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CEFE Concept Summary

Competency based **E**conomies, **F**ormation of **E**nterprise

Long before the famous economist Adam Smith wrote his well known treatise "The Wealth of Nations", citizens and leaders of sovereign states have been preoccupied with the question of "How to improve their own living conditions". It is only in the last century however that the definition of what constitutes a wealthy nation has evolved from a crude measure of income to include such indicators as human rights and the equality of access to opportunities, public resources and unspoiled nature, in short what is frequently termed as "The quality of life".

Most social scientists would agree that given several different societies with equal resource endowments, those which have a higher proportion of competent, resourceful and enterprising people are likely to generate the higher levels of output per capita that stimulate both increased income and the growth of a social conscience.

The following model is based on the assumption that the enrichment of society is essentially a function of its human resources, and the more productive and accountable these people are, the greater will be the wealth of that nation. Let us look at the factors at work in this process of growth.

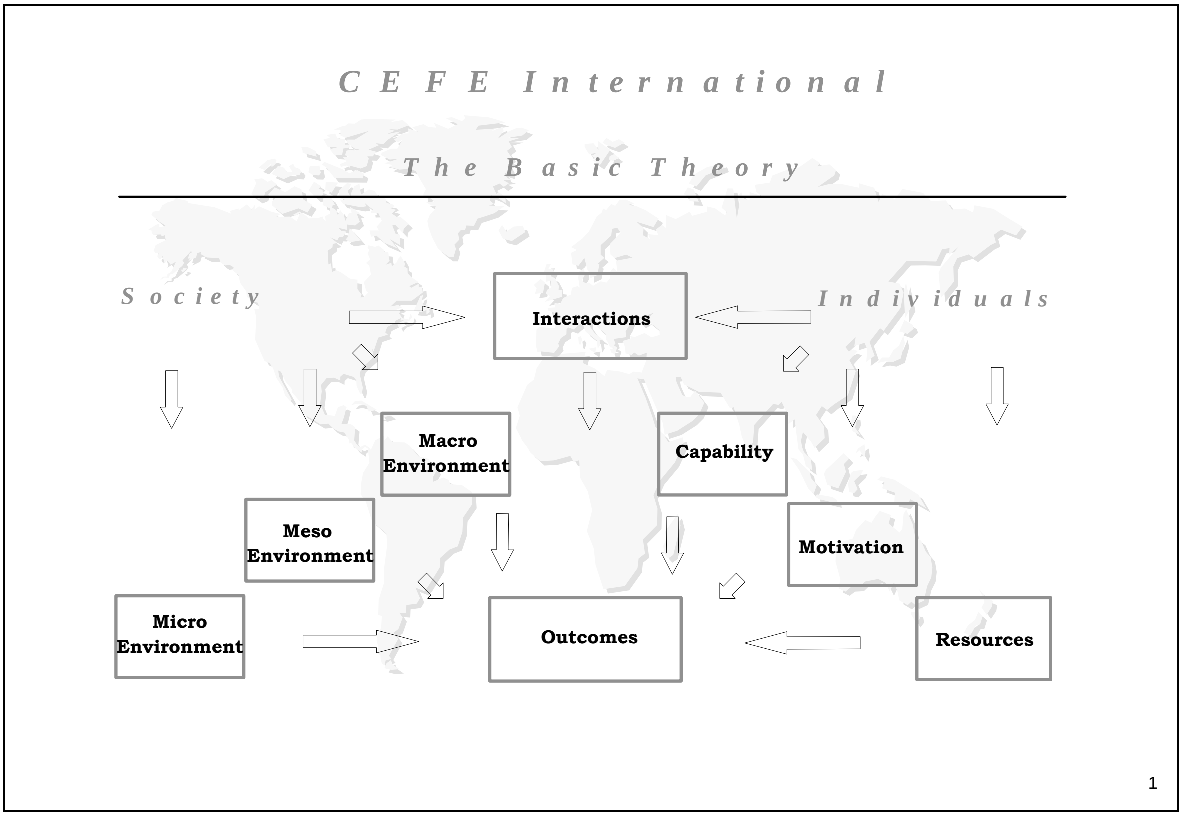
The quality, nature and frequency of the interactions and their results is a function of the capability, motivation and personal resources of the individual on the one hand combined with the prevailing conditions of their macro, meso and micro environments on the other. These factors when combined stimulate situations which may have positive, negative or neutral outcomes for the individual or society .
Any or all six of these factors can, at any time, be linked in "causal chains" of differing sequences or combinations setting in motion the activities that open or close a career opportunity, influence a consumer to buy or not to buy a specific product or make a business grow, stagnate or decline. For example, an opportunity may arise and be recognised as one, because of a combination of a person's motivation, capability and an imperfection or "need" in the meso environment. Or an enterpreneurial family situation in the micro environment can motivate a person to acquire the competence needed to start a business. Even non-economic interactions at such mundane levels as discussions with friends will follow the same pattern and their outcome will depend on these same factors.

