

MINISTRY OF ECONOMY  
UNITED MEXICAN STATES

STUDY  
ON HUMAN RESOURCE DEVELOPMENT PROGRAM  
FOR SMALL AND MEDIUM-SIZED ENTERPRISES  
IN THE UNITED MEXICAN STATES

FINAL REPORT  
(SUMMARY)

DECEMBER 2009

JAPAN INTERNATIONAL COOPERATION AGENCY

UNICO INTERNATIONAL CORPORATION



# United Mexican States



- |                        |                |                     |                  |
|------------------------|----------------|---------------------|------------------|
| 1. Aguascalientes      | 9. Durango     | 17. Nayarit         | 25. Sonora       |
| 2. Baja California     | 10. Guanajuato | 18. Nuevo León      | 26. Tabasco      |
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## Abbreviations

| <b>A</b>      |  |   |
|---------------|--|---|
| APEC          |  | Asia Pacific Economic Cooperation   |
| APEC-IBIZ CBC |  | Asia Pacific Economic Cooperation - International Network of Institutes for Small Business Counsellors Certified Small Business Counsellors |
| <b>B</b>      |  |   |
| BANAMEX       | <i>Banco Nacional de México, S.A.</i>  | Banamex Bank  |
| BANCOMEXT     | <i>Banco Nacional de Comercio Exterior, S.N.C.</i>   | National Foreign Trade Bank   |
| <b>C</b>      |  |   |
| CANACINTRA    | <i>Cámara Nacional de la Industria de Transformación</i>   | National Chamber of Industry  |
| CANACO        | <i>Cámara Nacional de Comercio</i>   | National Chamber of Commerce  |
| CEPAL         | <i>Comisión Económica para América Latina y el Caribe</i>  | Economic Commission for Latin America and the Caribbean   |
| CEPii         | <i>Centro Panamericano de Investigación e Innovación</i>   | Pan-American Center of Research and Innovation  |
| CETRO-CRECE   | <i>Centro para el Desarrollo de la Competitividad Empresarial – Centro Regional para la Competitividad Empresarial</i> | Center for Enterprise Competitiveness Development – Regional Center for Enterprise Competitiveness  |
| CIMO          | <i>Programa de Calidad Integral y Modernización</i>  | Comprehensive Quality and Modernization Program   |
| CIPI          | <i>Comisión Intersecretarial de Política Industrial</i>  | Inter-ministerial Commission of Industrial Policy   |
| CIPI-BDC      | <i>Comisión Intersecretarial de Política Industrial – Banco de Datos de Consultores</i>                                | CIPI Consultant Databank  |
| CNEC          | <i>Cámara Nacional de Empresas de Consultoría</i>  | National Chamber of Consulting Firms  |
| COMPITE       | <i>Comité Nacional de Productividad e Innovación Tecnológica, A.C.</i>   | National Committee of Productivity and Technological Innovation   |
| CONACYT       | <i>Consejo Nacional de Ciencia y Tecnología</i>  | National Council of Science and Technology  |
| CONOCER       | <i>Consejo Nacional de Normalización y Certificación de Competencias Laborales</i>                                     | National Council of Standardization and Certification of Labor Competency   |
| COPARMEX      | <i>Confederación Patronal de la República Mexicana, S.P.</i>   | Employers' Confederation of the Mexican Republic  |
| CRECE         | <i>Centro Regional para la Competitividad Empresarial</i>  | Regional Center for Enterprise Competitiveness  |
| CV            |  | Curriculum Vitae  |
| <b>D</b>      |  |   |

| <b>E</b>   |   |   |
|------------|---|---|
| ECE        | <i>Entidad de Certificación y Evaluación</i>                        | Certification and Evaluation Entity                       |
| EFTA       |   | European Free Trade Association                           |
| EU         |   | European Union  |
| <b>F</b>   |   |   |
| FACOE      | <i>Fondo de Apoyo para la Consolidación de la Oferta Exportable</i> | Support Fund for the Consolidation of Exportable Goods    |
| FAMPYME    | <i>Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa</i>      | Micro, Small and Medium-sized Enterprise Support Fund     |
| FIDECAP    | <i>Fondo de Fomento a la Integración de Cadenas Productivas</i>     | Development Fund for the Integration of Productive Chains |
| FIFOMI     | <i>Fideicomiso de Fomento Minero</i>                                | Mining Industry Promotion Trust                           |
| FIT        | <i>Fondo de Innovación Tecnológica</i>                              | Technological Innovation Fund                             |
| FOAFI      | <i>Fondo de Apoyo para el Acceso al Financiamiento</i>              | Financial Access Support Fund                             |
| FONAES     | <i>Fondo Nacional de Apoyo a las Empresas Sociales</i>              | National Support Fund for Social Enterprises              |
| FONCICYT   | <i>Fondo de Cooperación Internacional en Ciencia y Tecnología</i>   | Science and Technology International Cooperation Fund     |
| FONDO PYME | <i>Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa</i>      | Micro, Small and Medium-sized Enterprise Support Fund     |
| FOPRODE    | <i>Fondo de Proyectos Productivos para el Desarrollo Económico</i>  | Productive Project for Economic Development Fund          |
| FUNDES     | <i>Fundación para el Desarrollo Sostenible</i>                      | Foundation for Sustainable Development                    |
| <b>G</b>   |   |   |
| GATT       |   | General Agreement on Tariffs and Trade                    |
| GCI        |   | Global Competitiveness Index                              |
| GDP        |   | Gross Domestic Product                                    |
| GHP        |   | Good Hygiene Practice                                     |
| GMP        |   | Good Manufacturing Practice                               |
| GNI        |   | Gross National Income                                     |
| GTEFL      | <i>Grupo Técnico de Expertos en la Función Laboral</i>              | Technical Group of Job Function Experts                   |
| GTES       | <i>Grupo Técnico de Especialistas en el Sector</i>                  | Technical Group of Sector Specialists                     |
| <b>H</b>   |   |   |
| HACCP      |   | Hazard Analysis and Critical Control Point                |
| <b>I</b>   |   |   |
| ILO        |   | International Labor Organization                          |
| IMSS       | <i>Instituto Mexicano del Seguro Social</i>                         | Mexican Social Security Institute                         |

|            |   |  |
|------------|---|--|
| INCA Rural | <i>Instituto Nacional para el Desarrollo de Capacidades del Sector Rural</i>                                    | National Institute for Capacity Development in the Rural Sector                                    |
| INEGI      | <i>Instituto Nacional de Estadística y Geografía</i>  | National Institute of Statistic and Geography  |
| IPADE      | <i>Instituto Panamericano de Alta Dirección de Empresas</i>   | Pan-American Institute of Executive Business Administration  |
| ITESM      | <i>Instituto Tecnológico y de Estudios Superiores Monterrey</i>   | Monterrey Institute of Technology and Higher Education   |
| <b>J</b>   |   |  |
| JETRO      |   | Japan External Trade Organization  |
| JICA       |   | Japan International Cooperation Agency   |
| <b>K</b>   |   |  |
| <b>L</b>   |   |  |
| <b>M</b>   |   |  |
| MSME       |   | Micro, Small and Medium sized Enterprise   |
| <b>N</b>   |   |  |
| NAFINSA    | <i>Nacional Financiera, S.N.C.</i>  | National Development Bank  |
| NAICS      |   | North American Industry Classification System  |
| NAFTA      |   | North American Free Trade Agreement  |
| NGO        |   | Non Governmental Organization  |
| NTCL       | <i>Norma Técnica de Competencia Laboral</i>   | Labor Competency Technical Standard  |
| NVQ        |   | National Vocational Qualification  |
| <b>O</b>   |   |  |
| OECD       |   | Organisation for Economic Co-operation and Development   |
| <b>P</b>   |   |  |
| PAC        | <i>Programa de Apoyo a la Capacitación</i>  | Training Support Program   |
| PDE        | <i>Programa de Desarrollo Empresarial</i>   | Entrepreneurial Development Program  |
| PIAPYME    | <i>Programa Integral de Apoyo a las Pequeñas y Medianas Empresas, Centro Empresarial México - Unión Europea</i> | Integral Support Programme to Small and Medium Enterprises, Mexican-European Union Business Center |
| PMETyC     | <i>Proyecto para Modernización de la Educación Técnica y la Capacitación</i>                                    | Technical Education and Training Modernization Project   |
| PND        | <i>Plan Nacional de Desarrollo</i>  | National Development Plan  |
| PNF        | <i>Programa Nacional de Franquicias</i>   | National Franchise Program   |
| POES       | <i>Procedimientos Operativos Estandarizados de Saneamiento</i>  | Sanitation Standard Operating Procedures (SSOP)  |

|            |   |  |
|------------|---|--|
| PROFEPA    | <i>Procuraduría Federal de Protección al Ambiente</i>                               | Federal Prosecutor's Office of Environmental Protection                    |
| PROFORHCOM | <i>Programa Multifase de Formación de Recursos Humanos Basada en Competencias</i>   | Multiphase Skills-based Human Resource Development Program                 |
| PROMODE    | <i>Programa de Capacitación y Modernización Empresarial</i>                         | Training and Enterprise Modernization Program                              |
| PROPICE    | <i>Programa de Política Industrial y Comercio Exterior</i>                          | Industrial Policy and Foreign Trade Program                                |
| PROSEC     | <i>Programa de Promoción Sectorial</i>  | Sectoral Promotion Program   |
| PSP        | <i>Prestador de Servicios Profesionales</i>   | Professional Service Provider  |
| <b>Q</b>   |   |  |
| <b>R</b>   |   |  |
| <b>S</b>   |   |  |
| SAGARPA    | <i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i> | Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food  |
| SARE       | <i>Sistema de Apertura Rápida de Empresas</i>                                       | Rapid Business Start-up System   |
| SCCL       | <i>Sistema de Certificación de Competencia Laboral</i>                              | Labor Competency Certification System                                      |
| SECTUR     | <i>Secretaría de Turismo</i>  | Ministry of Tourism  |
| SECOFI     | <i>Secretaría de Comercio y Fomento Industrial</i>                                  | Ministry of Trade and Industrial Development (current Ministry of Economy) |
| SEDESOL    | <i>Secretaría de Desarrollo Social</i>  | Ministry of Social Development   |
| SEMARNAT   | <i>Secretaría de Medio Ambiente y Recursos Naturales</i>                            | Ministry of Environment and Natural Resources                              |
| SEP        | <i>Secretaría de Educación Pública</i>  | Ministry of Public Education   |
| SICNO      | <i>Sistema de Información del Catálogo Nacional de Ocupaciones</i>                  | National Occupational Catalog information System                           |
| SIEM       | <i>Sistema de Información Empresarial Mexicano</i>                                  | Mexican Enterprise Information System                                      |
| SME        |   | Small and Medium Sized Enterprise  |
| SNCL       | <i>Sistema Normalizado de Competencia Laboral</i>                                   | Standardized System of Labor Competency                                    |
| SNG        | <i>Sistema Nacional de Garantías</i>  | National Guarantee System  |
| SRA        | <i>Secretaría de la Reforma Agraria</i>   | Ministry of Agrarian Reform  |
| STPS       | <i>Secretaría de Trabajo y Previsión Social</i>                                     | Ministry of Labor and Social Welfare                                       |
| <b>T</b>   |   |  |
| <b>U</b>   |   |  |
| UNAM       | <i>Universidad Nacional Autónoma de México</i>                                      | National Autonomous University of  |

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|          |                                 |                                   |
|----------|---------------------------------|-----------------------------------|
| UP       | <i>Universidad Panamericana</i> | Mexico<br>Pan-American University |
| <b>W</b> |                                 |                                   |
| WEF      |                                 | World Economic Forum              |
| <b>X</b> |                                 |                                   |
| <b>Y</b> |                                 |                                   |
| <b>Z</b> |                                 |                                   |



## **Introduction Framework of the Study**

The "Study on Human Resource Development Program for Small and Medium Enterprises in the United Mexican States" has an overall goal to establish a national certification system of SME consultants in Mexico; for which, as achievable steps forward we propose to first create a system of registration and training of SME consultants by the Ministry of Economy and then develop it to become a national certification system.

### **1. Study background.**

This study was undertaken to meet the needs for further support, in response to the progress of construction of an institutional system in Mexico after the "Study on Training and Certification System of Consultants for Small and Medium Enterprises in the United Mexican States" from 2001 to 2003 by the Japan International Cooperation Agency (JICA).

The government of Mexico, while promoting economic liberalization, has taken measures to promote SMEs such as funding, business training, technical assistance, etc. This is based on the understanding that it is important to strengthen SMEs in order to maintain and generate employment as well as for sustainable economic development under such liberalization exposing domestic industry to fierce competition with imported products. Because of this, JICA conducted the "Study on Training and Certification System" mentioned above to provide cooperation in the area of SME development and proposed the establishment of a system that trains and certifies consultants with ability to diagnose and advise so as to contribute to the improvement of administrative capacity of SMEs.

After completing the "Study on Training and Certification System", the Ministry of Economy of Mexico once considered the introduction of a system of "SME University" for the purpose of improving the capacity of entrepreneurs and SME support providers. Upon request of the Ministry of Economy, JICA conducted a preliminary study in 2004 and as a result suggested that the Ministry should utilize the existing scheme of human resource training instead of implementing a new scheme of "SME University", and agreed anew with the Mexican side to continue the cooperation in building the system proposed in the "Study on Training and Certification System".

In Mexico, to take a step forward in building the system, the National Council of Standardization and Certification of Labor Competencies (CONOCER<sup>1</sup>) published the Technical Standard of Labor Competency (NTCL<sup>2</sup>) of SME Consulting in the Official Gazette in October 2006. On the other hand, the Ministry of Economy found it difficult that the recruitment and selection of consultants managed individually by different SME support programs would immediately converge with the national certification by CONOCER, and expressed its intention to establish independently a registration system at the national level. In addition, discussion began between CONOCER and the Ministry of Economy to realize the national certification system for SME consultants.

In response to this situation, JICA considered it timely to provide further support and determined to conduct this Study.

## 2. Purpose of the Study

The project purpose and expected outputs of the Study are:

### Project purpose

From the point of view of establishing a realistic system, the certification and training system for SME consultants will be reviewed, and through the experimental procedure, a comprehensive plan for the training of SME consultants will be developed and proposed.

### Outputs

- (1) Current situation and the tasks ahead of SMEs and SME consultant training in Mexico will be made clear.
- (2) A plan for the Ministry of Economy of Mexico to establish a comprehensive system of SME consultant training will be proposed.
- (3) A development plan (roadmap) to establish a national certification system for SME consultants will be drawn.

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<sup>1</sup> Consejo Nacional de Normalización y Certificación de Competencias Laborales

<sup>2</sup> Norma Técnica de Competencia Laboral



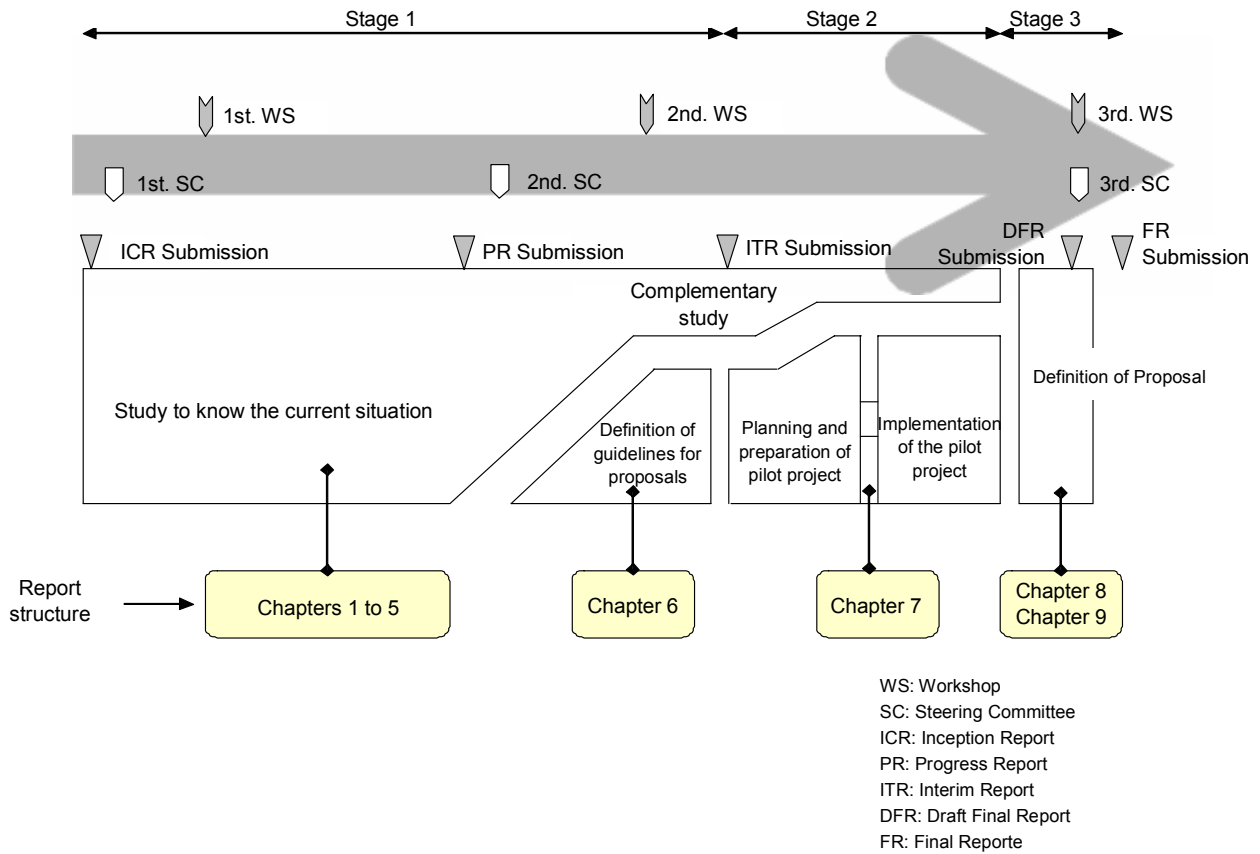
### 3. Scope of the Study

The Study was targeted to all the Mexico's territory (but field studies were conducted in Mexico City and its surroundings) and consisted of 3 stages. The content of the Study in each stage is shown below.

|  |
|--|
| <p><u>Stage 1: Study to know the current situation and development of proposals for the plan relating to the comprehensive training system for SME consultants</u></p> <p>(1) Current situation of SMEs and SME consultant training in Mexico</p> <ol style="list-style-type: none"> <li>a. Current status of SMEs and government policies towards them</li> <li>b. Training needs of SME consultants</li> </ol> <p>(2) Development of proposals for the plan relating to the comprehensive training system for SME consultants.</p> <p><u>Stage 2: Implementation of the pilot project</u></p> <p>Registration and training of SME consultants that the Mexican government should deploy in the future is implemented as a pilot project.</p> <p><u>Stage 3: Definition of a plan for the comprehensive training system for SME consultants and proposal of specific action plans for implementation</u></p> <p>(1) Definition of a plan for the comprehensive training system for SME consultants and proposal of specific action plans</p> <ol style="list-style-type: none"> <li>a. Proposal on the registration system for SME consultants that should be implemented by the Ministry of Economy</li> <li>b. Improvement plan for the training system for SME consultants</li> <li>c. Proposal on the use of SME consultants in the SME policies and programs</li> </ol> <p>(2) Proposal on the development plan (roadmap) to establish a national certification system for SME consultants</p> |
|--|

The following Figure shows the comparison of the flow of the study activities and the structure of the report.

**Figure Flow of the study activities and report structure**



#### 4. Executing agency of the host country

The counterpart of this Study is the Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, Ministry of Economy<sup>3</sup>, and the cooperative institution is the CONOCER.

##### (1) Steering Committee

The Steering Committee established in the Ministry of Economy discussed the results of the Study

<sup>3</sup> *Dirección General de Capacitación e Innovación Tecnológica, Subsecretaría para la Pequeña ya Mediana Empresa, Secretaría de Economía*

process and ultimately approved decisions in the course. The Steering Committee consisted of the following institutions involved:

- Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, Ministry of Economy.
- CONOCER
- Mexico office of JICA

## (2) Working Group

With the initiative of the Training and Consulting Division<sup>4</sup>, Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, of the Ministry of Economy, the Study pursued maintaining a close contact with CONOCER and the Consultant Selection Committee that was the operating body of the "SME Consultants with JICA Methodology" Project.

## 6. Composition of the Study Mission

The Study Mission was composed of 5 members who took their respective positions and studies conducted in Mexico as shown below.

| Name                   | Position   | Field study in Mexico |        |       |        |       |       |
|------------------------|--|-----------------------|--------|-------|--------|-------|-------|
|                        |  | First                 | Second | Third | Fourth | Fifth | Sixth |
| Toru Moriguchi         | Leader / SME Promotion   | ✓                     | ✓      | ✓     | ✓      | ✓     | ✓     |
| Hiroshi Imaizumi       | Sub-leader / Training and Certification System for SME Consultants | ✓                     | ✓      |       |        |       |       |
| Yasuhiro Izuho         | SME Consultants Training Plan 1.1                                  | ✓                     | ✓      | ✓     |        |       |       |
| Ricardo Hirata Okamoto | SME Consultants Training Plan 1-2                                  | ✓                     | ✓      | ✓     |        | ✓     | ✓     |
| Miwako Oikawa          | SME Consultants Training Plan 2                                    | ✓                     | ✓      | ✓     | ✓      | ✓     | ✓     |

<sup>4</sup> *Dirección de Capacitación y Consultoría*

## Chapter 1 General situation of the Mexican Economy and the SMEs

### 1.1 General situation of the Mexican economy

#### 1.1.1 Macroeconomic condition

##### (1) Economic liberalization and sustained growth

The economic liberalization in Mexico began in the 80's. Adding to the commerce and investment liberalization that advanced in two steps of the GATT affiliation in 1986 and the effect of the NAFTA in 1994, progress was made in the privatization of government owned companies, abolition of the price regulation and deregulation in the transportation, communication and financial sectors.

In reference of the two major economic crises that Mexico suffered during the last quarter of the century, the recovery to the growing path was fast after the monetary crisis of 1994, in contrast with the long recession after the 1982 crisis.

As a background of the fast recovery, there is considered to be a favorable cycle created by factors such as the export of products by the highly competitive *maquiladora*<sup>5</sup>, inward foreign direct investment to the export-oriented assembly businesses, the overvaluation of the Mexican peso and resulting suppression of cost of imported components, thanks to the economic liberalization and especially the strengthened economic liaison with the United States.

##### (2) Monetary and financial policies

In Mexico adopting the floating exchange rate system, the exchange rate has been fluctuating according the market trend since 1995, with some interventions from the Bank of Mexico.

The real effective exchange rate against the US dollar shows that the Mexican peso was strengthening year by year during the second half of the nineties decade. During this time, monetary and financial

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<sup>5</sup> It is a special zone established in 1965, as a way to create employment in the border area with the United States and it consist in a system in which the 100 % export companies, with previous authorization of the government, are allow to get tax exemption to import parts, components, raw materials and machinery for the process and assembly of the products to be export.

policies of the Mexican government did not develop based on the conscience to lower the overvalued exchange rate. As a consequence, the main factors that determine the exchange rate are the exports and the inward direct investment. Both depend significantly on the economic performance of the United States.

(3) Mexican and USA economies

The most important partner in foreign trade of Mexico is the United States.

It shows that among the manufacturing industry the *maquiladora* sector, mostly targeted to the U.S. market, leads Mexico's exports and contributes to the acquisition of foreign currency. However, the sector is low-value adding, consisting of labor-intensive final assemblers of parts and components mostly imported from the United States.

(4) Competition with China

In the highly labor-intensive assembly sector, the competitive pressure from China is especially strong, which has resulted in the tendency that the manufacturers from Japan, South Korea or Taiwan move their production lines from *maquiladora* to China or Southeast Asia. The tendency is fueled by not only the labor salary increase in Mexico but also the abolition of the *maquiladora* system for the exports going to the NAFTA region at the end of the year 2000 and introduction of the Sector Based Promotion Program (PROSEC<sup>6</sup>) that gives preferential tariffs for the designated categories of industrial parts.

### 1.1.2 Industrial structure

Mexico's industrial structure has changed significantly over the past 15 years. Service industries maintain their growth, while the importance of agriculture and the manufacturing sector has declined in relative terms.

While the manufacturing industry in Mexico observes an accelerated diversification, metal products, machinery and equipment; food, beverage and tobacco; and chemicals, plastics and oil occupy a major share in the industry.

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<sup>6</sup> Programa de Promoción Sectorial

When maintaining the competitiveness with cheaper labor cost is difficult, it is necessary to shift to sectors that add higher value. However the manufacturing industry in Mexico is mainly constituted by final assemblers relying on imported parts and components, which results in delayed accumulation of technologies. That is the problem of the less developed supporting industry, a problem which has been pointed out for years. The SME sector is generally weak and has not developed to sustain the supporting industry as in many countries.

### **1.1.3 Education and training**

Investment is not enough in education to train quality engineers and high skill workers, which has been pointed as one factor impeding the development of the supporting industry.

Due to the large share of the population with low educational achievements and the low competence level of the workforce, adult education is the key in providing opportunities to acquire new skills for current workers. In Mexico, the inadequacy of adult education is a severe problem for the business world, especially for SMEs who cannot afford to hire skilled managers.

### **1.1.4 Infrastructure**

The infrastructure level of ports, roads and phone lines, among others, have improved significantly. However, an international comparison indicates Mexico's achievement is lower than Asian countries, in particular in port efficiency and road construction.

Furthermore, a subject that will become more important from now on is the energy sector. There is a fear that the problems of the poor investment in the oil and electricity industries will cause shortage of energy or rise in the price.

### **1.1.5 Competitiveness of Mexico**

According to the Global Competitiveness Report 2008-2009 of the World Economic Forum (WEF), Mexico is ranked 60th out of 131 countries, descending 8 positions from rank 52nd last year (59th among the countries that participated in the previous year).

The fragile nature of the economy against the external recession, with the characteristics of the synchronization with USA economy and the dependence on the oil incomes, already pointed out in the

Global Competitiveness Report 2007-2008, is considered to have exposed itself in reality and resulted in the significant backward movement in the ranking position.

The relative strengths of Mexico compared with countries at the same level of development (GDP per capita of 3,000-9,000 USD) are *market size* (rank 11th), *macroeconomic stability* (48th) and *business sophistication* (58th). The relative weaknesses of Mexico are: *labor market efficiency* (rank 110th), *institutions* (97th) and *innovation* (90th).

## 1.2 Small and Medium Sized Enterprises in Mexico

### 1.2.1 Size and structure of the SME sector

SMEs in Mexico play a very important role for the economy of Mexico.

SMEs number 4 millions, representing 99% of the total number of companies, while large enterprises constitute merely 0.2%, or 6,700. Micro enterprises represent a large part of the SME sector, employing 8 million persons which represent the 40% of the total jobs. There are only 139,000 small enterprises and 32,000 medium enterprises.

#### Box 1.1 Definition of SME in Mexico<sup>i</sup>

Micro enterprise: Enterprises with 0 to 10 employees in the manufacturing, commercial and service sectors

Small enterprise: Enterprises with 11 to 50 employees in the manufacturing and service sectors and 11 to 30 in the commercial sector

Medium enterprise: Enterprises with 51 to 250 employees in the manufacturing sector, 31 to 100 in the commercial sector and 51 to 100 in the service sector

The abovementioned OECD Report points out that the micro enterprises in Mexico are extremely small (those with 2 or less employees represents two thirds of the total enterprises) and the majority do not generate profits while the small and medium enterprises are relatively large within the size class and their labor productivity is comparatively high.

### 1.2.2 Informal economy

National Institute of statistical information and geography (INEGI<sup>7</sup>) defined informal sector in a narrow sense as “Jobs and productive activities that are not formally integrated in the economic structure (for instance street vendors and micro businesses)” and started their quantification. Employment in the informal sector defined as above is estimated 10.5 million in 2002, equivalent to one quarter of the total employment.

### 1.2.3 Regional disparities

The geographic distribution of enterprises shows that the proportion of micro enterprises is higher in the south-southeast, central-west and center regions while the north region has relatively higher proportion of medium and large enterprises. That is a common tendency in the three sectors: manufacturing, commercial and service.

