

Part 2

2.3

Assessment Tool 6

How to assess the EESE and identifying priorities for reform

Section 2.3: Assessment tools

Using Focus Groups



Purpose

This Assessment Tool outlines how EOs can use Focus Groups to deepen and validate their analysis. The tool outlines a specific approach to Focus Groups whereby the objective enables the EO to identify the specific issues it wants addressed through its advocacy efforts.



How to use this tool

- This Assessment Tool is designed to assist EOs to test issues with its membership in a controlled fashion.
- It is advised that the focus group be run by an individual independent of the EO so as to enable a more direct assessment of the EO's role and its effectiveness in the policy under review and its potential role.

Step 1: Focus Groups as a tool for EOs

Step 2: A Structured approach to Focus Groups



Introduction

A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs, and attitudes. Questions are asked in an interactive group setting where participants are free to talk with other group members.

Having identified constraints on enterprises through primary and secondary research, the EO needs to 'test' the veracity of the issue(s) identified. Focus groups are a useful and efficient way of achieving this.

Step 1: Focus Groups as a tool for EOs

Focus groups are, as the name suggests, small groups who discuss an issue/constraint, or a limited amount of issues/constraints, in a focused manner. A typical focus group session will last between 60 and 90 minutes.

They can be a more useful tool than surveys and questionnaires as they are more flexible than set questions, they encourage group interaction, and can be performed relatively easily with limited costs. Additionally, the information gathered should be largely qualitative (opinions, insights and personal responses) by enabling the EO to probe members on the issues and dig deeper. They can look at the constraints in a holistic fashion and unearth remedies and solutions.

Benefits:¹

- A large amount of information can be collected in a relatively short time;
- they can be used to complement other forms of research, e.g. surveys and questionnaires;
- group discussions produce data and insights that would be less accessible without the interaction that is found in a group setting such as listening to others' verbalized practises, which in turn stimulates memories, ideas, and experiences in participants.
- they provide an opportunity for disclosure among others with similarities in a setting where participants are validated.
- they are a more personal means of data collection, providing direct member contact, and provide an opportunity to address other member concerns;
- information can come from across the EO's membership, i.e. different sectors and differently sized, from SMEs to larger enterprises;
- they can be used to ascertain the nature and depth of a constraint, its pervasiveness, and its impact on direct enterprise costs;
- they can signal to the EO the urgency for action on a given issue;
- they connect EOs to their members and their issues;
- they can help in providing outlines of what policy recommendations would look like.

The ideal group will have about 10 participants – with too few you will not get the interaction that adds value over individual interviews; while with too many people, will not be able to fully participate. The focus groups can either be held on a one-off basis or as part of continuing process.

Issues to be aware of:

- Time - getting relevant enterprises to release individuals to provide their opinions can be challenging;
- analysis of the data collected is time consuming;
- the ideal is to record the session and then transcribe. An alternative is to ensure that there is someone available who can take detailed notes. These need to be comprehensive. It is important that the note taker does not attempt to interpret remarks but simply to record them. Information can be lost or taken out of context if not carefully recorded.
- group dynamics: individuals can feel nervous when placed in an open discussion group and this may affect the result. They seek to give the 'correct answers' or try to impress their peers by being over-opinionated.

1.1 Recruitment of participants

The success of the focus group(s) will be dependent on the successful recruitment of participants. Selection may depend on the constraint. For example, if the constraint identified is legislation, then the makeup of the focus group should be targeted at those industries most affected.

Establishing a group needs careful consideration. Ensure a good mixture of enterprises and individuals, including businesswomen. The size of the group will be important, smaller groups can be more easily focused and information is easier to assimilate. The smaller the group, the larger the percentage of time available for each person to contribute; a larger group will instead allow a broader perspective to be gained.

