

Organizational and Structural
Review of MSME-DIs
Organizational Analysis Report

02 March, 2012



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Background

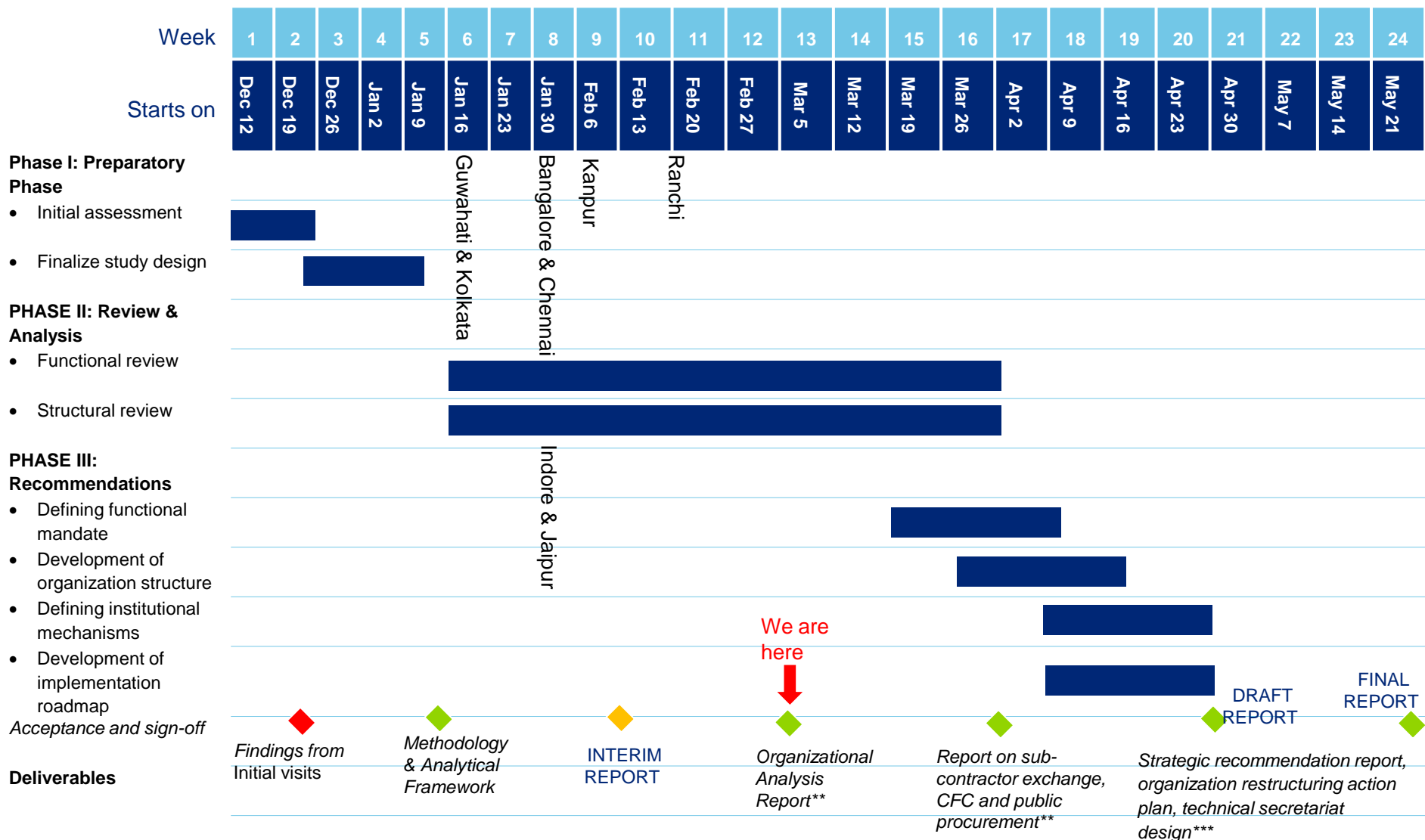
Scope revisited

Background

- Reassessing the functional mandate of MSME DIs in the light of the changed business environment and overall needs assessment given the mandate of the Ministry including
 - Functional analysis of sub contract exchanges and common facility center/ workshops
 - Potential role of DIs in implementation of the recently enacted Public Procurement Policy which requires 20% of all public procurement to be from MSMEs
- Review of the organization structure of DIs in line with their proposed mandate addressing the following:
 - Organization structure, governance mechanism and autonomy
 - Gaps in technical resources and training & capacity development opportunities
 - Performance appraisal and incentive structures
 - Potential for outsourcing non-core functions
- Design of a technical secretariat at the DC, MSME's office with specific reference to DI functioning
 - Nature of support and coordination activities
 - Framework for monitoring and evaluation

Proposed project plan

Background



** Approval of the same in time would ensure timely start of phase III of the assignment and adherence to planned project timelines

*** Final report to be submitted within 15 days of receipt of comments on the draft report

Quick status update

Background

- 1 day site visits to DIs at Delhi, Karnal, Agra and Kolkata to understand operations and formulate questionnaire > Initial report submitted to DC, MSME
- One on one meetings conducted with key officials at DC, MSME's office to (a) understand their role in the context of DI operations and (b) obtain insights on DI performance
- Questionnaire forwarded on key activities at DI level as well as individual questionnaires for the 8 DIs being visited
 - Information received on DI level questionnaire from 25 DIs
 - 130 individual questionnaires received
 - DI level inputs analyzed and findings presented in current report
 - Individual responses being analyzed
 - Feedback awaited on questionnaire forwarded to MSMEs in sites visited
- Site visits to 8 DIs viz. Guwahati, Kolkata, Chennai, Bangalore, Jaipur, Indore, Kanpur and Ranchi
 - One on one meetings with DI Director and other senior officials
 - Workshops with all DI officials including branch heads on mandate and key organizational issues
 - Meetings with industry associations, cluster SPVs and MSMEs to obtain inputs on their key requirements as well as services availed through DIs
 - Meetings with other key stakeholders like senior State Government officials, SIDBI, NSIC, etc.