The expansion of the market size stimulated by the liberalization of the international trade and investment generated many benefits in the northern region that has advantages in exporting to the U.S.A. In contrast, the southern states are poor, bound with traditional farming system, lacking advanced industries and in general the productivity is much lower.

### 1.2.4 Challenges facing SMEs in Mexico

According to OECD, the fundamental weaknesses of the SMEs in Mexico lie in two aspects: (1) Insufficient know-how and low level of technology and (2) limited access to financing.

#### (1) Insufficient know-how and low level of technology

Even though the micro enterprises representing more than 90% of the SMEs typically lag behind in the quality of human resources, facilities, technology, marketing and other areas, some innovative SMEs demonstrates international competitiveness. The OECD Report argues that the gap is attributable to the uneven diffusion of information and communication technologies which is a weakness of SMEs in

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<sup>7</sup> *Instituto Nacional de Información Estadística y Geografía*



Mexico along with the lack of investment in research and development and the funds to support it, as well as the very low innovation in products and process.

(2) Limited access to funding.

OECD's Report stated that Mexico's SMEs are in a difficult position to obtain bank loans and equity finances and that the lack of financing at a reasonable cost is another problem for SMEs.

It has been analyzed that the bank loans to the private sector have been obstructed by the inadequacy or uncertainty of regulations regarding collateral, insolvency, credit appraisal and credit guarantee.

<sup>i</sup> June 30, 2009 edition of the government gazette announced the revised definition of SME in Mexico as below. However, statistics and analyses in this Report are based on data conforming to the previous definition shown in the Box 1.1.

| Size   | Sector                  | Number of employees | Amount of annual sales (million pesos) | Combined maximum ceiling* |
|--------|-------------------------|---------------------|--|---------------------------|
| Micro  | All                     | 10 and below        | \$4 and below                          | 4.6                       |
| Small  | Commercial              | 11 to 30            | \$4.01 to \$100                        | 93                        |
|        | Manufacturing / Service | 11 to 50            |  | 95                        |
| Medium | Commercial              | 31 to 100           | \$100.01 to \$250                      | 235                       |
|        | Service                 | 51 to 100           |  |                           |
|        | Manufacturing           | 51 to 250           |  | 250                       |

\* Note: The size of a company will be determined according to the score obtained through a formula, Score of the company = (Number of employees) × 10% + (Amount of annual sales) × 90%, which must be less or equal to the Combined maximum ceiling of its category.

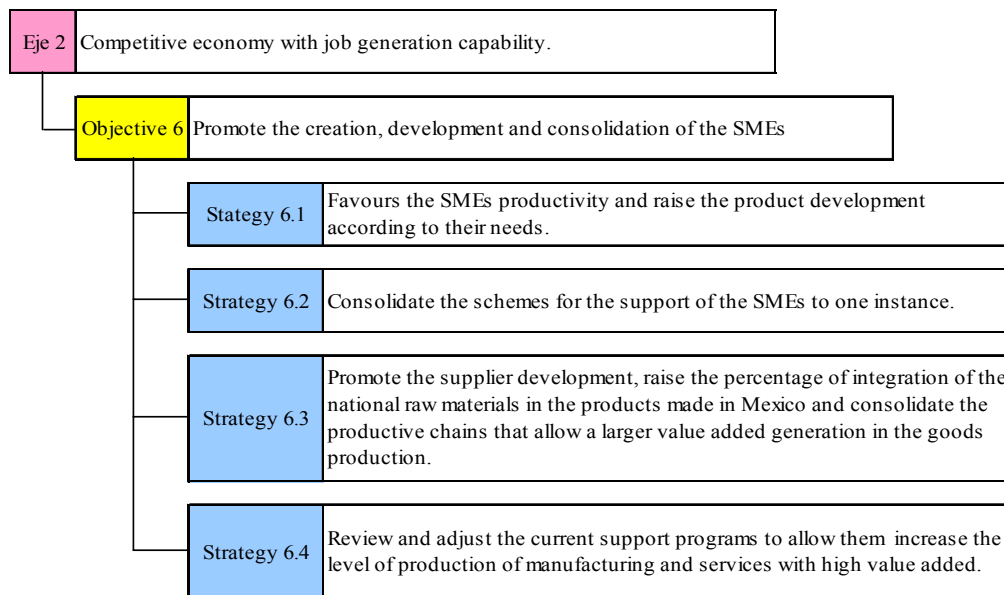
## Chapter 2 Policies for the SMEs in Mexico.

### 2.1 Promotion of the SMEs in the national development

#### 2.1.1 National Development Plan

The incentive for the SMEs is closely related to the Objective 3 (Sustainable economic growth and formal job generation capability) of the “National Development Plan 2007 -2012”, as well as the Pillar 2 (Competitiveness economy and job creation) of the system strategy. Figure 2-1 shows the Objective 6 for Pillar 2 of the system strategy. It mentions the promotion of SMEs as well as the derived strategies.

**Figure 2-1 System of strategies for SMEs promotion in the “National Development Plan 2007 – 2012”**



Source: Study Mission based on “Gobierno de los Estados Unidos Mexicanos, Presidencia de la República” (2007)

#### 2.1.2 Economic sector program

The program established performance indicators in each of the twelve main objectives that were

deployed in the four Pillars. The strategic policies and actions for the implementation were also defined. Policies to encourage SMEs correspond to the Guiding objectives 1.1 (creation of new businesses and strengthening existing SME) of the Pillar 1 (promoting the growth of SMEs). The target values posed by the program are as stated in Table 2-1.

**Table 2-1 Target values around the promotion of SMEs in the "Economy Sector Program 2007 - 2012"**

| Objective   | Indicator  | Unit of measure       | Baseline                           | Target 2012                |
|---|--|-----------------------|------------------------------------|----------------------------|
| <u>Guiding objective 1.1</u>  | Jobs generated in the formal sector of SMEs  | Number of jobs        | 1,016,755<br>(years 2006 and 2007) | 3,300,000<br>(accumulated) |
| Contributes with the job creation through the promotion of new enterprises and the improvement of the existing SMEs | Participation of SMEs in total enterprises that received credit from commercial banks at the national level      | Percentage            | 17.8<br>(year 2006)                | 20.8                       |
|   | Multiplication factor of the resources granted to SMEs through the FONDO PYME for investments from other sources | Multiplication factor | 1.7<br>(year 2006)                 | 3                          |

Source: *Diario Oficial de la Federación* (18/5/2008).

## 2.2 SME supporting measures and programs

### 2.2.1 Summary of SME supporting measures in Mexico

The Micro, Small and Medium-sized Enterprise Support Fund (FONDO PYME<sup>8</sup>), which is the main source of funds for supporting SMEs at present, was established in 2004.

Table 2-2 shows the SME development budget for the Fund from 2004 to 2008. However, in practice, the FONDO PYME is often combined with other resources from the intermediary organizations, such as local governments headed by the state governments, academia and the private sector, etc.

**Table 2-2 Evolution of FONDO PYME (2004-2008)**

|   | 2004      | 2005          | 2006          | 2007          | 2008*         |
|---|-----------|---------------|---------------|---------------|---------------|
| Number of projects                        | 707       | 757           | 993           | 557           | 152           |
| FONDO PYME<br>(in thousand Mexican pesos) | 1,154,689 | 1,818,827,592 | 3,109,668,078 | 3,196,301,710 | 2,250,549,362 |

Note: \* 2008 data as of October.

Source: Ministry of Economy

<sup>8</sup> *Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa*

## 2.2.2 Policies and programs to support SMEs based on FONDO PYME

Taking into account the National Development Plan 2007-2012, it was structured a scheme that provides assistance to companies based on the five business segments with integrated support. These segments receive assistance through the five strategies: finance, commercialization, training and consulting, management, and innovation and technological development.

In the first seven months of 2008, through the various programs that emphasize business segments, 120,000 MSMEs were supported and 50,000 jobs were created.

**Table 2-3 Purpose and scale of the Program of Support to SMEs**

|   |   |   |
|---|---|---|
| Segment 1: Entrepreneurs                              | New Entrepreneurs National Program  |   |
| Support Program for Young Entrepreneurs               | Discover potential youth entrepreneurs through promotion and camping, and recommending them to incubators.                | 1000 entrepreneurs (Result of period 1-7/2008)                                  |
| National Business Incubation System.                  | Support the creation of enterprises through the 420 incubators across the country.  | 5,534 companies (Result of the period 1/2007 – 7/2008)                          |
| SMEs Seed Capital Program                             | Support SME enterprise development through investment and low interest financing.   | 530 companies (Expected 2008)   |
| Training and consulting services                      | Provide training and consulting related to management, and to stimulate business creation and development.                | 6,185 companies<br>7,161 companies (COMPITE)<br>(Result of the period 1-8/2008) |
| Segment 2: Micro Enterprises                          | National Micro Enterprises Program  |   |
| <i>Mi Tortilla</i>                                    | Support the modernization of the tortilla industry  | 3,988 companies (Result of the period (9/2007-8/2008)                           |
| <i>Mi Tienda</i>                                      | Support the modernization of foods stores and groceries   | 2,500 companies (Result of the period 10/2007-8/2008)                           |
| Training Program and Business Modernization (PROMODE) | Support the improvement of efficiency providing Micro and Small entrepreneurs with training to improve their capabilities | —   |

| Segment 3: SMEs   | National Program on the Promotion and Access to Finance for SMEs   |  |
|---|--|--|
| National Guarantee System (SNG)   | The fund guarantees partially the financial risk that the financial entities assume to relax the financial environment for SMEs.       | 255,476 companies (Result of the period 7/2002-6/2008)   |
| National Financial Extension Program  | Support arrangements funding of SMEs through diagnosis and counseling conducted by consultants for funding (Extensionists)             | 12,300 companies (Estimated period 1-7/2008)   |
| Support Program for Natural Disaster-Affected Enterprises                       | Providing direct and indirect monetary support (guarantees) to businesses affected by natural disasters, as an emergency support       | Direct support : 25,178 companies<br>Indirect support: 3,368 companies<br>(Result of the period 9/2007-7/2008) |
| Productive Projects   | Provide funding for projects that contribute to strengthening competitiveness such as building a productive chain of modernization     | 580 cases (Result of the period 1-6/2008)  |
| Strengthening of Specialized Financial Intermediaries                           | Provide technical support to non-bank financial intermediaries to improve the judgment relating to financing for MSMEs                 | 106 companies (Result of the period 1-6/2008)  |
| Promotion Program to the private sector of <i>Nacional Financiera</i> (NAFINSA) | Provide financing or guarantees to MSMEs that have difficulties in securing funding through the finance system                         | 111,394 companies (Estimated 1-6/2008)   |
| Segment 4: Gazelle Enterprises  | National Program for Gazelle Enterprises   |  |
| Technological Innovation Fund (FIT <sup>9</sup> )                               | To provide funding for innovation projects and development of technology   | 112 projects (2007 results)  |
| Business Acceleration Program   | Accelerating business growth, providing consulting services through 29 accelerators in and outside the country                         | 2,004 companies (Estimate for the period 1-7/2008)   |
| National Franchise Program (PNF <sup>10</sup> )                                 | To support successful companies offering franchises and develop new business opportunities for entrepreneurs                           | 93 companies (Result of the period 1-6/2008)   |
| Mexican Business Information System (SIEM <sup>11</sup> )                       | Prepare a list of companies on the Internet through the chambers of commerce and industry to promote the linkage between the companies | 676,116 companies registered (Results from 7/2008)   |

<sup>9</sup> *Fondo de Innovación Tecnológica*

<sup>10</sup> *Programa Nacional de Franquicias*

<sup>11</sup> *Sistema de Información Empresarial Mexicano*

|   |   |  |
|---|---|--|
| E-Bay Program (MXPORING)  | To provide an online platform for export sales of Mexican products  | 37 companies listed (Results from 7/2008)  |
| Segment 5: Tractor Enterprises  |   |  |
| National Tractor Enterprises Program  |   |  |
| Supplier Development  | Strengthening value chains and increases the added value through connections between business and tractor MSMEs   | 19 tractor enterprises 965 support and distribution companies (Results 1-7/2008) |
| Program for Integrators Companies   | Using schema integration, promoting the formation of business groups and encourage regional revitalization  | 35 companies (Result of the period 1-7/2008)                                     |
| SMEs Parks  | Promote the strengthening of the productive network by integrating geographical advantages in infrastructure and services   | 187 locations 3,882 companies (Result as 6/2008)                                 |
| Exporting SME Program   | Supporting export activities of SMEs, through training, consulting and advocacy among others, which are awarded through the centers of export for SMEs and institutions to promote the exportable offer | 62 support points 3,928 companies (Results 1-7/2008)                             |
| Program for Support to Small and Medium size Enterprises, Business Center Mexico-European Union (PIAPYME) | Provide technical assistance, training and information to SMEs to strengthen their competitiveness in export  | 122 companies (Result of the period 1-6/2008)                                    |
| Sector based Development Program  | Promoting a sector development that will contribute in a strategic manner to increase in value added, job creation and regional development   | 4,486 companies (Result of the period 9-12/2007)                                 |
| Strengthen the schemes to support MSMEs in one instance   |   |  |
| Business Service Centers - <i>México Emprende</i>   | Establish points of one-stop services across the country and coordinate among the many programs whose support is optimal for each company or entrepreneur   | 10 sites 400 consultants (Result of the period 1-6/2008)                         |
| Development and regional collaboration between institutions   |   |  |
| Employment Program in Deprived Areas  | Encourage companies established in deprived areas with the aim of creating jobs   | 16 locations 4,000 jobs (Estimate for the period 1-6/2008)                       |

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

### 2.2.3 Financing SMEs

The Ministry of Economy gave progress in their collaborative work with their bodies as well as

commercial banks, with the aim of structuring a system of credit insurance with low costs. Therefore, the programs were born as "National System of Warranties (SNG)" for SMEs, "National Financial Extension<sup>12</sup>" and different types of schemes for capital development.

The financial products for SMEs in Mexico from private financial institutions have interest rates of 16% - 24% which are extremely high, and the real situation is that almost no companies use these products as MSMEs. The financial products of public financial institutions have interest rates of just 13% -16% which are lower compared to that of the public financial institutions. However, when compared with the interest rates on credit from the other countries or which are managed for big companies, they are still quite high.

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<sup>12</sup> *Red Nacional de Extensionismo Financiero*

## Chapter 3 Current situation of the registration and training of SME consultants

This chapter will describe the current situation of training and registration of consultants who provide consultancy services for SMEs in Mexico from three viewpoints: public institutions, higher education institutions and private institutions<sup>1</sup>.

### 3.1 Current situation of the registration and training of SME consultants in public institutions

#### 3.1.1 Ministry of Tourism (SECTUR)

|                           |  |                    |
|---------------------------|--|--------------------|
| Designation               | Consultant “M”   |                    |
| Administering institution | Ministry of Tourism (SECTUR)   | Public institution |
| Activities                | Consultants “M” are to work in the Program “M” which started in 2002 with the aim of helping tourism businesses raise the level of customer satisfaction and increase profits. They visit participating companies and give guidance on site as well as assess the level of achievement by the companies advised by other Consultants “M”.  |                    |
| Number of registrant      | 249 (2008)   |                    |
| Registration requirements | Prerequisites for participation in the training course:<br>1) To have labor competency certification for General Consulting<br>2) To have experience as a consultant<br>Requirements for registration:<br>3) To give 90% or higher attendance at the training course<br>4) To obtain 90 points or higher out of 100 in the qualification examination<br>5) To advise a company and have it awarded the "M" distinction during the training period. |                    |
| Training program          | A 70-hour training course is available on 12 consulting tools.<br>T1: Basic terms and organizational structures<br>T2: The 5Ss<br>T3: Leadership and human resource development<br>T4: Market appreciation<br>T5: Training of customer service personnel<br>T6: Marketing  |                    |

<sup>1</sup> There is no single term agreed to refer to the act of recognizing that a consultant has a certain level of ability. In this chapter, respecting the expression used in each institution, the Study Mission allows terms such as "accreditation", "certification" and "registration" used in different meanings from the definitions of the Mission.



|                                       |  |
|---------------------------------------|--|
|                                       | T7: Work processes and eliminating wastes<br>T8: Work process standardization<br>T9: Visual management<br>T10: Information systems and financial analysis<br>T11: Management by policies<br>T12: PDCA and accountability |
| Validity period of registration       | 2 years  |
| Requirements for renewal registration | 1) To provide counseling to at least four companies participating in the Program "M" in a year.<br>2) To engage in unpaid work for 40 hours per year, as assigned by SECTUR  |
| Remarks                               | <ul style="list-style-type: none"> <li>The cumulative total number of companies participating in the Program "M" is 4,820, of which the cumulative total number of the awarded is 4,018.</li> </ul>                      |

Source: Prepared by the Study Mission according to information provided by the administering institution.

|                                       |  |                    |
|---------------------------------------|--|--------------------|
| Designation                           | Consultant "H"   |                    |
| Administering institution             | Ministry of Tourism (SECTUR)   | Public institution |
| Activities                            | To train and advise participating companies in the Program "H" which aims to improve food hygiene in non-ambulant food and beverage services.  |                    |
| Number of registrant                  | 298  |                    |
| Registration requirements             | <p>Prerequisites for participation in the training course:</p> <ol style="list-style-type: none"> <li>Being an university graduate who majored in chemistry, medicine or biology (However, one-year extracurricular experience in food safety and 64-hour credits of microbiology and health and hygiene courses respectively may substitute the academic degree.)</li> <li>Having labor competency certification for Implementation of Classroom Training Courses</li> <li>Having experience in food and beverages</li> </ol> <p>Requirements for registration:</p> <ol style="list-style-type: none"> <li>To attend at the training course</li> <li>To obtain 90 or higher points out of 100 in the qualification examination (Those with 85 to 89 points are allowed to take the exam only once again)</li> </ol> |                    |
| Training program                      | Training course of 24 hours  |                    |
| Validity period of registration       | 2 years  |                    |
| Requirements for renewal registration | To successfully advise at least four companies participating in the Program "H" in a year  |                    |
| Remarks                               |  |                    |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.1.2 Financiera Rural

|                                       |   |                    |
|---------------------------------------|---|--------------------|
| Designation                           | Consultant  |                    |
| Administering institution             | <i>Financiera Rural</i>   | Public institution |
| Activities                            | To provide training and consulting services aimed at raising the living standard of rural people and improving their productivity and profitability.  |                    |
| Number of registrants                 | 4,500 (1,200 of which are active)   |                    |
| Registration requirements             | <ul style="list-style-type: none"> <li>• On the call scheduled twice a year, submitting the application form with the area of interest specified will complete the registration.</li> <li>• As consulting needs matching the area of interest arise, the registrant's qualification is determined based on the evaluation of experience and skills through interviews, curriculum vitae and examination.</li> </ul>   |                    |
| Training program                      | <ul style="list-style-type: none"> <li>• A 2-year Master's program (related to six fields, i.e., anthropology, psychology, neuropsychology, epistemology, semiotics and pedagogy) is available under the agreement with 10 universities around the country.</li> <li>• Prerequisites to enroll in the program:               <ol style="list-style-type: none"> <li>1) Registered at the <i>Financiera Rural</i></li> <li>2) Having engaged in a program of the <i>Financiera Rural</i> or having working experience in rural areas</li> <li>3) Having graduated a bachelor's program with a grade of 7.5 or higher out of ten</li> </ol> </li> <li>• The Master's students will have a scholarship.</li> </ul> |                    |
| Validity period of registration       | Unlimited (Determined qualification is valid for two years.)  |                    |
| Requirements for renewal registration | The evaluation by the committee at the end of the consulting project will determine whether the performance was eligible for compensation or not. If the evaluation finds the performance poor, the consultant will be withdrawn from the list of qualified registrants.  |                    |
| Remarks                               | <ul style="list-style-type: none"> <li>• The <i>Financiera Rural</i> will accredit consultants who completed the Master's program. There are 357 accredited consultants.</li> <li>• <i>Financiera Rural</i> certifies the accredited consultants according to the results of their work in the programs. There are 40 certified consultants.</li> </ul>   |                    |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.1.3 Nacional Financiera (NAFINSA)

|                                       |  |                    |
|---------------------------------------|--|--------------------|
| Designation                           | NAFINSA-Certified Instructor <sup>2</sup>  |                    |
| Administering institution             | Nacional Financiera, S.N.C. (NAFINSA)  | Public Institution |
| Activities                            | To provide training for SME entrepreneurs  |                    |
| Number of registrants                 | 100  |                    |
| Registration requirements             | <ol style="list-style-type: none"> <li>1) Having experience in advising smaller-sized businesses or having teaching experience in a university</li> <li>2) To fulfill the conditions of experience and expertise in the field, as required according to the subjects entrusted</li> <li>3) To take the training course and obtain 8.5 or higher points out of 10 in the final examination</li> </ol> |                    |
| Training program                      | Training courses are available for each subject. Duration and content of training courses differ by subject.   |                    |
| Validity period of registration       | 2 years  |                    |
| Requirements for renewal registration | <ul style="list-style-type: none"> <li>• Registration is renewed if the Instructor have achieved the performance target of the implementation plan for the training program contracted with NAFINSA</li> </ul>   |                    |
| Remarks                               | <ul style="list-style-type: none"> <li>• When the training updates the contents, the registered instructors who teach the revised subjects must also retake the training course and pass the examination.</li> </ul>   |                    |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.1.4 National Support Fund for Social Enterprises (FONAES)

|                           |  |                    |
|---------------------------|--|--------------------|
| Designation               | Consultant   |                    |
| Administering institution | National Support Fund for Social Enterprises (FONAES)  | Public institution |
| Activities                | To provide consulting services to low-income micro entrepreneurs with economic potential living in marginalized areas.   |                    |
| Number of registrants     | 853  |                    |
| Registration requirements | <ol style="list-style-type: none"> <li>1) Having labor competency certification for General Consulting</li> <li>2) Being a consultant registered at any of the following government institutions <ul style="list-style-type: none"> <li>• Ministry of Social Development (SEDESOL)</li> <li>• Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)</li> <li>• Ministry of Agrarian Reform (SRA)</li> <li>• <i>Financiera Rural</i></li> </ul> </li> </ol> |                    |

<sup>2</sup> *Instructor Homologado por Nacional Financiera*

|                                       |  |
|---------------------------------------|--|
|                                       | 3) Having experience in specialist activities in the field of rural development or poverty reduction |
| Training program                      | None   |
| Validity period of registration       | Registration is valid as long as the consultant satisfies the registration requirements.             |
| Requirements for renewal registration | —  |
| Remarks                               | —  |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.1.5 Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)

|                                       |  |                    |
|---------------------------------------|--|--------------------|
| Designation                           | Professional Service Provider (PSP)  |                    |
| Administering institution             | Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)  | Public institution |
| Activities                            | To perform basic services provided to farmers, stock farmers and fishers (designing of development projects, implementation of development projects, technical assistance and consulting services, and training of rural entrepreneurs).   |                    |
| Number of registrants                 | 14,000 (5,200 of which are estimated active)   |                    |
| Registration requirements             | To pass the written and interview examinations, or to perform services in the category of "technical assistance and consulting services" and be approved by the assessment   |                    |
| Training program                      | <ul style="list-style-type: none"> <li>• Online training is available in four modules corresponding to the categories of services.</li> <li>• Candidates voluntarily take the training modules according to their needs. Scheduling the dates (periods) and instructors depends on the application.</li> <li>• The training facilitates candidates to apply the learned techniques and methods for the specific concern of the producer group organized by the candidate himself.</li> <li>• Consultants approved conditionally in the evaluation of the implemented service will take the online training to elevate their skills.</li> </ul> |                    |
| Validity period of registration       | Registration is valid unless the consultant fails the evaluation of performed services.  |                    |
| Requirements for renewal registration | —  |                    |
| Remarks                               | <ul style="list-style-type: none"> <li>• Those who failed the evaluation of performed services or who received a conditional approval and failed the final evaluation in the online training twice cannot participate in the programs of SAGARPA thereafter.</li> </ul>  |                    |

Source: Prepared by the Study Mission according to information provided by the administering institution.

## 3.2 Registration and training of SME consultants in higher education institutions

### 3.2.1 Monterrey Institute of Technology and Higher Education (ITESM)

|                                       |   |                              |
|---------------------------------------|---|------------------------------|
| Designation                           | Consultant  |                              |
| Administering institution             | Institute of technology and Higher Education(ITESM)   | Higher Education Institution |
| Activities                            | To engage in consulting services for SMEs in the programs of business accelerators and high-tech incubators   |                              |
| Number of registrants                 | 50  |                              |
| Registration requirements             | To be approved by the committee/s evaluation based on the curriculum vitae which mentions the experience as a consultant, professional experience, academic history, etc.   |                              |
| Training program                      | <ul style="list-style-type: none"> <li>• Institutionalized training courses do not exist.</li> <li>• Depending on the project, consultants go through an orientation to share the unified methodology.</li> </ul>   |                              |
| Validity period of registration       | There is no regulation.   |                              |
| Requirements for renewal registration | There is no regulation. The committee judges the renewal on the performance of each consultant.   |                              |
| Remarks                               | <ul style="list-style-type: none"> <li>• According to the consultants' experience, ITESM classifies them into junior consultants (5 to 10 years) and senior consultants (15 to 20 years, in addition to experience of overall coordination of a team).</li> <li>• The committee determines the promotion of the junior consultant to senior consultant based on his performance.</li> </ul> |                              |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.2.2 Pan-American University (UP)

|                           |   |                              |
|---------------------------|---|------------------------------|
| Designation               | Consultant  |                              |
| Administering institution | Pan-American Center for Research and Innovation (CEPii)   | Higher education institution |
| Activities                | To engage in the management consulting services of CEPii. .   |                              |
| Number of registrants     | Internal consultants: 25<br>External consultants: 25  |                              |
| Registration requirements | <ol style="list-style-type: none"> <li>1) For hiring internal consultants, the selection reviews the curriculum vitae, research results, aptitude tests and interviews, giving priority to experience.</li> <li>2) External consultants take an examination to contract CEPii.</li> </ol> |                              |
| Training                  | 1) Newly joined consultants should take the training course (12 sessions) on consulting   |                              |

|                                       |   |
|---------------------------------------|---|
| program                               | methodologies and skills in the areas of specialization. Consultants then join in consulting teams to demonstrate his practical skills for evaluation.<br>2) Internal training sessions take place each year to update the skills of consultants.<br>• The outstanding consultants will attend to the MBA course of the UP (IPADE). |
| Validity period of registration       | Undefined   |
| Requirements for renewal registration | None. The contract will remain effective if the operational status and performance is satisfactory.   |
| Remarks                               | CEPii always employ team-consulting approach, which helps cover the weaknesses of novice consultants and train them on the job.   |

Source: Prepared by the Study Mission according to information provided by the administering institution

### 3.3 Registration and training of SME consultants in private institutions

#### 3.3.1 National Committee of Productivity and Technological Innovation (COMPITE)

|                           |   |                     |
|---------------------------|---|---------------------|
| Designation               | Accreditation of COMPITE Consultant <sup>3</sup>  |                     |
| Administering institution | National Committee of Productivity and Technological Innovation (COMPITE)   | Private institution |
| Activities                | To engage in consulting services and training programs by COMPITE related to productivity improvement, quality improvement and management systems   |                     |
| Number of registrants     | 300   |                     |
| Registration requirements | <p>Prerequisites for a candidate for COMPITE consultant:</p> <p>1) Having experience satisfying any of the following criteria:</p> <ul style="list-style-type: none"> <li>• 5 years in manufacturing or related areas</li> <li>• 3 years of counseling to smaller sized enterprises</li> <li>• 2 years as an instructor helping companies grow</li> <li>• Teaching at a university on subjects related to production management</li> </ul> <p>2) To pass the evaluation through an interview by the committee, written examination on productivity and practical assessment</p> <p>Requirements to be a junior consultant:</p> <p>3) To accomplish on-site consulting to 3 companies by himself as a candidate for COMPITE consultant</p> <p>Requirements to be a consultant:</p> <p>4) To provide consulting services to 10 companies as a COMPITE junior consultant and obtain 9 or higher points out of 10 in the evaluation by the entrepreneurs.</p> |                     |
| Training program          | After passing the written examination, candidates go through the practical training of 40 hours in which they engage in consulting work as assistant consultants, under the   |                     |