There is no single linear relationship between these factors and their sequencing and combination can be random and appear "chaotic". The strength and character of their influence can vary in individuals as well as in societies. Each factor is in a constant state of flux: economies grow, stagnate and decline, only to grow again; in the meso environment, markets may come and go, competition will sometimes be weak or strong and resources will vary in their availability; motivation is constantly being shaped by situations and feedback; capabilities are learned and lost and personal resources can also grow and decline. But it is this process of change that creates opportunities for enterprising people to identify and exploit situations that lead to productive outcomes. The purpose of understanding the process and recognising the factors is to enable the promoters or the individuals themselves to analyse them and then positively influence them in given situations.

Each factor can be tuned to be more or to be less favourable by the individual or the promoter within their limits of power, but since situations are permanently dynamic, those who are involved in promotion must be engaged in a constant balancing act between going too far and not far enough, between providing incentives on the one hand and spoonfeeding on the other.

In order to design strategies to increase the productivity of different situations it is necessary to review the strengths and weaknesses of the relevant components of each one of the above mentioned factors as seen in figure 1.

Figure 1



For example, on the society/environmental side of the equation at the macro level, these components would be: the prevailing culture, the legal and regulatory system, the global or regional infrastructure, the dominant education system, and the political economy of the

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Society:

Macro Environment, those conditions on which the individual has little or no influence, but at the same time they may have greater or lesser influence on the individual.

Meso Environment, conditions which may be influenced by the individual and may have a strong impact on the individual.
Micro Environment, those conditions the individual can strongly influence and which have a strong influence on the individual.

Individual:

Capability, the combination of inherited talents and acquired skills

Motivation, the response or reaction to a given situation.
Personal Resources, the tangible assets that individuals have at their immediate disposal.

environment; the meso level would be composed of: resource institutions, markets, and competition or opportunities; while on the micro level the key components could be: family culture and the immediate domestic situation (see figure 2).

For strategies targeted to the individual, a review of the components of a person's capability would include their physical attributes, education, experience and acquired skills; the components of motivation to isolate would be: the degree of importance to the individual or the level of commitment to the goal and an evaluation of the likelihood of success; concerning personal resources, whether these resources are inherited or acquired the analysis would weigh the relationship of the benefits against the risks.