¹ See for further information: http://wiki.businessadvocacy.net/index.php/Focus_groups

1.2 Facilitation

The main role of the facilitator is to maintain the focus of the group on the constraint under discussion. Although the session should appear to be unstructured to participants, the facilitator needs to direct the discussion in order to probe the nature of the constraint.

The facilitator will also be expected to introduce and explain the purpose of the group without influencing the results. Ideally, the facilitator will be a staff member and have a thorough understanding of the constraint being discussed as well as being able to answer any questions which arise. However, it is also important for this individual to let the discussion flow organically without pushing it in a certain direction, while at the same time facilitate and actively encourage a 'downward' analysis of the issue and keep probing.

The facilitator will need to reassure participants of the confidentiality of responses and make participating enterprises feel comfortable enough to converse with each other. Trust must be established at the very beginning. To do this, the facilitator will need to be personable enough to empathize with each member of the group in a very short time span. Where the facilitator is a staff member with a probable existing relationship with the participating enterprise (or at least a connection to that enterprise) this should be straightforward.

Throughout the discussion, the facilitator will need to remain neutral and avoid favouritism, giving their personal opinions, or criticizing individual answers. The conversation must be kept flowing, ensuring that everyone has their say, without individual personalities being allowed to dominate over others.

One to one discussions between the facilitator and group members should be avoided.

The facilitator will need excellent interpersonal, communication and listening skills, a good memory, as well as organized, sympathetic, energetic, intelligent, observant, and firm. The facilitator should also be a clear and precise speaker.

At the close of the session the facilitator should summarize and seek agreement on the final position. For example, if the issue under discussion was a particular piece of legislation, through which the discussion process led to a situation where the legislation is considered by the group to be overly costly and administratively heavy, but it also seems to be impacting chiefly on certain sectors, the EO has identified an issue for action and confirmed its negative impact.

This issue then needs to be acted upon by the EO and pushed up the advocacy agenda; however, as it is not an issue that impacts all sectors and enterprises, and is therefore unlikely to be the EOs main priority, there is no escaping the fact that the findings require action.

1.3 Collating and analyzing results

If the only record of the session is written notes, then the staff member taking notes should aim to quote some people directly, especially where they seem to be making insightful comments, or else making comments which seem to summarize a group view. This can be very useful in illustrating the impact of a constraint, e.g. *"The law as it stands seems to regard every enterprise as a very large or multinational enterprise"*.

DO's

Show interest

Nod and murmur encouragement

DON'Ts

Be too controlling

Appear judgmental

Use open questions	Use closed questions
Silent pauses to allow thinking time	Use leading or suggestive questions
Summarize the answers	Change topic too abruptly
Check if you understand correctly	Assume you understood

1.4 Planning the session

Questions should be open-ended to avoid 'yes or no' responses. Beginning a question with 'Why?' will often result in a presumed response, while asking 'How?' or 'What?' often provokes a more detailed and spontaneous response.

Questions should be limited to no more than ten, ranging from broad to narrow subject matter, and facilitation of the discussion should follow the rules of a natural conversation.

Facilitators must be comfortable and familiar with questions in order to clarify their meaning in a group situation.

STEP 1: SUMMARY ASSESSMENT

Participants are representative of the membership , including women members	Yes / No
Do some Participants come from the most important sectors affected by the issue?	Name these sectors
The Focus Group is conducted by an individual who can inspire trust and confidence.	If the EO wants feedback on its role then it should not be a staff member of the EO
Participants are varied – not solely the member companies that 'can be relied on' or are 'usually used' by the EO, as this can sway the outcome	Yes / No
SMEs are represented in the sample	Yes / No

Step 2: A Structured approach to Focus Group

This approach seeks through a *downward enquiry* to establish whether an issue actually is something worth prioritising. Take the two following examples.