<sup>3</sup> *Acreditación de Consultor COMPITE*

|  |  |
|--|--|
|  | supervision of consultants responsible for training.   |
| Validity period of registration          | 2 years  |
| Requirements for renewal of registration | <ul style="list-style-type: none"> <li>To provide more than 10 consulting services during a year with grades of 9 or higher out of 10 in the evaluation by the clients and the internal system</li> <li>Renewal of consultants' accreditation depends on the judgment at the time of program review held every 2 years.</li> </ul>                 |
| Comments                                 | <ul style="list-style-type: none"> <li>For promotion from junior consultant to consultant generally requires 1 to 2 years.</li> <li>For the consultants who have poor evaluation at the time of renewal, measures will be taken on an individual basis to counter the causes so that they can recover the registration in reevaluation.</li> </ul> |

Source: Prepared by the Study Mission according to information provided by the administering institution.

|                           |   |                     |
|---------------------------|---|---------------------|
| Designation               | APEC-IBIZ CBC   |                     |
| Administering institution | National Committee of Productivity and Technological Innovation (COMPITE)   | Private institution |
| Activities                | Consultants who have knowledge and skills to advise SMEs on increasing productivity and competitiveness as well as exporting to the APEC countries  |                     |
| Number of registrants     | 4 (30 pending certification)  |                     |
| Registration requirements | <p>Prerequisites for enrollment to the training course:</p> <ol style="list-style-type: none"> <li>Having graduated from Bachelor's program in a related area</li> <li>Having experience as a consultant or having knowledge about development and growth of enterprises</li> <li>To understand the ethical standards of the APEC-IBIZ and commit to act in compliance with them</li> </ol> <p>Requirements for certification:</p> <ol style="list-style-type: none"> <li>To take the training course and obtain 8 or higher points out of 10 in each module</li> <li>To engage in paid consulting services for 400 hours in 5 SMEs and over</li> <li>To get 800 or higher points out of 1,000 in the final examination</li> <li>To get 550 or higher score of TOEFL</li> </ol> |                     |
| Training program          | <p>Candidates participate for 10 months in a 270-hour course consisted of the following 11 modules.</p> <ol style="list-style-type: none"> <li>Code of ethics of APEC-IBIZ CBC (10 hours)</li> <li>Problem solving in SMEs (20 hours)</li> <li>SME customers' profile (20 hours)</li> <li>Marketing for SMEs (30 hours)</li> <li>Financial analysis for SMEs (40 hours)</li> <li>Human resources for SMEs (20 hours)</li> <li>Business planning for SMEs (20 hours)</li> <li>Consulting and skills of the consultant (50 hours)</li> <li>Linking SMEs with the support programs of public and private sectors (10 hours)</li> </ol>   |                     |

|                                       |  |
|---------------------------------------|--|
|                                       | x. Export to the APEC countries (40 hours)<br>xi. Role of APEC-IBIZ CBC in the international network of SME support (10 hours)   |
| Validity period of registration       | 3 years  |
| Requirements for renewal registration | To provide 400 or more hours of consulting in 3 years and receive satisfactory evaluation  |
| Remarks                               | 3) Each country adjusts and applies the learning modules standardized for mutual recognition in the APEC region. As of 2008, 15 countries participate in the program.<br>4) APEC-IBIZ makes the final decision on certification and renewal, based on the evidence presented by COMPITE. |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.3.2 National Chamber of Industry (CANACINTRA)

|                                       |   |                     |
|---------------------------------------|---|---------------------|
| Designation                           | Recognition as CANACINTRA SME Consultant <sup>4</sup>   |                     |
| Administering institution             | National Chamber of Industry (CANACINTRA)   | Private institution |
| Activities                            | To provide consulting services to manufacturing SMEs (member companies)   |                     |
| Number of registrants                 | 230 (as of July 2008)   |                     |
| Registration requirements             | 1) To answer correctly over 80% of 500 questions of the exam via the internet, as a result of self-learning with video lectures and textbooks<br>2) Take a 1-week training course on theory and practice and pass the assessment. |                     |
| Training program                      | Candidates take the consultant training course consisting of 8 modules.   |                     |
| Validity period of registration       | Undefined   |                     |
| Requirements for renewal registration | —   |                     |
| Remarks                               |   |                     |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.3.3 Foundation for Sustainable Development (FUNDES)

|                           |   |                     |
|---------------------------|---|---------------------|
| Designation               | Consultant  |                     |
| Administering institution | Foundation for Sustainable Development (FUNDES)   | Private institution |
| Activities                | To provide consulting services with objectives to raise the administrative efficiency of SMEs and improve their competitiveness in the market |                     |

<sup>4</sup> Reconocimiento CANACINTRA como Consultore PyME



|                                       |  |
|---------------------------------------|--|
| Number of registrants                 | 89   |
| Registration requirements             | 1) Having 5 years or longer experience of consulting<br>2) To pass the written examination regarding the consulting methods of FUNDES<br>3) To pass the practical examination of consulting practice in at least one company                         |
| Training program                      | Educational materials about the consulting methods of FUNDES are available for independent study.  |
| Validity period of registration       | 2 years  |
| Requirements for renewal registration | 1) To engage in consulting for specified hours during the given time period<br>2) To have good results in the performance evaluation based on the designated format of evaluation<br>3) To pass the written examination in new methods of consulting |
| Remarks                               | Consultants are classified as senior consultants or junior consultants according to the expertise and experience.  |

Source: Prepared by the Study Mission according to information provided by the administering institution.

### 3.4 Tasks in the training and registration of SME consultants

Most of the registration and training of SME consultants that have appeared in this chapter are independent practices by each institution involved in SME support, to have consultants in its own programs. Sourcing and training of human resources for programs is the responsibility of each support institution, but on the other hand, duplicated efforts as a whole may cause inefficiency.

Although SME support programs are diverse in type and form, with a single certification to verify the ability to apply standard methods of business consulting, each program can take the certification as a prerequisite for work and make the sourcing and training of consultant more efficient. Moreover, resources now wasted redundantly for evaluation and training in basic skills of the consultant can be redirected to the support itself, which is expected to raise efficiency.

Certification for SME consulting in the National Labor Competency Certification System that Chapter 5 will detail, should have responded to such needs. However, it is not in operation practically but is at a stage far to become a prerequisite by the various SME support programs.

As a result, the situation continues without a clear and shared definition of core skills for SME consulting, and training goes with each program's own curriculum. How the individuality and redundancy can be streamlined is a challenge for the whole of the SME consultant registration and training in Mexico.

## Chapter 4 Current Situation of the registration and training of SME consultants in the Ministry of Economy

### 4.1 Overview of SME consultant training projects

The Ministry of Economy has been conducting various projects for consultant training through the Micro, Small and Medium-sized Enterprise Support Fund (FONDO PYME<sup>1</sup>) since the Fund was founded in 2004.

The total amount spent for these training projects during the period from 2004 to 2007 reached 16 million 600 thousand pesos.

### 4.2 "SME Consultants with JICA Methodology" Project

#### 4.2.1 Overview of the Project

The "SME Consultants with JICA Methodology<sup>2</sup>" Project is to select SME consultants who will become an immediate power, train them on a common method of consulting and register them at the Ministry of Economy.

**Table 4-1 Overview of the "SME Consultants with JICA Methodology" Project (reference information)**

|                 |  |
|-----------------|--|
| Project name    | SME Consultants with JICA Methodology  |
| Project period  | From July 2008 to February 2009  |
| Target regions  | All states and municipalities of Mexico (26 locations in 32 states)  |
| Overall goal    | <ul style="list-style-type: none"> <li>To establish a national system for training, registration and use of SME consultants</li> </ul>   |
| Project purpose | <ul style="list-style-type: none"> <li>To select experienced consultants nationwide, have them acquire the common methodology of SME consulting and register 500 consultants as to be the first generation of the National Registration System of SMEs Consultants by the Ministry of Economy.</li> <li>To collect information that will be the basis for making proposals for revision of NTCL of SME Consulting as a preparation for the future integration of the National Registration System of SME Consultants by the Ministry of Economy to the scheme of the National Council of Standardization and Certification of Labor Competency (CONOCER).</li> </ul> |

<sup>1</sup> Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa

<sup>2</sup> Consultores PyME con Metodología JICA

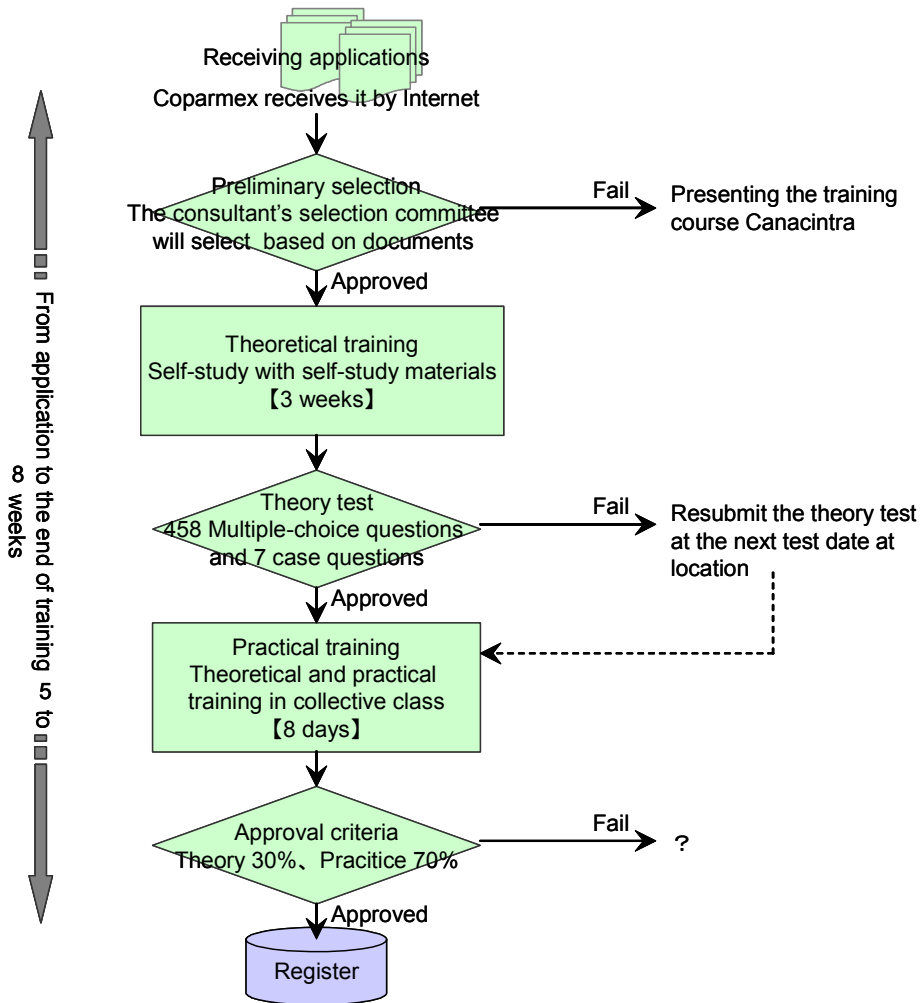
|                              |   |
|------------------------------|---|
| Outputs                      | <p>1. 500 SME consultants nationwide complete the training mainly on JICA methodology with satisfactory grades.</p> <p>2. The SME consultants mentioned above are registered at the Ministry of Economy as qualified to work in SME support program of the Ministry.</p> <p>3. A route is established to a system that the Ministry of Economy registers SME consultants and uses the registered consultants in SME support programs.</p> <p>4. The SME consultants who participated in the training review the NTCL of SME Consulting of CONOCER and write up proposals for amendments.</p>  |
| Activities                   | <p>1-1 The Consultant Selection Committee examines consultants applying to participate in the Project, using established criteria.</p> <p>1-2 The state headquarters of the Project train the consultants accepted by the Committee.</p> <p>1-3 The consultants are evaluated during the training process, by established criteria</p> <p>2-1 The Ministry of Economy registers the consultants who have obtained a certain level of evaluation as a qualified to work in SME support programs of the Ministry.</p> <p>3-1 The registered consultants are recorded in the database of the Ministry of Economy.</p> <p>3-2 SME support programs that utilize the registered consultants are specified.</p> <p>4-1 In the training process, participant consultants review the NTCL of SME Consulting of CONOCER and write up proposals for amendments.</p>   |
| Framework for implementation | <p><u>Financial resources</u></p> <p>1) 5 million Mexican pesos from FONDO PYME<br/>= The cost of participation (19,451.00 pesos per participant) will be half subsidized.</p> <p>2) Cost to the participant consultants: 9725.50 Mexican pesos per participant</p> <p><u>Organization</u></p> <p>1) Lead Office in the Ministry of Economy: Consulting and Training Division of the Undersecretariat for SMEs:</p> <p>2) Intermediary Organization: Employers' Confederation of the Mexican Republic, SP (COPARMEX)</p> <p>3) Consultant Selection Committee: Responsible for the selection of consultants and review and coordination of project administration.</p> <ul style="list-style-type: none"> <li>• <b>【President】</b> Ministry of Economy</li> <li>• <b>【Members】</b> COPARMEX<br/>CANACINTRA<br/><i>Espacio Empresarial, S.A. de C.V.</i> [Evaluation Center accredited by CONOCER, private consulting firm].<br/><i>Crece Hidalgo, A.C.</i> [Private consulting firm]<br/><i>GCC Consultores</i> [Private consulting firm]</li> </ul> <p>4) Local headquarters for the implementation of the Project:<br/>Local branches of COPARMEX, CRECE, CANACINTRA, etc. are appointed.</p> |

Source: Prepared by the Study Mission

### 4.2.2 Flow of the Project

Figure 4-1 shows the flow of the Project.

**Figure 4-1 Flow of the "SME Consultants with JICA Methodology" Project**



Source: Prepared by Study Mission

#### (1) Training process

The training consists of two phases, theory and practice.

The theoretical training is done through 3 weeks of self-study. The self-study materials are textbooks on CD, lectures on DVD and printed lecture slides. 124 hours are recommended to study textbooks besides 28 hours of recorded lectures, which is a volume that requires a serious commitment.

The practical training is done collectively for 8 days. The 3 implementing agencies are responsible for the practical training, exercising their respective strengths. The 8-day training course is roughly divided into two parts: workshop to review the NTCL of SME Consulting of CONOCER (first and second days) and learning of the “JICA Methodology” to be used in programs of the Ministry of Economy (from third to eighth day).

## (2) Evaluation process

The evaluation consists of the preliminary selection (documentary examination) prior to the training process and the multidimensional evaluation during the training process.

The multidimensional evaluation consists of two layers, theory and practice. The acceptance line is 80 out of 100 points. The theoretical evaluation is in the form of examination administered by e-mail after completing a 3-week period of self-study. 450 multiple-choice questions and 7 case-study questions are asked out of the content of the self-study materials and the acceptance line is 70 out of 100 points.

The practical evaluation is the weighted sum of the grades by the instructors of the 3 implementing agencies, the companies accepting the field training and peer consultants in the same field training group.

The proportion of the successful applicant consultants who have passed all processes to registration is about half.

### **4.2.5 Project evaluation**

#### (1) Problems arising from the formulation of the Project

The Training and Consulting Division was able to quickly build the Project, however, the components of training and evaluation process are hardly said to be coordinated in essence and the Project cannot deny the impression of being a patchwork. One may consider the following factors as causes of this situation: the “start while you think” style mentioned before discouraged taking care of the details, the implementing agencies had no basis for open discussion across the

respective scopes in their charge and it was unclear who has the rights and responsibilities to the training contents including materials.

(2) Need for training of trainers

That an instructor has knowledge and that he can teach others are different issues. Instructor training is necessary with a focus on how they can facilitate understanding of all new concepts in short term.

The training materials and instructor’s manuals should also be improved.

It is also desirable to maintain a desirable level through training of trainers in terms of attitude toward intervening to the group work of participants (directive of facilitative) and the basic manners in public speaking (such as ensuring the anonymity of companies, for example).

### 4.3 “SME Business Consulting with JICA Methodology” Project

#### 4.3.1 Overview of the Project

The "SME Business Consulting with JICA Methodology” Project provides consulting services by consultants registered through the "SME Consultants with JICA Methodology” Project, upon request from SMEs, and aims to achieve high impact at low cost by applying a standardized method of comprehensive diagnosis.

**Table 4-2 Overview of the "SME Business Consulting with JICA Methodology” Project (reference information)**

|                 |   |
|-----------------|---|
| Project name    | SME Business Consulting with JICA Methodology   |
| Project period  | December 2008 to December 2009  |
| Target regions  | All Mexico  |
| Overall goal    | <ul style="list-style-type: none"> <li>To establish a national system for training, registration and use of SME consultants</li> </ul>  |
| Project purpose | <ul style="list-style-type: none"> <li>Using the consultants who were registered at the Ministry of Economy through the "SME consultants with JICA Methodology” Project, to provide consulting services to 650 MSMEs in the country.</li> <li>To develop methods to provide consulting services effectively and efficiently</li> </ul>  |
| Outputs         | <ol style="list-style-type: none"> <li>The SME consultants registered at the Ministry of Economy through the "SME Consultants with JICA Methodology” Project provide consulting services to 650 MSMEs in the country.</li> <li>A standard model is established for consulting methods to respond comprehensively to the management problems of SMEs.</li> <li>A mechanism to use the consultants registered at the Ministry of Economy is established.</li> </ol> |
| Activities      | 1-1 Registered consultants conduct the pre-diagnosis to understand the overall situation of business of the SMEs answering to the call for participation in the Project.  |

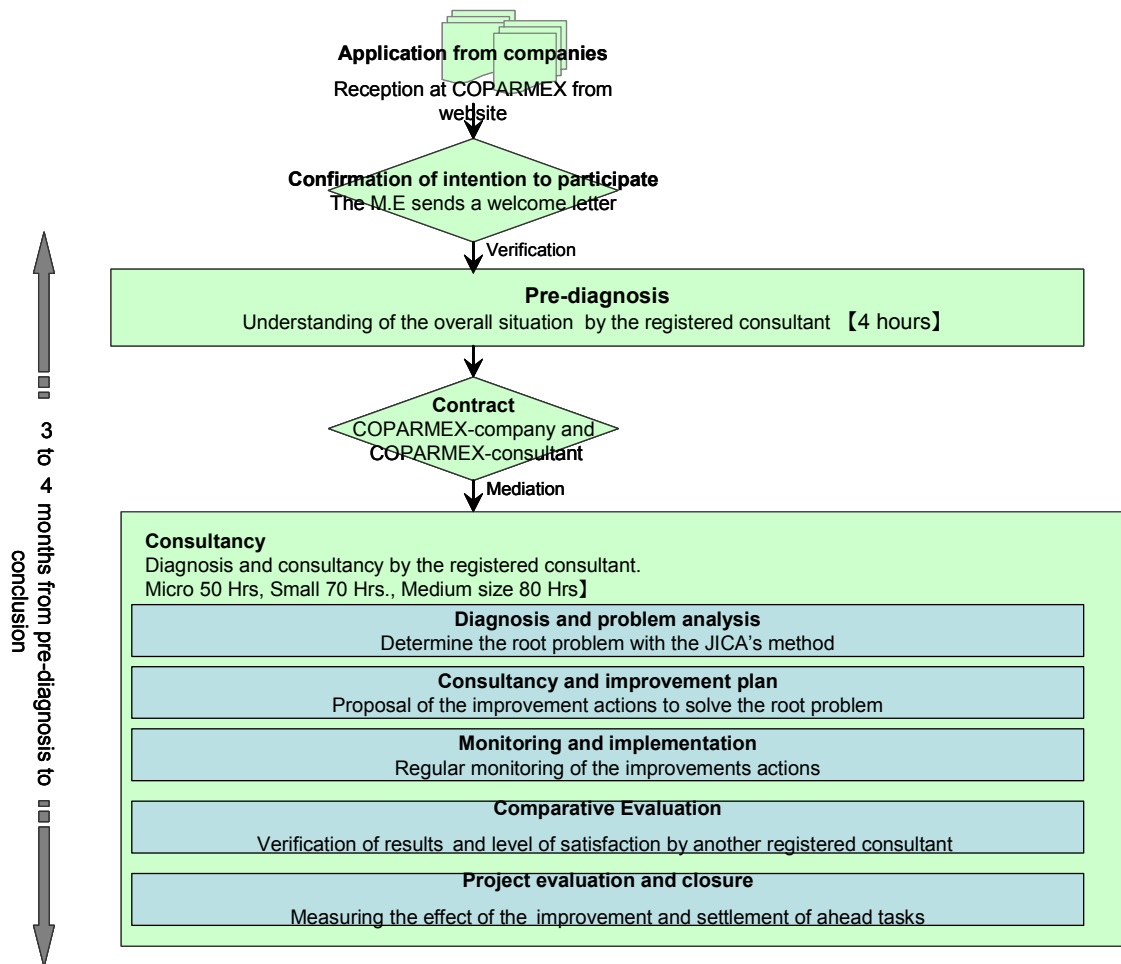
|                                     |  |
|-------------------------------------|--|
|                                     | <p>1-2 A registered consultant is matched to the company based on the results of pre-diagnosis, and implement the diagnosis and counseling.</p> <p>2-1 Standard procedure and tools of the consulting service is developed with JICA methodology, and applied to the activities of the registered consultants.</p> <p>2-2 The utilization and outcomes of the standard procedure and tools are reviewed and an effective model is developed.</p> <p>3-1 A method to match SMEs and registered consultants based on the results of pre-diagnoses is drafted, applied on a trial basis and improved.</p> <p>3-2 A mechanism to monitor and evaluate the activities of registered consultants is drafted, operated on a trial basis and improved.</p> |
| <p>Framework for implementation</p> | <p><u>Financial Source</u></p> <p>1) Approximately 15 million pesos from FONDO PYME = Partial subsidy on the cost of participation (70% for Micro, Small enterprises to 50% and 30% to Medium size enterprises).</p> <p>2) Cost to the participating company (per company)</p> <p>Micro enterprises: 11,748 pesos, Small enterprises: 29,518 pesos, Medium enterprises: 53,977 pesos</p> <p><u>Organization</u></p> <p>1) Lead Office in the Ministry of Economy: Training and Consulting Division of the Undersecretariat for Small and Medium Enterprises</p> <p>2) Intermediary Organization: Employers' Confederation of the Mexican Republic (COPARMEX).</p>  |

Source: Prepared by the Study Mission.

### 4.3.2 Flow of the Project

Figure 4-2 shows the flow of the Project.

**Figure 4-2 Flow of the "SME Business Consulting with JICA Methodology" Project**



Source: Prepared by the Study Mission.

(1) Consulting process

The consulting is implemented according to the methodology of the "SME Consultants with JICA Methodology" Project.

To support steady implementation by the registered consultants, and also to ease the monitoring of the progress, the Ministry of Economy advanced the standardization and formalization of the process. Tools for analysis and planning involved in each stage of the consulting process, as well as



templates for the scheduling charts and reports, are prepared and offered on the website with restricted access.

(2) Cross-evaluation

The cross-evaluation is implemented by a registered consultant, other than who conducted the consulting, visiting the company as an auditor.

There are 3 types of questionnaires prepared for evaluation. Regarding "Compliance with the methodology" and "Performance" the auditor evaluates the quality of information and documents that were presented at the meeting with the consultant. On "Customer Satisfaction" the company evaluates.

### **4.3.3 Project evaluation**

(2) Positioning of the Project in business consulting for SMEs

It is necessary that compared to the role of SME consultant as the "primary adviser on SME management in general" that the Study Mission proposed in Chapter 6, the activities of this Project are limited to a very small area.

The Study Mission sees that the value of this Project is to offer a wide entry to the SME consulting

For those SMEs that have doubts about the cost-effectiveness of the consulting, as well as for consultants who have difficulties in gaining SME clients, this Project offers a good opportunity by connecting the both and subsidizing the cost.

Additionally, if this Project is developed as a method to provide practical opportunities for those with relatively little experience, it will also contribute to the training of SME consultants.

## **4.4 Challenges for the registration and training of SME consultants in the Ministry of Economy**

We want to point out 3 major problems in relation to the registration and training of SME consultants by the Ministry of the Economy: Problems of efficiency, quality and quantity. .

(1) Effectiveness in recruiting and training of consultants

Currently there is no unified system for registration and training of SME consultants in the Ministry of Economy, nor the database of consultants.

There is no coordination between the programs/projects with regard to consultants to hire, nor is shared the information of the consultants engaged in programs/projects in the past. The projects are managed under the annual budget and intermediary organizations newly resource their projects with consultants every time.

(2) Quality assurance of consulting personnel

The Ministry of Economy does not require consultants to have certification for General Consulting to work in the Ministry's programs/projects. Nor are there any other standards commonly agreed. In many cases practically consultants are only required to participate in training on particular methods necessary for the program/project. In other words, it is hardly said that the Ministry exercises adequate examination of the candidates to guarantee SMEs that consultants working in the programs/projects have sufficient knowledge and experience for consulting.

(3) Long-term training of consultants with a broad perspective

Due to the failure to keep and share the records of the consultants who have completed training projects, it is difficult to know anyone anywhere can respond to the Ministry's project/program. Consequently, the relationship with them is just temporal. Besides, how the training projects have contributed to SME support is yet to be traced.

One may think that the scheme of FONDO PYME that premises annual budgeting and intermediary organization, has no little responsibility for these problems. Ministry of Economy is not a first floor service for the projects and is located as a second floor entity which executes through other institutions that propose projects and we can say it is a structure with limited vision of the medium to long term of the projects themselves.

The challenge of the registration and training of SME consultants in the Ministry of Economy is how to build a supply system of SME consultants that is reliable in terms of quality and quantity, and how to integrate it as a consistent basis in the scheme of the FONDO PYME.

## **Chapter 5 Certification of SME Consultants under the National Labor Competency Certification System**

### **5.1 Certification of SME Consultants under the National Labor Competency Certification System**

#### **5.1.1 Organization of CONOCER**

The CONOCER is a public entity established as an extragovernmental organization of the Ministry of Public Education (SEP<sup>1</sup>) under the "General Rules and Criteria for Integration and Operation of Standardized System of Labor Competency and Labor Competency Certification System<sup>2</sup>" on the ground of Article 45 of the General Law of Education<sup>3</sup>.

The institutionalization of standardization and certification of labor competencies in Mexico began around 1993, which came to be in its full stage of development with the Technical Education and Training Modernization Project (PMETyC<sup>4</sup>) initiated in 1995 through the World Bank funding.

When the PMETyC was terminated, CONOCER activities were practically suspended due to financial difficulties.

The new CONOCER was reactivated under the Multiphase Skills-based Human Resource Development Program (PROFORHCOM<sup>5</sup>) initiating in 2006 with funds from Inter-American Development Bank.

#### **5.1.2 Framework of standardization and certification of labor competencies**

Figure 5-1 illustrates an overview of standardization and certification of labor competencies by the CONOCER.

