

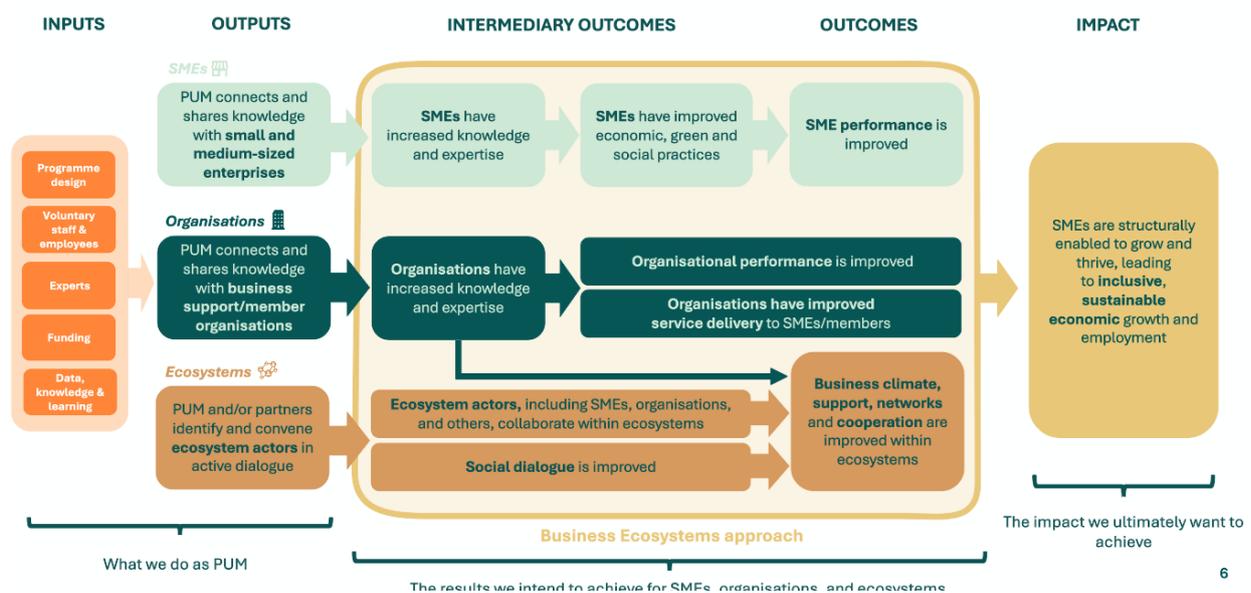
Annex II PUM Theory of Change

Theory of Change ¹

Based on the expressed mission statement, the ultimate goal of PUM is to contribute to SDG8: Promote inclusive and sustainable economic growth, employment and decent work for all. That entails that economic growth – or growth of SMEs – results in more employment; better paid, more secure, and safer employment for all groups in society; and doing this while reducing, rather than increasing the ecological footprint of SMEs. PUM’s ambition is to generate responsible business growth not just for individual enterprises through individual projects, but through systemic changes for all SMEs in an ecosystem that enables potentially all SMEs to grow in a responsible manner. PUM is well equipped to accomplish this approach. It is (a) able to mobilise practical business experience and - knowledge, and convince SMEs and other business actors to engage); (b) can rely on volunteers and staff volunteers with the required expertise; (c) works with organisations such as BMOs and BSOs that are essential for convening stakeholders and advocating policy change, and (d) has an established reputation with ecosystem actors in target countries.

PUM's Theory of Change identifies three key pathways:

PUM. Theory of Change



- **Strengthening of SMEs:** Assumptions behind this pathway are:

- o employees or owners of SMEs lack skills and are aware of this need but lack capital to acquire consulting commercially.
- o Consulting is an important input for SME owners to implement skills and realize increases in sales or efficiency.

¹ PUM is currently redefining its definition and approach for working in business ecosystems, which will lead to a refinement of the Theory of Change.

- o SME owners invest in jobs and/or experience greater profit margins from efficiency and/or gains.

PUM engages with SMEs, or groups of SMEs and provides support to change business practices, through (a combination of) services, such as advice on location, remote advice, webinars. This SME-level support will at the same time enhance PUM's understanding of the context, the problems and obstacles of growth, and will enable the selection of change makers that can play an important role in the entrepreneurial ecosystem.