As-Is Analysis – Proposed Framework

Background

Mandate-related issues

- Clarity in current functional mandate of DIs in terms of training, implementation of NMCP / other schemes
- Demand for DI services from MSMEs and other key stakeholders

Process-related issues

- Service delivery improvement issues
- Key financial and administrative processes including interface with DC-MSME office
- Efficacy of reporting and monitoring (by DC-MSME office) practices



Performance Assessment of DIs

- Intensity and effectiveness of training services
- Level of performance in NMCP schemes (awareness programs, bar code and ISO reimbursement)
- Nature of technical support provided under other schemes like cluster development, credit linked capital subsidy etc.
- Intensity of economic investigation services in terms of number of reports prepared / updated
- Overall activity levels for the DI

Human resources management issues

- Individual role clarity
- Policies for recruitment, promotion, and transfer
- Performance appraisal and motivational practices
- Internal training and capacity building

Individual DI specific issues

- Mapping of technical resources in DI to MSME sectors in region
- Quality of human resources and leadership
- Key stakeholder relationships
- Quality of physical infrastructure
- MSME activity levels in region

As Is analysis: Relative performance of DIs

Methodology followed for analyzing relative performance

As Is analysis: Relative performance of DIs

- Step 1: Composite score computed for each DI for 2010-11 based on the following:
 - Revenue generated during the year per staff (Technical, IMT and EI) (40% weight)
 - No. of entrepreneurs trained during the year per staff (Technical, IMT and EI) (20% weight)
 - No. of activities/ programs conducted as part of technical services per technical staff (30% weight)
 - No. of economic intelligence reports updated / prepared per EI staff (10% weight)
- Step 2: Intensity of MSME activity levels in each State (based on 4th MSME Census) assessed in terms of:
 - No. of MSMEs¹ (30% weight)
 - MSME employment² levels (40% weight)
 - MSME output³ (30% weight)
- Step 3: Mapping of DI performance to State-level MSME activity levels

¹ Indicates No. of registered working MSMEs and unregistered MSMEs

² Indicates employment levels in registered and unregistered MSMEs

³ Indicates MSME output for registered MSMEs

Ranking of individual DIs

As Is analysis: Relative performance of DIs

Location of DI	Revenue	Training	Technical Support	EI	Overall
Mumbai	393,425	961	36.7	0.0	75.50
Chennai	440,913	682	12.0	0.2	57.20
Ahmedabad	69,678	1147	26.2	2.0	43.43
Kanpur	206,966	1169	4.5	2.5	39.39
Bangalore	151,661	381	11.8	2.0	31.32
Ludhiana	88,284	1087	10.3	1.5	30.49
Indore	103,810	1055	3.2	3.5	29.77
Cuttack	195,178	475	4.1	1.2	28.27
Muzaffarpur	90,746	1548	2.7	1.0	28.20
Karnal	40,255	820	6.1	5.0	27.03
Patna	49,244	1101	2.0	4.0	25.33
Agartala	35,100	1961	0.3	0.0	23.46
Delhi	68,484	423	2.5	5.0	22.61

Location of DI	Revenue	Training	Technical Support	EI	Overall
Kolkata	79,236	718	7.4	0.5	21.56
Nagpur	44,902	911	4.8	2.0	21.29
Ranchi	57,396	889	3.3	2.0	20.97
Haldwani	63,247	396	13.7	0.0	20.96
Gangtok	20,050	659	10.0	2.0	20.72
Agra	43,589	893	4.6	1.0	18.86
Jaipur	89,216	484	3.8	1.0	18.10
Thrissur	53,669	419	9.9	0.3	17.88
Solan	35,282	404	3.8	2.5	15.44
Allahabad	40,490	872	1.9	0.0	14.12
Guwahati	37,969	703	0.9	0.2	11.66
Imphal	14,596	493	3.0	1.0	10.81

Source: Annual reports of 25 DIs received till date

Revenue (Rs. per staff),
 Training (no. of beneficiaries per staff),
 Technical Support (no. of activities/ programs per technical staff),
 Economic Investigation (no. of reports per EI staff)

State-wise MSME activity levels

As Is analysis: Relative performance of DIs

State	No. of MSMEs	No. of people employed	MSME Output	Overall
Maharashtra	2512627	6435079	111480.3	95.2
Uttar Pradesh	2995534	5798051	81688.2	88.0
Tamil Nadu	2505113	6214324	70546.4	82.7
West Bengal	2489596	5760791	29801.8	68.8
Andhra Pradesh	1981341	5769358	14817.6	59.7
Karnataka	1558267	3684626	44363.7	50.4
Gujarat	1038362	2991000	38452.0	39.3
Kerala	1411946	2994286	24462.8	39.3
Rajasthan	1247581	2429383	42797.6	39.1
Madhya Pradesh	1241587	2587899	28259.5	36.1
Punjab	775260	1760517	61565.1	35.3
Haryana	587440	1399330	45703.2	26.9
Orissa	1051654	1898944	14749.7	26.3

State	No. of MSMEs	No. of people employed	MSME Output	Overall
Delhi	613550	2750894	8394.2	25.5
Bihar	979496	1672587	5898.2	21.8
Assam	590286	1233280	6805.6	15.4
Jammu & Kashmir	253544	426288	15756.1	9.4
Chhattisgarh	342355	700531	5571.6	9.3
Jharkhand	364577	694339	4412.8	9.2
Uttaranchal	214517	383804	11839.7	7.7
Himachal Pradesh	178040	289706	12040.7	6.8
Goa	46147	120641	8109.2	3.4
Tripura	107271	167823	575.1	2.3
Manipur	62087	113571	160.5	1.4
Sikkim	11016	21394	49.6	0.3

