most common in Ethiopia. Both the text and carding formats of the mapping will be covered in due course of the training.

#### ***4.5 Quantification of a Value Chain***

Quantifying the diverse elements of a VC gives a good documentation of concrete justifiable reasons for selecting a VC for promotion. Income generated, employment created, customers served, quantity produced, project cost, etc are a few of the possible elements we can count on to zoom in the various segments of the VC we mapped. Participants will be enabled to quantify VCs based on given parameters especially economic analysis.

##### *Economic Analysis*

The Economic Analysis part would give as an opportunity to analyze indicators of economic attractiveness so as to pave a way to VC promotion. Some of the factors subject to analysis could be:

- Size and market share of VCs in global and domestic markets
  - production and consumption figures;
  - export and import figures;
  - share of the VC in the total export value;
- Value Added along the VC;
  - contribution of chain segments to total value;
- Profitability of chain operators;
- Benchmarking important VC parameters;
  - benchmarking of unit cost of production;

- benchmarking of labor and other factor productivities;

#### ***4.6 Market Observation***

Market observation technique is one of the powerful and commendable techniques for collecting information about the market. In this case it is necessary to have a structured observation of the market from resource point of view, from customers demand point of view and competition point of view. Thus, participants will further be enabled to conduct a market observation.

In the end, the observer could propose a new important value chain and or a value chain promotion program based on observed gaps.

#### ***4.7 Customer Survey***

The knowledge of the needs and wants of customers is foundational for the whole value chain development as it is logical to map the VC from the downstream market up to the upstream production with each stage of the VC responding to the needs or orders of the market it serves either in the B2C or B2B. To this effect the market research will come as an important intervention to get information about the customers' needs both at the international as well as domestic markets both at B2B and B2C levels.

Moreover, the support service in the promotion of a selected value chain could include the facilitation of an upgrading strategy and the promotion of the same pertaining to building competencies to meet customer needs as identified by the market research. Therefore, as part of the training participants will be enabled to conduct a market survey with a due consideration to the main market definition variables and the needs & wants of customers.

#### ***4.8 Diagnosis of targeted MEs***

The assessment of targeted Micro Enterprise (ME) operators is an integral part of this overall VCA effort. This gives a baseline of the MSE operators to whom the program is designed so as to be able to gauge the impact of the program on them in the end.

This pertains to all segments of the selected chain. To distinguish between competitive and uncompetitive business, the business concept of the BMS® will be used as a reference model; hence the definition of competitiveness would also be explained based on the BMS as a reference model in a business domain.

The instrument for the assessment would be from point of view of the competitiveness of the potential entrepreneurs in question to fulfill the needs and wants of targeted market segment along the chain. The outcome of the assessment would help to design a strategy to upgrade the competitiveness of selected operators to fit in the selected value chain in such a way that they could dictate terms on both their supplier and buyers in the long run if not in a short period. The strategy entails the design of tailored training program, linkage to innovative or appropriate financial instruments, linkage to business development services, organizing associations, etc.

Hence, the training will cover this session to enable the participants to use a BMS® based business diagnostic interview instrument for examining the competitiveness of MSMEs.

#### ***4.9 Lead company survey and VC governance***

As a major concern for the proper functioning of a VC, it will be advisable to have identified major players both in the domestic and export markets and who are willing to engage in a VC. These companies should have demonstrated their competitiveness in market intelligence.

Participants will be enabled to conduct a lead company survey by end of this session. The issue of VC governance in different forms of market linkages will be reviewed in this part; hence, participants will also be enabled to decide which kind of market linkage should apply for what kind of product and service and level of operation.

#### ***4.10 VC Financing***

More often than not, finance is one of the most important constraining factors for MSME growth due to lack of innovative financing instrument in the market. Hence, innovative financing which minimizes risk of lending and cost of borrowing would be mandatory. VC finance is believed to give an innovative edge for MSME financial needs. This specific session will enable the participants to identify finance injection point along a VC as part of the embedded services. The issue of VC governance will also be reiterated in this part in designing binding contracts in the transaction process.

#### ***4.11 Gap Assessment of Chain Support Services***

Enterprises or chain operators need support services both commercially offered as well as subsidized as the case may be. In order to give a market based service, there is a need to undertake a gap assessment. Participants will be enabled to conduct a gap assessment by end of this session.

**Gap - Analysis** is a tool for support service providers of a chain for weighing the need and demand of enterprises against the current supply of services, so that relevant practical enterprise support services can be developed.

An assessment is a **purposeful measure** of the capability of an **entity/operator** at a point in time to **accomplish an objective.**

The **Purpose** of the assessment will be to design and offer training and other chain support services to help solve problems of operators.

##### *Levels of interviews*

The structure of the gap assessment tool allows applications at two levels (extended and compressed) with two alternate methods of data collection (enterprise or group/expert interviews). However, for simplicity reason, the depth of the training session on gap assessment in this assignment is proposed to be the compressed level with addressing both methods of data collection.

### *Subjects for assessment*

1. Assess the **need** for competency building services and resources
2. Assess the **demand** for competency building services and resources
3. Determine the **supply** for competency building services and resources

### **4.12 Report writing**

The reporting format for the assessment work will systematically compile the outputs of each and every instrument used with necessary inference and recommendations including the selected sub-sectors with being mapped properly and clearly showing all actors of each VC. At the end, the gap assessment result i.e. the competency and resource gaps of targeted MSMEs will be elaborated for enabling the design of objectives oriented support services by the client and its partners. Hence, the training session on report writing will enable the participants to compile all findings in due course of VCA and Development process.

### **4.13 Monitoring and Evaluation**

Performance monitoring mainly evaluates *effectiveness* and *efficiency*. In any business undertaking the ultimate goal should be *customer satisfaction* since growth and profit are considered as the natural results of it. That is why a value chain analysis gives more sense if it starts from the targeted market segment/customers. This concept doesn't violate the pro-poor development for growth which is the main agenda of many development organisations. However, it redirects the strategy toward wealth direction to attain poverty reduction in a more meaningful way through wealth creation. Hence, the M&E will attempt to gauge the extent to which the outputs of a value chain development process have resulted in outcomes that meet the needs of customers.

## **5 Levels of training**

The training will be conducted at two levels classified as Basic and Advanced which take five days each.

### **5.1 Basic level**

The basic level will address issues related to understanding value chain development concepts, conducting a sub-sector analysis and VC mapping, setting promotional strategies and identifying constraining and supporting factors for VC upgrading, VC governance and market linkages.

### **5.2 Advanced level**

The advanced level covers issues of economic analysis, VC finance, understanding competitiveness, diagnosing businesses, conducting gap assessment, report writing and M&E.