

## Sector Strategy: Financial Management

### Context

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- SOBA's work with businesses in Sierra Leone has revealed low capability within organizations for proper financial book-keeping and record-keeping
- This lack of data collection and regular financial report creation makes the due diligence process difficult for SOBA and other potential investors
- It also suggests that businesses are unable to identify key high-velocity and/or high-margin products, high-value customer segments, or total costs to serve their customers.
- Better data collection and book-keeping can:
  - 1) Result in greater opportunity to obtain accessible financing
  - 2) Allow business leaders to make better business decisions based on the data from their business leading to increased revenue and margins
- While SOBA would like to see better practices within organizations, SOBA has been unable to find service providers to train businesses on better book-keeping at rates that are affordable to small and medium businesses. (SOBA has spent several thousand US dollars per partner on training alone)
- Additionally, these trainers focus primarily on the "how" to track finances, but do not provide direction to business on "why" tracking is important which makes it unlikely partners will continue to use these practices once the relationship with SOBA is over.
- Working with the financial services industry and SMEs is needed to

### Strategy

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To scale-up SOBA's efforts instilling better financial management in SMEs, SOBA seeks to work with local financial service providers to:

- Increase the application of proper financial management through raised value perceptions
- Increase the flow of communication and pace of response and innovation through cross-industry roundtables
- Increase customer value perceptions by develop role models to showcase the value of proper book-keeping and financial analysis
- Increase customer value perceptions and improve accounting firm/sector fit by trialing new, transparent offerings and showcasing value

Ultimately, a financial services industry that enabled better book-keeping and data collection at SME's will increase performance, open opportunity for investment, and growing sales. In SOBA target sectors, this will result in increased incomes for suppliers, workers, and traders linked to SMEs.

To meet these objectives, SOBA will:

1. Hold a financial management roundtable to identify:
  - Main challenges around delivering financial services in Sierra Leone
  - How to increase the value perception of proper bookkeeping
  - How to serve the SME market: adapting fees & services
2. Trial financial service offerings to:
  - Increase the value offering for businesses (training and services that focus on both book-keeping methods as well as data analysis)
  - Increase the value perception businesses have for financial service providers (demonstrate financial service providers are able to lead to increased profits for businesses)
  - Introduce rates affordable to SME's

3. Develop and distribute communication pieces to wider financial services community on:
  - Potential business models to use to target SMEs
  - Opportunities for financial service providers for SMEs
4. Facilitate opportunities for development market-based relationships through industry participation in bi-weekly business clinics

## Key Intervention Details: Financial Services Trials

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This initiative will be broken into two phases and work with an outside consultant (expert in accounting, financial analytics, and trainings) who will:

1. Phase 1:
  - a. Train existing independent accountants on how to provide financial analysis and recommendations to businesses
  - b. Trial the services with SMEs to understand the value created
  - c. Suggest design of business model for accounts to sell work to SMEs
2. Phase 2:
  - a. Develop a sales pitch and strategy for the accountants to market the offering independently
  - b. Guide the accountants on how to sell the services to additional SMEs to refine financial model
  - c. Provide analysis and recommendations for scaling the model

It is expected the results of these trials with either lead to additional independent accountants adopting the model or existing accounting firms incorporating the model into their practices

If successful, the scale-up of these business models should result in greater return on capital for businesses exercising inclusive, pro-poor business models and an acceleration of their scale-up initiatives.