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<sup>1</sup> Secretaría de Educación Pública

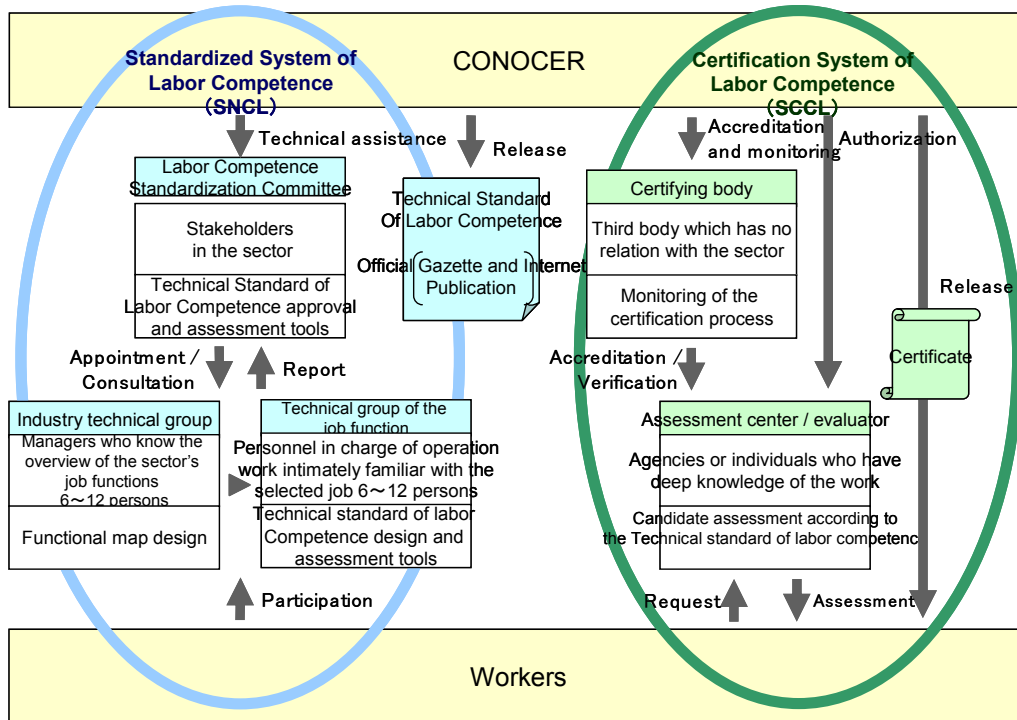
<sup>2</sup> *Reglas Generales y Criterios para la Integración y operación de los Sistemas Normalizado de Competencia Laboral y de Certificación de Competencia Laboral*

<sup>3</sup> *Lay General de Educación*

<sup>4</sup> *Proyecto para Modernización de la Educación Técnica y la Capacitación*

<sup>5</sup> *Programa Multifase de Formación de Recursos Humanos Basada en Competencias*

**Figure 5-1 Overview of the standardization and certification of labor competencies**



Source: Prepared by the Study Mission based on the "General Rules".

### 5.1.3 Structure of the Labor Competency Technical Standards (NTCL)

NTCL format is unified and consists of the general profile including the code, title, purpose, approval date, publication date, competency level, corresponding occupations in the National Occupational Catalog Information System and classification according to the North American Industry Classification System; the schematic diagram of the job function; and the specific standard of the labor competency.

The standard as a whole has a tree structure. The NTCL defines one or more units of labor competency involved in the given job function as well as 2 or more elements of labor competency contained in each unit, and lists 3 types of criteria for evaluation: performance, products and knowledge.

It is worth mentioning that NTCLs newly issued after 2006 under the new CONOCER are called "third generation" standards. The structure and application is different from that of those created in the past. The sections 5.2.2 and 5.2.3 describe the third generation standards.

#### 5.1.4 Current NTCLs related to the SME consultants

The Standardization Committee of the consulting sector has issued 11 NTCLs. Only 3 out of the 11 are actually used: General Consulting<sup>6</sup>, Consultative Sales<sup>7</sup> and Coordination of the Development Process of a Strategic Plan<sup>8</sup>. While SME Consulting<sup>9</sup> has been published and equipped with the accredited Certifying Organization and Evaluation Center, no cases of certification are registered yet.

Figure 5-2 illustrates an overview of the NTCL of SME Consulting. The competency level is 5.

The NTCL consists of the 2 mandatory units related to the starting and closing of the consulting services, and 5 optional units (to choose one) related to the practice of consulting services in each functional area of business administration. Obtaining 3 units in total, the candidate will be certified for SME Consulting. It is a figure of the SME consultant for a specialized area such as strategies, human resources, marketing or finance.

**Figure 5-2 Structure of the NTCL for SME Consulting**

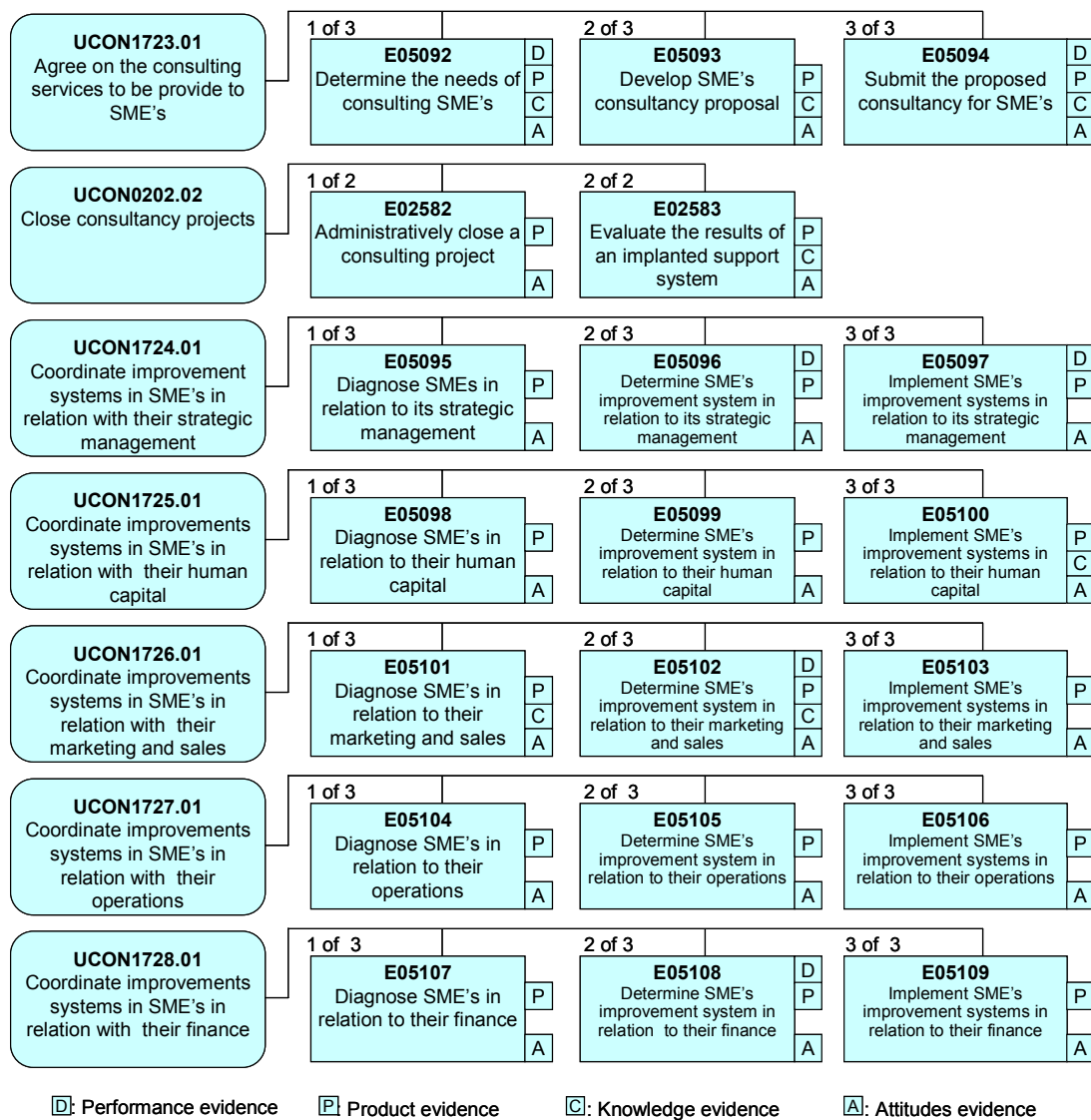
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<sup>6</sup> CCON0147.03 *Consultoría general*

<sup>7</sup> CCON0396.02 *Ventas consultivas*

<sup>8</sup> CCON0507.01 *Coodinación del proceso de elaboración de un Plan Estratégico*

<sup>9</sup> CCON0657.01 *Detección de áreas de oportunidad y mejoras de PyME*



Source: Prepared by the Study Mission based on NTCL data.

### 5.1.5 Characteristics of the NTCL for SME consulting

The NTCL SME Consulting is a standard to certify consultants who have reached a certain level of mastery while engaged in consulting work, but it is not a certification to verify the required knowledge for those who are just beginning to work as consultants.

The SME consultant system of Mexico may be suggested the need of training programs to help acquire professional experience. It is possible to acquire knowledge in a self-taught approach, but it

is not easy to accumulate work experience as a SME consultant through his own efforts. Currently consultants are left to seek employment at consulting organizations/firms and gain practical opportunities for himself, which can be a bottleneck to the attempt to boost to the number of SME consultants.

Only if a mechanism is established to provide broad opportunities to acquire professional experience to newcomers who may well become outstanding consultants, then the key element for the promotion of the labor competency certification will be achieved.

#### **5.1.6 Movement toward the systemic reform**

According to information at the end of August 2009, the revised General Rules will be published shortly in the Official Gazette and shall reform the system of standardization and certification of competencies.

Along with this, plans to reform the organizational system of CONOCER, names and related terms are also planned.

The content as described in 5.1 is based on official information from the end of August 2009.

## **Chapter 6 Establishment of a registration and training system for SME consultants**

### **6.1 The role of the SME consultants and their market**

The market for SME consulting, compared with that of consultants with expertise in other areas, is characterized by:

The promotion of SMEs, which constitute the basis of industry, has been and will be the inevitable challenge to the economic development of a nation and demand for consultants to offset the lack of administrative resources. However, one can say that latent demand is for the following reasons: 1) In some cases the SMEs themselves are not aware of the possibility or need for improvement. 2) Even if they are aware of the need for improvement in many cases they do not have the necessary funds to hire a consultant. 3) Even though it costs a lot of work, the benefits of the consultancy are not so easily in a short time. Therefore, the main market of SME consultants appears to be the projects of public support for SMEs, where the government explores the demand and covers part of the consultancy cost with public funds. It means that SME consultants play a role in the national promotion of SMEs.

Because the projects of public support are not necessarily attractive to consulting companies whose main clientele consists of large companies that have sufficient economic resources and the ability to cover the cost of SME consulting, demand of individual consultants is higher than that of consulting companies in the market for SME consulting.

From these two characteristics, we can explain the topic of this study, namely the need for a system for the registration and training of SME consultants established by the Ministry of Economy and the definition of the qualitative requirements of the SME consultants.

#### (1) Registration system of SME consultants

For the projects with public support that represent the main public market for SME consultants it is not appropriate to let the consultants only to the fate of market mechanisms. The government



which is responsible for the promotion of SMEs requires a system to review and record the capacity, experience and ability of SMEs consultants being hired at the expense of the public budget. The reliability of the system will explore a greater demand for companies to not only ensure an appropriate budget management but also the quality of consultants, and also involve the promotion of SMEs as one of the Nation's goal.

(2) Qualitative requirements of the SME consultants

Service SME consultants typically follow the process of diagnosing first, then establish the improvement plan and provide advice for improvement and then evaluate. Especially in the diagnosis of the company, first step of the process, it is not uncommon for the same entrepreneurs to find they do not have correctly identified which are the problems or what are the challenges being faced. It requires an extensive knowledge based and experience to cover all types of transactions related to the areas of management of a company, such as administration, strategies, markets, organization, human resources issues, staff development, financial control, production management, sales management, marketing, etc.

First of all, the SME consultants should be a generalist on the of SMEs fields of administration.

## **6.2 Consultant role for SMEs as a specialist in the management of SMEs and their required capabilities**

Two expected SME consultant functions are shown below as a specialist consultant in the management of SMEs:

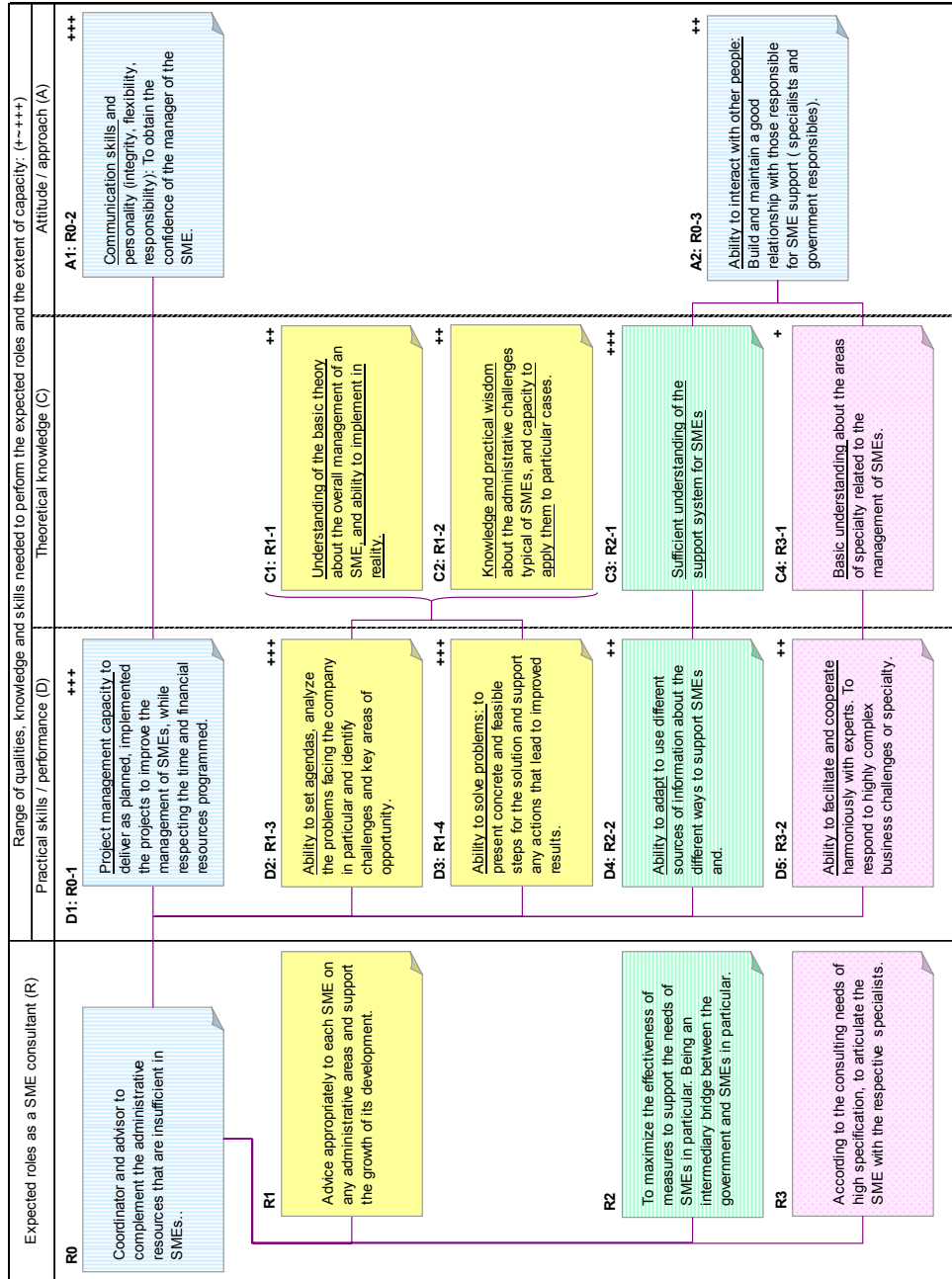
- (1) Advisor: To become the closest adviser to the entrepreneur of an SME and support the growth and development of the client company, providing diagnosis and advice from a professional point of view to take appropriate steps before the administrative tasks.
- (2) Coordinator: Has the objective to attend in general and continuous manner all the administrative tasks that the SMEs has, which in case of a complicated problem of high specialization, try to solve it together in a perfect collaboration with other appropriate specialists.

In Figure 6-1 shows the SME consultant's scope of work in a more concrete using the concept of amplitude and depth



Figure 6-2 shows a diagram that identifies the knowledge and skills required to perform these functions, on a map representing the correlation level of the hierarchy of job skills.

Figure 6-2 Map for occupational competence required for the SME consultant



Note: The keys to each of the elements are consecutive numbers for each of the classifications (R) role, (D) ability, (C) practice and (A) attitude. The number 0 indicates the level above the numbers from 1 onwards in the hierarchical structure. In addition, following ":", are shown in consecutive numbers the qualitative labor competencies needed to perform each of the roles of R0 to R3.

Source: Prepared by the Study Mission.

### **6.3 Supply and demand for consultants to SMEs in Mexico**

Around 2.9 million Microenterprises, Small and Medium business establishments represent the total potential market of SME consultants.

Table 6-2 shows based on data in Chapter 1.

Based on the number of business establishments in Mexico by sector and size, the estimated demand at the national level appears to be 670 thousand business establishments in all. That means that if the goal is to cover all the demand in 5 years, it will be required to attend 134 thousand business establishments a year.

has been established as indicated in Table 6-4.

If it is assumed that the time to invest in diagnosing and advising companies for tracking and improving the diagnosis for all business establishments based on 70 hours (4 months), then it needs to be about 6 thousand registered consultants working full time.

On the other hand, as far as the actual supply of SME consultants in Mexico, Chapters 3 and 4 describe the results of the visit and study to the key government or private agencies.

We could say that only the Ministry of Economy, the Ministry of Tourism and CANACINTRA are registering the generalist SME consultants with the knowledge and experience in all areas, as the Study Mission's proposed. Also, the Corporate Service Center Mexico Emprende, a national program of the Ministry of Economy has just started, which aims at a unified front desk for support to SMEs which also contains the consultancy service.

Absolutely it is more than clear that Mexico requires consultants to the SMEs for the huge potential and not estimated demand.

## **6.4 Proposal for the registration system and training of consultants to the SMEs of the Ministry of Economy**

### **6.4.1 Considerations for structuring the system of registration and training of consultants to the SMEs of the Ministry of Economy**

#### (1) Profiles and shared databases of SME consultants

It is necessary that the Ministry of Economy structures a multidisciplinary system integrating all the projects in order to assess the qualitative requirements that serve as the basis for the consultants to the SMEs, as well as a database for the registration of persons approved as “SME consultants of the Ministry of Economy”.

To share the database among the various projects supported by the Ministry of Economy will help the optimization of the overall budgetary allocation; instead of designing and implementing consultant training programs for each project as is currently being done.

#### (2) Training on the specific methodologies in accordance with the objective of the project

It should be required to register in this database to participate in training courses on specific methodologies required to support each project. The training is taught to people registered on the database instead of making calls for external participants.

#### (3) Database operation

The database will serve as a common tool for the Undersecretary for Small and Medium Enterprises who is in charge of promoting SMEs in the country. Unlike the individual projects which are developed under the FONDO PYME’s annual budget, the structuring of the database, assessment for registration, as well as maintaining the database should be managed according to long term policy previously established, and with the budget and the own staff of the Ministry of Economy.

#### (4) Evaluation of applicants for registration in the database

The evaluation assesses the implementation capacity as a consultant, knowledge and skills of applicants. Those who have attained a certain level of skill in each of these 3 points will be recorded.

(5) Knowledge acquisition

Knowledge can be acquired by self learning.

A consultant as generalist for SMEs is a new concept in Mexico. In Mexico, books by specialty area are easily obtained; however it is rare to find textbooks that are comprehensive and standardized. If the Ministry of Economy prepares and publishes this book it will serve as an effective guide for self-learning of the applicants.

(6) Ensuring incentives for registered consultants registered in the database

By providing job opportunities to registered people, the number of applicants for the registration will grow and the system will develop. The entry in the database is a requirement for hiring consultants for support projects of the Ministry of Economy.

(7) System renewal of registration

They must establish a system of renewal of the registration in the database which will consider, as a condition, the results of the work during the corresponding period. With the renewal system, we can assure the accumulation of experiences and improve the quality of the registered consultants.

(8) Two cases of training consultants

The training is supposed to focus on the following two groups.

a) Consultants specializing in specific fields

Those who are already working as consultants with expertise in specific areas, but they lack of required comprehensive knowledge for other areas as *generalists*, and therefore not eligible for registration in the database.

b) People without experience as consultants

They are young graduates who want to be consultants taking advantage of the knowledge gained in universities, as well as those willing to work as consultants making good use of his experience in business, however, have no work experience as consultants, which do not qualify for registration in the database.

The issue of consultant training, is usually focused on group b), however attention is also required for the formation and registration of the group a) as generalists, because it is a group with immediate performance and high demand.

We need applicants with enthusiasm and skills that wish to be registered with the Ministry of Economy, and those who have been failed by lack of experience, are in the development stage for technical practices (implementation capacity and experience) by providing opportunities to gain experience.

The Ministry of Economy accepts these candidates to be junior SME consultants after applying certain evaluations, and logs in a comparative manner with senior consultants who have sufficient experience, and:

- 1) Allow the participation of junior consultants in the programs to support SMEs in the different departments of the Ministry, under the supervision of senior consultants.
- 2) Encourage that the private consulting firms hire junior consultants through the financial support offered by the Ministry of Economy.

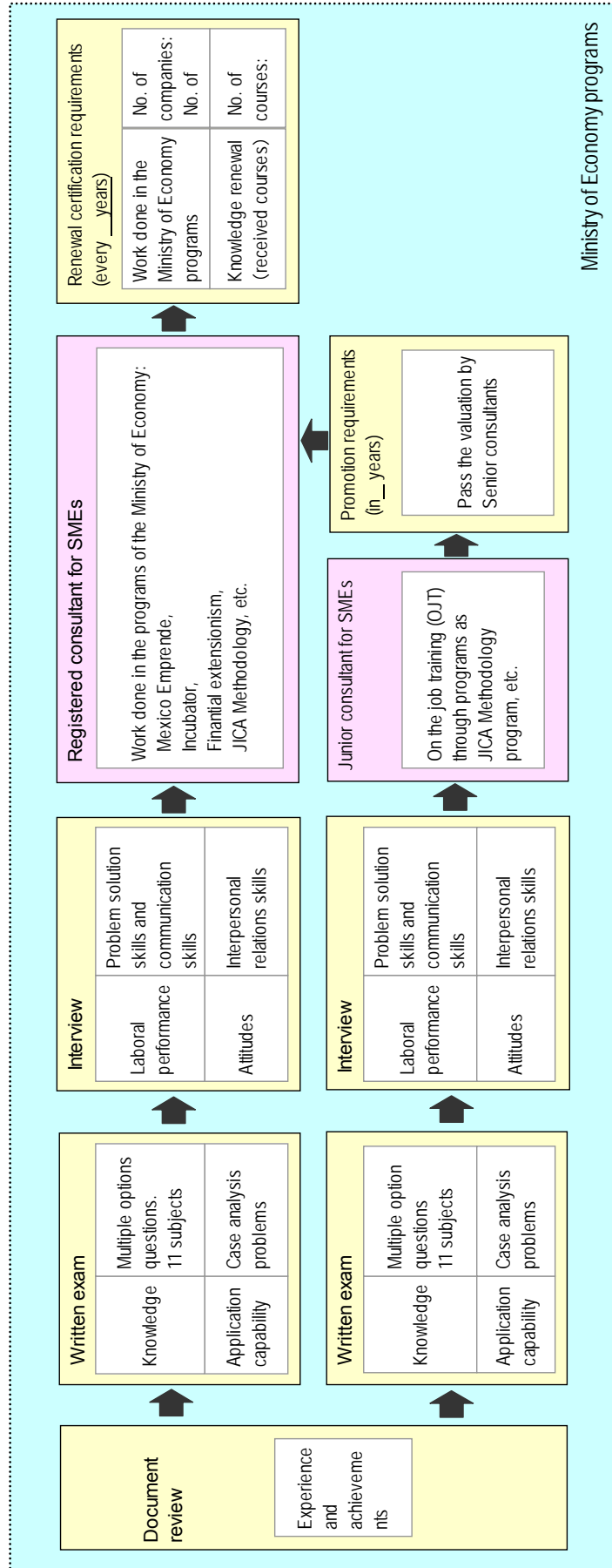
#### **6.4.2 Overview of the proposal on the registration system and training of consultants to the SMEs of the Ministry of Economy**

Figure 6-3 is an overview of the proposal on the registration and training of SME consultants of the Ministry of Economy, based on the considerations above.

A series of activities of the registration and training of consultants to the SMEs of the Ministry of Economy are carried out with the budget and staff of the Ministry of Economy, regardless of individual projects that are developed with the annual budget.



**Figure 6-3 Overview of the proposal on the registration system and training of consultants to the SMEs of the Ministry of Economy**



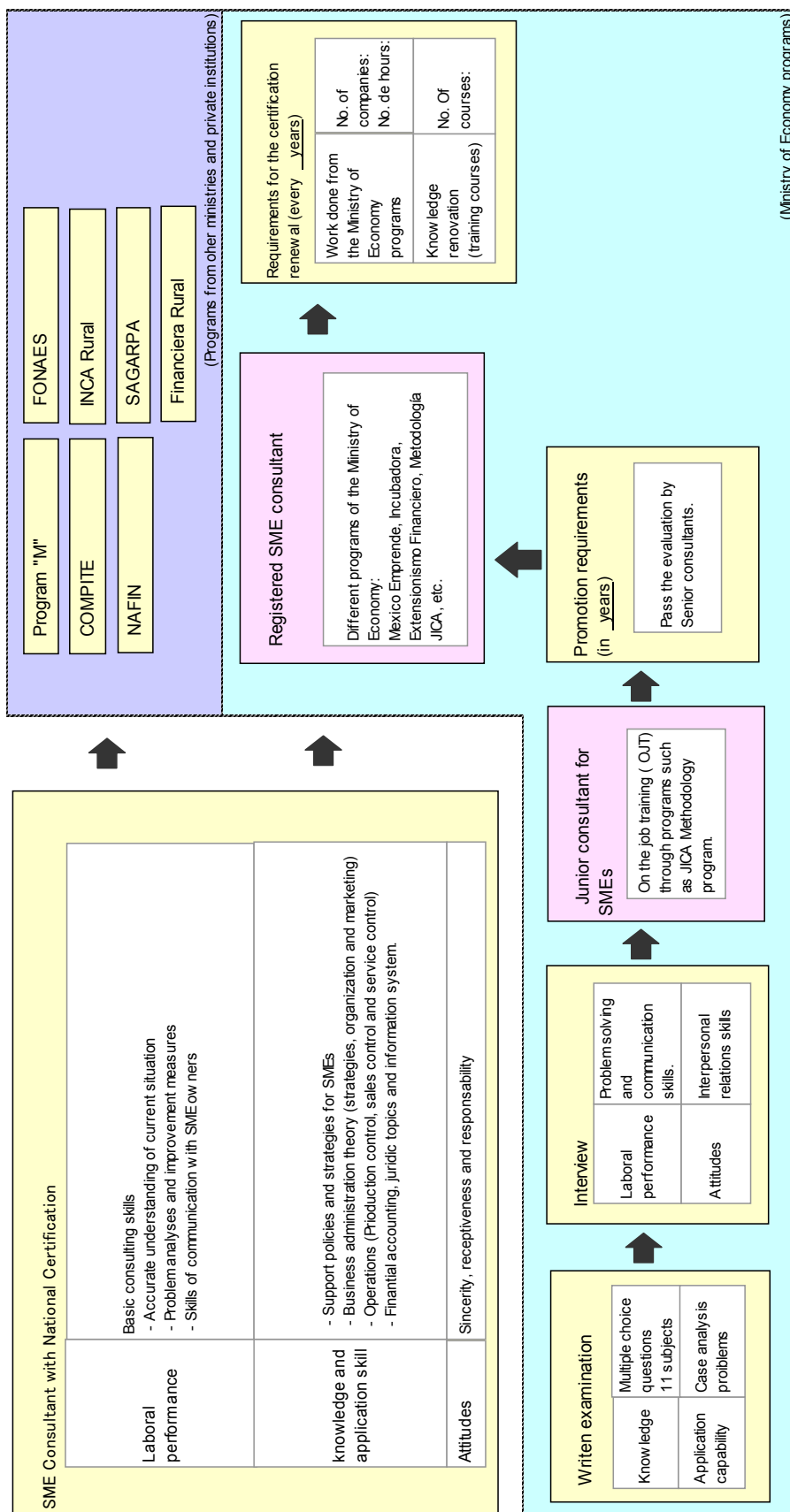
Source: Prepared by the Study Mission

## **6.5 Future prospect of evolving the SME Consultant Registration and Training System of the Ministry of Economy to the national certification system**

The transfer is to promote: fairness and transparency with a recruiting system based on the evaluation by a third party, neither the Ministry of Economy as employer or a consultant as employee; and efficiency of SME consultant trainings which now involve much redundancy, through establishing a certification which is not merely a requisites to work in SME support programs/projects of the Ministry of Economy but an endorsement to the public of the fundamental ability as SME consultant.

Figure 6-4 is the future prospect of substituting the national certification system for an especially versatile part in the SME Consultant Registration and Training System of the Ministry of Economy proposed in Section 6.4., and connecting the two systems without overlaps.