The likelihood of "success" or a productive outcome in any given situation is a function of the endowments of any one of these factors. If the playing field is level and participation is potentially unlimited, it is in everyone's interest to create as many productive outcomes as possible.
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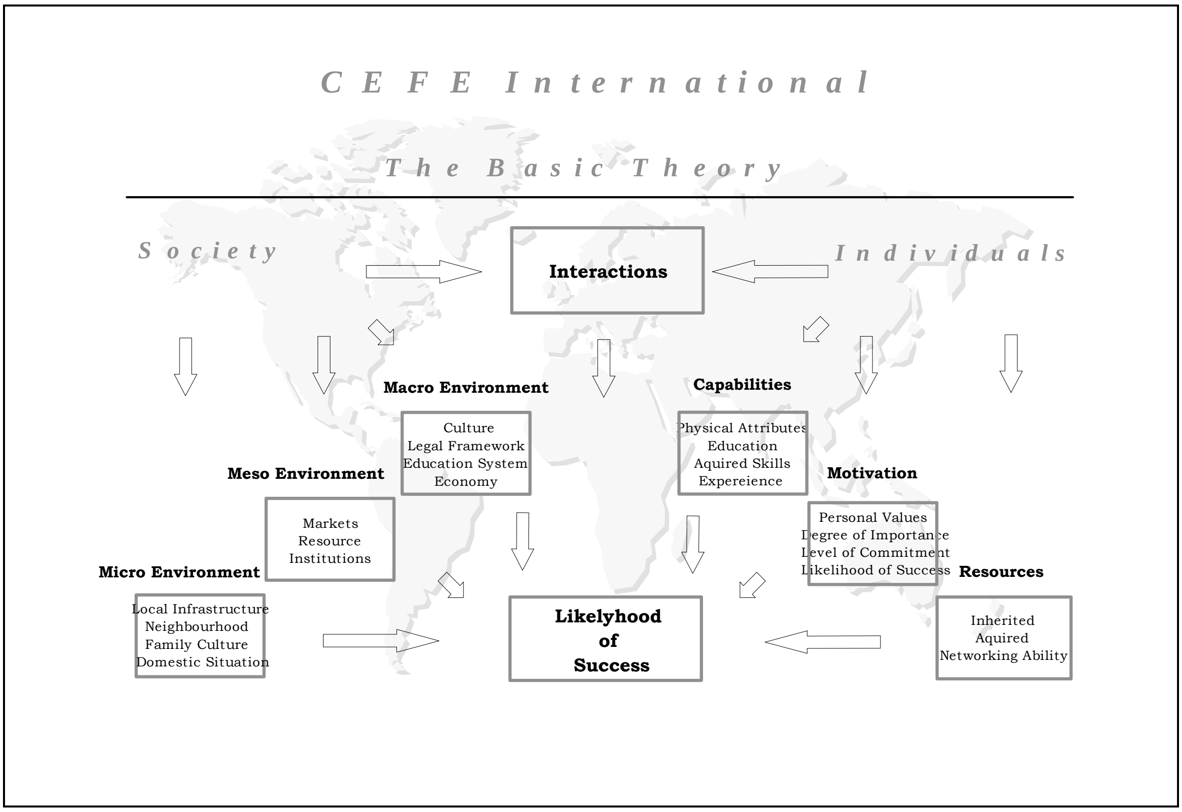
In principle this theory could apply to any sector whether it is business, education, health or any field imaginable where interaction between society and individuals takes place. Even in smaller microcosms such as a large or medium organisation the successfulness of the organisation and the careers of the employees will depend on productive outcomes from their interactions within the organisation or outside in their environment. Stimulating more productive outcomes can be achieved by improving the conditions of the six factors mentioned above.

Figure 2



Since the six factors are the product of the interactions of people, improving the human resource element on both sides of the equation (the individual and the society) is critical to increasing the proportion of productive outcomes from interactions in any given economy. This points to a strong need for human resources development or training as a powerful instrument to raise the competence of the key actors involved in the interactions so that they could not only generate more productive results but also deal effectively with the subsequent outcomes.

CEFE which stands for **C**ompetency-based **E**conomies, **F**ormation of **E**nterprise has evolved over the years from an approach training individuals who want to start their own enterprise to a comprehensive training methodology based on the model presented in figures 1 and 2, is designed to evoke enterprising behaviour and competence in a wide variety of situations. The fundamental assumption is that people with a clearer vision of their goals and equipped with the skills to achieve them are far more likely to become productive individuals in society.

Although the training methodology has a wide appeal and has been applied in a variety of situations, its core focus remains the stimulation of growth in the small and medium enterprise development process. It develops and enhances the business management and personal competencies of the two sets of actors which are considered as the most important in the enterprise growth process, namely entrepreneurs and the personnel of enterprise support and regulatory institutions. The emphasis with entrepreneurs is on improving their business performance while with personnel from enterprise support and regulatory

institutions more attention is given to creating a positive enabling environment at the macro and meso level.

