

BUSINESS TRAINING MARKET ANALYSIS AND NEED ASSESSMENT in PRIMORSKY KRAI

February 2004

Provided by Winrock International, Counterpart International, Center for Investment and Support (Prognoz), Sakhalin Association of Business People, Counterpart Enterprise Fund

Note: This report was made possible by a grant from the United States Agency for International Development through the Moscow-funded [Enhanced Small and Medium Sized Enterprise Development Project](#).

OVERVIEW

The Enhanced SME Development Project (ESD), funded by USAID/Russia, aims to strengthen small-and medium-sized enterprises (SMEs) in the Russian Far East through improved access to credit, advanced and sector-specific business skills training, and an improved regulatory environment. ESD supports the development of more sustainable SMEs and business associations through technical assistance and training.

In November and December 2003, rapid assessments were conducted to assess the current state of business training markets in six regions: Amurskaya Oblast, the Republic of Buryatia, Khabarovski Krai, Primorski Krai, the Republic of Sakha, and Sakhalin Oblast.

Business Training Market Analysis and Needs Assessment Reports were prepared for each region (see below).

METHODS

The assessments used an integrated approach combining quantitative and qualitative research. Qualitative open-ended interviews were used to gather input from training service providers, the regional administrations – departments supporting businesses, banks, and SMEs. A quantitative written survey was used to gather additional input from a wider sample of stakeholders.

ESD staff, partners, and consultants identified agencies, organizations, and individuals to include in the market analysis. Interviews were chosen as the primary data collection strategy for the market analysis because they are a good method for gathering in-depth information. Top management of training organizations and agencies, local government officials and representatives of business support institutions (BSIs) were interviewed. Interviews provided the data for the organizational assessment of current training provided and training capabilities. Categories and issues identified by the service providers and Winrock staff and consultants were then used to develop the needs assessment. In-depth interviews and a survey questionnaire were used to conduct the needs assessments in each region.

Topics covered included:

- Business issues facing the region
- Training and outreach needs, with the special emphasis on:
 - a. Identification of training needs of SMEs in advanced business skills
 - b. Sector-specific training required
 - c. Business and sector-specific associations in the region
 - d. Price that SMEs would be willing to pay for training
 - e. Training providers in the region

MARKET ANALYSIS

Background

The ESD Project surveyed 135 Primorskiy Krai (PK) entrepreneurs regarding their training needs. The survey was conducted in December 2004. The goal of the survey was to identify current needs of small- and medium-sized businesses for training services. This information will be used to develop future ESD training plans.

Results

Evaluation of the volume of business training conducted in PK during the 2003

Total lack of training	Insufficient number	Sufficient number
18 (13%)	101 (75%)	16 (12%)

Evaluation of the themes of the business training conducted in PK during the 2003

Corresponds with the business' needs	Partially corresponds with the business' needs	Does not correspond with the business' needs
15 (11%)	98 (73%)	22 (16%)

We received the following response to the question: "Do respondents consider it possible to participate in training that requires payment?"

Yes - 108 (80%)

No - 27 (20%)

If YES, then how much:

Less than 100\$ - 65 (48%)

Less than 200\$ - 25 (18.5%)

Less than 300\$ - 11 (8%)

Less than 400\$ - 0

Less than 500\$ - 6 (4.4%)

According to the survey respondents, the most favorable duration of training seminars is as follows:

- 1 day – 30 (22%)
- 2 days – 44 (33%)
- 3 days – 38 (28%)
- 1 week – 15 (11%)
- 2 weeks – 4 (3%)

Managers and Top-managers of the enterprise account for the primary share of respondents (Figure 1).