EXAMPLE 1:

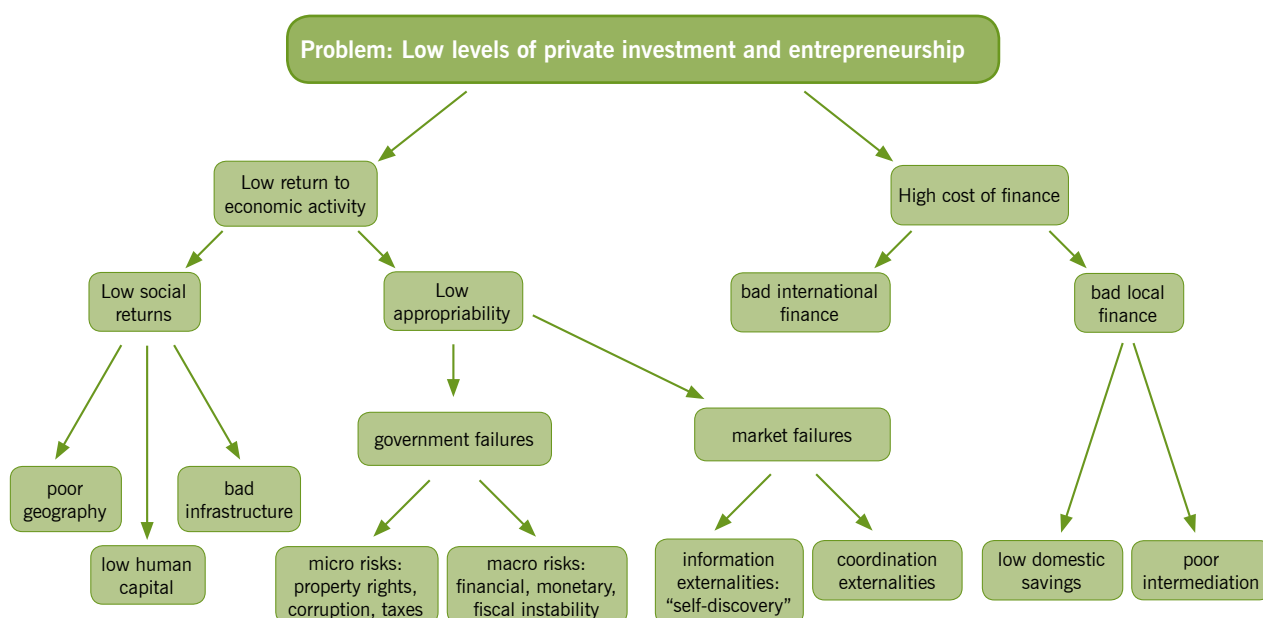
Business in a given country reports difficulties in finding highly skilled workers. A cursory examination of the education infrastructure and its poor shape and consequent poor outcomes may suggest this is an area of policy focus for the EO. However, a more detailed examination finds that while education may be poor, other negative factors (e.g. a culture of corruption and cronyism, crime, etc.) are driving the few high-skilled individuals into more lucrative migration paths. This may in fact be the area of policy focus where time and resources should be devoted in seeking change.

EXAMPLE 2:

Access to finance is seen as a problem. On examination, the banking system is small, but banks are full of liquidity and desperate to find customers to lend money to at very sensible interest rates. Why are there so few takers may be the question to ask. Alternatively, credit may be low because banks do not have enough resources to lend or because firms do not want to borrow.

The *downward enquiry* approach is predicated on confirming an issue as a constraint on business through a series of questions, and arriving at a point where the EO could say that this constraint – or an element of it – is a significant barrier to enterprise development and, even more significantly, that if corrective action was taken, it would result in favourable policy outcomes.

The *downward enquiry* approach is predicated on a model which seeks to drill down on an issue, and identify which point is the most problematic and which area that the EO should focus on.



Source: Hausmann, Rodrik, and Velasco (2005)

2.1 Types of questions to ask

The facilitator will put the issues identified by the EO to the group and initiate a downward enquiry on the possible constraint. Types of questions could be:

- Is the constraint new?
- What connected signals are there?
- What are the cost implications?
- Are there wider policy ramifications to the constraint?
- Does the constraint impact differently on enterprises of different sizes? Does it impact differently on women-owned SMEs?
- Is the constraint geographically or sectoral specific?
- Can the EO realistically effect change?