CEFE's main objective today is ......

to improve the entrepreneurial performance of economic actors through:

- guided self-analysis
- stimulating enterprising behaviour
- the build up of business competencies

Many training programmes have the objective of transferring needed skills and know how, with the result that knowledge is acquired but there is very little subsequent application, because of the absence of working on the motivation to act, the strengthening of capabilities to act and the testing of the capabilities in "real-life simulation exercises". This is particularly the case with lower income target groups whose experience and exposure to more formal business situations such as applying for a loan from a bank, precludes their competence in handling the rigours of a sophisticated business environment that comes with growth.

CEFE training focuses on the circumstances involved in decision-making during the kind of interactions described above. Its objective is to increase the competence of key economic actors to generate productive results. By addressing actors on both sides of the equation (the individual and the society) and equipping them with the understanding, competence and the strategies needed to improve growth, the frequency of productive interactions should increase.

There are essentially six stages in a **CEFE** training programme regardless of the target group. The first stage is **awareness**, in which participants are encouraged to examine who they are, clarify their own values, and evaluate their own personality, motivations, capabilities and personal resources. The second stage is **acceptance** or recognition of one's own strengths and weaknesses **-** not everyone has to be a leader or hero, but being more creative, innovative, and competent is likely to produce rewards in any profession. The third stage is **goal setting**, where the emphasis is placed in developing clarity of purpose in one's short and long term goals of life. The fourth stage involves developing **strategies or action plans** which are oriented to generating growth, this is done after analysing the relevant components of the six factors mentioned above and includes the upgrading of knowledge about economics and entrepreneurial decision-making . The fifth is **direct experience** where the emphasis is on doing; structured learning experiences and encountering "real life" situations assist in building up this experience in which strategies are tested, evaluated and modified. The last stage is **transformation and empowerment** where the competencies acquired come together into a pattern which matches personal strengths and weaknesses with goals.

An overall guiding principle to the training is the **ownership of the process** which is acquired through the time and energy that participants must invest into the highly demanding schedule of each course.

By moving through these stages from awareness to transformation, the participant is given the opportunity to experience personal growth and to develop a more enterprising approach to life. The amount of empowerment that actually takes place is in direct proportion to the investment made by the participant and to the increase of economic opportunities.

These days the world has become a global economy, no country can stay isolated and national economies compete against each other. The effects of this globalisation on economic growth, on employment and income patterns are dramatic in industrialised, emerging and still less developed economies. Identifying better ways and means for stimulating enterprise development and economic growth therefore remains a strategic goal for all those interested in increasing the pace of better balanced income and employment growth. Fostering private initiative is the declared option for many policy makers.

CEFE's experience shows that human resource development is able to provide the appropriate answer for them to encourage that private initiative. Economies based on the competence of its people will not

only experience higher economic growth but also will give a much greater portion of its people the opportunity to participate in the benefits.

For those involved in the decision-making process two very important questions must be asked:

- What are the most critical factors preventing more productive outcomes? and,
- What are the most cost-effective instruments to turn these factors to generate more productivity?

Considering for example the promotion of lower income target groups where the legal and regulatory system in which they operate may be antiquated due to neglect, their access to resource institutions and education may be limited as well as their experience in enterprise as a function of their exposure to how a modern economy works. Some of the instruments of human resource development that may be applied for the individual could be: rekindling motivation, developing market oriented skills, and equipping them with the strategic capabilities to propel them out of their cycle of poverty. On the society side, instruments might include working on legal rights, improving access to local resource institutions and social programmes oriented towards improvements of family conditions by equipping those responsible on the implementation level with the necessary skills to do their job professionally.