**Figure 6-4 Future prospect of the national certification system and the Ministry of Economy's registration and training system for SME consultant**



Source: Prepared by the Study Mission

## Chapter 7 Pilot project

The Study Mission developed the pilot project in the fifth study visit in the form of support to the Ministry of Economy.

### 7.1 Generalities of the Pilot Project development

The Table 7-1 shows the order of the pilot project scheme.

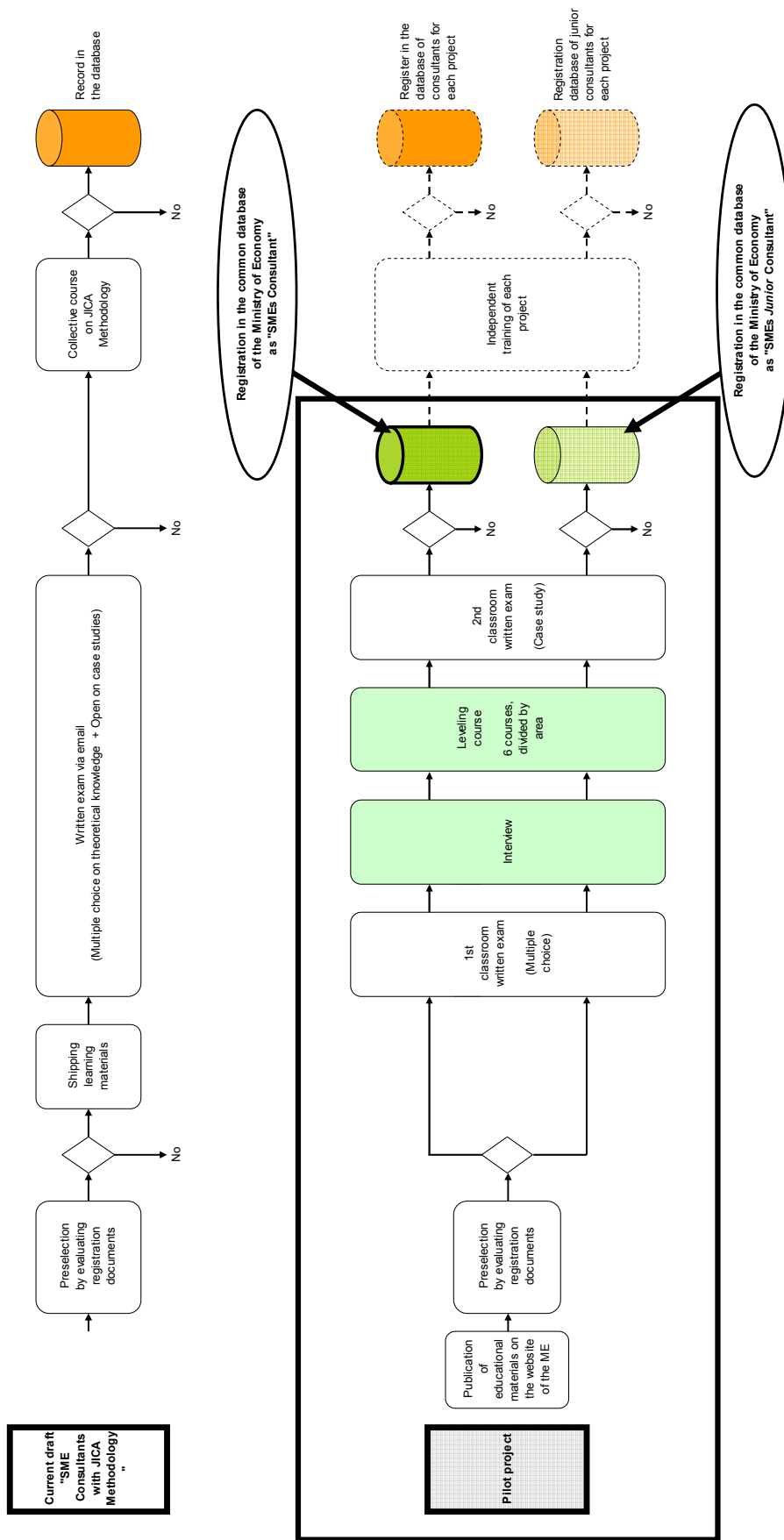
**Table 7-1 General summary of the pilot project**

| General summary of the pilot project |   |
|--------------------------------------|---|
| Main objective                       | Establishment of the "system of registration and training of SME consultants of the Ministry of Economy".   |
| Project objective                    | The process of implementing the "system for registering and training consultants to the SMEs of the Ministry of Economy" is defined, and is recognized as a cross system within the Secretariat for Small and Medium Enterprises of the Ministry of Economy.  |
| Project expected results             | <ol style="list-style-type: none"> <li>1. The selection of consultants SMEs are conducted in an impartial manner, and areas for improvement are identified.</li> <li>2. It is structured a database of SME consultants of the Ministry of Economy.</li> <li>3. The register starts in the database of SMEs junior consultants, whose objective is the training of consultants.</li> <li>4. The project and the "system of registration and training of SME consultants of the Ministry of Economy" become well known to the Directorates and / or departments and programs within the Under secretariat for Small and Medium Enterprises of the Ministry Economy.</li> </ol>  |
| Scope                                | It covers the selection process for registration in the database of SME consultants of the Ministry of Economy, which does not include training in specific methodologies to support SMEs as the JICA Methodology.  |
| List of activities                   | <ol style="list-style-type: none"> <li>1-1 Call to the participants consultants</li> <li>1-2 Documents review</li> <li>1-3 First written exam (multiple choice questions)</li> <li>1-4 Interview</li> <li>1-5 Theoretical training courses</li> <li>1-6 Second written exam (questions from cases studies)</li> <li>1-7 Decision on approval</li> <li>2-1 Registration on the database of SMEs junior consultants of the Ministry of Economy</li> <li>3-1 Analysis and definition of criteria for assessing SME junior consultants of the Ministry of Economy</li> <li>3-2 Selection and registration of SMEs junior consultants of the Ministry of Economy</li> <li>4-1 Presentation of the project and the system to the directions and programs of the Under secretariat for Small and Medium Enterprises</li> </ol> |
| Implementation system                | The Ministry of Economy (Directorate of Training and Consulting, Under secretariat for SMEs) implements the project. The Study Mission is working with the Ministry of Economy.   |

|                      |   |
|----------------------|---|
|                      | Will take advantage of private consultants, following the system of implementation of the project "SMEs Consultants with JICA Methodology". One of the consulting firms serves as a training and evaluation agency. |
| Date of development. | Beginning of work in preparation: February 2009<br>Implementation: August to September 2009   |

Source: Prepared by the Study Mission.

Figure 7-1 Scope of the pilot project and flow of development



Source: Prepared by the Study Mission.

For the system of registration and training of SME consultants of the Ministry of Economy, it is also expected that in future adopt a third party assessment scheme. For these reasons, the development of the pilot project will also test a system corresponding to the third party assessment scheme. Through private consultants instructing the qualification of the documentary assessment, written examination and interview as well as teaching the theoretical course instead of the Ministry of Economy, it will increase the transparency of the evaluation.

The evaluation to the participating consultants to determine whether can be registered or not in the Ministry of Economy, is conducted by following the four stages that consist of documentary assessment, the first written test, interview and the second written test. Table 7-2 shows the assessment tools used in each stage of evaluation

**Table 7-2 Objective and overview of assessment tools**

|                        | Objectives  | Generalities   |
|------------------------|---|--|
| Documentary assessment | Assess the consultant's curriculum information and rank applicants in senior and junior consultant candidates, according to his experience in consulting. | Rate according to predetermined criteria, work experience and education that the applicant stated in the assigned format.  |
| First written exam     | To assess the learning level of theoretical knowledge that must have a SMEs consultant.   | Presents ten test questions for each one of the 11 modules of the knowledge teaching material (110 total questions), and make the assessment based on the percentage of correct answers.     |
| Interview              | To assess the ability with the approach to attitude and approach, interpersonal and communication ability.  | Several interviewers carry out oral examination of approximately 20 minutes per candidate, and make the assessment according to the concepts and evaluation criteria previously established. |
| Second written exam    | Assess implementation capacity required to perform the consultancy in SMEs.   | Present open-ended questions, which makes them simulate a diagnosis and advice in cases of SMEs, and qualify under the percentage of correct answers.  |

Source: Prepared by the Study Mission.

Once you complete all the processes, it is determined if they are accepted or not according to the integral score, which has the established weighting applied to each step of evaluation. Table 7-3, shows the weight of assessment tools.

**Table 7-3 Weighting of assessment tools**

| Documentary assessment | First written exam | Interview | Second written exam | Total |
|------------------------|--------------------|-----------|---------------------|-------|
| 20%                    | 30%                | 20%       | 30%                 | 100%  |

Source: Prepared by the Study Mission.

The Table 7-4 shows the relationship of concepts to evaluate in the pilot project with the requirements for labor competencies for SMEs consultants presented in Figure 6-2 in Chapter 6. Attention was given to combine the 18 items in total, to allow the full assessment of labor competencies requirements.



**Table 7-4 Relation of aspects to evaluate in the pilot project with the requirements for labor competencies of SMEs consultants**

▼ Requirements proposed by the Study Mission on the labor competencies of SMEs consultant (Chapter 6 Figure 6-2)

|  | Practical skills |     |     |    |    | Theoretical knowledge |    |     |    | Attitude and posture |    |
|--|------------------|-----|-----|----|----|-----------------------|----|-----|----|----------------------|----|
|  | D1               | D2  | D3  | D4 | D5 | C1                    | C2 | C3  | C4 | A1                   | A2 |
| Ability to manage projects, whereby generate results in a planned way, with limited resources and time. In projects to improve management of SMEs. | +++              | +++ | +++ | ++ | ++ | ++                    | ++ | +++ | +  | +++                  | ++ |
| 1 Consulting experience  | X                | X   | X   |    |    |                       |    |     |    |                      |    |
| 2 Experience working in a company.   | X                | X   | X   |    |    |                       |    |     |    |                      |    |
| 3 Experience as a training instructor  | X                |     |     |    |    |                       |    |     |    |                      |    |
| 4 Successful experience in consulting to SMEs  | X                | X   | X   |    |    |                       |    |     |    |                      |    |
| 5 Bachelor's degree (Note) Not to question the discipline  |                  |     |     |    |    |                       |    |     |    | X                    |    |
| 6 Master's degree (Note) Not to question the discipline  |                  |     |     |    |    |                       |    |     |    | X                    |    |
| 7 PhD (Note) Not to question the discipline  |                  |     |     |    |    |                       |    |     |    | X                    |    |
| 8 Attended postgraduate  |                  |     |     |    |    | X                     |    |     |    |                      |    |
| 9 Participation in training courses in related areas   |                  |     |     |    |    | X                     |    |     |    |                      |    |
| 10 Languages   |                  |     |     |    |    |                       |    |     |    | X                    |    |
| 11 License and certification   |                  | X   | X   |    |    |                       |    |     |    |                      | X  |
| 12 Knowledge (multiple choice)   |                  | X   | X   |    |    | XX                    |    |     | XX |                      |    |
| 13 Case studies (Description)  |                  |     |     |    |    |                       | XX |     |    |                      |    |
| 14 Updating and personal development   |                  |     |     | X  |    |                       |    |     |    |                      |    |
| 15 Knowledge of reality, challenges and alternatives of SMEs   |                  |     |     |    |    |                       | X  |     |    |                      |    |
| 16 Context and system approach   | X                |     |     |    |    |                       | X  |     |    |                      |    |
| 17 Corporate culture and attitude towards entrepreneurs and entrepreneurial  |                  |     |     |    |    |                       |    |     |    | X                    |    |
| 18 Implementation capacity, articulation and transference  |                  |     |     | X  |    |                       |    |     |    |                      | X  |

▼ Concepts for the pilot project evaluation

+++ Required learning level 3 (high)  
 ++ Required learning level 2 (medium)  
 + Required learning level 1 (low)  
 XX Can be assessed directly.  
 X Can be assessed indirectly.

Experience

Schooling

Written

Interview

Documentary assessment

Exam

Source: Prepared by the Study Mission.

The criteria for approval is mentioned below.

- People who have obtained 60 points or more as the total score are approved.
- Those who obtained greater than or equal to 36 points out of 58 by adding the score of the concepts "consulting experience" and "achievements" are classified as senior consultants, and those with score less than 36, as a junior consultant. (With regards to applicants registered as junior consultants, in order to avoid possible disadvantages in the final decision of approval, all are given 35 points as the sum of "consulting experience" and "achievements" to be taken into account as qualifying documentary assessment.)
- Regardless of the total score, the following will be disqualified:
  - Those who had 0 points in one or more modules in the first written exam.
  - Those who had 0 points in one or more fields of the 5 administrative functions (business administration, human resource management, operations, finance and accounting and marketing) in the second written exam.
  - Those who missed one or more modules of classroom training course.

## 7.2 Results of the pilot Project development

Applications were confirmed for 91 people from programs/projects of the Ministry of Economy and abroad. Of these, 65 participated in the selection process. However, 53 took the examination of all assessment tools, so the final approval decision focused solely on them.

Table 7-5 shows the statistics of the grade for each assessment tool

**Table 7-5 Rating according to each assessment tool**

|                        | Number of examinees | Minimum score | Maximum score | Average |
|------------------------|---------------------|---------------|---------------|---------|
| Documentary assessment | 79                  | 50            | 86            | 69.27   |
| First written exam     | 65                  | 35            | 85            | 58.20   |
| Interview              | 65                  | 32            | 100           | 67.62   |
| Second written exam    | 59                  | 17            | 97            | 49.20   |
| Total score            | 53                  | 42.92         | 79.36         | 59.82   |

Source: Prepared by the Study Mission.

Table 7-6 is a statistic of the outcome in the decision on approval.

**Table 7-6 Results on the approval**

|   |                   | Number of people | %     | Number of people | %      |
|---|-------------------|------------------|-------|------------------|--------|
| Approved  | Senior consultant | 17               | 32.1% | 20               | 37.7%  |
|   | Junior consultant | 3                | 5.7%  |                  |        |
| Fail  | Senior consultant | 6                | 11.3% | 15               | 28.3%  |
|   | Junior consultant | 9                | 17.0% |                  |        |
| Disqualified                                    |                   |                  |       | 18               | 34.0%  |
| Subtotal  |                   |                  |       | 53               | 100.0% |
| Those who did not take all the assessment tools |                   |                  |       | 38               | —      |
| Total   |                   |                  |       | 91               | —      |

Note: Are approve people who obtained 60 points or more on their total qualification.

Source: Prepared by the Study Mission.

Despite improvement opportunities in terms of time allocation as well as teaching materials were observed, in general the classroom training course was evaluated as something useful to meet the expectations of participants. Since the training was structured to mainly have case analysis through workshops, those with greater ease in their respective fields shared their knowledge in a natural way, showing that the course was effective as a method to standardize knowledge from all fields to form "*generalists*" in a short period.

The following two points of evaluation must be reflected in the establishment of the "system of registration and training of SME consultants of the Ministry of Economy" and its full implementation, and the final study proposal:

- (1) Effectiveness, impartiality and points of improvement for the selection method of consultants.

In the selection of SME consultants as "*generalists*", what is important are the written tests that are divided into two stages. We note that some participants show large imbalances between their strengths and weaknesses, so it is meaningful to impose a minimum level that is required to comply for every module and area. However, it is also true that in the pilot project there was a difference between the averages in each module and area, so the future task is to equalize the level of difficulty of the questions between modules. Also in the second written test, sometimes they seemed to confuse the meaning of the questions, so what is needed is to refine the techniques in developing the questions.

(2) Recognition and acceptance of the system by other directorates of the Ministry of Economy.

The pilot project included the participation of such as the National System for Business Incubation, COMPITE and the National Financial Extensionism Program. It is necessary to exchange views in a concrete manner about these programs / projects and the performance of the consultants sent to the pilot project, in order to gradually make realistic adjustments for establishing the system of registration and training of SME consultants of the Ministry of Economy.

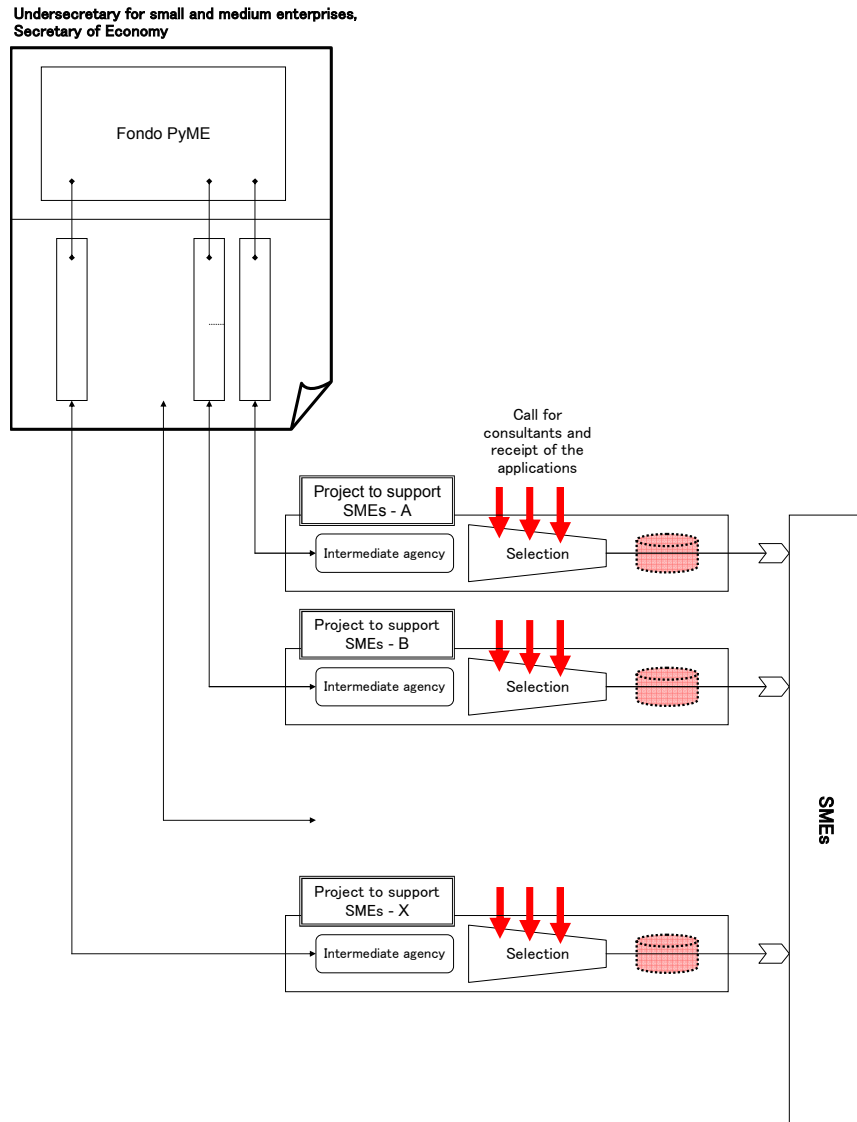
## **Chapter 8 Proposed Action Plans to build the system of registration and training of SME consultants of the Ministry of Economy**

In Chapter 8, facing the current state of the selection of consultants engaged in projects to support SMEs in the Ministry of Economy, first we will order the reasons for proposing the construction of a new registration system of SME consultants, and then based on the future image presented in Chapter 6 and reflecting the lessons learned in the pilot project mentioned in Chapter 7, we will present a concrete way of how the system should be performed. We then propose some action plans for its construction.

### **8.1 Current status of registration of SME consultants of the Ministry of Economy**

Figure 8-1 shows the current image based on the results of the current situation regarding the recruitment of consultants engaged in various projects to support SMEs which involve different directions of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy.

**Figure 8-1 Current status of the recruitment of consultants in the Undersecretary for Small and Medium Enterprises of the Ministry of Economy**



Source: Prepared by the Study Mission

Under this situation, we confirmed the following problems from the viewpoint of each of the parties involved in SME consulting during the interviews we conducted during the current study:

- a. From the point of view of enterprises and private sectors that are supported:

- The consultant selection process is limited to the training of knowledge and skills required for specific purposes, so no one can say that quality (ability and experience) and basic skills as a consultant to SMEs are guaranteed.
  - There are specialized consultants in each area to meet the project with specific purposes, however, there is neither a scheme to detect the problems of the company, identify the tasks to be addressed and channeled to appropriate support project, nor there are consultants who can attend you.
  - There is a lack of consultants to the existing demand.
- b. From the standpoint of the Ministry of Economy that employs consultants with their own budget:
- Although each project has different goals, the corresponding part of the capability assessment of the consultants to be done before the training of specific techniques that are required for the projects, is the same for everyone. This part is evaluated individually for each project and is a waste of time and cost.
  - The projects are managed with the budget of a single fiscal year, so it is a waste to repeat the assessment on a yearly basis.
- c. From the point of view of the consultants:
- They present their applications to various projects and it is necessary to repeat similar assessments.
  - In order to be registered in the projects managed with the budget of a single fiscal year, it is necessary to repeat the assessment every year.
  - The selection process of consultants for the support projects are left to the intermediary organizations, so it does not have the transparency in its procedures and criteria.
  - From the standpoint of people who aspire to be consultants in the future, 1) can not set their goal because there are no rules about consulting capability to the SMEs and it is unclear about the level of knowledge and experience necessary to be registered as a consultant, and 2) have no job opportunities in order to gain experience.

The current status of the SME consultants differs depending on the projects and to solve these problems, the need to build a unified system for the registration and training of consultants the Ministry of Economy is obvious.

## **8.2 Proposal to construct the system for the registration and training of SME consultants of the Ministry of Economy**

### **8.2.1 Essence of the proposed system**

In the system that we propose the selection and registration of consultants will be made in the following 2 steps. It is considered that this in itself will prevent the unnecessary part generated by repetitive procedures and also ensure selection according to different requirements based on the demands of each project.

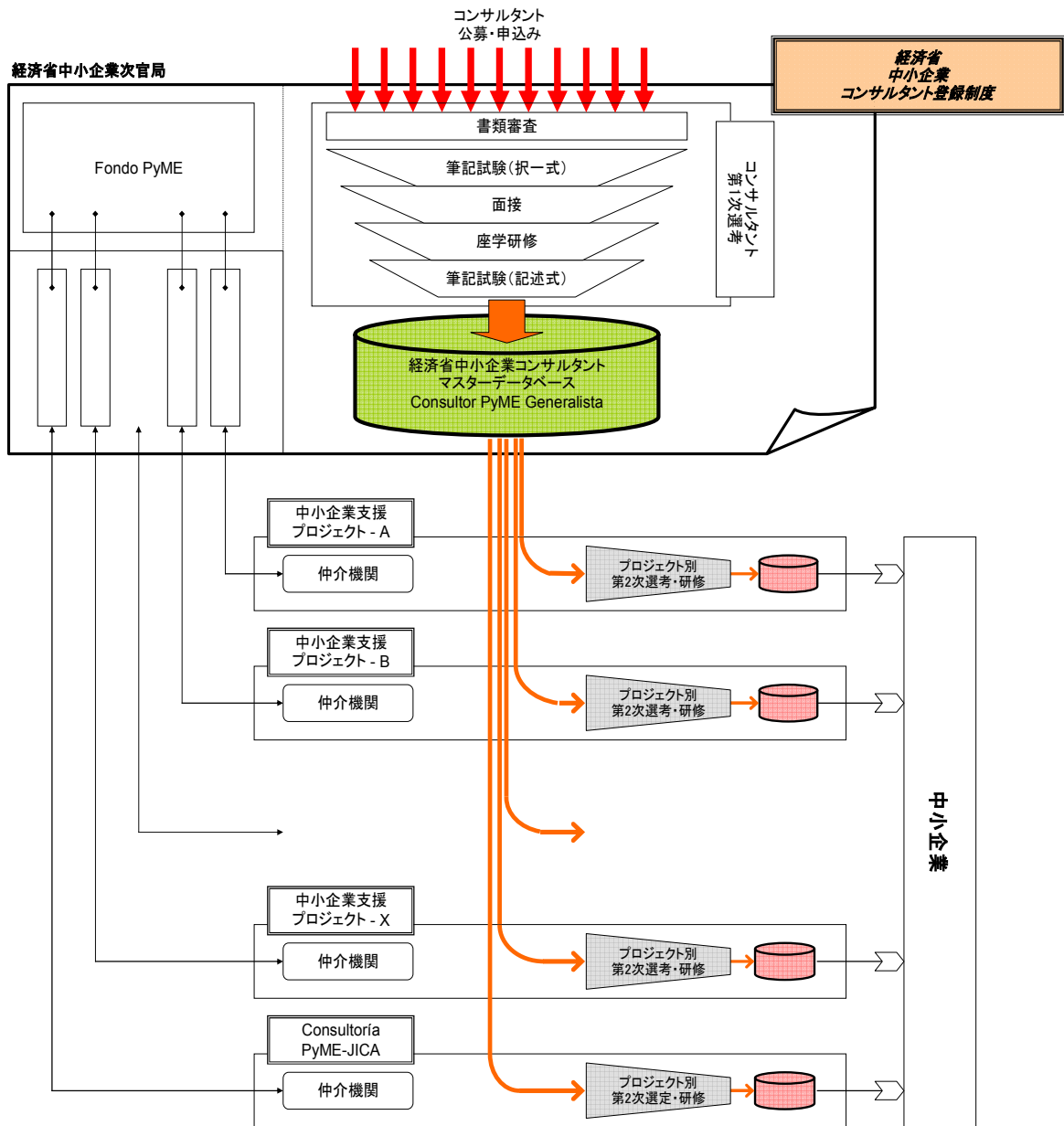
Selection of the first stage: the selection and registration of consultants is carried out based on the knowledge, experience and minimum skills necessary to be a SME consultant.

Selection of the second stage: To register in the second stage, those consultants registered in the first stage will be assessed or trained on the specialty needed to support individual projects.

The figure 8-2 represents an image of the scheme of the proposed system, developed with the purpose of comparing it with the current situation shown in Figure 8-1. In this system, the selection of the first stage mentioned above, will be undertaken by the Ministry of Economy with its own budget and staff to build and manage a common database within the Ministry. The consultants of any support project of the Ministry of Economy should be registered in this master database of consultants of the Ministry, and in the second stage the registered consultants in the master database will receive trainings in technique and/or knowledge as a requirement for selection in each of the support projects. As of present state, the method of selection of the second stage will be left to the intermediary organizations of the concerned projects.



Figure 8-2 Image of the proposed system of registration and training of consultants from the Ministry of Economy



Source: Prepared by the Study Mission.

The essence of the proposed system is the following 4 points.

(1) Quality assurance of the consultants

Regardless of which project to support SMEs they are engaged in, the obligation to get approved in the selection process based on the minimum requirements to be a SME consultant ensures the quality of the consultants. This will also serve to cultivate the confidence in the support projects of the Ministry of Economy and further stimulate the demand for consultants.

(2) Ensuring transparency and simplifying the process for selecting consultants

The requirements and selection process to be registered in the master database of SME consultants of the Ministry of Economy are established and also published to the outside. If set to intersectoral projects, it ensures the transparency of the selection process of consultants, and also by sharing the system among all projects it will greatly simplify the current status of the selection of consultants.

(3) Operation and administration by the Ministry of Economy

The selection of the first stage and the operation and administration of the master database of SME consultants are made independent from the support projects and should be established as a program of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy, ensuring the budget provision for medium and long term. With continuous operation and the accumulation of data, the system will be widely known and used gradually.

(4) Mechanism for training consultants

The Ministry of Economy is not an institution for training and education, and direct execution of training programs for consultants is outside its jurisdiction, however the training of SME consultants is also one of the remaining tasks for the Ministry of Economy which controls the development of SMEs. Tying the registration in the database and employment opportunities in projects, it provides an incentive to aspiring consultants. Furthermore, the selection process for registration will integrate a mechanism for training consultants.

## 8.2.2 Objectives of the system construction

At national level, the preferential goal in building the proposed system for registration and training of consultants for the SMEs by initiative of the Ministry of Economy is to achieve the next positive cycle:

“With the strengthening of both the quality and quantity of SME consultants, SMEs will be revitalized and the demand for SMEs consultants will increase. It will stimulate the motivation for the profession as a SME consultant while incentives for training consultants programs will increase and strengthen education and training. As a result, this will further strengthen the quality and quantity of SME consultants”.