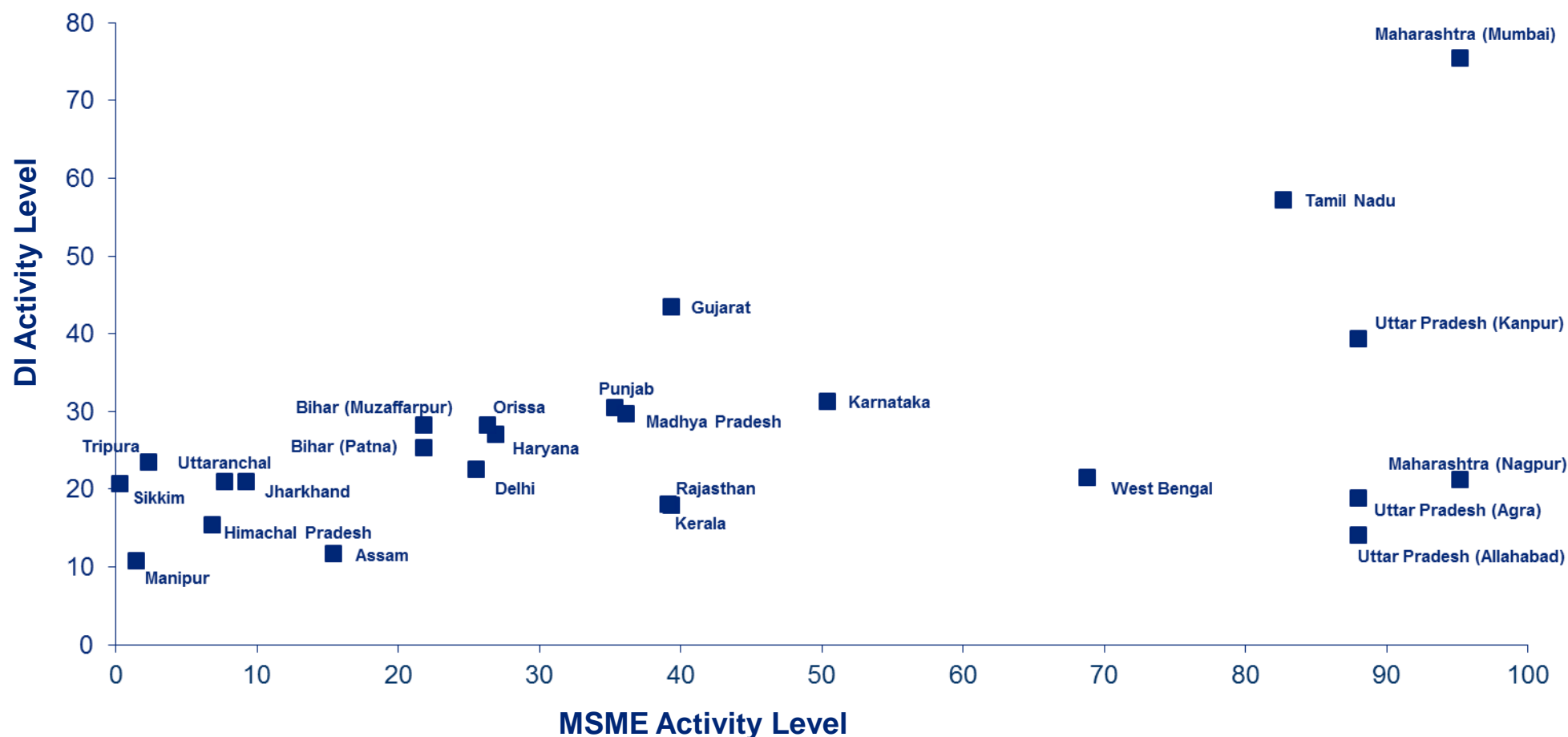
Source: Quick Results of 4th MSME Census, 2006-07

MSME Output (in Rs. Crores)

Mapping of DI activity to State MSME activity levels

As Is analysis: Relative performance of DIs

DI activity vis-à-vis State MSME Activity levels



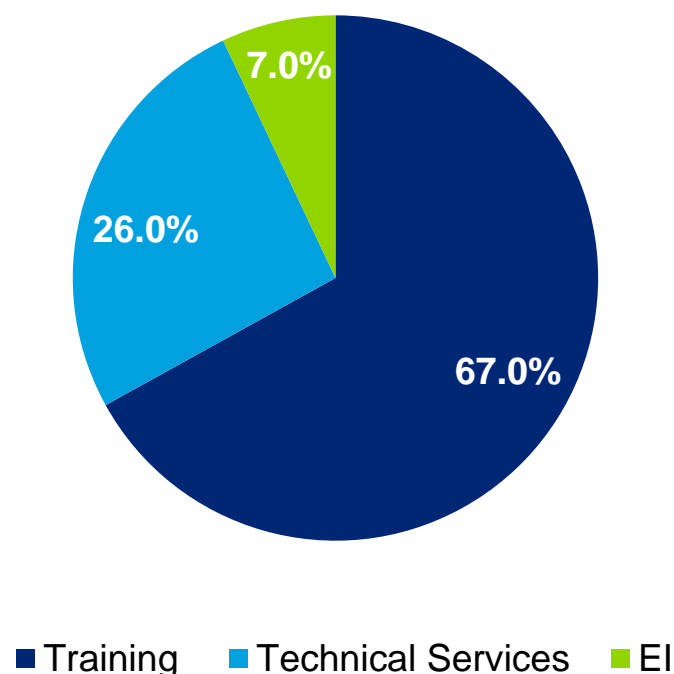
Source: Annual reports of DIs, 4th MSME Census, Deloitte Analysis

As Is analysis: Mandate-
related issues

Key focus activities

As-Is Analysis: Mandate-related issues

Man-day deployment in key activities (average across DIs)



Key observations

Training accounts for around 67% of total man-day deployment

- ESDP contributes around 80% of total deployment in training programmes, followed by IMCs with 13.4%

Technical services account for around 26% of total man-day deployment

- Focus on technical support activities vary across DIs, ranging from 4% of man-days in Guwahati to 37% in Chennai. Key areas include:
 - Awareness generation about NMCP and reimbursement support for ISO & bar coding – estimated to account for around 3% & 41% of total man-day deployment
 - Cluster development: Identification of potential cluster, development of diagnostic study / detailed project report, soft interventions & facilitate hard intervention – estimated to account for around 25% of man-day deployment
 - Technical support / consultancy: Preparation of project profiles, support in establishing new / upgrading existing units, providing handholding support – estimated to account for around 31% of man-day deployment

Economic investigation activities primarily comprise update of reports on district potential, state profiles, status reports etc.