The support to SMES will lead to improved practices, resulting consequently in an improved performance of the SMEs, to be measured among others by an increased number of direct jobs supported and an increased growth rate. The improved capacities of organisations, and the gradually maturing ecosystems (second and third pathways), at the same time contribute to improving the economical, ecological and social performance of SMEs, reaching a broader group than the directly supported SMEs. Assumptions: we work with SMEs that have the right conditions to implement the advice provided by the expert. The growth of the SMEs leads to increased employment. The SMEs are changemakers in the sense that they play a role to stimulate and support other SMEs and to contribute to an improved business environment.

- **Strengthening of organisations:**

Development of support organisations for SMEs is the second pathway to scaling the impact of SMEs, as it improves the service and the functioning of the organisations and contributes to strengthening the business ecosystem. PUM works with membership-based business support organisations (employer or sector associations) and other support organisations, such as educational institutions and incubators.

The underlying assumption of this pathway is that effective support organisations will increase the productivity of SMEs - improving their products/services, increasing revenue, creating jobs, and driving innovation, and that they play an important role in business ecosystems. Of pivotal importance are sector- and employers' associations as these are typically already engaged with the key actors in a business ecosystem. Here, the support is focused on the creation of social dialogue² to increase the association's representation and thus its ability to advocate inside the business ecosystem and vis-à-vis the government.

The expected outcome is that the supported organisations have increased knowledge and expertise, resulting in improved organisational performance as well as more and better service delivery for SMEs.

² Social dialogue includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy with the objective of promoting consensus-building and democratic involvement among the main stakeholders in the world of work. It can exist as a tripartite process, with the government as an official party to the dialogue, or it may consist of bipartite relations only between labour and management (or trade unions and employers' organizations), with or without indirect government involvement. Social dialogue processes can be informal or institutionalised, and often it is a combination of the two. It can take place at the national, regional or at enterprise level. It can be inter-professional, sectoral or a combination of these.

This pathway also interacts with the third pathway related to ecosystems (see below). The engagement with social partners will result in the establishment (or improvement) of an active social dialogue, which enables collaboration on matters of growth, decent work and environmental sustainability. Of pivotal importance are sector and employers' associations as these are typically already engaged with the key actors in an ecosystem. Here, the support is focused on the creation of social dialogue to increase the association's representation and thus its ability to advocate inside the ecosystem and vis-à-vis the government.

- **Coordination & convening of actors towards stronger business ecosystems:**

At PUM, business ecosystems are both a pathway in which we directly enact change and an overarching approach. A business ecosystem is a longer-term collaboration between at least one supporting organisation and multiple SMEs, to address the shared challenges of SMEs in a structural way, and to create more economic, social and ecological impact. The goal is lasting ecosystem effects, in addition to the effects on individual clients

Under the business ecosystem pathway, PUM utilises the experiences with SMEs and support organisations to identify the key actors in that ecosystem, such as SMEs, support organisations and government actors. Through its engagements and active involvement with SMEs and organisations, PUM convenes SMEs (focus on changemakers) and organisations (focus on sector and employers' organisations) in active social dialogue. Expected outcomes of supporting business ecosystems are increased collaboration between actors; strengthened horizontal and vertical relationships between SMEs, other value chain actors, and support organisations; improved social dialogue; and a more conducive business climate for SMEs.

Working within ecosystems is also an overarching approach (represented by the surrounding yellow box). This approach is based on the assumption that working in ecosystems will have more and long-term impact on the sustainable growth of SMEs than individual support to SMEs or organisations. In strong ecosystems, SMEs benefit from established networks, infrastructure, and support systems, which provide them with access to resources, expertise, and opportunities crucial for sustainable economic growth. Ecosystems enable SMEs to adapt to new opportunities, clear obstacles to growth out of their way, stimulate new, greener and more social business models, and offer efficient services and policies to entrepreneurs and businesses.

Strengthened business ecosystems can lead to social impact, for example when economic growth generates employment for previously excluded or disenfranchised groups (poor, youth, women, minorities) and potentially improves the quality of employment through the adoption of socially responsible practices. Strengthened ecosystems can also lead to ecological impact, as economic growth can further the adoption of more sustainable business practices driven by market demand (e.g., eco-friendly products) and cost saving opportunities (e.g., energy-efficient technologies).

Ultimately, we expect to have more impact with the same means for a broader group of SMEs. Other SMEs besides those we serve directly will also benefit from the enhanced functioning of ecosystems, increased collaboration, improved services offered by organisations and new and improved growth opportunities.