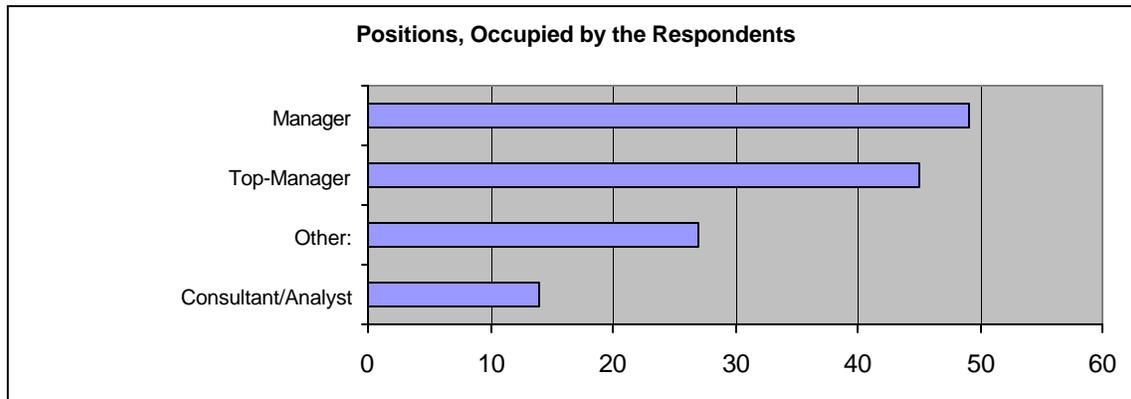


Figure 1

Distribution of the companies by industry sectors is presented in Figure 2. Companies in the services and trade sector account for the largest share of surveyed businesses.

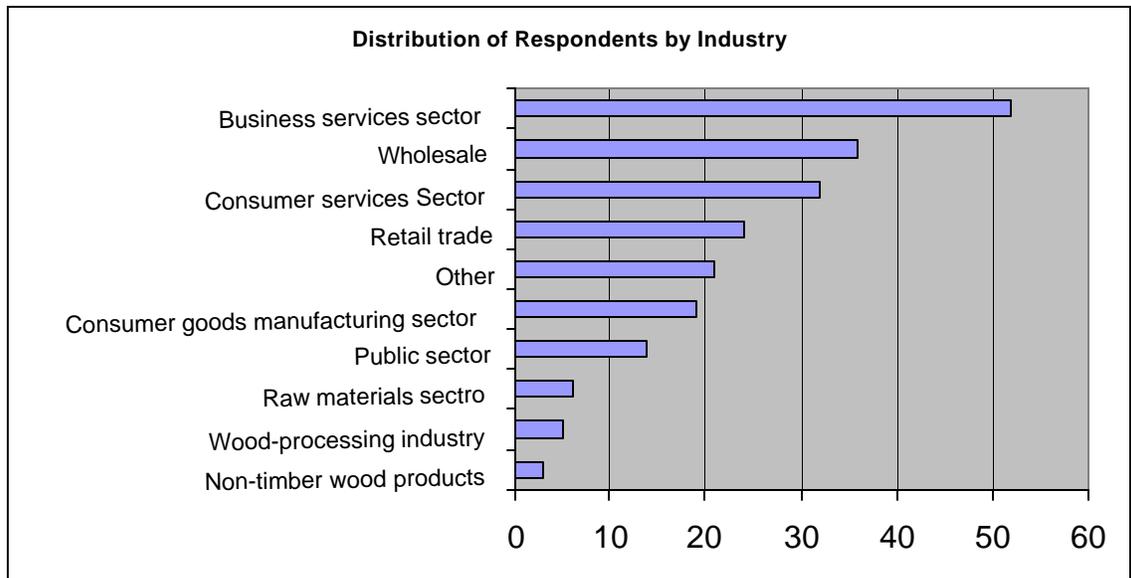


Figure 2

Figures 3 through 7 below rank the priority themes for advanced training for all types of enterprises and by category of respondents. In addition to the survey topics, respondents identified a need for training in the following topics: Project Management, Optimization of Business Processes, Financial Evaluation of Projects, E-Commerce, Reengineering

Methods, Human Resource Management, The Art of Sales, Finance Management, International Quality Standards, Time Management, Business Network Technologies, Sponsoring, Coaching, Advertisement Campaign Evaluation, Financial Planning, Working Capital Management, Set-up of Unified Information Structure for Interaction with Remote Branches, New Legislation, Economics, and Development Planning.

Note: The Numbers at the bottom of Figures 3-7 reflect weighted responses. Participants were asked to rank seminar themes on a 5-grade scale, with 1 meaning less needed and 5 meaning most needed. The answers were summed. Therefore, the total of 520 for “Marketing and sales” in Figure 3 is a maximum above other themes, because the majority of respondents marked this particular theme as most needed, and so on.