A step-by-step questioning process will help narrow the focus down to the specific issue and identify it as a confirmed issue – a key constraint on business that requires national advocacy action by the EO, and also as an issue that can be realistically tackled.

The process outlined here, will unearth a whole host of issues that are hindering the growth of enterprise. But the central question is – the very basis of this approach: is that issue a major constraint? If for instance bankruptcy laws are ranked hopelessly inadequate by business, this may indeed be a constraint, and if removed would significantly assist enterprise growth. But there may well be a *modus operandi* that has been developed – perhaps informally – which makes the existing system, while imperfect, workable and is therefore not a major binding constraint. The facilitator needs to keep this principle to the forefront of the discussion.

Upon completion of this exercise potential issues can be confirmed or discarded as key constraints on enterprises requiring priority action by the EO.

2.1.1 Is the constraint new?

Ascertaining whether a constraint is new, long-existing, or has become more of a hindrance to business needs to be determined at the outset of the testing enquiry.

- Is the constraint the result of new legislation?
- Is it the result of changes to existing legislation or interpretation of existing legislation?
- Why are enterprises reporting this issue now?
- Has the constraint been aggravated by other 'new' factors?

Example: The reported constraint from the EO's firm level survey is New OSH legislation, which seems to be open to misinterpretation and confusion.

Perhaps it is a new issue but seems to be less prevalent than first reported. This might suggest that the constraint is linked to recent regulatory changes and some teething problems in interpreting the new legislation, which seems to be sorting itself out. It can then be ruled out as a binding constraint.

2.1.2 What connected signals are there?

Ancillary information can be taken from existing research and national plans and assist in the downward enquiry. This is useful, but equally important is reconciling into the EO's inquiry 'connected signals' that can be gathered from anecdotal information and observations. Take the following examples:

ISSUE:	CONNECTED SIGNAL:
Energy:	Enterprises investing heavily in self-generation of electricity because of frequent outages on the public grid.
Contract enforcement:	Existence of extra-legal contract enforcement mechanisms. ²
Crime and security:	Large outlays for private security guards.
Uncertainty of monetary stability:	Dollarization, use of inflation indexed contracts.

Uncompetitive political system:	Lack of political actors raising potentially popular issues of poor delivery of public goods, i.e. law and order, infrastructure.
High taxation policy:	Discourages investment leading to low investment demand. In this scenario, lending interest rates should be low reflecting the low marginal returns of additional investments.
Access to finance:	Scarce supply relative to demand coupled with high interest rates.
Labour market regulations:	Higher than normal levels of informal employment.
Infrastructure:	Disproportionate use of e-trade and air-freight; clustered markets.

This approach may or may not lead to identifying a significant constraint on enterprise, but what it can do, much like a detective investigating a case, is help the EO either dismiss an issue as not urgently important as a pervasive problem for the wider business community or, conversely, further investigate.

Example: The reported constraint from the EO's firm level survey is New OSH legislation which seems to be open to misinterpretation and confusion.

An array of service providers are heavily promoting their services in this policy area. The question to ask is whether this new activity directly linked to the new legislation? A direct link would suggest it could be a binding constraint; an indirect link might suggest something else – for example it might have coincided with changes to corporate taxation that have resulted in an influx of new manufacturing enterprises that need assistance in establishing systems in compliance with the law.

2.1.3 What are the cost implications?

The EO's research needs to identify the level of both the policy cost and the administrative cost (Methodologies to do this are covered in Part II Advocacy Tool 2 Costing proposals). It needs to be able to quantify the number of enterprises (not just its members) already affected, or which might be affected, by a specific proposal. Although the more businesses that are affected, the more serious the problem, it is important not to over-exaggerate. The integrity of the EO's case rests on factual presentation. If an EO moves away from this premise then it risks harming its credibility as a policy actor and its effectiveness in the eyes of its members.