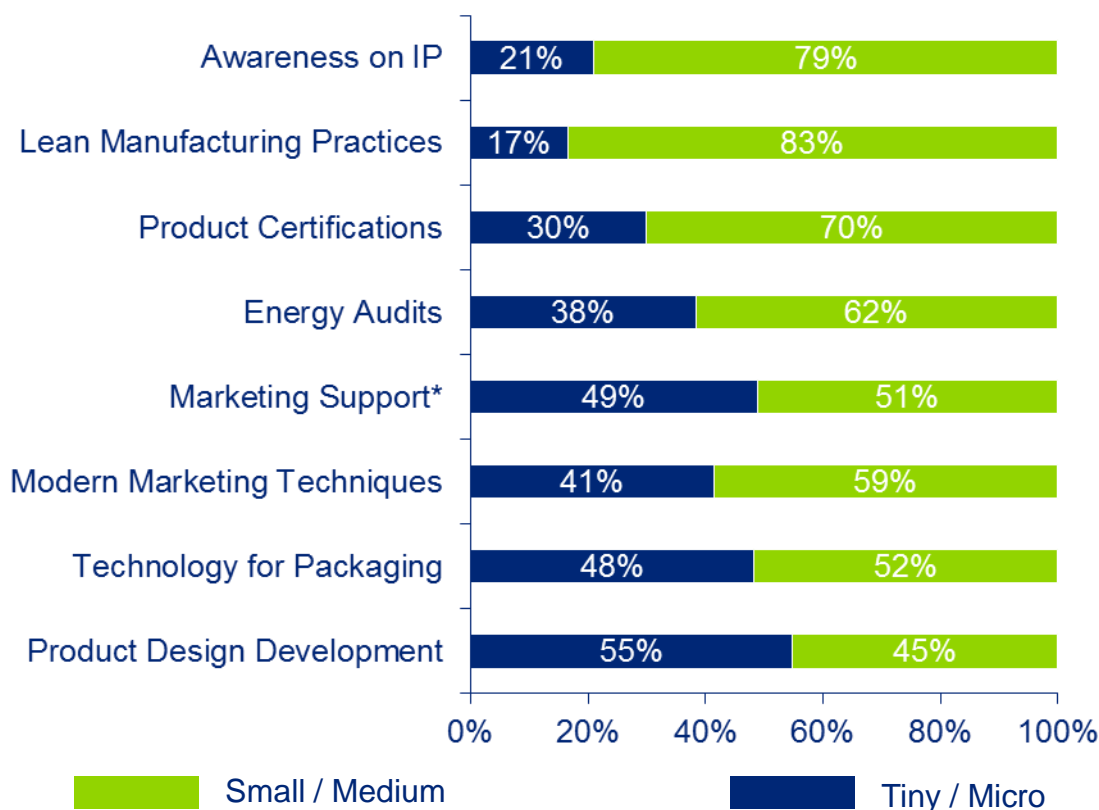
Monitoring by head office focuses primarily on training (input metrics), no. of project reports prepared, ISO awareness & reimbursement, NMCP-related awareness programs conducted, no. of district potential reports prepared etc.

Source: Annual Reports for volume of activity levels in DIs and standard involvement per activity based on feedback captured through interactions

MSME requirements: Need analysis

As-Is analysis: Mandate-related issues

Mapping of MSME awareness & interest for DI services



* Organizing state / district level local exhibitions / buyer – seller meets

Source: Interactions with 81 MSMEs across 8 DIs

Key observations

- Over 50% of the sample MSMEs interacted were aware of the DI services
 - Awareness levels range from 30% in Guwahati to 60% in Chennai
- Awareness levels for NMCP schemes was limited
 - Reimbursement for ISO accreditation and adoption of bar coding were the only schemes for which there was an extent of awareness
- Demand for various NMCP schemes vary across Tiny/ Micro and Small / medium enterprises
 - Higher preference for marketing support and product designs by Tiny/ Micro enterprises
 - Small and Medium enterprises have indicated higher demand for product certifications, lean manufacturing, energy audits & modern marketing techniques

MSME Viewpoints

As-Is analysis: Mandate-related issues

Training

- “Training should be provided for skill development of workers in various sectors as per specific industry requirements”
- “Outcome of existing training programs need to be assessed to ascertain their effectiveness and focus on creation of new entrepreneurs”

Technical Services

- “Capacity assessment conducted by DIs for NSIC registration should also focus on quality and technology assessment to enable MSMEs to adhere to the procurement standards”
- “Project profiles prepared are mostly outdated and need to be made relevant with inclusion of updated details of machinery & raw material required along with their respective suppliers & rates”
- “Significant delays in implementation of cluster development initiatives on account of delays at DC office and in appraisal by SIDBI”
- “Vendor Development Programs are conducted but there are no follow ups”
- “Increase in frequency of VDPs with greater involvement of public sector organizations, including documentation of minimum eligibility criteria for suppliers to be empanelled”

Economic Investigation

- “Reports prepared are primarily based on existing secondary data and are not backed by detailed survey, thereby having limited relevance for target end-users”
- “Reports prepared are not uploaded on website which would help increase their accessibility among targeted beneficiaries “