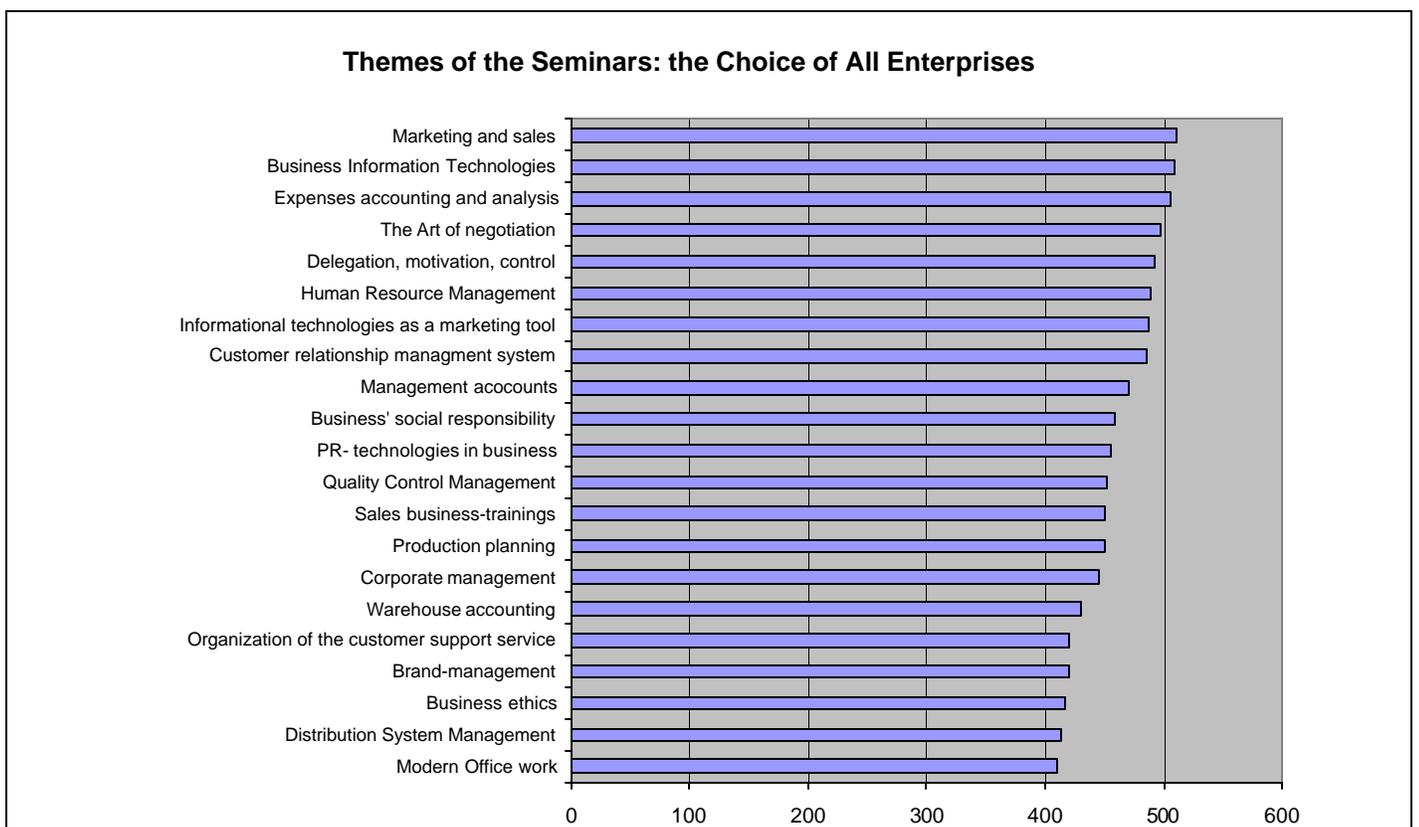


Figure 3

The Themes of the Seminars: the Top-Managers' Choice

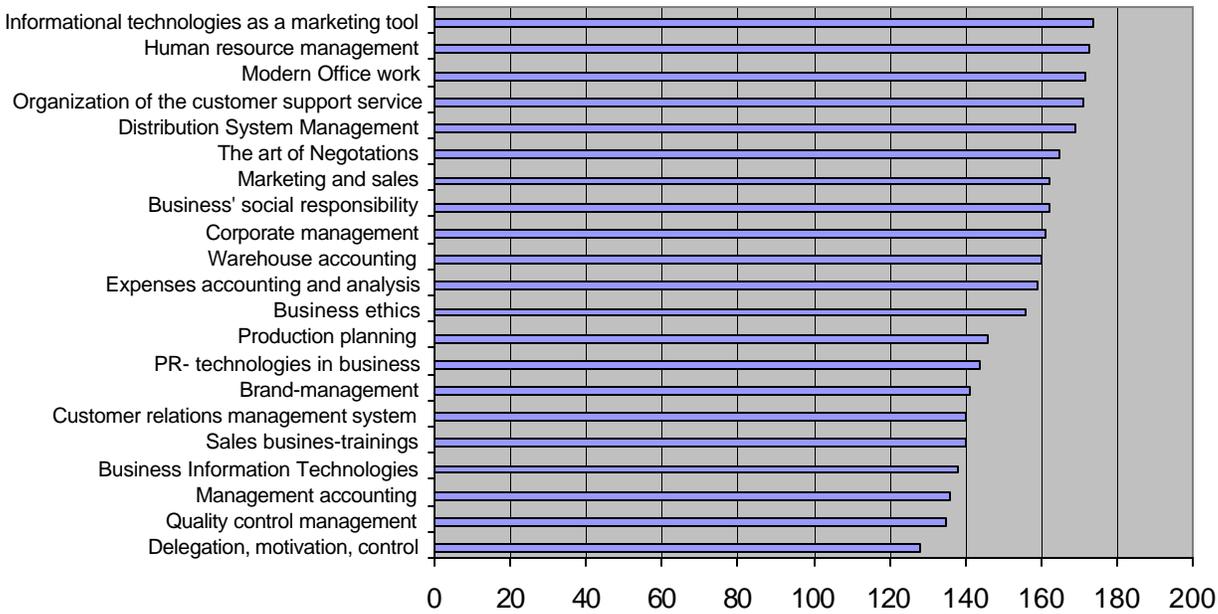


Figure 4

The Themes of the Seminars :The Managers' Choice

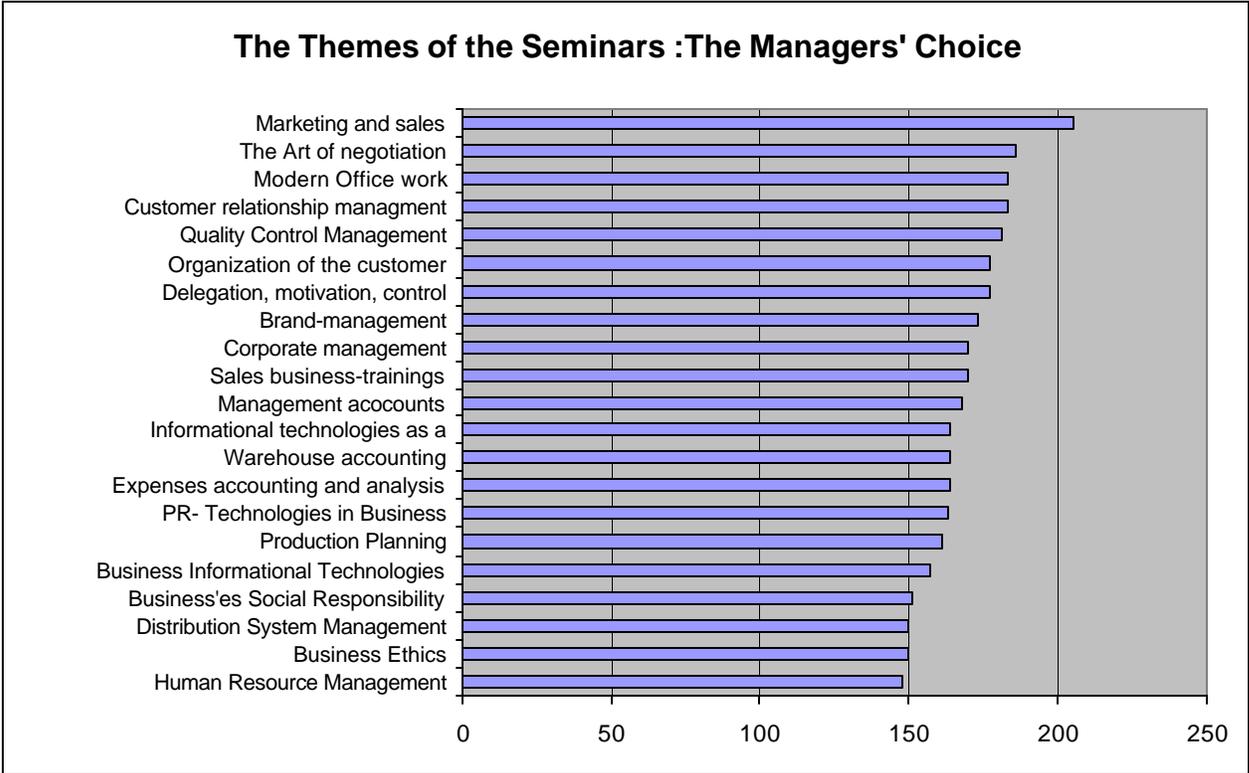


Figure 5

The Themes of the Seminars: the Choice of Consultants/Analysts



Figure 6

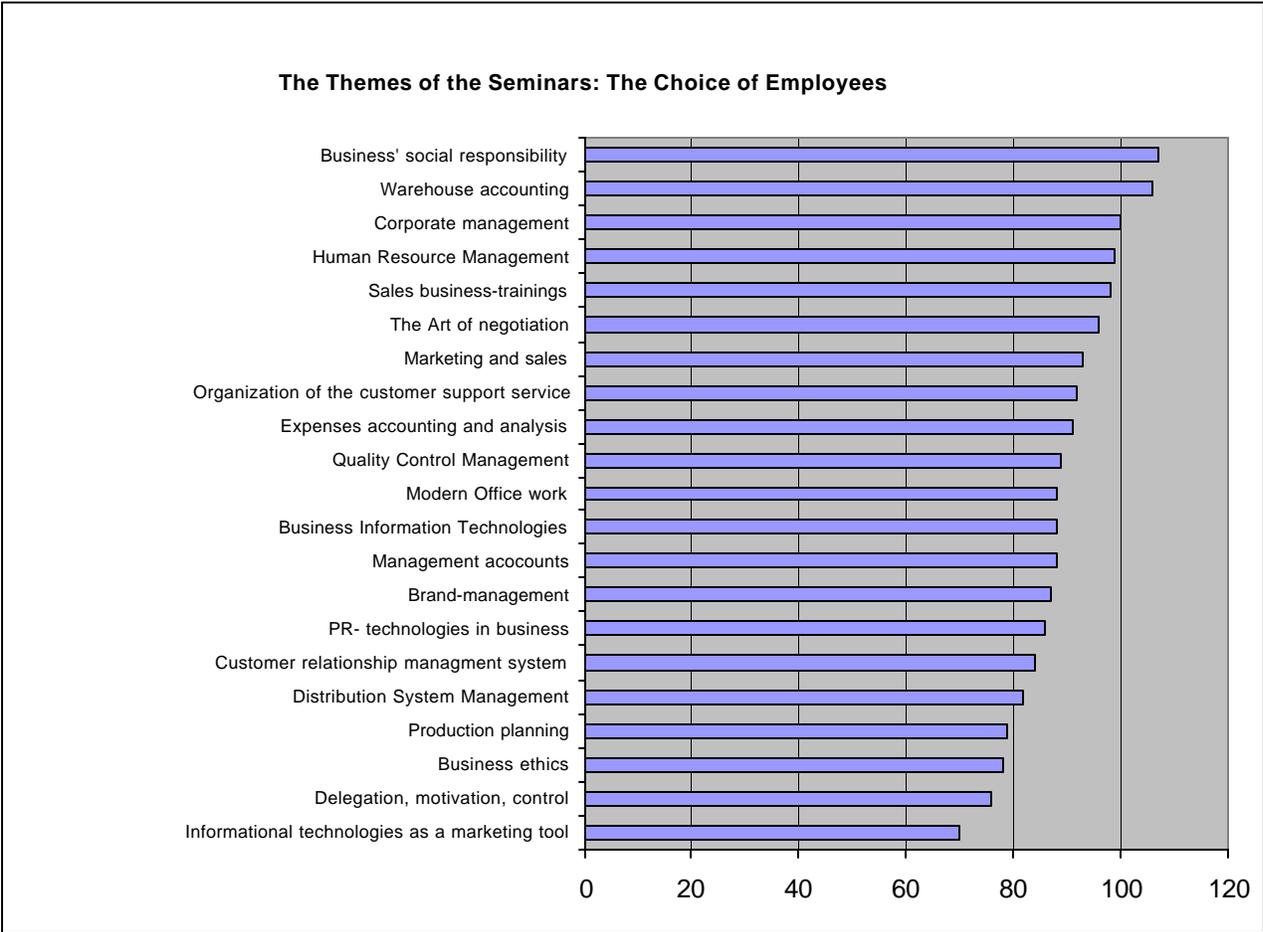


Figure 7

Analysis

Management and entrepreneurs evaluate their needs for business training differently. The interests of both managers and entrepreneurs should be considering in designing SME training plans. Moreover, ESD should consider the requests of the respondents related to the duration of the training and training fees in accordance with the information obtained from the survey.

Need for sector-specific training and consultancies for the four key sectors of Primorskiy Region

A number of advantages can be identified during the analysis of the Primorskiy Region economics, which includes diversified production system and unique combination of the export-oriented sectors: natural resources (metallurgy, mining and chemical, fishing, agriculture, and timber); processing, with the emphasis on food-processing (36 percent of the overall industrial production); and service sectors – international transportation, tourism, communication, education, and public health.