## 8.3 System for registration and training of SME consultants of the Ministry of Economy

### 8.3.1 Selection process

The selection process of consultants who register consists of 4 stages, starting with the documentary assessment to the second written test (descriptive). To determine whether the applicant passed or not, they take the qualifications of each stage and multiplied by the weighting shown in Table 8-1 to finally calculate the total points of each candidate. This method was experimented in the pilot project.

The line to determine if the applicant is approved or not will be defined at a level between 60 and 70 total points, based on the experience gained in the pilot project.

**Table 8-1 Weighting at each stage of the selection**

| Documentary assessment | 1st written exam | Interview exam | 2nd written exam | Total |
|------------------------|------------------|----------------|------------------|-------|
| 20%                    | 30%              | 20%            | 30%              | 100%  |

Source: Prepared by the Study Mission

In order to reduce the budget for its implementation, we propose the following method for the full-scale implementation.

"Instead of accepting all applicants to the last stage which is the second written exam, once the documentary assessment and the first written exam are completed, those applicants who do not reach the level of approval on total points even if they obtained the maximum score in the next review of the interview and the second written exam will be extracted and failed."

(1) Documentary assessment

Applicants are required to deliver certain documents by email. Their evaluation will be graded based on criteria (Table 8-2) used in the pilot project. The final grade for the documentary assessment is determined by the sum of points obtained in each of the concepts and concepts are not mandatory.

**Table 8-2 Qualification criteria in documentary assessment**

| Qualifying definition   |   | Qualifying criteria                            |           | Assigned points  |
|-------------------------|---|--|-----------|------------------|
| <b>Experience</b>       |   |  |           | <b>68 points</b> |
| 1                       | Experience as consultant  | Up to 5 years                                  | 25 points | 40 points        |
|                         |   | Between 6 and 10 years                         | 30 points |                  |
|                         |   | Over 11 years                                  | 40 points |                  |
| 2                       | Successful results (Declare some referral contacts with companies where he obtained certain results.) | One case                                       | 6 points  |                  |
|                         |   | Two cases                                      | 12 points |                  |
|                         |   | Three cases                                    | 18 points |                  |
| 3                       | Work experience in a company  | No matter the age if you have some experience. |           | 5 points         |
| 4                       | Experience as a training instructor   | No matter the age if you have some experience. |           | 5 points         |
| <b>Academic history</b> |   |  |           | <b>32 points</b> |
| 5                       | Bachelor's degree   | If you have obtained the title. (Must show)    |           | 15 points        |
| 6                       | Master's degree   | If you have obtained the title. (Must show)    |           | 2 points         |
| 7                       | Doctoral's Degree   | If you have obtained the title. (Must show)    |           | 2 points         |
| 8                       | Background to attend a diploma course   | Never mind the hours if completed a course.    |           | 3 points         |

<sup>1</sup> *Diplomado*

| Qualifying definition |  | Qualifying criteria                         | Assigned points |
|-----------------------|--|---|-----------------|
| 9                     | Training courses taken in related areas. | Never mind the hours if completed a course. | 3 points        |
| 10                    | Language                                 | If you have a mastery of 50%                | 2 points        |
| 11                    | Title and / or certification             | Should have gotten something in Consulting. | 5 points        |

Source: Prepared by the Study Mission

### (2) First written exam (multiple choice)

It is a collective (group) examination performed in a classroom, with the objective of assessing the level of mastery on fundamental knowledge which is a must have as a SMEs consultant.

The subjects and the content and level of questions will be subject to publicly available materials as mentioned below. As it was done in the pilot project, the exam consists of 11 subjects with 10 questions each, that is, a total of 110 questions and the length of the test shall be 150 minutes.

The multiple-choice written examination is set as a requirement to obtain at least a certain number of points in all subjects.

In the pilot project, the obtained percentage of correct answers for each question will be an indicator of the level of difficulty of the respective questions. Based on this indicator, full-scale implementation will require the selection depending on the degree of difficulty of the questions in each subject by choosing 10 questions that consist of 3 difficult questions, 4 normal and 3 easy ones. Once the level of difficulty is balanced, the line of approval for each subject will be established, for example, 40% or more in a unified manner.

### (3) The interview examination

It is aimed at assessing the skills of the consultant, focusing primarily on their communication skills and self-expression that are required for a consultant,

The Table 8-3 shows the interview guide based on experience gained in the pilot project where it was first implemented.

**Table 8-3 Interview guide**

|                              |   |
|------------------------------|---|
| 1. Pre-interview preparation | Based on the documents submitted, the profile of each candidate will be distributed beforehand to the interviewers  |
| 2. Interviewers              | The interview will be conducted by a group of 3 or more interviewers. The interview panel is formed by combining people who have experience as consultants, others who have knowledge of SMEs, and in addition to experts on interviews rating. From the standpoint of third-party certification, it does not include the staff of the Ministry of Economy.   |
| 3. Duration of interview     | Be approximately 15 to 20 minutes per candidate.  |
| 4. Grading Concepts          | <ul style="list-style-type: none"> <li>a. Updating and personal development of the candidate</li> <li>b. Knowledge of real situation, challenges and alternatives of SMEs</li> <li>c. Contextualization and systems approach</li> <li>d. Awareness towards business management and attitude towards managers and entrepreneurs</li> <li>e. Ability of implementation, articulation and transformation.</li> </ul> |
| 5. Questions                 | Agree in advance on standard questions for each of the concepts to qualify.   |
| 6. Grading method            | The 5-point rating scale provided by each of the interviewers will be added in the respective concepts and calculate average grade.   |

(4) Descriptive written examination

Focusing on a specific SME case study, the candidates shall answer on paper from the diagnosis to the definition of the tasks. In this way the breadth and depth of knowledge and its applicability to real cases can be qualified. In order to evaluate in an impartial way, it is necessary to establish the qualification criteria as detailed as possible. The time limit for answering the questions will be 2 to 3 hours.

### **8.3.2 Public relations and annual implementation plan for the selection**

#### (1) Public relations activities

The system will be advertised continuously through the website of the Ministry of Economy and its regional branches. In addition, the websites and newsletters of associations related to consulting firms, manufacturing, trade and services will be used for advertising the system.

#### (2) Annual plan for the selection implementation

We recommend the definition of an annual plan, indicating the date and place of execution of the selection process and the publication along with the advertising of the system. According to the annual implementation plan, the Ministry of Economy coordinates all the requests and applications.

### **8.3.3 Master database of consultants to the SMEs of the Ministry of Economy and registration**

#### (1) Master database of consultants to the SMEs of the Ministry of Economy

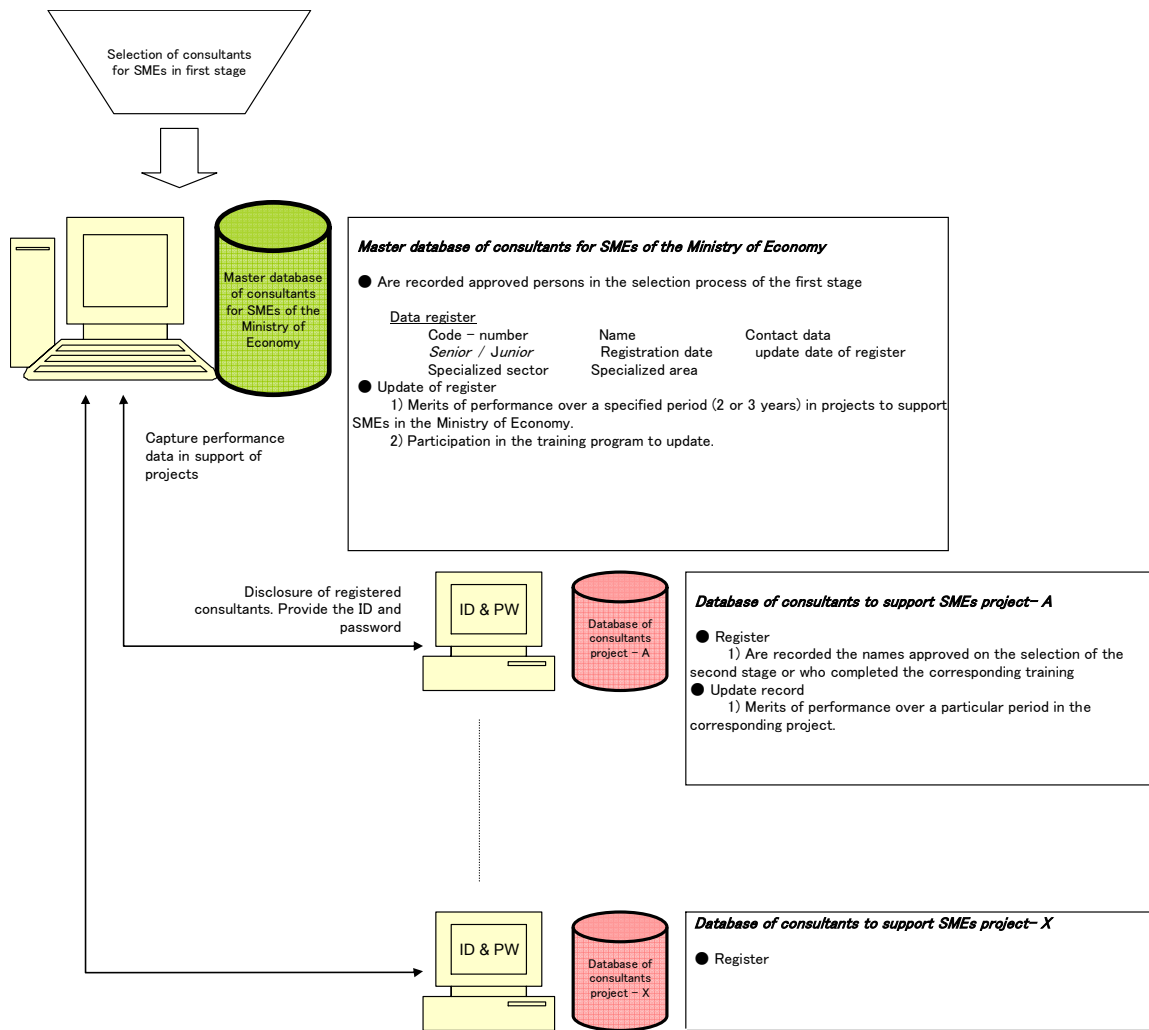
The master database of SME consultants manages all data such as registration of each consultant, job performance, job record on projects to support SMEs managed by the Ministry of Economy and the results of evaluation, etc.

The consultants engaged in projects to support SMEs in the Ministry of Economy are obliged first to register in the master database. Once registered, each support project shall apply the selection of the second stage or training to registered consultants in the master database, focusing on the specific skills and knowledge to the respective projects. The selected consultants to engage in corresponding project is registered and administered in the project database.

Figure 8-3 shows a conceptual outline of the master database of consultants to the SMEs of the Ministry of Economy and the database of consultants for each project. Access to the master database will be limited, apart from the system administrator and persons responsible for each

project to support SMEs in the position to hire registered consultants, and they are given their own ID and password.

**Figure 8-3 Conceptual schema of the database of SME consultants of the Ministry of Economy**



Source: Prepared by the Study Mission

(2) System for registration update

The registrations in the master database of consultants will be updated from time to time (2 or 3



years after registration) on the merits of job performance including the results of their assessment. The merits of job performance and evaluation results will be considered in the programs / projects to support SMEs in the Ministry of Economy.

Table 8-4 shows a proposal to the registration update requirements. We propose a method where the merits attained during the corresponding period are accumulated as scores and are granted permission to update according to the total points earned during that period.

**Table 8-4 Proposed requirements for updating the registration in the master database of SME consultants of the Ministry of Economy**

| Concept update requirements        | Weighting | Points to consider as requirements for updating  |
|------------------------------------|-----------|--|
| Diagnosis and business consultancy | 1         | Total days that were dedicated to the diagnosis and consultancy firms.<br>Should be adjusted according to job evaluation results based on criteria established in the corresponding project. |
| Counter services                   | 0.4       | Total days that was dedicated to counter services.   |
| Merits as a training instructor    | 0.8       | Total days of training course where he has served as an instructor.  |

Source: Prepared by the Study Mission.

It is noteworthy that the update requires participation in an update training program with duration of one or two days. As subjects of the training will include new skills, the situation in recent days about the sector, the information of new policies and programs to support SMEs and so on; simultaneously, it will also be effective to organize a seminar with the aim of sharing experiences among consultants.

#### 8.3.4 Training of SME consultants

The consultants to support projects for SMEs of the Ministry of Economy are obliged to register with the master database, which means registered consultants have also some chance of

employment. This will provide incentive for aspiring consultants and as a result lead to the formation of consultant training.

Added to this, the proposed system adopts the following mechanism for the formation of SME consultants.

(1) Public availability of teaching materials

Preparation of standard materials covering the skills necessary for a SME consultant are made public on the website for those interested who can download them whenever they want to study. Its public availability will help to present the requirements expected by the Ministry of Economy to become a SME consultant and serve as a study guide for those interested in applying for future registration. The availability to the general public without limiting access will contribute to training consultants.

(2) Training by lectures

This is training where lectures are given to applicants, which is implemented following the review of the interview in the selection process of the first stage.

For these candidates who are registered as generalist SME consultants, this training by lectures aims that each candidate strengthens the knowledge of those areas that are not their specialty and also for the standardization of knowledge of registered consultants and their level.

(3) Junior SME consultant

In this system, those aspiring to the selection at the first stage with no experience as consultants, but recognized as possessing the knowledge and skills to a certain base level will be included in the master database as junior consultants.

In the evaluation of documents for the selection of the first stage, according to the sum of points obtained in "Experience as a consultant" and "successful outcome as a consultant", applicants that

take 36 points or more out of 58 will be qualified as a candidate for senior consultant registration, and those that take less than 36 as a candidate for junior consultant registration. Candidates for the registration will be recorded in the master database as senior and junior consultants, respectively.

The registration system of junior consultant has the objective to provide the registered junior consultants opportunities to accumulate work experience as consultant as they need, using the opportunities for various projects to support SMEs that are done with the budget of the Ministry of Economy, and thus train more consultants.

Generally, a junior consultant always will be dedicated to work as an assistant to a senior consultant and under his supervision. Standards will be set for the junior consultant to be promoted to senior consultant, taking into consideration the number of cases performed, the evaluation by the senior consultant who is their supervisor and the beneficiary company, and so on.

(4) Promotion of training programs managed by external agencies.

For a training program, you can assume the following 2 ways:

- a. In the pilot project was carried out a program by allocating to private consultants with the position of instructor of each course of theoretical training for one week. This training by lectures will be entrusted in full to an external body.
- b. In order to prepare for the first written examination (multiple choice), candidates usually learn by themselves using publicly available materials and then take the test. Once the system is established, there will be a training program that allows matches the demand for training by lectures instead of self study.

As one of the possibilities that can be considered, external agencies may take in full operations of the selection process of the first stage from assessment of documents, the first written examination (multiple choice), classroom training and to second written examination (descriptive), by means of integrating the written test in the programs administered by outside agencies, and the Ministry of

Economy only assesses those who have finished the program by the interview exam to register them in the master database. The Ministry of Economy will actively support these training programs by outside organizations represented by certain provisions such as subsidies for part of the administrative costs.

### **8.3.5 System operation**

This system, like a program directly managed by the Under secretariat for Small and Medium Enterprises of the Ministry of Economy, will be implemented with no budget for a single fiscal year for operating costs but with the standard budget of the Ministry of Economy as the budget for administrative costs.

The operation of the program will run continuously, under a plan for the medium and long term, by an operational committee composed mainly of permanent internal staff and the Ministry of Economy, but sometimes a part of the operations can be commissioned to outside agencies.

The work of the committee is divided into 2 types: the practical work of public relations of the system, call and register of consultants, and the work of development and review of different tools for evaluation, selection and review etc. The first will be conducted by internal staff at the Ministry of Economy, but the second will be necessary to establish a technical committee. Moreover, the technical committee should have the necessary expertise for the promotion of SMEs and consultation, and also should have the authority of the Ministry of Economy which equally takes into account different support projects. This will be formed with members from private consultants, universities, business associations, etc. As we have considered in the pilot project, the evaluation of the technical committee is a provision to prepare for future certification by third parties.

Table 8-5 classifies the permanent jobs that involve the operating committee.

**Table 8-5 Work of the Operating Committee of the system for registration and training of SME consultants of the Ministry of Economy**

| Work   | Description   |
|--|---|
| Definition of the annual plan for call and selection | Based on the expected number of registered consultants and estimating the number of applicants, we define an annual plan of call and selection of consultants, including the date and place of execution.<br>As regards the place of execution, one can consider the use of regional offices of the Ministry of Economy, and also the facilities of any business association or university under a long-term contract.  |
| Budget Insurance                                     | Ensures operating fund as standard budget of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy.   |
| Public Relations of the system                       | Permanently publish the system public information on the website and in bulletins of the Ministry of Economy and Business Associations (CANACINTRA CANACO, CNEC, etc.)  |
| Call for consultants                                 | Publish widely the annual plan of call for recruiting and selecting applicants. All operations relating to the application is made by email, including sending the necessary documents for the selection.   |
| Technical committee                                  | The technical committee is responsible for selecting consultants for the first stage, the evaluation for the registration in the database including updating and evaluation for promotion of <i>junior</i> consultants, and also handles the following tasks: <ul style="list-style-type: none"> <li>• Improvement of the selection process taking into account comments from the candidates, suggestions from new projects to support, etc.</li> <li>• Review the criteria for the selection by documents (<i>senior</i> and <i>junior</i>).</li> <li>• Review of teaching materials, where necessary, including addition of new information.</li> <li>• Development and selection of questions for written exams, multiple choice and descriptive.</li> <li>• Definition of the qualification standards of the descriptive exam and its grading.</li> <li>• Review of the interview guide</li> <li>• Appointment of interviewers.</li> <li>• Improved method for theoretical training and assignment of instructors or commissioners implementing agencies.</li> <li>• Definition of requirements for updating the registration and its evaluation.</li> <li>• Assessment and accreditation of consultant's training programs manage by external agencies.</li> </ul> |
| Register of consultants                              | Register in the master database the approved candidates of the selection of the first stage ( <i>senior</i> and <i>junior</i> ).  |
| Database administration                              | Manages the master database of consultants and yet maintains the link structure available in the database of consultants for individual projects that construct each of the support projects.   |
| Update of registration                               | Update the register in accordance with the requirements for updating the register.  |

Source: Prepared by the Study Mission.

#### 8.4 Action plans to build the system of registration and training of SME consultants of the Ministry of Economy

Assuming that after completing this Study, the Ministry of Economy builds and implement the system of registration and training of SME consultants that we propose in subsection 8.3, here we propose to the Under secretariat for Small and Medium Business of the Ministry of Economy the next 2 years action plans for that purpose.

(1) First year after completing this Study

During the first year, aiming to prioritize on the accumulation of results to achieve the targets, a nationwide scheme for the selection of SMEs consultants as the first stage that was experienced in the pilot project will be held under the initiative of the Directorate of Training and Consulting<sup>2</sup> which is the counterpart (CP) of this Study. There are many people who could not participate in the project "SMEs Consultants with JICA Methodology" in the first year even though they wished, and many others who participated in the pilot project and wished to participate in classroom training courses on business improvement with "JICA Methodology". It is very important to continue its execution without intervals and is more likely to achieve this through the initiative of the Directorate of Training and Consultancy. Meanwhile, try to form a consensus within the Ministry of Economy and prepare for the Ministry of Economy to run a full-scale implementation during the second year.

**Action plan I-1**

*Performs nationwide the scheme of the selection of SME consultants of the first stage under the initiative of the Directorate of Training and Consulting and build the master database of consultants.*

|                                 |  |
|---------------------------------|--|
| Direction /<br>executing agency | Directorate of Consulting and Training, General Directorate of Training and Technological Innovation, Under secretariat for Small and Medium Enterprises, Ministry of Economy. |
| Activities                      | 1. The Directorate of Training and Consulting continually make the project "SMEs Consultants with JICA   |

<sup>2</sup> Dirección de Capacitación y Consultoría

|                    |   |
|--------------------|---|
|                    | <p>Methodology' initiated since 2008 with the budget from FONDO PYME, but the first part of the project that corresponds to the process prior to classroom training courses on business improvement with "JICA Methodology"<sup>73</sup>, becomes independent as selection of consultants for the first stage to build the master database of SME consultants that is shared within the Ministry of Economy.</p> <p>The classroom training courses with "JICA Methodology" is categorized as selection of the second stage that is mentioned in subsection 8.2.1.</p> <ol style="list-style-type: none"> <li>2. The selection of the first stage will be subject to the process mentioned in paragraph 8.3.1, based on the pilot project.</li> <li>3. As in the project "SMEs Consultants with JICA", the operation will assign continuously to the intermediate agency COPARMEX and to the Consultant Selection Committee who operated the pilot project with the Study Mission.</li> <li>4. The COPARMEX and Consultant Selection Committee conducted a review and enhancement of educational materials, including evaluation tools and criteria for the exam.</li> <li>5. Will build the master database of consultants to SMEs and register the approved of selection of the first stage ranking as junior and senior consultants.</li> <li>6. The goal will be to register a total of 500 new consultants (<i>senior and junior</i>).</li> </ol> |
| Points to consider | <ol style="list-style-type: none"> <li>1. Based on the results of the project "SMEs Consultants with JICA Methodology" in the first year, produces an annual plan for implementation of the selection.</li> <li>2. Generally, applicants to the selection will be charged a participation fee and its quantity is determined by reference to half of actual costs including payments to outside experts.</li> <li>3. The consultants registered in the project "SMEs Consultants with JICA Methodology" the first year will be automatically registered in the master database.</li> <li>4. Those approved in the pilot project also will be registered in the master database.</li> <li>5. The Directorate of Training and Consulting will continue to make the program "Enterprise Management SME consulting with JICA Methodology", offering job opportunities for registered consultants. In the "Enterprise Management SME consulting with JICA Methodology" will be actively promoted the use of registered <i>junior</i> consultants.</li> </ol>   |
| Expected results   | <ol style="list-style-type: none"> <li>1. Firmly establishes the process for selecting SME consultants in the first stage and are enhanced and accumulated operational know-how and assessment tools.</li> <li>2. Construction of the master database of consultants to the SMEs of the Ministry of Economy and starts its operation.</li> <li>3. It begins to firmly establish the system of registration of SME consultants of the Ministry of Economy.</li> </ol>  |
| Budget             | <ol style="list-style-type: none"> <li>1. Prerequisites <ul style="list-style-type: none"> <li>Goal: Register annually to 500 SME consultants</li> <li>Index of approval: 40%</li> <li>Number of applicants to be registered: 1,250 personas</li> <li>Acceptable number for a course of selection: 90 people</li> </ul> </li> </ol>   |

<sup>3</sup> See Chapter 4, paragraph 4.2.4.

|  |   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
|--|---|--------------------------------------|--------------------|--------------------------------------|--|--|-------------------------------------|--|---------------|------------|-----------|-----------|---|--------------------------------------|--|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------|-----------------------------------|----------------------------|---------------------------------------|--|-------------------------------------|-----------------------------------|-----------|--|-------------------------|
|  | <p>Frequency for the implementation of selected courses in a year: 14 times</p> <p>Works commissioned by the Ministry of Economy:</p> <ol style="list-style-type: none"> <li>1) Public relations activities</li> <li>2) Evaluation of documents</li> <li>3) Qualification of the first written exam</li> <li>4) Final rating of applicants</li> <li>5) Logistics for courses selection</li> <li>6) Registration of consultants and database management</li> </ol> <p>2. Annual budget for the implementation: <u>617,600 USD</u></p> <table border="0"> <tr> <td style="padding-left: 20px;">Breakdown</td> <td style="padding-left: 20px;">Textbooks revision</td> <td style="text-align: right;">400 USD x 18 persons/day = 7,200 USD</td> </tr> <tr> <td></td> <td style="padding-left: 20px;">Implementation cost of selection courses</td> <td style="text-align: right;">39,600 USD x 14 times = 554,400 USD</td> </tr> <tr> <td></td> <td style="padding-left: 20px;">Reserve (10%)</td> <td style="text-align: right;">56,000 USD</td> </tr> </table> <p>3. Details of the cost of execution of courses selection</p> <table border="0"> <tr> <td style="padding-left: 20px;">Room cost</td> <td style="text-align: right;">4,000 USD</td> </tr> <tr> <td style="padding-left: 20px;">Development and selection of the first written exam questions</td> <td style="text-align: right;">400 USD x 12 persons/day = 4,800 USD</td> </tr> <tr> <td style="padding-left: 20px;">Development of the interview guide and second written exam questions</td> <td style="text-align: right;">400 USD x 6 persons/day = 2,400 USD</td> </tr> <tr> <td style="padding-left: 20px;">Implementation of the interview exam</td> <td style="text-align: right;">400 USD x 18 persons/day = 7,200 USD</td> </tr> <tr> <td style="padding-left: 20px;">Qualification of the interview</td> <td style="text-align: right;">400 USD x 2 persons/day = 800 USD</td> </tr> <tr> <td style="padding-left: 20px;">Training course instructor</td> <td style="text-align: right;">400 USD x 26 persons/day = 10,400 USD</td> </tr> <tr> <td style="padding-left: 20px;">Qualification of the second written exam</td> <td style="text-align: right;">400 USD x 4 persons/day = 1,600 USD</td> </tr> <tr> <td style="padding-left: 20px;">Per diem, wages and housing costs</td> <td style="text-align: right;">8,400 USD</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>Total 39,600 USD</b></td> </tr> </table> | Breakdown                            | Textbooks revision | 400 USD x 18 persons/day = 7,200 USD |  | Implementation cost of selection courses | 39,600 USD x 14 times = 554,400 USD |  | Reserve (10%) | 56,000 USD | Room cost | 4,000 USD | Development and selection of the first written exam questions | 400 USD x 12 persons/day = 4,800 USD | Development of the interview guide and second written exam questions | 400 USD x 6 persons/day = 2,400 USD | Implementation of the interview exam | 400 USD x 18 persons/day = 7,200 USD | Qualification of the interview | 400 USD x 2 persons/day = 800 USD | Training course instructor | 400 USD x 26 persons/day = 10,400 USD | Qualification of the second written exam | 400 USD x 4 persons/day = 1,600 USD | Per diem, wages and housing costs | 8,400 USD |  | <b>Total 39,600 USD</b> |
| Breakdown  | Textbooks revision  | 400 USD x 18 persons/day = 7,200 USD |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
|  | Implementation cost of selection courses  | 39,600 USD x 14 times = 554,400 USD  |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
|  | Reserve (10%)   | 56,000 USD                           |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Room cost  | 4,000 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Development and selection of the first written exam questions        | 400 USD x 12 persons/day = 4,800 USD  |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Development of the interview guide and second written exam questions | 400 USD x 6 persons/day = 2,400 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Implementation of the interview exam                                 | 400 USD x 18 persons/day = 7,200 USD  |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Qualification of the interview                                       | 400 USD x 2 persons/day = 800 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Training course instructor   | 400 USD x 26 persons/day = 10,400 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Qualification of the second written exam                             | 400 USD x 4 persons/day = 1,600 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
| Per diem, wages and housing costs                                    | 8,400 USD   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |
|  | <b>Total 39,600 USD</b>   |                                      |                    |                                      |  |  |                                     |  |               |            |           |           |   |                                      |  |                                     |                                      |                                      |                                |                                   |                            |                                       |  |                                     |                                   |           |  |                         |

Source: Prepared by the Study Mission

**Action plan 1-2**

***Forming a consensus between different directions of the Ministry of Economy for the construction of the system and ensure the standard budget for the operation thereof.***

|                             |   |
|-----------------------------|---|
| Direction /executing agency | Under secretary for Small and Medium Enterprises, Ministry of Economy<br>Consulting and Training Division, General Directorate of Training and Technological Innovation,<br>Under secretariat for Small and Medium Enterprises, Ministry of Economy.  |
| Activities                  | 1. It will bring together those responsible for other directions of the Under secretariat for Small and Medium Enterprises to explain the purpose of the new system, its effect and operation, and form a consensus to establish the new system. The selection and registration of consultants is currently being conducted in different projects will be categorized as the selection of the second stage in the new system. |



|                    |   |
|--------------------|---|
|                    | <ol style="list-style-type: none"> <li>2. Invite the consultants who are currently engaged in various projects to participate in the selection of the first stage.</li> <li>3. In order to prepare for full-scale implementation of the next fiscal year budget will ensure the standard budget of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy.</li> </ol>  |
| Points to consider | <ol style="list-style-type: none"> <li>1. To mark the establishment of the new system of some preferential arrangements (registration of fast track) so that consultants in active service be registered in the master database</li> <li>2. It will allow open access to the master database of registered consultants to other projects to help promote its use.</li> <li>3. Equally those registered consultants in the database of various business associations will be invited to participate in the discussion of preferential arrangements.</li> </ol> |
| Expected results   | <ol style="list-style-type: none"> <li>1. Ready to deploy at full scale from the second year the system administered by the Ministry of Economy.</li> </ol>   |

Source: Prepared by the Study Mission.