Governments tend to treat the business costs of responding to government demands and of waiting for decisions as a free good, with zero opportunity cost.

Compliance with legislation, some of which can consist of different layers of highly detailed regulatory frameworks (e.g. local, state, and federal) can place a huge burden on enterprises without adding anything positive to the business environment.

In addition, there may be an administrative burden imposed on businesses – for example, businesses have to set up systems and processes to demonstrate compliance, or deduct income tax before staff receive their wages (effectively an administrative task for the government), or put in extra effort to gather data and report to the government.

While some regulations have no administrative costs, businesses may still have to make an effort to keep up to date with the law, others may merely require businesses to operate in a specific way without

² These concepts are explained in Contracts without Government Peter T. Leeson, Department of Economics, George Mason University, http://www.peterleeson.com/Contracts_Link.pdf

imposing a policy cost; however, many do have ongoing costs. Costs can have a time dimension (i.e. the time taken to get goods cleared through customs in physical terms, and the amount of time staff need to spend dealing with officials). These need to be considered and included in the 'total costs' to enterprises of a constraint.³

2.1.4 Are there wider policy ramifications of the constraint?

The facilitator should probe for unintended consequences of the identified constraint.

- What other impacts will occur?
- Will businesses reduce the level of their investment?
- Will they employ fewer people? Or at least not create as many jobs as they might otherwise have created? Or as a result of the constraint be discouraged from the hiring of female workers?
- Will they export less? Or import more?

These are important questions to address in developing a holistic narrative for the advocacy phase.

What other policies are connected to the constraint?

For example, registering property has enormous potential but it needs to be accompanied by improvements in the land registry, collateral registry and the courts. Additionally, if the formal cost of selling a property remains high, titles will lapse back into informality.

2.1.5 Does the constraint impact differently on enterprises of different sizes?

The facilitator needs to ascertain the impact of a constraint on small and large enterprises. Policies and regulations are sometimes based on a size exemption (or size-based compliance threshold).⁴ Such exemptions can lead to:

- Size traps that inhibit enterprises from growing beyond a certain threshold;
- unfair competition with enterprises that must comply; and,
- negative externalities (e.g., environment).

The business environment may be biased against smaller firms due to created disadvantages (by policy-makers) or due to natural disadvantages (lack of capacity and skilled personnel to deal with complex regulations, etc.).

Sometimes, it is the financial cost imposed by a policy measure designed to stimulate a change in behaviour (for example, the requirement to pay tax or some sort of levy). Sometimes, little thought is put into the administrative burden (for example, preparing the paperwork to demonstrate compliance). Inevitably, these burdens are felt disproportionately by smaller businesses. Large businesses can afford to employ people – who then build up expertise – specifically to ensure compliance. In the smallest business it is usually the entrepreneur who has to do the work – on top of everything else already required to generate sales and make a profit.

Weak legal and financial systems affect the growth of small enterprises more than large firms. A World Bank study⁵ found that micro and small firms in Africa face significantly greater interruptions in infrastructure services, have less access to formal finance, and pay more in bribes - as percentage of

³ "Poverty Reduction Strategy Papers (PRSPs) – A guide for employers' organizations", ACT/EMP 2006.

⁴ See Vandenberg: The relevance of firm size when reforming the business environment <http://www.businessenvironment.org/dyn/be/docs/5/DebatebackgroundVandenberg.pdf>

⁵ Impact of Access to Finance, Corruption and Infrastructure on Employment Growth: Putting Africa in a Global Context (World Bank, 2007).

sales - than larger enterprises do. On the other hand, larger enterprises spend significantly more time dealing with officials and red tape. Thus, the differences in the underlying objective conditions faced by enterprises, even within the same country, can be substantial.