The Region is distinguished with a high level of the innovation potential, stipulated by the concentration of science, enterprises of instrument-making, aircraft and ship-building. Besides, Primorskiy is the most urban region in the Russian Far East and a major transportation hub.

The **Marine complex** combines both off-shore and on-shore operations. It includes fisheries, marine vessels, shipbuilding and ship repair enterprises, and on-shore infrastructure (communication centers, institutional system, and services sector). The share of the marine complex in the Region's overall production volume exceeds 50%. This determines its priority role in the Primorskiy Krai economy. Concentration of infrastructure servicing of the marine transport and fish industry, which are in most part SMEs, provides higher efficiency levels (from 30 to 60% higher than that of the other regions in the Russian Far East).

The strategic goal for the development of the marine complex is to create conditions that foster structural changes of the investment demand for goods (e.g., new vessels, repair) and services, within the marine transportation and fishing industries, from foreign markets to on-shore enterprises of Primorskiy Region.

Tourism represents another inter-sectoral complex, comprised of accommodations, catering, transportation, entertainment, tourist operators, tourist agency services, and institutions providing sightseeing services as well as the services of guides and interpreters, etc.

Primorskiy Region is among the Russian regions where the tourist industry is recognized as essential and can become a specialized sector for the region's economy. At the same time this sector directly affects the overall social climate, creating a recreation base. SMEs account for the primary share of enterprises operating in the tourist services market: 175 tourist firms, 81 hotels, 87 specialized accommodation centers and 233 catering enterprises. The industry's annual turnover is \$ 3-5 million. The share of the tourist business in the region's gross production including related industries is estimated at 3%, which is higher than Russia's average, but considerably lower than average global figures.

Opportunities for **export** increases are related to the region's transportation advantage and implementation of a strategy for differentiation of export production, which could be developed in two directions:

- Advanced processing based on the traditional technologies of natural resources (fish, timber, minerals);
- Production of goods with new consumer qualities on the base of innovative technologies (e.g., pharmaceuticals, food-stuffs, and machine-building goods).

These strategies can best be implemented by SMEs, which are the most flexible in adapting to changes in markets.

Based on the analysis of the region's economy one can conclude that the following specific inter-sectoral complexes are the most promising for SMEs: marine sector (including fishing industry, marine transportation, shipbuilding and ship repair enterprises, and on-shore infrastructure), tourism, and foreign economic activities (trade, services, and regional export of goods).

Analysis of statistical data and reports of the Primorskiy Region Government to identify primary sectors for small- and medium-sized enterprises

The leading sectors in terms of the number of SMEs in Primorskiy Krai are catering, industry, construction and other kinds of activities and services (Fig. 8). The sector with the largest number of workers employed by SMEs is trade; the second is industry, which is followed by construction and other sectors.

The industry sector accounts for the largest production volume, trade enjoys second place for the volume of production, construction – third place, transportation – fourth, other services – fifth place.

Thus, the major industry sectors for small businesses in Primorskiy Region include: industry, trade, construction, business and consumer services (transportation, communication, etc.) and other types of activities.

