



## Background

The Nucleus approach was developed in Brazil during the 1990s. Since then it has been tried and tested in more than 20 countries (see list above) as a successful tool for the enhancement of SME competitiveness and organisational development in chambers and associations (Business Membership organisations - BMOs).

A nucleus is a working group consisting of companies of the same sector, which is moderated by a management consultant employed by or under contract at a chamber or association.

## Promoting SMEs with the Nucleus Approach

### Product Description

#### Enhanced SME competitiveness

The Nucleus product mobilises a large number of companies within a very short time, especially SMEs. The enterprises use the groups to identify activities with which they can trigger improvement processes. Participatory facilitation techniques support the work of the nucleus which turns into a platform allowing for exchange about problems and their solutions.

#### Organisational development of chambers and associations

A nucleus as a new service provided by a chamber or an association generates new members. This causes an increase in both earnings and influence. Simultaneously, the nuclei organised under the roof of a chamber or association create new challenges for the organisation. BMOs are confronted with the demands of SMEs more intensively and experience nuclei as a motor for change processes within their organisations. These change processes (e.g. new demands on staff, new composition of elected bodies) are supported through tailor-made workshops and seminars.

The Nucleus product consists of the following sequa services:

- Series of introductory workshops (BMO board level, BMO staff level, awareness raising workshops for companies)
- Selection process for potential management consultants
- Management consulting training I and II (5 days of training each for 25 management consultants)
- Accompanying coaching of the management consultants when the first nuclei are set up
- Existing tools for the founding process of nuclei: identification of branches of trade and industry, first group meetings, definition of SME problems and expectations of the groups in follow-up meetings, initial prioritisation of problems and activity planning, implementation of activities, annual planning for each nucleus, formalisation of the nuclei and introduction of compulsory fees (incl. calculation tools).
- On-the-job coaching of the management consultants for nucleus meetings and the organisation of activities
- Workshops for management consultants on selected topics
- Workshops for BMO staff and volunteers
- Networking activities on the chamber/association level
- Manual for management consultants, manual for BMOs „Introduction to Nucleus“
- M & E Tools on an Excel basis

On the basis of the experiences which have been made with the Nucleus approach in many countries, the product has been far advanced and a lot of material (incl. videos) has already been published. The benefits of the nucleus in development cooperation are, among others, strong acceptance by the partners since results become visible quickly as well as the lean implementation structure caused by locating the management consultants at chambers and associations and not in a project office. This increases the chance for sustainability.

## Product Impact

The nucleus method addresses the micro- and meso-level. On the entrepreneurial level verifiable effects on increased productivity (an average 30 % within 3 years), higher turnover (an average 50 % within 3 years) and more employees (an average 45 % within 3 years) have been measured. This impact is achieved, among other things, by an increased use of Business Development Services (BDS). Better relationships between entrepreneurs are another reason for the improved competitiveness. Due to the higher demand for BDS that is triggered by the nucleus meetings, the BDS providers, too, are strengthened and can generate higher earnings.

Chambers and association which have integrated a sufficiently large number of nuclei into their organisation show very high growth levels for their membership numbers (an average 350 & within 3 years) and, thus, higher earnings through membership fees as well as services (such as the organisation of delegates journeys, trade fair participation). In surveys companies report that the performance of the chamber/ association improved after the introduction of the nuclei.

## Product Application Examples

The Nucleus approach is employed in a classic manner in a project aimed at increasing the competitiveness of SMEs. This was successfully achieved in a sequa partnership project between the Munich Chamber of Skilled Crafts and BMOs in Southern Brazil as well as, later on, the umbrella organisation CACB and SEBRAE in Brazil between 1991 and 1999. Today, ca. 4,500 nuclei with more than 50,000 participating companies and 900 chambers and associations are active in the South American country where the nucleus approach has thus been successfully employed to establish extensive sustainable structures.

Those chambers and associations which have introduced the method view it as a tool with which they are able to strengthen their presence in regions outside of the economically strong major cities. The approach is a useful element of local and/or regional economic development and can support decentralisation processes. The ESSP project implemented by the GIZ in Sri Lanka between 2002 and 2007 may serve as an example here. The impacts created by the Nucleus approach have been evaluated systematically and published. The Nucleus Entrepreneur Foundation set up after the project ended, continues to hold its own in the market and was able to celebrate its 5th anniversary in June 2012.

The nucleus approach has also been used as a practical tool to boost environmentally-friendly production and marketing methods. A project example for this is the SMART-Cebu project (2009-2013) conducted by sequa as part of the EU-SWITCH Programme in the Philippines. The project goal is the introduction of environmentally-friendly production techniques and marketing strategies in selected sectors which have been organised into nuclei.

sequa has realised a further successful project on the basis of the Nucleus approach in the EU-funded AL INVEST IV Programme. 18 chambers and associations from Peru, Colombia, Ecuador, and Bolivia have introduced the nucleus method. Today 237 nuclei exist in the Andes region with a total of more than 4,200 participating businesses.

The nucleus application spectrum also includes cluster and value chain methods for the promotion of competitiveness. In the cluster approach, nuclei can serve as a basic element which mobilises a large number of businesses from one sector through a tried and tested method. In value chain projects, the Nucleus approach is a useful method to organise the entrepreneurs on the respective level of the value chain into groups.

Daniel Bagwitz, AV GIZ Namibia, on Nucleus whose application he witnessed in Sri Lanka:

*“The beauty of the Nucleus approach remains: rather simple, truly logical, based on counselling and self-development, demand driven, and with a good chance for sustainability.”*