Taking the example of an emergency Food-for-Work-Programme, this would be a typical case where interaction is one-sided. We find a strong donor on one side and a weak recipient on the other. Communication is reduced to a minimum, competence of the recipient is not requested, human resource development is not part of the process. In this situation the long-term impact on economic growth of the society and on the income or employment of the recipients would be negative, when human resource development to build up the competence to re-establish one's income base, isn't incorporated in the programme. The impact of human resource development on sustainable income, employment and on growth of the economy is very often not in the mind of the established strata of the population as they themselves are not aware of all the inequalities that exist in society.

Conversely, if we take the example of the more affluent strata of the economy where resources are not the major problem and higher education is considered to be the norm, one might work less on motivation and more on goal setting, opportunity identification, strategic planning capabilities and the improvement of the regulatory framework.

Such examples are mainly illustrative of the wide range of combinations that promoters can choose , according to the given situation and the needs of the target group. Whatever instrument is chosen however, the element of human resources development will be at the leading edge of the change process for if resources are to be effectively allocated it will require competent people to instigate and plan their utilisation.

The **CEFE** method of enterprise promotion represents the synthesis of enterprise research, theory and application and links economic growth with more and better qualified employment and higher individual income. Its strength comes from paying particular attention to the practical results of its interventions. The "bottom line" has always been clearly focused on improving the business performance of enterprises but the method has been widely used in sectors such as education, vocational training, management training, rural and urban development, reconstruction and privatisation, refugee and reintegration programmes and in agriculture.

Because of the sustained implementation of **CEFE** programmes for the last ten years in four continents and the commitment to monitoring its impact, the method has evolved into one of the most popular tools for the empowerment of lower income target groups, the stimulation of enterprising behaviour, the enhancement of business competencies and the promotion of small and medium enterprise.