Distribution of the number of SMEs by industry sectors 2002 (% from total)

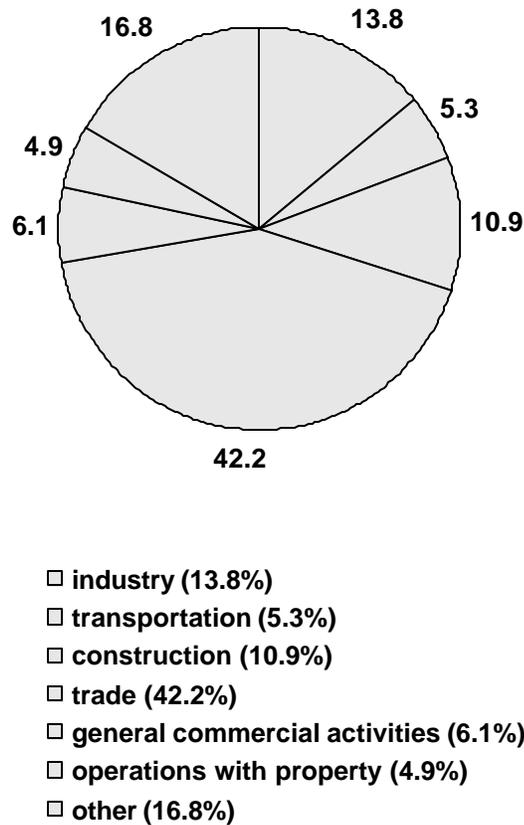


Figure 8. Distribution of the number of SMEs

Report on meetings held with representatives from the government and heads of the associations regarding their major problems and the need for advanced business training

The structure and membership of Associations based in Vladivostok confirms the overall situation and conditions for the development of these infrastructural elements of business support. In general, all of them were established within the sectors, which are oriented towards the end user (the population of the Region) and include trade, services, and catering. All of them are located in Vladivostok, although members are located in other cities and districts of the Region as well. The peak of the establishment of professional associations occurred from 1996- 1999.

Analysis indicated that the geographic expansion of the large number of association is hindered by the fact that enterprises do not always understand the need to unite in professional structures. This is why most of the executives of the business associations

have expressed a desire to conduct specialized training for the territories and industries, where there are no such unions at this time.

The other problem, which was identified during the meetings lies in absence of well-thought-out goals, strategies and plans for the development of the professional associations. This situation developed as a result of their incapability to look beyond immediate problems of the organizations and members, and protection of them from the specific negative impacts of the environment: firemen, sanitary and epidemic control, police, etc.

As a result, there are no financial plans for the development of the professional associations. Some of them operate at the expense of their own activities, while contributions and membership fees are somewhat symbolic. Other associations operate at the expense of grants and technical assistance programs which often arouses resentment among the members not engaged in implementation of grant projects.

Besides, nearly all respondents have agreed that that they need to strengthen self-dependence and sustainability of associations, and expand their role as the protector of the interests of their members. At the same time, only a few of them have experience lobbying the interests of members with local government and joint development of legislation document drafts. In other words, there is a need for training programs that enhance the regulatory legislation base and procedures for the protection of common interests.

Most associations do not possess independent specialized programs for methodic human resource development. At best, they participate in programs and training organized by the government bodies and foreign technical assistance programs.

The sector-specific associations of industry and trade sectors experience the most problems in their operation. The number of associations in these sectors is extremely small. As indicated in the interviews, the services provided to association members primarily include representation of their interests at the government bodies as well as at the different events, e. g. fairs, exhibitions; informational servicing and provision of consultancies on various issues.

Many respondents expressed a need for specialized seminars on **business operation, management accounts, reengineering, product quality control** and use of innovations. Failure of the respondents to provide recommendations about specific specialists from certain area of expertise testifies to the problem for training small enterprises and poor connections with the large and developing enterprises, which by itself raises a question of arranging training on the problems of interaction between the large and small enterprises.