Source: Interactions with select MSMEs across 8 DIs

Other stakeholder viewpoints

As-Is Analysis: Mandate-related issues

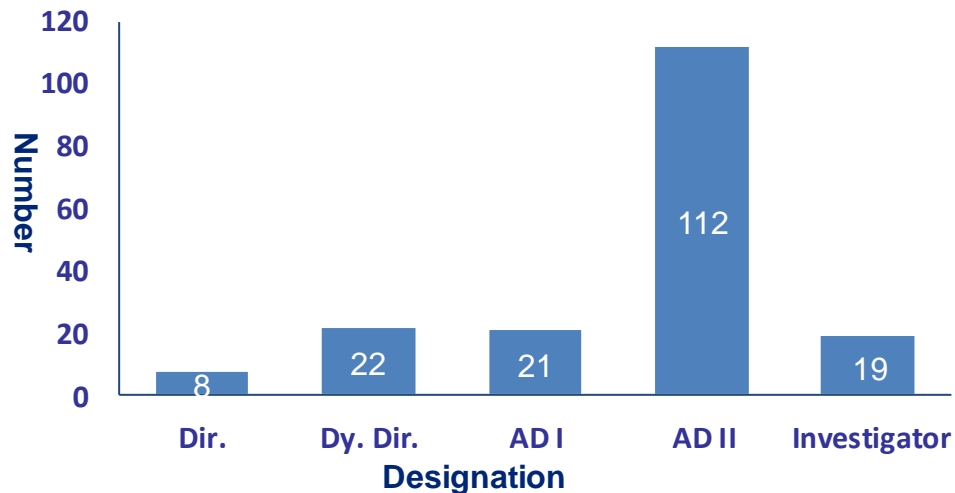
Ministry of MSME	<ul style="list-style-type: none"> • Facilitate creation of new entrepreneurs and MSMEs • Effective support and handholding to existing MSMEs • Implementation and facilitation of (i) agenda articulated by PM's Task Force on Skill Building, (ii) National Manufacturing Competitiveness Program
Individual State Governments	<ul style="list-style-type: none"> • Increased coordination with DICs for identifying i) specific training requirements in respective districts within the state and ii) potential clusters that can be established • Leverage the infrastructure / network of DICs to coordinate all MSME schemes/ programs > nominating an officer from DI as single point of contact in each district • Need to leverage EI personnel for guiding process for updating MSME database at the state level • Sharing of repository of project reports, district profiles etc. with State Government as well as current / potential entrepreneurs
DI staff	<ul style="list-style-type: none"> • Need to focus more on technical support activities like cluster development; information dissemination on technology & sourcing of plant machinery equipments; handholding support to entrepreneurs through coordination with other agencies • Collaboration with external institutions and professional agencies is key to effective delivery of services as well as outreach • Well defined MIS and monitoring mechanism aligned to updated functional mandate is critical • Immediate need to augment technical capacity within the organization through focused technical training

As Is analysis: Key HR management issues

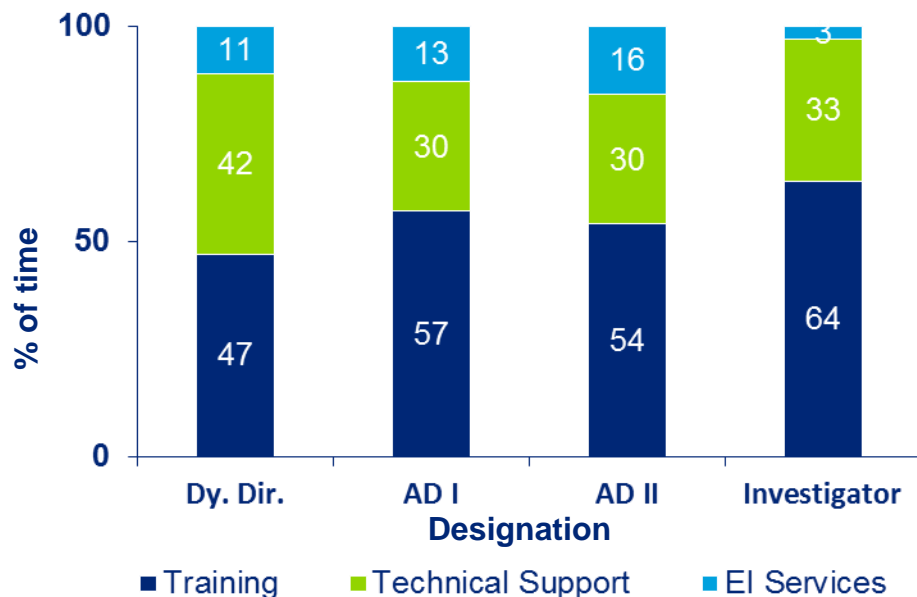
Organization structure-related

As Is analysis: Key HR management issues

No. of employees by Designation across 8 DIs



% Time spent on activities by designation across 8 DIs



Key observations

Limited career growth options beyond AD II

- Absence of a formal cadre with well-defined service rules

Average period for promotion is extremely high

- 8 years from Investigator to AD II; 11 years from AD II to AD I; 15 years from AD I to DD -> it should be noted that the same does not take into account the fact that many employees may have not received promotion after joining MSME-DI

Other than Economic Investigation services, there is no functional specialization within the organization

Job content in some DIs appears to be the same across hierarchical levels, with no major difference in role

- For AD I & II, almost same amount of time is spent for training and technical support
- In most DIs, both AD I & II are reporting to the DD

*Source: Information collected through questionnaires for Organization/ individual technical officers for 8 DIs

Structure and HR policy related

As Is analysis: Key HR management issues

Key Issues

- No specific key result areas for officials below Director level leading to ad-hoc roles and absence of job differentiation across hierarchical levels
- Mismatch in trades viz. a viz. focus MSME sectors in certain DIs; Sudden and ad-hoc transfers have impacted progress of key initiatives even in well performing DIs
 - DI Directors do not have direct involvement in transfers, including branches whose performance they are accountable for
- Existing performance management system is not designed to acknowledge significant contributions
 - Modeled around ACR with no standard format or objective parameters
- Extremely limited career growth options > absence of a defined promotion policy due to lack of a formalized cadre-based service
- Training of officials primarily through internal institutions (NIMSMIET, NIESBUD) and on voluntary basis
 - Absence of specific focus on technical training

Possible solution

- Need for a standard objective key result area (KRA) based job description for key officials, with metrics aligned to organizational objectives
- Adoption of a transparent rational transfer policy
 - Need to link transfers to organizational objectives, individual performance and succession planning
 - Involvement of key officials in the transfer process
- Need to adopt an objective KRA based performance management system with suitable incentives within the existing organizational construct
- Transition to a cadre-based service with one time fitments to address existing anomalies > Streamlining organization structure may also provide career growth opportunities
- Developing an organization-wide training policy with focus on behavioral and technical training
 - One-time exercise for creating a role-based competency matrix and a training calendar