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September 1995

Figure 3

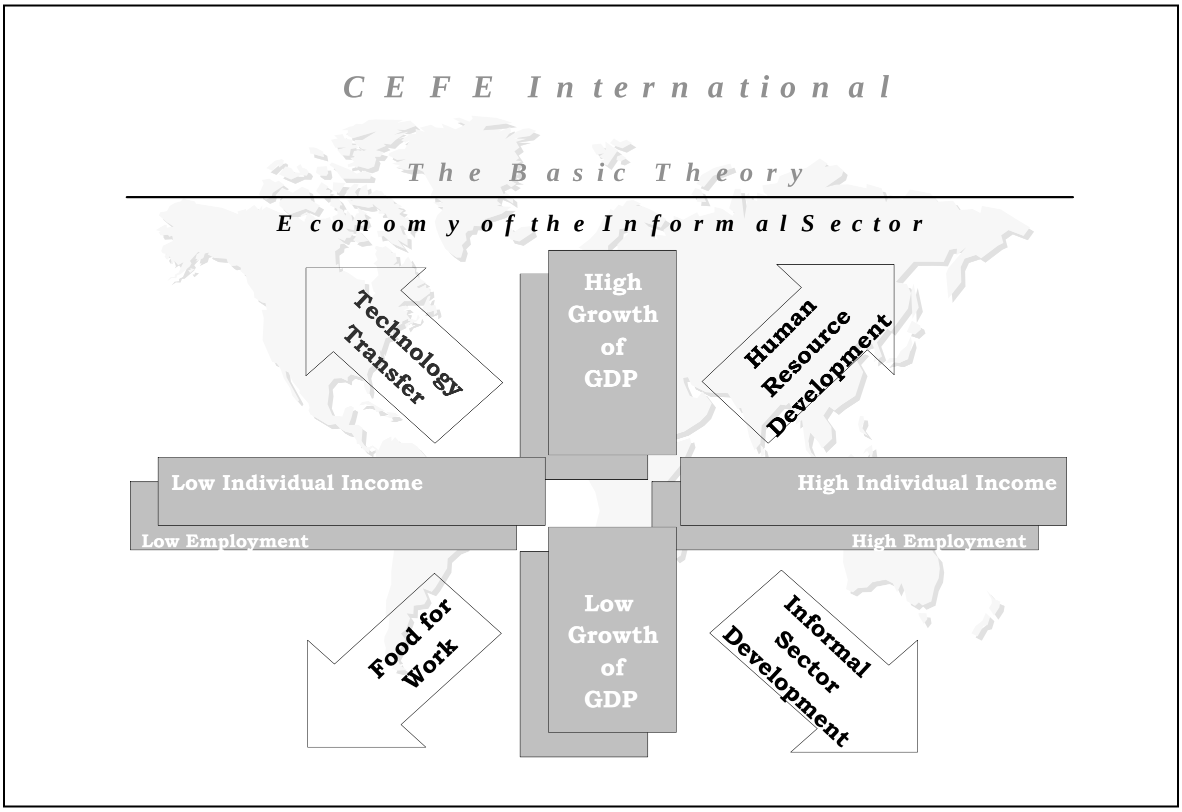
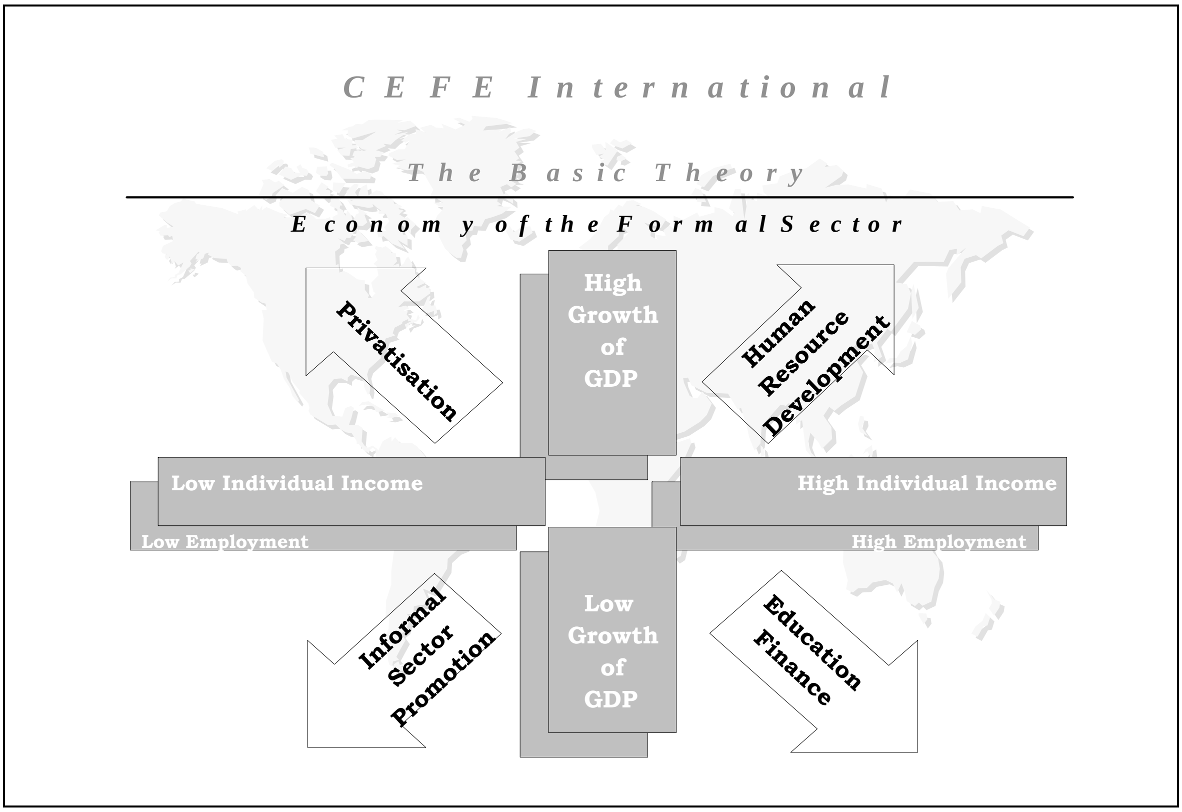


Figure 4



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