Evaluation of the Volume of Business Training

Response	Number of Responses (%)
Lack of training	11
Sufficient number of training	15

Insufficient number of training	72
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Ability to Participate in the Paid Business Training

Response	Number of Responses (%)
Able to pay for participation in training	80
Not able to pay for participation in training	17

Ability to Pay for the Training

Amount	Number of Responses (%)
Less than \$100	57
Less than \$200	27
Less than \$300	10
Less than \$500	6

Business Sectors Represented

Business sectors	Percentage
Industry	5
Business and consumer services	41
Trade	21
Public sector	3
Production of consumer goods	10
Complex (industry, trade, services)	8
Other	9

A total of 86 questionnaires were obtained. The businesses were grouped in the following sectors: business services, trade, consumer services and other sectors, including industry, public sector, and natural resources. This grouping indicates directions for the development of the Primorskiy Region economic and small businesses within it.

Analysis of the need for training of the groups of business is presented next. The results of this analysis are represented in the tables below.

Small Businesses, Ranked by Importance

Title of the training	Importance of the training for the selected business
Marketing & Sales	115
Delegation, target setting, motivation, control	108
Modeling of the System for the Expenses Accounting and Analysis	106
Use of Information Technologies in Business	104
The Art of Negotiation	103
Customer Relationship Management System	101
Information Technologies as a Marketing Tool	100
Human Resource Management	99
Management accounts in your organization	97
Production Planning	97
Sales Business Training	94
Quality Control Management	92
Corporate Management	90
Business's Social Responsibilities	90
Business Ethics	90
PR-Technologies in Business	90
Organization of the customer support service	84
Distribution System Management	83
Brand-Management	81
Warehouse Accounting	77
Modern Office Work	74

Small Businesses Providing Business Services, Ranked by Importance

Title of the training	Importance of the training for the selected business
Human Resource Management	166
Marketing & Sales	165
Use of Information Technologies in Business	165
Delegation, target setting, motivation, control	158
Customer Relationship Management System	151
Management accounts in your organization	149
The Art of Negotiation	146
Modeling of the System for the Expenses Accounting and Analysis	146
PR-Technologies in Business	143
Information Technologies as a Marketing Tool	142
Business's Social Responsibilities	135
Quality Control Management	133
Organization of the customer support service	130
Corporate Management	126
Production Planning	123
Sales Business Training	119
Business Ethics	116
Modern Office Work	113
Brand-Management	107
Distribution System Management	96
Warehouse Accounting	85

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Summarized data for Small Businesses Providing Consumer Services, Ranked by Importance

Title of the training	Importance of the training for the selected business
Marketing & Sales	23
Information Technologies as a Marketing Tool	22
Brand-Management	20
The Art of Negotiation	20
Use of Information Technologies in Business	20
Customer Relationship Management System	19
Sales Business Training	19
Production Planning	19
Warehouse Accounting	19
Distribution System Management	18
Delegation, target setting, motivation, control	17
Management accounts in your organization	17
Quality Control Management	17
Modeling of the System for the Expenses Accounting and Analysis	17
Business Ethics	16
PR-Technologies in Business	15
Human Resource Management	14
Modern Office Work	14
Corporate Management	13
Business's Social Responsibilities	12
Organization of the customer support service	12

Summarized data for Trading Business, Ranked by Importance

Title of the training	Importance of the training for the selected business
Management accounts in your organization	30
Use of Information Technologies in Business	30
Modeling of the System for the Expenses Accounting and Analysis	29
Marketing & Sales	29
Customer Relationship Management System	28
Information Technologies as a Marketing Tool	28
Distribution System Management	26
Business's Social Responsibilities	26
Human Resource Management	26
Sales Business Training	26
The Art of Negotiation	25
Delegation, target setting, motivation, control	25
Production Planning	22
Corporate Management	22
PR-Technologies in Business	21
Quality Control Management	20
Warehouse Accounting	20
Organization of the customer support service	20
Business Ethics	19
Modern Office Work	17
Brand-Management	17

The tables indicate that the needs of the businesses differ depending on the type of activities. However, Marketing and Sales training is always included in the top five themes, while the others differ significantly.

In addition, the respondents have expressed the interest in courses which are peculiar for their sectors. For example representatives of the Business Services sector have requested training on the following topics: Comments to the new Legislation, Total Quality Management, Unfolding of the Consumer Demand, and Evaluation of the Advertisement Campaign.

Representatives of the Trade sector suggested courses on the following topics: Corporate Management in the Quickly Changing Environment, Introduction of Unified Information Network – Communication with Remote Branches, Financial Planning (Working Capital Management), Taxation Optimization, Staff recruitment, and Certification Procedures at the Enterprise.