There may be constraints that impact more seriously on enterprises owned by women. For example, if the constraint is access to finance, female SME owners may have more difficulty because banks require that their husband, father, or brother co-signs the loan. Or they may be charged higher interest rates because banks perceive a higher risk in lending to women, while in fact evidence may exist that women have very low loan default rates. In some countries, women's property rights may not be well protected presenting more difficulty for them in offering collateral for loans.

2.1.6 Is the constraint geographically or sectoral specific?

The constraint may be confined to a certain sector or geographical region. This could be due to local interpretation by provincial authorities.

2.1.7 Can the EO realistically effect change?

Some constraints can't be changed, such as geography or war. Others can present almost insurmountable obstacles; for instance, crime and violence. Increased security and law and order polices can certainly help, but progress may not be easy to achieve.

STEP 2: ASSESSMENT SUMMARY

The issue being presented has emerged from the EO's survey work?	Yes / No
Further research has been done through an analysis of existing data and information?	Yes / No
Further research has been done through policy orientated enquiries (other stakeholders such as government have been consulted in terms of their view on the impact of the issue)?	Yes / No
The facilitator is absolutely clear on the issue that needs to be analysed and has outlined the steps to achieve this? (see example next page)	Yes / No
The facilitator has all the available information to proceed?	Yes / No
The main objective of the exercise is to arrive at 'policy solutions'. Is this objective driving the discussion?	Yes / No