As-Is Analysis: Key process-related issues

Training activities

As-Is Analysis: Key processes

Key
Activities

1. Plan training	2. Identify target participants	3. Deliver training	4. Preparation & Submission of Bills
<ul style="list-style-type: none"> • Allocation of number, type of training and composition of trainees by the Head Office to respective DIs • Allocation of training programs to the respective DI officers by the DI Director • Customization of training content by the respective DI officers • Finalization of faculty/ institution for delivering the training program at the identified venue 	<ul style="list-style-type: none"> • Preparation of advertisement by respective DI officers identified for conducting training programs • Release of advertisement in vernacular language in local / regional newspaper for the proposed training program one month in advance through IMT division • Screening & selection of the applied participants based on written test/ interviews (in select DIs) • Submission of application to the Head office for release of program budget as advance 	<ul style="list-style-type: none"> • Co-ordinating with the identified faculty/ institution for conducting the training program • Inauguration of training program at the identified venue along with other relevant stakeholders like DICs, etc • Monitoring of the training activities by the respective DI officer during the training course • Issue of Certificates to the trainees on completion of the training programs followed by a valedictory note from the DI officer • Seek feedback from trainees post training (in select DIs) 	<ul style="list-style-type: none"> • Preparation of bills by the DI officer in line with the approval from the Head office • Submission of bills to the PAO office along with supporting documents for reimbursement • Release of payment to the faculty/ institution on receipt of the same from the PAO office

Training activities

As-Is Analysis: Key process-related issues

	1. Plan training	2. Identify target participants	3. Deliver training	4. Post training support
Key observations	<ul style="list-style-type: none"> • Training content largely developed in-house • Extensive focus on new entrepreneurs through programmes like ESDP • Training strategy not linked to MSME focus areas and activity levels in the State 	<ul style="list-style-type: none"> • Release of advertisement in newspaper is key source of participation • Absence of standard mechanism for coordinating with DICs for identifying potential trainees • No linkage between programmes to enable proactive identification of trainees 	<ul style="list-style-type: none"> • Lack of standardization with respect to maintenance of database of faculty / identified partner organizations for conducting training programs • Need to streamline internal guidelines and practices like: <ul style="list-style-type: none"> • Release of only 35% of program budget as advance – limited to 5 programs at a time with settlement only after completion of all 5 programs • Uniform allowances on all programmes irrespective of nature of faculty requirements 	<ul style="list-style-type: none"> • Need for an institutional mechanism to seek feedback from trainees • Absence of formal mechanism for follow up with trainees in terms of whether (i) they have established units and (ii) any hand-holding support required
Potential improvement opportunities	<ul style="list-style-type: none"> • Need to adopt a decentralized planning approach based on guidelines on trainee composition reflecting ground realities • Coordination with DICs / industry associations for identification of training needs based on local MSME profile • Standardization of “base” training curriculum (for example, entrepreneurship) across courses with expert consultation 	<ul style="list-style-type: none"> • Increased coordination with state / district level industry associations in identified clusters and DICs to target trainees • Institutionalize process of screening applicants for ensuring that candidates with higher needs are prioritized • Implement IT-enabled system for capturing programme-wise trainee details and encouraging cross-linkages between programmes 	<ul style="list-style-type: none"> • Leveraging ICT for knowledge management systems for sharing course curriculum and materials among the DIs • Need for empanelment and development of database of faculty, partner organizations and training institutes for respective programs in each State • Revise policy for enhancing per diem cap for involving specialist agencies in specialized program • Leveraging local NGOs/ training agencies for coordinating & arranging training programs especially in rural areas – will eliminate need of Dis in making cheque payments to individuals which may not be acceptable in rural areas. 	<ul style="list-style-type: none"> • Formalization of process for securing feedback from trainees (i) for identifying specific opportunities for providing information / technical support, (ii) training quality & effectiveness • Realigning DI performance metrics for assessing impact of trainings, trainees provided technical support

Technical Support Activities

As-Is Analysis: Key processes

Key Activities	1. Outreach / Need identification / planning	2. Proposal preparation	3. Sanction / approval	4. Implementation
Awareness of NMCP	<ul style="list-style-type: none"> Target for conducting awareness programs on NMCP schemes given by Head office to DIs 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> Sanction/ approval for conducting programs by the respective DIs 	<ul style="list-style-type: none"> DI officers organize awareness programs about various NMCP schemes
Scheme Administration	<ul style="list-style-type: none"> Applications received for disbursement for schemes like ISO 9000/ bar coding 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> Sanction/ approval of reimbursement by the respective DIs 	<ul style="list-style-type: none"> Amount disbursed for respective schemes to the applicants
Cluster Development program	<ul style="list-style-type: none"> Economic assessment comprising collection of preliminary data to ascertain requisite interventions (hard/ soft) in the identified cluster 	<ul style="list-style-type: none"> Facilitate formation of an SPV Preparation of a DSR for soft interventions followed by approval by the Steering committee Preparation of a DPR for hard interventions followed by vetting by SIDBI 	<ul style="list-style-type: none"> Sanction/ approval of the DSR/ DPR by the Head office for the proposed soft/ hard interventions in the identified cluster 	<ul style="list-style-type: none"> Implement soft interventions in the identified cluster Facilitate financial support for hard interventions in cluster
Capacity Assessment	<ul style="list-style-type: none"> As part of vendor registration, NSIC forwards MSME to DIs for conducting capacity assessment 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> Visit to the premises of MSME by DI officer to ascertain its capacity in terms of production, etc
Project Profiles	<ul style="list-style-type: none"> Target for number of new/ updated project report/ profiles given by the Head Office to respective DIs 	<ul style="list-style-type: none"> Preparation of new/ updated project reports by respective technical DI officers 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> New/ Updated Project reports prepared are forwarded to the Head office
Vendor Development Programs	<ul style="list-style-type: none"> Target for vendor development programs given by the Head office to respective DIs 	<ul style="list-style-type: none"> Not Applicable 	<ul style="list-style-type: none"> Sanction/ approval for conducting VDPs by the respective DIs 	<ul style="list-style-type: none"> Organize buyer-seller meets by inviting PSUs from identified sectors along with MSMEs