**Action plan 1-3**

***Create the operating committee formed by the internal staff of the Undersecretariat for Small and Medium Enterprises and the technical committee.***

|                             |  |
|-----------------------------|--|
| Direction /executing agency | Under secretary for Small and Medium Enterprises, Ministry of Economy.   |
| Activities                  | <ol style="list-style-type: none"> <li>1. The Under secretariat for Small and Medium Enterprises will organize an operating committee for the system of registration and training of SME consultants. This committee will be composed of staff (2 or 3 persons) and a charge of operating the database, and the person responsible will be someone internal staff of the Under secretariat.</li> <li>2. The operating committee will take over as the Directorate of Training and Consulting with respect to the operational work of system and database.</li> <li>3. The operating committee will hold a meeting regularly with the managers of the various support projects to discuss and take decisions on the transition of the registration of consultants in service of their respective projects to support the new system.</li> <li>4. The operational committee formally established a technical committee composed of external experts.</li> <li>5. The technical committee will begin studying and discussing the details of the selection process, updating registration system based on the merits of the job performance requirements for <i>junior</i> consultants engaged to work and promotes to <i>senior</i> consultant, etc.</li> </ol> |
| Points to consider          | <ol style="list-style-type: none"> <li>1. Both the operating committee and technical committee will be constituted under the direct control of the Under secretariat.</li> <li>2. Apart from consolidating the specialty is important to establish and operate a structure that</li> </ol>   |

|                  |   |
|------------------|---|
|                  | reflects fairly the views of different directions.  |
| Expected results | 1. We describe the details of the system and the selection process that was obtained by consensus with the different directions of the Ministry of Economy and the system administered by the Economics Ministry is ready to be implemented at full scale from the second year. |

Source: Prepared by the Study Mission.

(2) Second year after completing this Study

In the second year, with the standard budget of the Ministry of Economy, the operating committee consisting of internal staff of the Undersecretariat for Small and Medium Enterprises will operate the system for registration and training of SME consultants. With this the Ministry of Economy will implement the full-scale system.

**Action plan 2-1**

***Implement full-scale system of registration and training of SME consultants with the standard budget of the Ministry of Economy and with the initiative of the operating committee.***

|                            |   |
|----------------------------|---|
| Direction/executing agency | Under secretary for Small and Medium Enterprises, Ministry of Economy.  |
| Activities                 | <ol style="list-style-type: none"> <li>1. Initiate and implement to full-scale the system for registration and training of SME consultants of the Ministry of Economy.</li> <li>2. Perform exhaustively public relations activities in the government system, private sector and related agencies including universities.</li> <li>3. Require consultants who are dedicated to supporting projects for SMEs managed by the Ministry of Economy to register with the master database of SME consultants.</li> </ol>  |
| Points to consider         | 1. The inefficiency of the system can gradually improve their operations. It should give more importance to the continuation of the system, taking into account the feedback from the recipients of the system and the private sector including consultants.  |
| Expected results           | <ol style="list-style-type: none"> <li>1. It ensures the quality of the consultants engaged in projects to support SMEs in the Ministry of Economy and increases the demand for support projects and consultants by the MSMEs.</li> <li>2. It releases to the public the selection process and it is widely known the requirements of the skills to be a SME consultant, and consolidates a basis for establishing the national certification system for the SME consultant.</li> <li>3. The motivation for aspiring consultants to SMEs increases as well as the demand for training programs.</li> <li>4. It improves the quality and quantity of SME consultants.</li> </ol> |

Source: Prepared by the Study Mission

**Action plan 2-2**

***Promote training programs for SME consultants managed by external bodies.***

|                            |  |
|----------------------------|--|
| Direction/executing agency | Under secretary for Small and Medium Enterprises, Ministry of Economy  |
| Activities                 | <ol style="list-style-type: none"> <li>1. It will be released to business associations and universities in the details of the selection process to promote establishing their training programs.</li> <li>2. First you select an agency that shows great interest and with the technical committee set up its curriculum and assessment method.</li> <li>3. The Ministry of Economy will credit the training program and granted a preferential arrangement for persons completing the study program so they will be registered in the master database.</li> <li>4. The technical committee shall establish and make the public aware of the accreditation standards of the training program.</li> </ol> |
| Points to consider         | <ol style="list-style-type: none"> <li>1. It is necessary to hurry the first accreditation program. Among the sub-members of the Selection of Consultants for the project "SMEs Consultants with JICA Methodology", there is an educational institution which is already expressing its interest in opening a training program and this may be the first candidate for accredited training institution.</li> </ol>   |
| Expected results           | <ol style="list-style-type: none"> <li>1. An operation of the system will be structured involving outside training institutions and programs, which will be a step toward the establishment of the national certification system of SME consultants beyond the limit of the Ministry of Economy.</li> </ol>  |

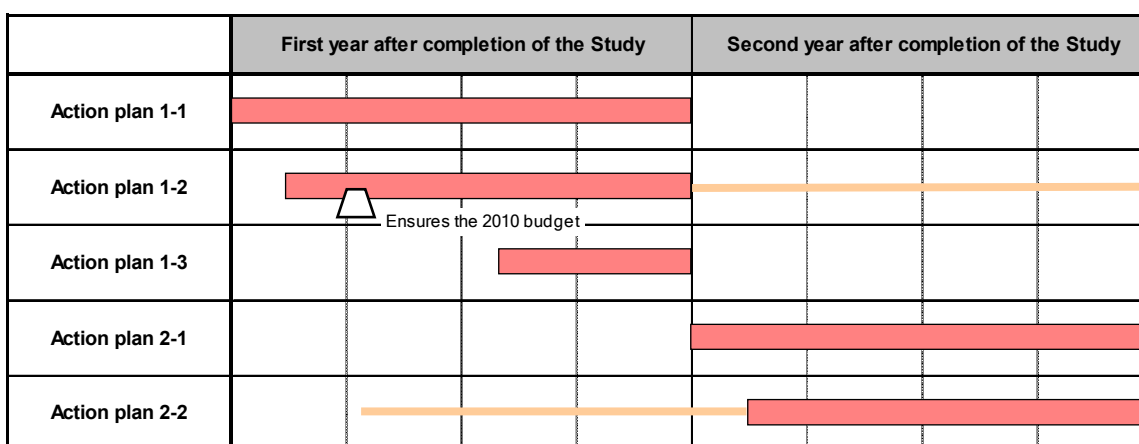
Source: Prepared by the Study Mission

All action plans are essential steps to achieve the objective and there is no priority among the plans. The Figure 8-4 shows the chronological program from action plans for 2 years upon completion of the Study.

After completing the first year of the project "SMEs Consultants with JICA Methodology", the Directorate of Training and Consulting has conducted the pilot project with the Study Mission which we reported in Chapter 7. Using this experience, is now preparing to continue the execution of the second year of the project "SMEs Consultants with JICA Methodology" and have already secured the budget from FONDO PYME.

In the second year, the first part of the selection process is the selection of the first stage of registration of SME consultants of the Ministry of Economy, and classroom courses of the second half are categorized as the selection of the second stage for the consultants who are dedicated to the program "Consulting Enterprise Management for SMEs with JICA Methodology" which is one of the projects to support SMEs administered by the FONDO PYME of the Ministry of Economy.

**Figure 8-4 Chronological program for the action plans**



Source: Prepared by the Study Mission

## 8.5 Mexico Emprende

In Chapter 2 we speak of the Business Service Center *México Emprende*. At the time of the conclusion of this Study, the Ministry of Economy is considering a plan under the initiative of General Directorate of Training and Technological Innovation<sup>4</sup>, which is superior structure to the Directorate Training and Consulting, for the creation of a trust fund of *México Emprende*. Under this fund the programs supported by the Ministry of Economy will be integrated.

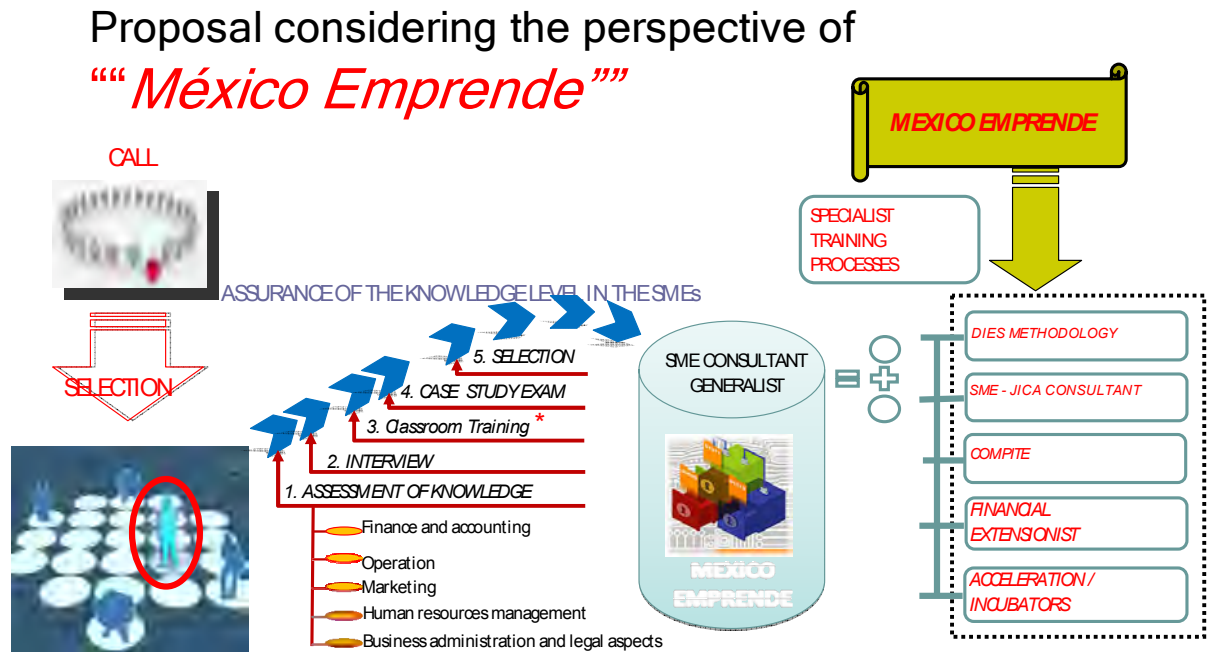
In paragraphs 8.4.1 and 8.4.2, we have proposed action plans so that after completing this study first the Directorate of Training and Consulting continue to run the pilot scheme, and in the course of implementation try to get a consensus within the Ministry of Economy, then the Undersecretary

<sup>4</sup> Dirección General de Capacitación e Innovación Tecnológica

for Small and Medium Enterprises will be in charge of the operation of the scheme. However, assuming that the *México Emprende* program progress from here onwards as planned, the implementation of the scheme for selecting SME consultants and operation of the database that we propose will be in the future as part of *México Emprende*.

The Figure 8-2 showed the registration system and training of consultants from the Ministry of Economy proposed by the Study Mission. Now in Figure 8-5 shows a diagram of the proposed system for future propose by the Study Mission in the case of assuming that the program *México Emprende* integrates business support programs of the Ministry of Economy as planned. The master database becomes the database of consultants to the SMEs of *México Emprende*, and in several support projects that the Business Service Center *México Emprende* channel for SMEs the consultants registered in the database will be devoted to their services once they receive training and technical knowledge required for the respective projects.

**Figure 8-5 Conceptual scheme of the database of SME consultants of the Ministry of Economy under México Emprende**



\* Classroom Training in 5 areas of knowledge required course of consulting skills

Source: Modified by the Study Mission based on the figure prepared by the Directorate of Training and Consulting, Ministry of Economy

It is worth noting that certification by external agencies of consultants registered in the database is also a pending task for the future shared by the Study Mission and *México Emprende*. The proposals of the Study Mission on this task will be mentioned in Chapter 9, but also the part of *México Emprende* is looking for some appropriate possibilities.

## **Chapter 9 Implementation plan to establish a national system of qualification in SME consulting**

### **9.1 Activation of the entire SME Consulting market.**

Based on the research of Mexico's current situation of the SME consultants' development and registration, the Study Mission proposes the articulation of the registration system of the Ministry of Economy with the National Council of Standardization and Certification of Labor Competency (CONOCER<sup>1</sup>) and transfer the certification of job skills to this institution. The ability to revise the norms as well as the definition of validity period, not considered in CONOCER, can be part of the operational duties of the Ministry of Economy (see 6.5).

CONOCER is the only institution in Mexico that certifies job skills (labor competencies), establishes methods for rating and evaluating the defined skills and defines the mechanisms to verifying the evaluation procedures by a third party.

From the above, then in this chapter we present some methods to transfer part of the registration system of the Ministry of Economy to the system of certification of competencies for SMEs consultant run by CONOCER.

### **9.2 Plan towards the establishment of national qualification system of SME consulting**

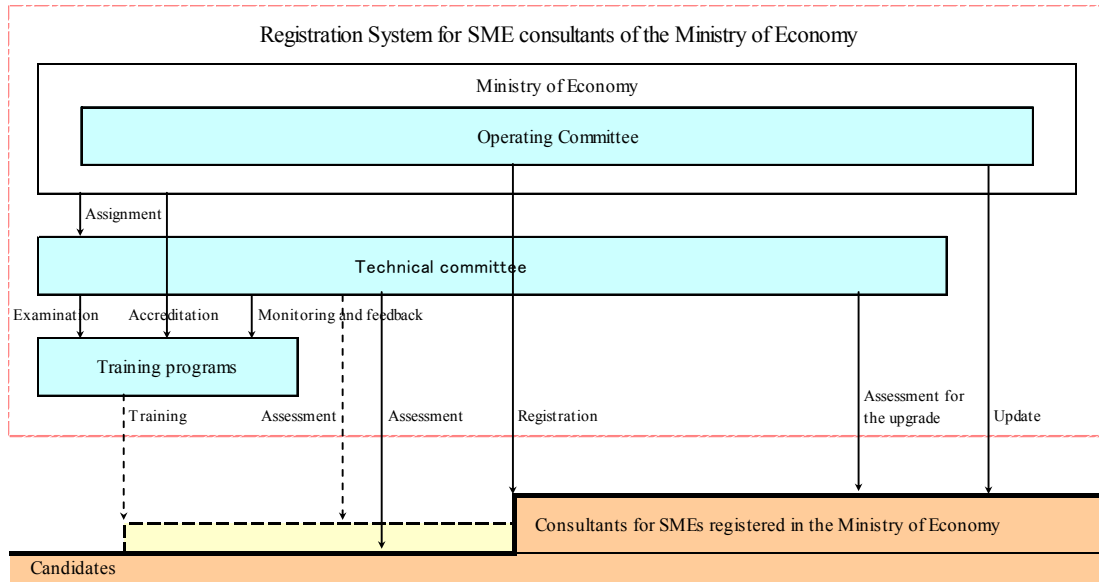
As discussed in Chapter 6, the Study Mission is designing a scenario in which consolidation of a national qualification system SME consulting gradually takes place building first a common system for all support programs for SMEs of the Ministry of Economy, taking the project "SMEs consultants with JICA Methodology" as basis, and then integrate this with the National Certificate System of Labor Competency.

Figure 9-1 illustrates the key part of integrating the two systems.

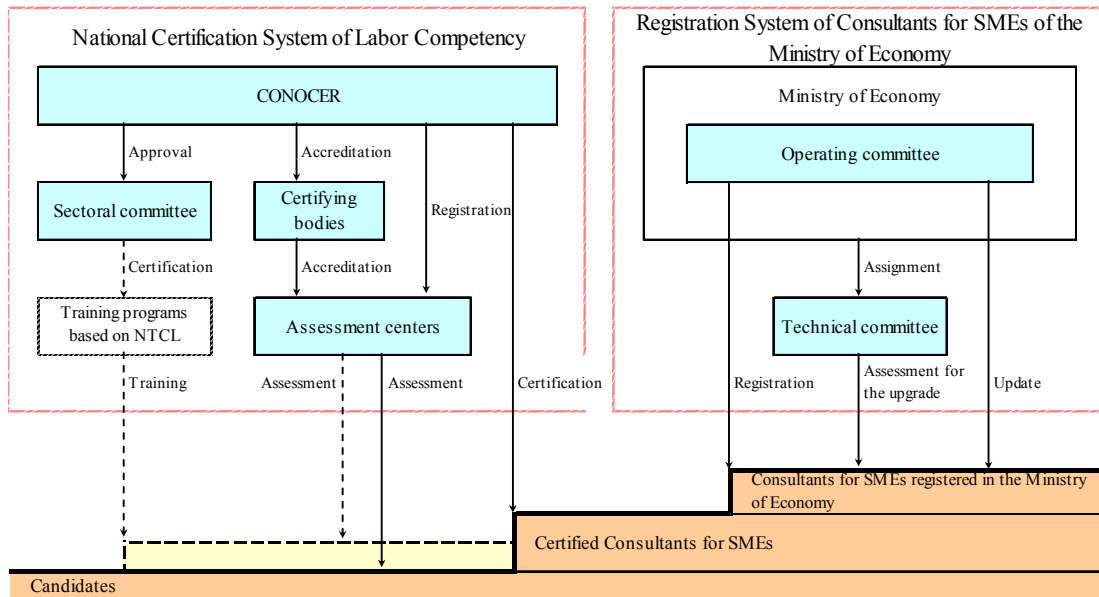
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<sup>1</sup> *Consejo Nacional de Normalización y Certificación de Competencias Laborales*

**Figure 9-1 Integration of the registration system of the Ministry of Economy to the National Certification System for Labor Competency (Key part)**



**Establishment of national certification system**



Source: Prepared by the Study Mission

The SMEs consultants that have been certified under the existing framework in the National Certification of Labor Competency may use that certification as their strength to do a good job in



the private sector or even apply for registration in the Ministry of Economy if they wish to work on programs / projects of the Ministry. The certification of labor competency does not have validity, while registration at the Ministry of Economy needs to be updated every so often (2 or 3 years after registration). The registration system will continue to update with the procedure proposed in 8.3.3 (2) for the registration system for the SMEs Consultant of the Ministry of Economy.

Figure 9-2 will sort out which are responsible for training, selection and use of consultants mentioned above.

**Figure 9-2 Responsible for training, selection and use of SME consultants**

| Training  |             | Selection  |          | Use            |                       |
|---|-------------|--|----------|----------------|-----------------------|
| Elementary and Intermediate Level   | Upper Level | Assessment   | Register | Implementation | Reassessment (Update) |
| Accredited training programs<br>Education and training institutions such as universities, Private sector industrial organizations, etc. |             | Consultants Registration System for SMEs of the Ministry of Economy<br>Ministry of Economy (Operating Committee and Technical Committee)               |          |                |                       |
|   |             | Registration system for SMEs <i>junior</i> consultants of the Ministry of Economy<br>Ministry of Economy (Operating Committee and Technical Committee) |          |                |                       |

**Establishment of national certification system**

| Training  |             | Selection  |   | Use            |                       |
|---|-------------|--|---|----------------|-----------------------|
| Elementary and Intermediate Level   | Upper Level | Assessment   | Register  | Implementation | Reassessment (Update) |
| Accredited training programs<br>Education and training institutions such as universities, Private sector industrial organizations, etc. |             | National Certification System of Labor Competency<br>CONOCER<br>Certification bodies and assessment centers  | Registration System of Consultants for SMEs of the Ministry of Economy<br>Ministry of Economy (Operating Committee and Technical Committee) |                |                       |
|   |             | Registration system for SMEs <i>junior</i> consultants of the Ministry of Economy<br>Ministry of Economy (Operating Committee and Technical Committee) |   |                |                       |

Note: While as a general rule obtaining the job competency certification will be a prerequisite for a junior consultant to be upgraded to a senior, it may be considered based on the situation of demand and supply to continue the internal promotion system proposed in the Chapter 8.

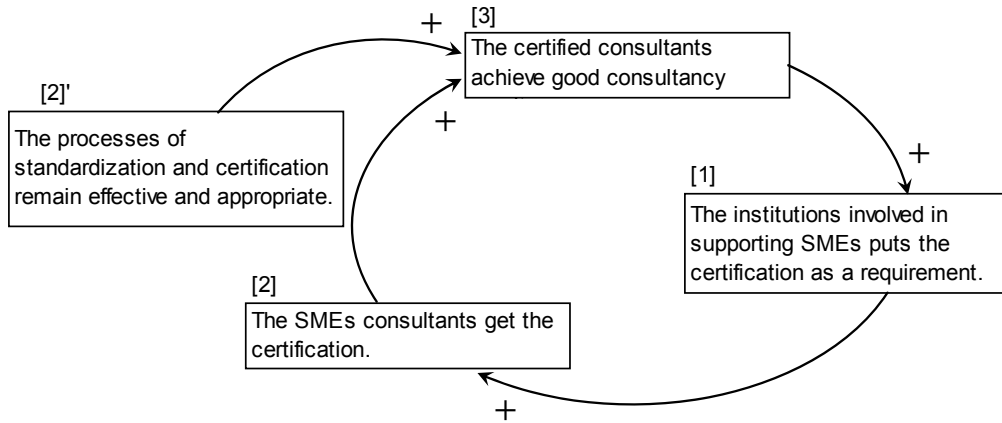
Source: Prepared by the Study Mission

### 9.2.1 Route plan towards the integration of the system from Ministry of Economy and the National System of Certification of Labor Competency

If you define concretely the goal to consolidate a national system for the qualification in SME consulting, we can say that it is building a positive feedback loop as shown in Figure 9-3.

If you generate a positive cycle like this, you can expect the national qualification system of SME consulting to grow, become widespread and widely established.

**Figure 9-3 Self-growth cycle of the national qualification system of SME consulting**



Source: Prepared by the Study Mission

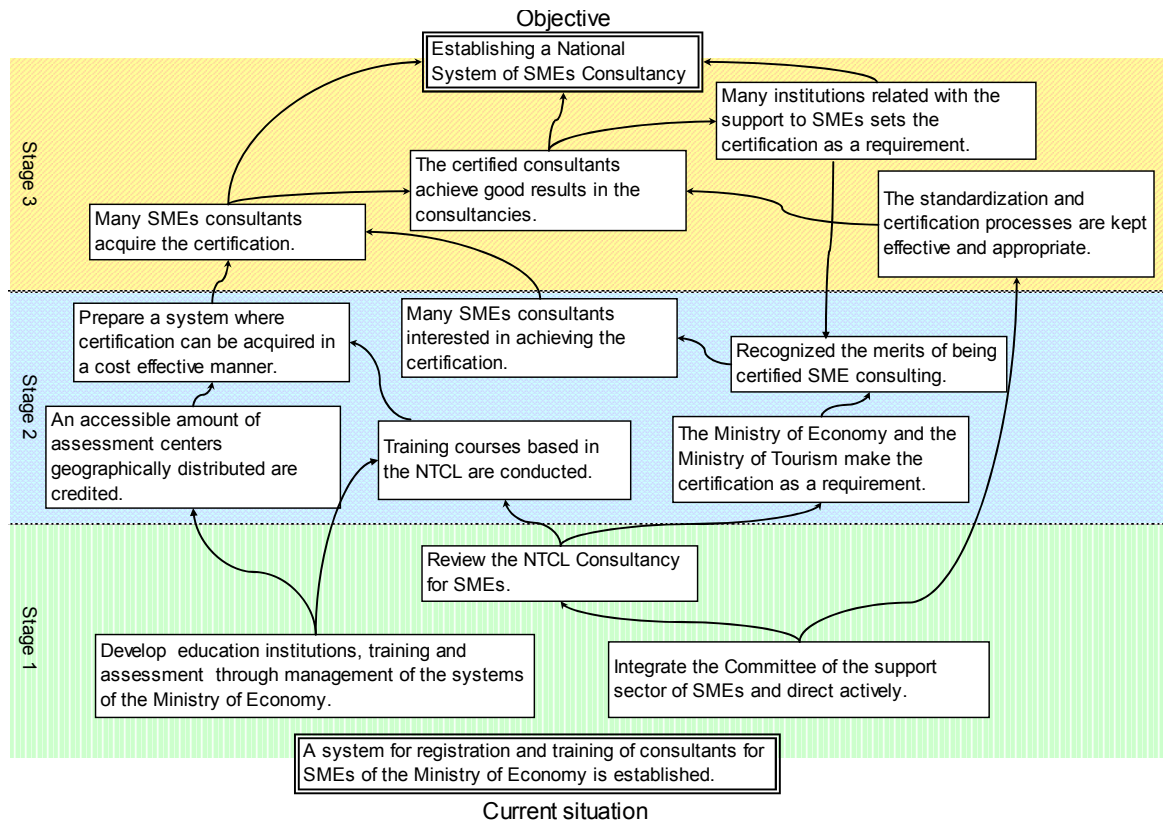
Since the system of the Ministry of Economy will integrate with the National System of Labor Competency, the Ministry of Economy can generate the initial step towards a positive cycle, from establishing the certification as a requirement in SME consulting.

You can convert the networks of institutions and enterprises of education and training across the country, which were formed in the process of implementing the system of registration and the proper training of the Ministry of Economy, into assessment centers and Evaluation and Certification Entities (ECE<sup>2</sup>).

These are the advantages of the Ministry of Economy, which is expected to play the lead role in consolidating the national qualification system. It is proposed in Figure 9-4 a way to exploits the benefits and how the system is consolidated.

<sup>2</sup> *Entidad de Certificación y Evaluación.* Institutions that are predicted to be created from the revision of the General Rules of CONOCER, and be responsible for training, assessment and certification (see Chapter 5, 5.2.7)

**Figure 9-4 Road to the establishment of a national qualification system of SME consulting**



Source: Prepared by the Study Mission

As shown in Figure 9-4, the Study Mission expected roughly 3 crucial phases to overcome the consolidation of a national qualification system. The time required to complete each phase varies with the degree of completion of the training and register system of SME consultants of the Ministry of Economy, but the Study Mission tentatively set as a benchmark completion in 5 years.

Figure 9-5 represents a roadmap where the tasks and strategies for each of the 3 steps and actions to develop as a route to establishing a national certification system are put in order.