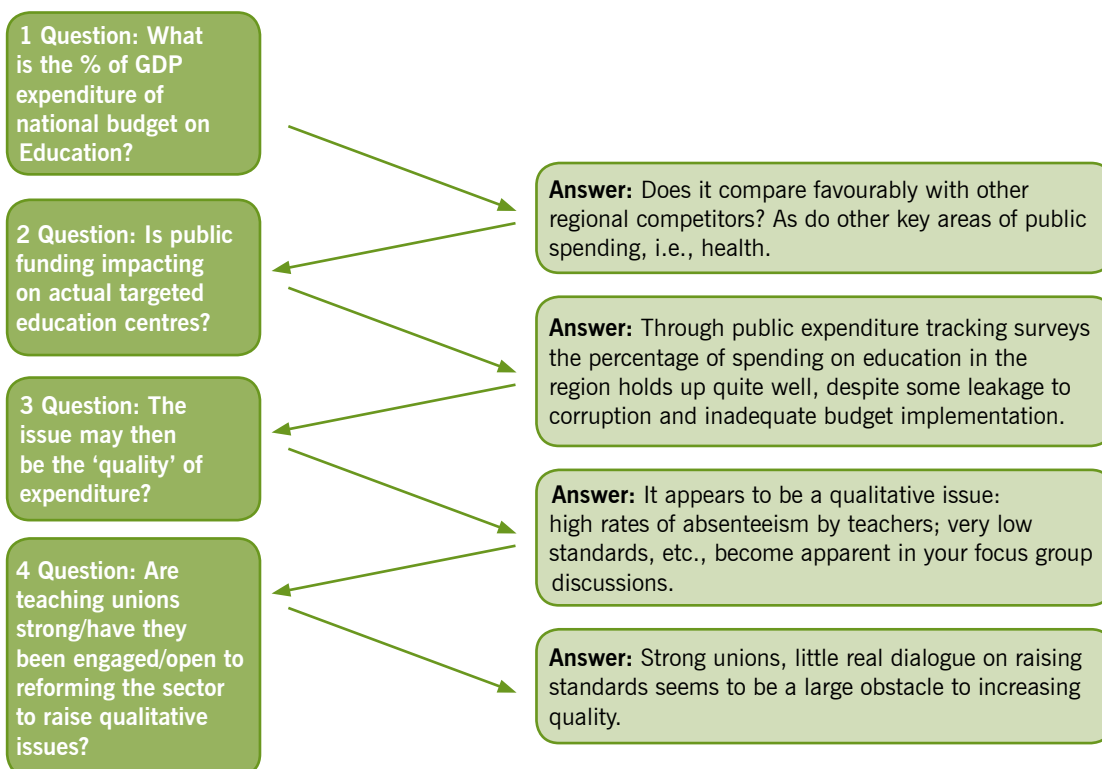
EXAMPLE OF "DOWNWARD ENQUIRY" APPROACH

Survey findings: As reported to the EO in the surveys, members are reporting low quality labour market entrants. They are experiencing difficulties filling many skilled positions, in particular in a number of growth sectors, despite an abundance of available labour.

Connected Evidence: The National Development Plan identifies investment in education at all levels as a priority. The World Bank in its analysis outlines education being particularly weak at the secondary level with poor infrastructure and low quality.

Connected signals reported: Anecdotal evidence of significant investment in and high prices for non-state training academies and technical schools would support the above analysis.

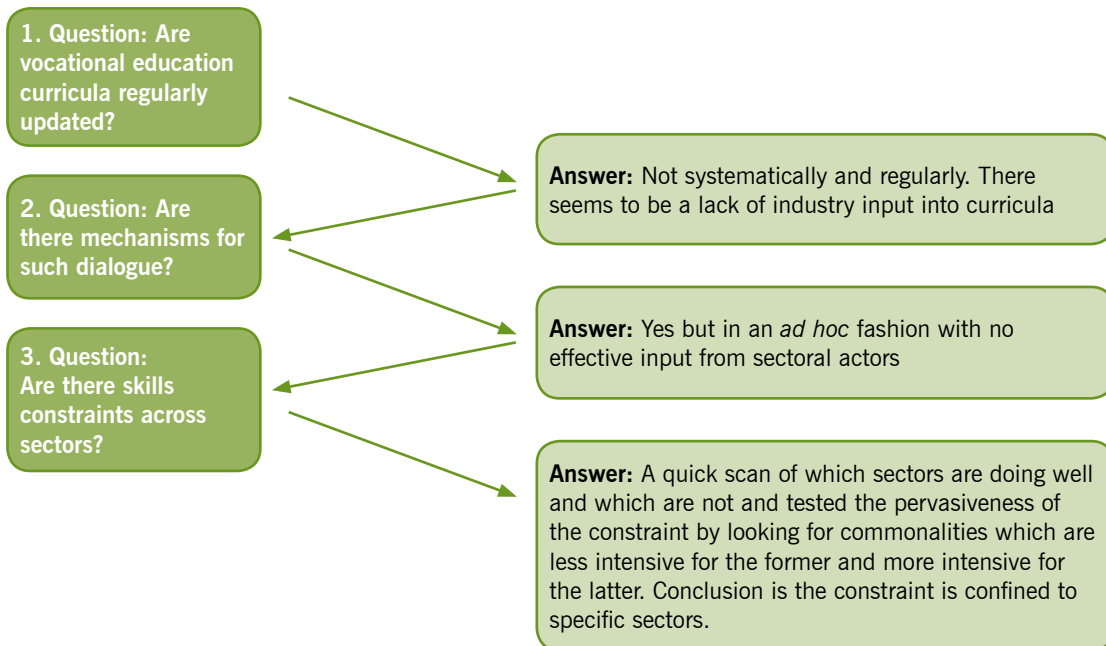
FIRST ENQUIRY: EDUCATION EXPENDITURE



EO Policy priority: Raise the **quality** of education spending

1. Improving dialogue with teaching unions and government.
2. Support policy environment for privately run education institutions to bring in more competition and reduce fees.
3. Support policy of governmentt utilising private providers in public schools.

SECOND ENQUIRY: SKILLS MISMATCHES



EO Policy priority: Institutionalize the system of public – private dialogue on education at all levels.

Focus immediately on developing sectoral level dialogue as this is an immediate constraint.