Technical Support Activities

As-Is Analysis: Key process-related issues

	1. Outreach / Need identification / planning	2. Proposal preparation/ Service Delivery	3. Sanction / approval	4. Post sanction handholding
Key observations	<ul style="list-style-type: none"> Absence of structured mechanism for coordinating with DICs, other Government agencies, Industry Associations to identify areas of technical support required by the MSMEs Limited technical role of DIs in NMCP implementation limited primarily to reimbursement related to ISO certification / bar code adoption Inactive sub-contract exchange and low utilization of CFC workshops 	<ul style="list-style-type: none"> Scope for leveraging prior sector experience within organization in preparation of project reports / cluster diagnostic reports, thereby cutting down on time and effort 	<ul style="list-style-type: none"> Sanction/ approval powers primarily with Headquarters other than ISO & Bar Coding reimbursements, leading to significant delays in specific cases (especially in cluster development) 	<ul style="list-style-type: none"> Current role limited to supporting SPV in procuring equipment for CFC under CDP
Potential improvement opportunities	<ul style="list-style-type: none"> Need to adopt a formal mechanism for cluster / industry association level workshops to proactively identify technical support requirements A combination of quick short-term assessments by DI staff backed by empanelled specialist service providers (in the areas of technology, marketing support) may be optimum for achieving results under NMCP / other schemes Limited value proposition of CFC workshops and sub-contract exchanges in the current business climate Scope for DIs to play an important role in Public Procurement leveraging technical skills and reach 	<ul style="list-style-type: none"> Leverage ICT to institute knowledge management among DIs to ensure sharing of earlier project reports Creation of Centers of Excellence for specific sectors in identified DIs – support to be available to all DIs in preparing project reports & other technical support services Increased collaboration with agencies like SIDBI etc. to understand practices for proposal submission, credit appraisal to enable DIs to provide effective guidance to MSMEs in submitting financing applications Need for empanelling specialist service providers in the area of technical and financing support 	<ul style="list-style-type: none"> DI Director to be empowered for approving schemes like marketing assistance, vendor development programs in accordance with guidelines in addition to ISO & Bar Coding reimbursements 	<ul style="list-style-type: none"> Institute mechanism for periodic monitoring of CFC/ MSME operations availing schemes Develop metrics to assess output / outcome of technical assistance and impact on beneficiaries

Economic Investigation

As-Is Analysis: Key process-related issues

	1. Need identification	2. Data collection / analysis	3. Using prepared reports
Key Activities	<ul style="list-style-type: none"> Target for number of new/ updated State Industrial profile/ District Industrial potential survey report given by the Head Office to respective DIs 	<ul style="list-style-type: none"> Conduct field visits for collection of data from respective departments at the district level Collation and analysis of data compiled from respective departments/ agencies 	<ul style="list-style-type: none"> Preparation of State/ District Industrial profiles by the EI personnel at respective DIs
Key observations	<ul style="list-style-type: none"> Preparation of new/ updated district profiles/ reports is not demand driven Updation of district industrial profile is after a period of 3-5 years 	<ul style="list-style-type: none"> Need to strengthen coordination mechanisms with state DICs / industry associations for sourcing district / state level industry-related information State/ District industrial profiles prepared are not easily accessible to the MSMEs Absence of standard format for district/ state profile preparation 	<ul style="list-style-type: none"> Need for standard process for sharing the reports prepared with DICs / industry associations / chambers of commerce
Potential improvement opportunities	<ul style="list-style-type: none"> Need to examine scope for outsourcing this activity given availability of specialist service providers Shift to decentralized planning involving DI Director based on mapping of key focal sectors / clusters in the state which should be targeted for development Explore potential for introducing new services on proactive basis like technical support to State Governments for state-level MSME Census 	<ul style="list-style-type: none"> Coordination with DIC from planning stage of district surveys conducted by DIC for ensuring collection and recording of relevant data Standard format to be designed for district/ state profiles 	<ul style="list-style-type: none"> Need for web-enabled project profile / district potential and other project repository with provision for direct download by registered MSMEs / State Government agencies / Industry Associations etc.

Best practices adopted by select DIs – should be replicated

As Is analysis: Key process-related issues

Training Services

- Designing skill building courses tailored to market requirements, e.g. Separate courses for mobile phone repair (**MSME DI Indore**); gold appraisal (**MSME DI Chennai**) in line with market demand
- Standardization of process for faculty / training centres empanelment and database development for sharing across the DI / other DIs (**MSME DI Indore**)
- Leveraging IMCs along with feedback from state DICs / industry associations to identify potential entrepreneurs who may be interested in attending ESDP (**MSME DI Indore, Chennai**)
- Screening applications for prioritization of trainees having immediate requirements / plans, with handholding for establishing unit being part of curriculum (**MSME DI Chennai**)
- Practical project-work for trainees through need to submit own project reports based on market research & application of training received – serves basis for issue of completion certificate (**MSME DI Indore**)

Technical Support

- Focused approach for clusters developed in terms of identifying specific technical requirements of MSMEs, disseminating information on potential equipment suppliers, technology providers, negotiating with providers, customization and post-implementation support (**MSME DI, Indore, Chennai**)
- Conducting need based vendor development programs based on discussions with large PSUs, understanding their product requirements & procedures for vendor enlistment and facilitating meetings between the identified vendors with requisite capability and the PSU (**MSME DI, Chennai**)

Economic Investigation

- Ensuring access to reports prepared for MSMEs through distribution to state DICs / industry associations / chambers of commerce (**MSME DI, Indore**)

Institutional / Organization

- Establishing linkages with institutes of repute like CSIR, CIPET, CLRI etc. for conducting training programs related to skill development and technical assistance services (**MSME DI, Chennai**)
- Development of Standard Operating Procedures for various key core and support activities like conducting training programs / NSIC registrations etc. (**MSME DI, Indore**)