Figure 9-5 Roadmap towards the establishment of national certification system for SMEs Consultants

| Chronological axis:  | First year (third year after completing this Study)  | Second to fourth year (fourth to sixth year after completing this Study)   | Fifth year onwards (Seventh year onwards, after completing this Study)  |
|--|--|--|---|
| Task:  | Develop a NTCL Consultancy for SMEs that can be used to form common in the area of support for SMEs.   | Getting both, the side that gets the certification (consultant) and the side that uses (programs to support SMEs) to be convinced of the usefulness of the certification of consultants for SME.   | Making the positive cycle continues to circulate without slack.   |
| Strategies:  | 1-1 Start a sectoral committee in support of SMEs and is composed in such a way that allows substantially promote the implementation of national certification in the future.<br>1-2 Making use of what is accumulated in the system of the Ministry of Economy.   | 2-1 Building a general structure that facilitates the business be viable.<br>2-2 Carry out the publicity to raise the level of general public recognition.   | 3-1 Carry out monitoring by sectoral committee focusing on the quality of the consultancy.  |
| ▼ Route towards the establishment of the system  | Develop institutions of education, training and evaluation, through operation of the system of the Ministry of Economy.<br>Committee to support sectoral SME whose operation is active.  | Programs will be adopted for training and evaluation based on the revised NTCL.<br>Action plan 3-1   |   |
| NTCL review  | The technical committee will oversee and advise the training programs of external agencies accredited under the system of the Ministry of Economy (Action Plan 2-2) to strengthen the capacity of attention.<br>Participation of related organizations<br>CONOCER approval<br>Development of the NTCL<br>Approval<br>Allocation of the technical group<br>Published in the Official Gazette.   | Credited by the sectoral committee and will be granted partial exemption from the assessment.<br>Be credited and recorded by the CONOCER.  | Action plan 4-1   |
| Preparation of environmental conditions to promote the obtainment and use of certification | Training courses are conducted based on NTCL.<br>A assessment centers with ease of access in their number and geographical distributions are credited.<br>A certification system is build for obtain the certification in a cost effective manner.   | External agencies training (education and training institutions, industrial organization, industry, etc.) accredited by the Ministry of Economy will prepare their systems to be accredited by CONOCER.<br>The operating rules and work process will arise.<br>Approval of regulations (Ministry of Tourism, etc.)   | Start of operation with the certification requirement.<br>The operating rules will arise.<br>Approval of regulations  |
| Maintenance and consolidation of the system  | The Ministry of Finance and the Ministry of Tourism put as a requirement for certification.<br>The benefits of obtaining certification of consultants for SMEs is acknowledged.<br>Many consultants for SMEs seeking certification.<br>Many consultants for SMEs obtain certification.<br>The processes of standardization and certification remain effective and appropriate.<br>The certified consultants show good results in the consultancy.<br>Many institutions involved in supporting SMEs show a requirement for certification. | The Ministry of Finance issued strongly that certification is required to perform the job.<br>The Ministry of Tourism will publish strongly that certification is required for the job.<br>Interested in pursuing the programs of the Ministry of Economy.<br>Development, testing, improvement and establishment of monitoring methods<br>Evaluation of results by the agencies that employ certified consultants and feedback to the sectoral committee. | Disclosure of assessment results / Publishing access stories.<br>It will raise the value and degree of recognition of certification.<br>Periodic review every 2 years.<br>Action plan 5-1 |

Source: Prepared by the Study Mission

(1) Stage 1 (first year): Revision of NTCL

The task of stage 1 is to "develop a NTCL of SME consulting that can be commonly used in the area of SME support".

**Strategy 1-1** Integrate the committee to support SME sector and which is constituted in a way that allows substantially promoting the implementation of national qualifications in the future.

In developing a new system for the revision of the NTCL, it is desirable that those who share the notion that it is for the benefit of all to converge the assessment and training of key labor skills of SME consulting in the new NTCL will gather. That is, to establish a new committee as "sector to support SMEs" is the most reasonable approach for those who have the same goal to work together.

You could say that is the most important factor for the performance and future of national qualification system, and therefore the formation of the committee should not be compromised.

**Strategy 1-2** Apply the accumulated knowledge in the system of the Ministry of Economy.

Training personnel from combining the core competencies and specific skills is a method that only the Ministry of Economy has experienced. The Ministry of Economy should take the lead in revising the NTCL, and apply the accumulation in its system of registry and training of SME consultants to define the level and scope of an appropriate NTCL to be shared across the sector for the support to the SMEs, and to separate the specific competencies.

**Action plan 3-1**

**Revision of the NTCL SME consulting**

|                                 |  |
|---------------------------------|--|
| Action                          | Revision of the NTCL SME consulting.   |
| Direction /<br>executing agency | Operating committee of the registration and training system of SME consultants of the Undersecretariat for Small and Medium Enterprises of the Ministry of Economy.<br>Sectoral Committee to support SMEs (New committee to be founded).   |
| Activities                      | 1. The operational committee of the registration and training system for SMEs consultants get the cooperation of related agencies and establish a new sectoral committee to support SMEs.<br>2. The sectoral committee to support the SMEs assigns a technical group to revise the |

|                    |  |
|--------------------|--|
|                    | <p>NTCL.</p> <p>3. The technical group will design a work function map of the support sector for SMEs, the NTCL SME consulting and assessment instruments of the NTCL SME consulting.</p> <p>4. With the adoption by the sectoral committee to support of SMEs and the technical committee of CONOCER, the NTCL SME consulting (to be published in the Official Gazette) is established.</p>   |
| Points to consider | <p>1. When planning the sectoral committee to support SMEs, it will form a sufficient and common understanding that it is beneficial to all to converge, in the new NTCL, the work of the assessment and training of essential labor competition for SME consultants. It is essential that the Secretariat for Small and Medium Enterprises of the Ministry of Economy will convince the agencies involved for this purpose.</p> <p>2. The Under secretariat for Small and Medium Enterprises of the Ministry of Economy, taking into account the sectoral committee to support SMEs in the future be responsible for operational management of the NTCL and monitoring work performance obtained by the consultants certificates, will pay attention to a balanced composition of members and endeavor to obtain from them their participation on their own initiative.</p> <p>3. Using the experience gained in operating the registration system implemented across the programs / projects of the Ministry of Economy, the NTCL SME consulting will establish precisely the universal core competencies.</p> |
| Expected results   | <p>1. NTCL will define in work competencies of the “generalist” SME consultant as SME specialist. Thus, this will establish in the rules that can be queried to ensure the quality of consultancy service in the programs / projects to support SMEs and develop human resources in the SME consulting.</p> <p>2. By creating the sector to support SMEs, it succeeds in building, apart from NTCL SME consulting, a base to promote coordination and cooperation with regard to support for SMEs.</p>   |

Source: Prepared by the Study Mission.

(2) Stage 2 (second to fourth year): Preparation of the environment to promote the acquisition and use of certification

The task of the second stage is "to ensure that both, the side that takes the certification (consultant) as the side that takes (SME support programs) are convinced of the usefulness of the Certification of SME consulting".

Strategy 2-1 Planning an overall structure with demanded feasibility.

What it should be aware of is the early take-off –position within a short period in a profitable position. It is therefore necessary to induce many consultants to get certified. The best practice is

that various institutions, starting with the Ministry of Economy and the Ministry of Tourism are synchronized and decide a period, and then put a requirement for certification of SME consulting, and from this to achieve critical mass quickly.

The institutions supporting SMEs should at the same time put a requirement for certification; stop training and assessment of essential skills conducted by their own and look for the merits of rationalization. For the consultant, the economic merit increases if the certificate is valid at several institutions. Thus, it should make clear the substantial benefits to each party involved, and promote a strategic way.

**Strategy 2-2 Conduct publicity to increase the level of recognition by the general public**

It is desirable to advertise aggressively in the period in which the number of certified people achieves critical mass.

The goal is that, for example, the Ministry of Economy is not limited to gather together consultants saying "Please participate and we will conduct a training course", "Get your accreditation to participate in the program," but a flow is born in which the consultant is interested in voluntarily seeking certification materials and training opportunities.

**Action plan 4-1**

***Implementation of the system for evaluation and certification by NTCL SME consulting.***

|                                 |   |
|---------------------------------|---|
| Action                          | Implementation of the system for evaluation and certification by NTCL SME consulting.   |
| Direction /<br>executing agency | Operating committee of the registration and training system of SME consultants of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy<br>Sectoral Committee to support SMEs (New committee to be founded)<br>CONOCER.   |
| Activities                      | <ol style="list-style-type: none"> <li>1. To prepare a system to external agencies who carry out the training and evaluation of consultants, whose network was established within the registration system of the Ministry of Economy by the operating committee of the registration and training system of SME consultants, can be accredited certification bodies, assessment centers, evaluation and certification bodies or institutions of education and training of the NTCL SME consulting.</li> <li>2. Certification bodies, assessment centers or certification and assessment bodies of NTCL SME consulting will be accredited and registered by CONOCER.</li> <li>3. The sectoral committee to support SMEs accredits educational institutions and training of the NTCL SME consulting and training programs for consultants and gives them the partial exemption from the assessment.</li> </ol> |
| Points to consider              | <ol style="list-style-type: none"> <li>1. There is a plan to revise soon the National Certification System of Labor Competency. In</li> </ol>   |

|                  |   |
|------------------|---|
|                  | <p>accordance with the requirements of the certification and assessment procedures, the new system will also use the network members of the registration system of the Ministry of Economy.</p> <p>2. To encourage participation in the certification and evaluation system, it is necessary to apply sufficient business viability. It is needed to clarify the implementation plan of the Action Plan 4.1</p> |
| Expected results | <p>1. The environment will be ready where consultant candidates for SMEs may obtain the certification at a reasonable price.</p>  |

Source: Prepared by the Study Mission

**Action plan 4-2**

***To make mandatory obtaining the certification of SME consultants by NTCL to the consultants engaged in programs / projects administered by the Undersecretariat for Small and Medium Enterprises of the Ministry of Economy.***

|                              |   |
|------------------------------|---|
| Action                       | To make mandatory obtaining the certification of SME consultants by NTCL to the consultants who wishes to work for programs / projects administered by the Undersecretariat for Small and Medium Enterprises of the Ministry of Economy.  |
| Direction / executing agency | Operating committee of the registration and training system of consultants to the SMEs of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy.  |
| Activities                   | <p>1. In order to access the registration system for the SME Consultant of the Ministry of Economy and certification of SME consultants, will prepare the rules of operation and determine a specific process of work.</p> <p>2. It will execute the transition of the system, after thorough assessment and advertising deadline to oblige to obtain the certification of SME consultants, replacing the evaluation process implemented in the registration system of the Ministry of Economy.</p>   |
| Points to consider           | <p>1. In order to encourage the influence to other institutions to support SMEs, immediately execution it is essential once they are revised the NTCL SME consulting under the Action Plan 3-1.</p> <p>2. In advertising the system, take measures to transmit not only to consultants but also to the general public and thus raise the level of public recognition of the certification of SME consultants. Thus, the momentum will encourage other agencies to establish a requirement to obtain certification or certification consultants on their own initiative.</p> |
| Expected results             | <p>1. There shall be a tendency for consultants who wish to engage in programs / projects to support SMEs in the Ministry of Economy to obtain the certification of SME consultants.</p> <p>2. It reduces the operational burden of the evaluation process in the registration system of the Ministry of Economy.</p>   |

Source: Prepared by the Study Mission



**Action plan 4-3**

***Promote the dissemination of certification of SME consultants by NTCL as a requirement to engage in the programs / projects to support the SMEs.***

|                              |   |
|------------------------------|---|
| Action                       | Promote the dissemination of certification of SME consultants by NTCL as a requirement to engage in the programs / projects to support the SMEs   |
| Direction / executing agency | Operating committee of the registration and training system of SME consultants of the Under secretariat for Small and Medium Enterprises of the Ministry of Economy<br>Sectoral Committee to support SMEs (will build a new committee)<br>Organizations that develop programs / projects to support SMEs.   |
| Activities                   | <ol style="list-style-type: none"> <li>1. The operational committee of the registration and training system of consultants to SMEs and sectoral committee in support of SMEs will focus on the positive effects of obliging to obtain the certification of SME consultants in the Ministry of Economy and make a call for those agencies to develop programs / projects to support SMEs to let them set as a requirement for the job obtaining certification of SME consultants</li> <li>2. The agencies that develop programs / projects to support SMEs apply to obtain the certification of SME consultants as a requirement for the job, with determination and thorough dissemination prior to the deadline for implementation.</li> </ol> |
| Points to consider           | <ol style="list-style-type: none"> <li>1. To make good progress in project evaluation and certification of the NTCL Consulting for SMB implementation, this is essential as soon as the NTCL SME consulting has been revised under the Plan of Action 3-1.</li> <li>2. In advertising the system, take measures to transmit not only to consultants but also to the general public and thus raise the level of public recognition of the certification of consultants to SMEs. Thus, we will promote the drive to further increase as agencies require certification and thus a greater number of consultants will obtain certification.</li> </ol>   |
| Expected results             | <ol style="list-style-type: none"> <li>1. The NTCL SME consulting begins to establish itself as a standard certification for the entire SME sector and is not limited to the Ministry of Economy.</li> <li>2. It reduces the burden of evaluation and selection of consultants in each of the institutions supporting SMEs.</li> </ol>  |

Source: Prepared by the Study Mission

(3) Stage 3 (fifth year onwards): Maintain and strengthen the system.

The task of the third stage is "to make the positive cycle continues to circulate without deadlocks".

**Strategy 3-1 Conduct a monitoring by the sector committee focusing on the quality of the consultancy.**

In Stage 2 was emphasized the effort to place the extension route quantitatively. At this point, the issue of quality is what threatens the system development.

It should periodically review the performance of certified consultants as well as assessments by client companies (about once every 2 years), and if they were to be found that does not lead to quality, searching for the cause and implement corrective measures. As emphasized in stage 1, the composition of the committee members is fundamental to this type of ongoing management with responsibility.

**Action plan 5-1**

***Establish the monitoring system for the operation of the NTCL SME consulting.***

|                              |  |
|------------------------------|--|
| Action                       | Establish the monitoring system for the operation of the NTCL SME consulting.  |
| Direction / executing agency | Sectoral committee to support SMEs (will build a new committee).   |
| Activities                   | <ol style="list-style-type: none"> <li>1. Based on the evaluation of the work of consultants who carry out the Ministry of Economy and institutions to support SMEs, it will develop methods for assessing the quality of consulting service performed by a certified consultant.</li> <li>2. Approximately two years after the practical implementation of the certification of SME consultants, it will be applied to test the evaluation methods developed in part 1 and necessary improvements will be established to evaluation methods.</li> <li>3. Subsequently it will be evaluated every 2 years where the result is reflected in the revision of the NTCL and improvement of evaluation and certification scheme.</li> </ol> |
| Points to consider           | <ol style="list-style-type: none"> <li>1. To avoid fossilization of the sectoral committee to support SMEs and to continue monitoring, it is important to the composition of members and their commitment to organize the committee as the Action Plan 3-1. It requires strong leadership of the Secretariat for Small and Medium Enterprises of the Ministry of Economy.</li> </ol>   |
| Expected results             | <ol style="list-style-type: none"> <li>1. The NTCL SME consulting is firmly established as a national certification system.</li> <li>2. The NTCL SME consulting becomes recognized as a prestigious certification in the area of business consulting.</li> </ol>   |

Source: Prepared by the Study Mission

All action plans are essential steps for achieving objectives and is not marked in order of priority among the plans. Figure 9-6 shows the chronological program.

**Figure 9-6 Chronological program of action plans for integrating the system of the Ministry of Economy and the National Certification System of Labor Competency**

|                 | Third year after completing the Study | Fourth to sixth year after completing the Study | Seventh year onwards after completing the Study |
|-----------------|---------------------------------------|---|---|
| Action plan 3-1 |                                       |   |   |
| Action plan 4-1 |                                       |   |   |
| Action plan 4-2 |                                       |   |   |
| Action plan 4-3 |                                       |   |   |
| Action plan 5-1 |                                       |   |   |

Source: Prepared by the Study Mission

### 9.3 Policy of the Revision of Technical Standards of Labor Competency and the development of assessment tools

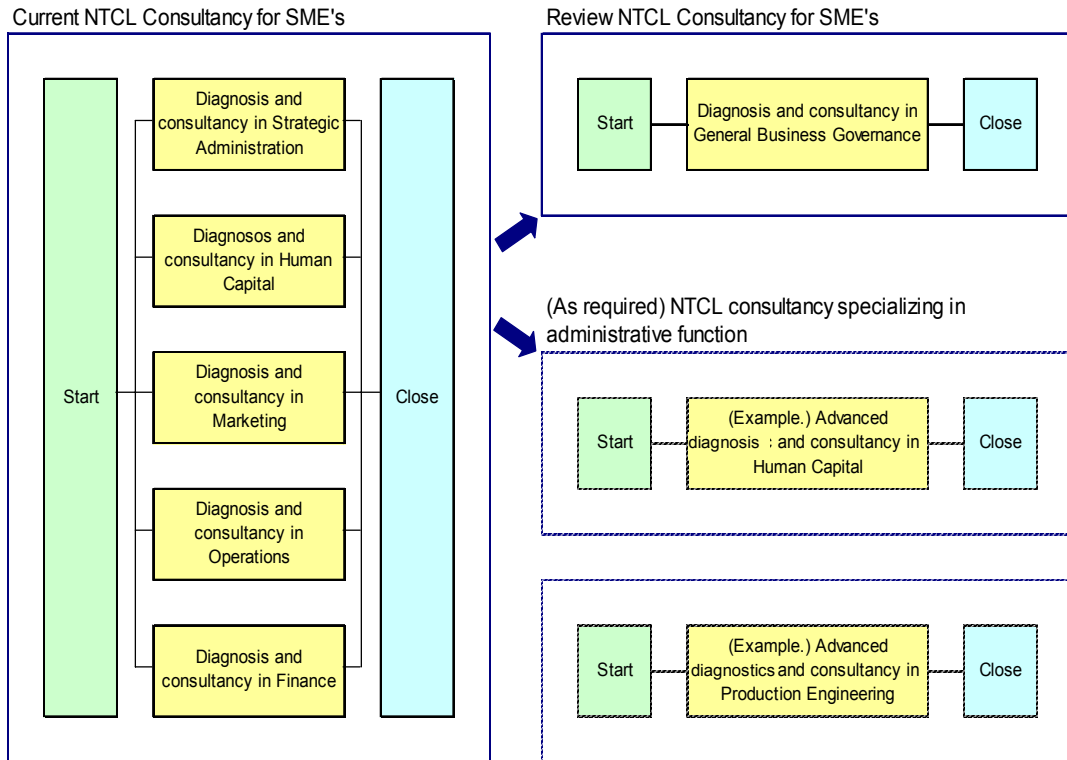
In this section, a proposal is made on some technical aspects to reflect occupational competency requirements in the NTCL.

#### 9.3.1 NTCL Structure

- In NTCL Consulting for SME labor competition will be defined to provide consulting services on general administration of SMEs.
- As needed, NTCL SME consulting in certain administrative functions will be established.

In the revised NTCL units should define the scope of which will be corporate governance in general, without classifying units according to the administrative functions. Coupled with this, as needed, it can be considered to develop a NTCL of specialized consultancy for each administrative function. Figure 9-7 shows the idea of transition from current NTCL to revised NTCL.

**Figure 9-7 Idea of transition from NTCL SME consulting**



Source: Prepared by the Study Mission.

A more detailed comment about our proposals focused solely on NTCL SME consulting is as follows.

**9.3.2 Structure of units and elements**

- The following 2 factors in the units or elements of the NTCL SME consulting are added:
  - (1) Make maximum use of measures to support SMEs offered by the government and public organizations and the private sector.
  - (2) Collaborate with specialists in areas related to the administration of SMEs.

For SMEs that are under unfavorable competitive conditions in comparison with large companies, it is expected that the support measures provided by government organizations, public and private sector can serve as building blocks to escape the vicious circle. In addition, a consultant specializing in SMEs is the holistic approach in the management of SMEs and can not always have

the ability to serve highly specialized tasks in a specific area, so you can say that the position of engaging an appropriate specialist to solve customer business problems is positive for the 3 parts.

### 9.3.3 Assessment criteria

- The assessment criteria of the NTCL SME consulting capacity requirements specifically required to attend SMEs reflecting the particular circumstances of them will be incorporated.
- There will be classes<sup>3</sup> on the elements considerably influential on the consulting for individual circumstances of each sector of manufacturing, trade and services.
- Evaluation will be strengthened by observing the performance.
- It will maintain guidelines giving more importance to the attitude assessment criteria.

To propose a feasible plan of improvement according to the strengths of an SME previously considering limitations on its resources for management and improvement activities - lack of staff knowledge and capacity, lack of financial resources, lack of capacity to management it is necessary to have a different mindset than that required in consulting for a large company. Also, when designing a plan, if the attended company is an SME, it will be an indispensable factor to use external resources to seek the possibility of mitigating limitations.

To ensure the "level that will at least perceive administrative problems related to all administrative functions for SMEs in any sector and type of business operation" proposed by the Mission, you should verify that applicants have a basic understanding on the general behavior of the management of SMEs, on important points of observation in the diagnosis and management of typical administrative tasks, for each of the sectors of manufacturing, trade and services.

The ability to logically structure a diagnostic report can not be directly linked to the ability to present an oral way, the diagnostic report clearly and persuasively, to the SME entrepreneur. The SME consultant working with SMEs which often lacks of reliable documented information and does not have established business management based on formal documents and therefore to assess

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<sup>3</sup> To determine more precisely some work required to perform differently depending on circumstances, you can set variables called classifications for the elements. (See Chapter 5, 5.2.3)

the competence of the consultant work, it rather should observe the capability to behave with words and effective action in real scenes.

SME consultant usually visits the client company without the company of others to provide consulting service. They should have a basic attitude to control him with a strong will, with the aim of providing high quality services with high sense of responsibility as a consultant, even if not supervised by his superior.

#### 9.3.4 Assesment tools

- The knowledge test questions are replaced every certain period.
- If a candidate finishes studying a training program that is considered qualified by the Management Committee<sup>4</sup>, this may be revalidated as part of the evaluation as requested by the candidate himself.

Once NTCL is issued to clearly identify the skills required for a consultant to SMEs, it shall establish a training program with the goal of meeting the criteria in the NTCL. Then it can be considered that there may be substantially the same function between completing the studies of a training program with a score above a level established and submitted to the evaluation to obtain certification with respect of occupational competency requirements that are reflected in that program. Therefore, it should eliminate repetition.

In other words, if one finishes the study of a training program that ensures to comply with the NTCL, one will be granted with the privilege of being exempted of part of the evaluation to obtain certification.

### 9.4 New Technical Standards of Labor Competency (Draft)

As a draft prepared by the Study Mission which reflects the proposals, Figure 9-8 presents the essential scheme of the revised NTCL. Also Table 9-1 shows how to reflect the proposals in the revised NTCL.

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<sup>4</sup> It is expected to change the current name of the Committee on Standards of Labor Competency for the Competence Management Committee or *Comité de Gestión por Competencias*.

It is better that the certification of SME consulting are distinguished from other certifications by defining labor competition with a focus on consulting for Small and Medium enterprises, and thus try to structure a system so clear for consultants to obtain certification and to companies that employ certified consultants.

**Figure 9-8 Essential scheme of revised NTCL SME consulting (draft)**

| <Units>   | <Elements>  | <Key points in the evaluation criteria> |   | <Degree of importance> |
|---|---|---|---|------------------------|
|   |   | D: Performance                          | P: Product C: Knowledge A: Attitude   |                        |
| 1. Diagnosing the administration of the SME               | 1-1 Gather information related to the administrative situation of the SME                                       | D                                       | Ability to gather information (skills for the interview and observation)            | +++                    |
|   |   | C                                       | Theoretical knowledge on the general administration of SMEs                         | ++                     |
|   |   | A                                       | Flexibility, honesty  | +++                    |
|   | 1-2 Identify problems in the management of the SME<br>Class1: Manufacturing<br>Class2: Trade<br>Class3: Service | P                                       | Logic and relevance of the analysis of causes, lack of inclination to certain areas | +++                    |
|   |   | C                                       | Knowledge and practical experience of administrative tasks for SMEs                 | ++                     |
|   |   |   | Tools for the analysis of causes  | +                      |
|   |   | A                                       | Sense of responsibility   | +++                    |
| 2. Propose a plan to improve management of the SME        | 2-1 Design a plan to improve management of the SME  | P                                       | Feasibility of problem solving, study of the acquisition of external resources.     | +++                    |
|   |   | C                                       | Understanding the support system for SMEs   | +++                    |
|   |   |   | Basic understanding of the specialties related to the administration of SMEs        | +                      |
|   |   |   | Tools for problem solving   | +                      |
|   |   | A                                       | Creativity  | +                      |
|   | 2-2 Submit to the SME a plan for management improvement   | D                                       | Persuasiveness of the presentation (ease of understanding, logic)                   | ++                     |
|   |   | A                                       | Kindness, leadership  | ++                     |
| 3. Advise on management improvement activities of the SME | 3-1 Support the implementation of improvement plan for SME  | D                                       | Facilitation skills   | ++                     |
|   |   | P                                       | Timely and appropriate actions depending on the progress and contingencies          | ++                     |
|   |   | C                                       | Tools for the change management   | +                      |
|   |   | A                                       | Cooperation attitude, leadership  | ++                     |
|   | 3-2 Manage the process of providing consultancy service   | P                                       | Appropriate results for the used period, relevance of the plan and results          | +++                    |
|   |   | C                                       | Tools for process management  | +                      |
| 4. Evaluate the results of consulting service             | 4-1 Gather information related to the results of completed service of consultancy                               | D                                       | Ability to gather information (skills for the interview and observation)            | +++                    |
|   |   | P                                       | Completeness of the information gathered on the positive and negative               | ++                     |
|   |   | A                                       | Honesty, fairness   | ++                     |
|   | 4-2 Judging the results of completed service of consultancy   | P                                       | Reasonable assessment as an accurate analysis of cause-effect                       | +++                    |
|   |   |   | Logic and feasibility of proposed improvement                                       | +++                    |
|   |   | C                                       | Tools for project evaluation  | +                      |
|   |   | A                                       | Honesty, fairness   | ++                     |

Source: Prepared by Study Mission.



**Table 9-1 Way to reflect the proposals of the Study Mission for the essential scheme of the revised NTCL SME consulting (draft)**

| Study Mission proposals   | Way to reflect on the essential scheme of the NTCL (draft)   |
|---|--|
| 1. Define the occupational competence to provide consulting services on general administration of SMEs.   | Units structured as administrative function will be eliminated in the current NTCL.<br>In the evaluation criteria of the item 1-2, "Identifying problems in the management of the SME", the "no inclination" to certain areas will be established.   |
| 2. Add in the units or elements the following 2 factors:<br><br>(1) Use the most of the measures to support SMEs offered by government and public organizations and the private sector.<br><br>(2) Collaborate with specialists in areas related to the administration of SMEs. | In the evaluation criteria of the item 2-1, "Designing a management improvement plan of the SME", the "study of the acquisition of external resources" will be established.<br><br>(1) The criteria of evaluation of element 2-1, the "understanding of the support system for SMEs" will be established<br><br>(2) The criteria of evaluation of element 2-1, the "basic understanding of the specialties related to the administration of SMEs" will be established. |
| 3. Incorporate in the evaluation criteria the requirements capacity specific necessary to meet the SME reflecting the particular circumstances of them.   | The evaluation criteria of the item 2-1, "Designing a plan to improve SME management", the "feasibility of the solution of problems" and the "study of the acquisition of external resources" will be established.   |
| 4. Establish classes in the considerably influential elements by consulting the individual circumstances of each sector of manufacturing, trade and services.   | In the item 1-2, "Identifying problems in the management of the SME", 3 classes will be established according to sector and will be evaluated for each the quality of evidence for product.  |
| 5. Strengthen the assessment through observation of performance.  | In all units, establish criteria for performance evaluation.   |
| 6. Keep the lines that give more importance to the evaluation criteria of attitudes.  | In all the elements, establish criteria for performance evaluation.  |

Source: Prepared by Study Mission.

The main changes implemented in the current NTCL are:

(1) Structuring units and elements according to job functions.

It seems that the current NTCL structures its units and elements based on the process rather than on job functions. From the standpoint of the process, preparation of business management to agree with the client company on the opening and closing of the consultancy service, it is a separate phase from each other because it means the beginning and the end of the service delivery, while from the viewpoint of the functions, the preparation is included as a function that established the item 3-2, "Managing the process of providing consultancy service".

Furthermore, to assess the finished consulting services a specific capacity is required. It should not be considered as part of the process of closing service but a separate function.

(2) Establish classes depending on the sector.

In a consultancy, the phase that depends largely on the difference in administrative features across sectors will be element 1-2, "Identifying problems in the management of the SME".

So, in terms of element 1-2, we propose the establishment of 3 classes as manufacturing, trade and services and assess their respective characteristics on whether the root cause analysis on evidence submitted by product (diagnosis report) meets satisfactory level of quality.

(3) Set in all units the performance evaluation criteria.

All job functions that are defined in each unit use interpersonal communication skills that can not be assessed without observing the candidate's performance. Speaking more specifically, it deals with interviewing skills, presentation and facilitation.

(4) Reflecting on the evaluation criteria the considerations made in relation to the resource constraints of SMEs.

By adding, in the assessment criteria, a consideration of the feasibility of proposals and depth of study on the acquisition of external resources, assess the capacity to provide services under the particular circumstances of SMEs.