Infrastructure and support processes

As Is analysis: Key process-related issues

Key Issues

- Absence of networking among the DIs in terms of sharing of information, knowledge and competencies
- Vacant space in most DIs remain unutilized
- Absence of requisite office infrastructure
 - All technical officials do not have Personal computers
 - Internet facilities not available to all technical officials
 - Some technical officials do not have phones in their office
 - Absence of office vehicles impacts ability to ensure requisite outreach
 - Some DI offices like Guwahati do not have a regular power connection from State Electricity Board

Possible solution

- Need for development of IT-enabled intranet for DIs with information on technical resources available with respective DI, specific skills & competencies with individuals, database of project profiles, district potential survey reports etc.
- Scope for using available space to establish product display centres for MSMEs which can be used by industry on a cost sharing basis
- Upgradation of office infrastructure and IT connectivity to (a) support technical officers in discharging their duties more efficiently and (b) present a more customer-friendly face to MSMEs and other stakeholders

Infrastructure and support processes, *cont.*

As Is analysis: Key process-related issues

Key Issues

- No regular maintenance of DI office building in absence of budget sanction to CPWD; Inordinate delays by CPWD in executing maintenance work
- Interface with Headquarters, including MIS
 - Involves submission of different reports to multiple stakeholders at HQ level
 - Significant delays in release of funds for training programs, approval of infrastructure upgradation related requirements etc.
- Non-plan budget for travel includes payments made for purposes of relocation of DI officials transferred out from the respective DI – limits availability of funds for outstation travel of DI staff

Possible solution

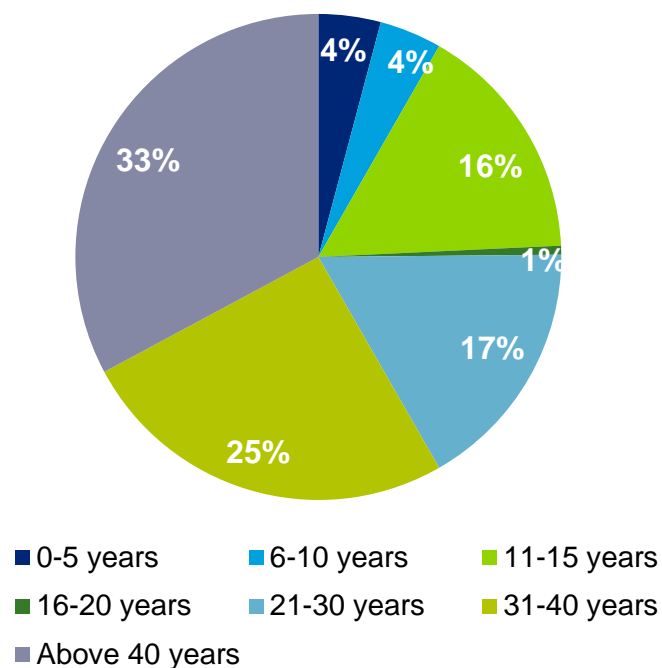
- To review arrangement with CPWD and institute service level agreement for ensuring timely completion of work; Explore possibility of DI Director outsourcing minor repair works to local agencies based on guidelines provided by headquarters
- Interface with Headquarters should be on a “single window” basis for monitoring & supporting the respective DI in terms of helping them meet their respective requirements in case of any inordinate delays > The proposed Technical Secretariat could play a key role
- Separate budget head for meeting relocation-related expenses on account of inter-DI transfers

Common Facility Centre/ Workshop

Common Facility Centre/ Workshop

As Is analysis: Key issues

Age Mix of machines at CFC/ Workshop across DIs



Key observations

- Most of the CFCs/ Workshops at DIs (including branch DIs) are equipped with conventional machines like Lathe, Grinding, Milling, Drilling, Welding, heat treatment machines
 - However, select DIs like Chennai, Delhi, Mumbai, Kolkata, Indore, Kanpur, Ludhiana, Thrissur are also equipped with CNC Lathe/ Wire Cut Electric Discharge Machine (EDM) machines
- Services offered by the CFCs/ workshops is limited to basic machining primarily catering to typical engineering/ fabrication units
 - Facilities primarily utilized for offering i) training and ii) job work - Chennai DI has hired 3 CNC machines on job work to engineering units in proximity; Bangalore DI primarily uses CNC machines for imparting training
 - Beneficiaries confined primarily to tiny/ micro units located in proximity to the DIs
- Sub-optimal utilization levels of machines across most of the DIs; While conventional machines are primarily lying idle, utilization levels for CNC machines are relatively higher across DIs
 - Relative utilization levels for CNC machines are higher in locations like Kanpur (50%) vis-à-vis locations like Bangalore (15%) and Chennai (30%)
 - Most of the machines are obsolete > 75% of the total machines are above the age of 20 years
 - Significant share (around 23%) of the machines are non-operational
 - Presence of other service providers like reputed institutes / tool rooms in proximity to DI in select locations (like CIPET, Advanced Training Institute in Chennai)

Source: Response to questionnaires from DIs

Sub-Contract Exchange

Sub-Contract Exchange

As Is analysis: Key issues

- Sub-contract exchange is inactive across all 8 DIs visited as part of the field study
 - Inherent cultural issue in terms of MSMEs not inclined to sharing information and working together for utilizing spare capacity available
- Absence of a formal IT enabled system for maintaining database on MSME production capacity
- However, institutionalization of a process for assessing and capturing information on capacity and technical capability of MSMEs may be useful in the context of Vendor Development as well as the newly enacted Public Procurement policy
 - Proposed to be explored further at the time of defining functional mandate of MSME-DIs

Way Forward / Next
Steps

Way Forward / Next Steps

- Submitting reports on the proposed functional mandate of DIs, including (i) Sub Contract Exchange, (ii) Common Facility Centre, (iii) role in Public Procurement: End March, 2012
 - Factoring need assessment for services
 - Recommendations on services and related business model
- Draft Report on Strategic Recommendations, Organization restructuring action plan: End April, 2012
 - This phase to commence on receiving confirmation on acceptance of earlier reports from DC, MSME and GIZ
 - Report preparation time will be 1 month from date of receipt of acceptance for previous reports
- Final Report to be submitted within 15 working days from receipt of comments on the above draft report

Deloitte.