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EVALUATION OF STUDIES AND RESEARCH PROJECTS -  
THEIR PRACTICAL IMPLEMENTATION IN THE  
MANUFACTURING INDUSTRY <sup>1/</sup>

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**GENERAL SCOPE**

- 1.- TECHNICAL AND MARKETING ASPECTS
- 2.- MANAGERIAL AND TECHNICAL ABILITY
- 3.- ECONOMIC AND FINANCIAL ASPECTS
- 4.- MISCELLANEOUS ASPECTS

## METHODOLOGY

The results set forth herein are based mainly upon experience as well as on a systematic analysis of the surveys that were carried out, both at the manufacturing member firms of Sociedad Nacional de Industrias (National Industries Society) and at a representative group of duly selected consulting firms.

At the same time the forms for the surveys were sent out, interviews were held with the executives of some companies in order to supplement the information requested.

From the total number of studies and research projects covered by the survey, only 54% have been implemented. This percentage includes companies from the private sector; were the public sector to be considered, the proportion would be smaller.

While it is true that there is no substantial division between the aspects listed as causes for non-implementation of the studies and research projects undertaken at company level, inasmuch as most of them are inter-dependent, we have broken them down in order to facilitate this analysis.

#### **1.- TECHNICAL AND MARKETING ASPECTS**

We list below some of the main causes attributable to these aspects.

##### **1.1 Inadequate technical level of the studies.-**

Many of the studies that were apparently carried out for immediate implementation lack the necessary technical level, and because of the generic nature of their contents subsequent or supplementary studies are required.

##### **1.2 Lack of professional ethics.-**

Since as a general rule the consultants' objective is to sell their services, they often overlook the importance of depending upon experienced personnel; hence they at times produce low-quality studies or so highly specialized that they are not applicable to the specific situation for which they were intended. Their implementation sometimes acts merely as a palliative for the need for reorganization of a company.

**1.3 Contemplated techniques are inadequate for this country.**

There are numerous studies whose implementation is rendered unfeasible by the type of techniques they suggest, which, in many instances, are not within reach of the companies. This tendency is quite obvious, particularly among foreign consulting firms, since they recommend techniques as they are applied in countries with a higher level of industrial development and which are not adaptable to the social and economic conditions of this country, inasmuch as they require intensive capital.

**1.4 Deficient integration of the studies.-**

While all studies and research projects involve a large amount of diagnosis on multiple aspects of the firms in question, most of them lack that specific detail as to "how" the project will be developed. This, coupled to inadequate average training of the staff in the respective firms, reduces the implementation possibilities of the projects.

**1.5 Inadequacy of Basic information.-**

Lack of reliable statistical data makes it impossible to obtain a true knowledge of the markets, both actual and potential, this being one of the reasons claimed by

**industrialists for non-implementation of certain projects.**

**1.6 Shortage of Funds in the public sector.-**

Particularly true of the studies requested by the public sector is the fact that they do not contemplate coordinated programs, but are mainly concerned with the availability of fund. As a result thereof most of such studies are either incomplete or poorly structured. Often due to the above reasons or to shortage of funds, their implementation is neglected.

**2.- MANAGERIAL AND TECHNICAL ABILITY**

Among the causes attributable to the companies we may list the following:

**2.1 Inadequate managerial ability.-**

Studies covering managers, supervisors and executives showed that 31% of this group had completed primary education, approximately 42% highschool education and only 15% had attended university. As a result of this low educational level, managers often use their own criterion in deciding the fields that should be subject to study, based on the erroneous belief that they will in this way actually solve their problems. To add



to the problem, it is frequent to see that consultants comply with their wishes.

### 2.2 Shortage of trained technical personnel.

Some studies cannot be technically implemented with the men who work in the companies because they do not possess sufficient knowledge. This is indicative of the lack of a training program for the staff, simultaneously with the implementation of the study. In 1968, out of the P.E.A. educational structure, only 2.1% had received technical education.

### 2.3 Lack of aggressiveness on the part of executives .

This situation, as a general rule, holds up decisions regarding implementation and in many of the cases covered by our analysis it was found that when they attempted to implement them they realized that it was outdated.

## 3.- ECONOMIC AND FINANCIAL ASPECT

The Economic and Financial aspect is another limiting factor in a series of projects.

### 3.1 Profitability.-

The profitability required by the entrepreneur-invester binomial renders the implementation of a large number of

projects unfeasible. The type of profitability required varies according to the scope of the study and, consequently, of the project to be implemented. In some cases acceptable profitability amounts to approximately 15% whereas in cases requiring a lower investment - i.e. small and medium-size industry studies with a 25 to 30% profitability margin are not implemented.

### 3.2 Financing.

This aspect may, in turn, be broken down as follows:

#### 3.2.1 Delay in obtaining resources.

One of the main problems in small and medium-size industries is to obtain financial resources to implement their projects. In this connection, it may not be said that capital is in short supply; however, the procedure required to obtain such financing takes so long that often when the credit is finally awarded, the entrepreneur realizes that the conditions for implementation have changed and that hence the original study requires updating; he therefore often ends up by not carrying it out.

**3.2.2 Lack of knowledge on the sources of capital.**

Small and medium-size business concerns as a general rule do not have sufficient knowledge on the possible sources of financing for the implementation of their projects. Even if funds were available, the mechanism or the media required to obtain such credits is unknown to them.

**3.2.3 Financing requirements.**

Some entrepreneurs request consultants to include with their studies the financing for implementation thereof, to ensure not only implementation but the quality of the projects as well. Consequently, if financing is not obtained for a series of reasons, the project, even though of high quality, is not implemented. Hence, when consultants offer financing for the implementation, they find a favorable market.

**4.- MISCELLANEOUS ASPECTS**

**4.1.** In spite of the proven ability of some professionals providing consulting services, a series of studies are not implemented due to lack of confidence on the part of the entrepreneurs with respect to the recommendations made in such studies. The main reasons that have led

to this situation are: (1) the unsuccessful results derived from the studies and projects submitted by unscrupulous consultants who have not hesitated to recommend certain actions in spite of their unreasonability. (2) an unbelievably self-sufficient attitude on the part of certain entrepreneurs, who question the possibility of obtaining successful results from the projects.

4.2. The policy followed by certain entrepreneurs in requesting studies and research projects for "strategic" purposes as a means to boast to the competition regarding their level of knowledge and modernization within the sector. When the projects reach their hands, they keep them in the files and hold them as "weapons" against competitors to prevent any decisions on their part.

4.3 According to the information obtained from small and medium-size firms, most of the studies were not implemented for lack of financing, even though the funds had been assigned for the purpose. This is due mainly to the fact that credit institutions prior to granting a loan require a series of accounting data which the companies fail to provide since they do not have a uniform and standard accounting system.

## **RECOMMENDATIONS**

On the basis of the analysis made, the following recommendations appear adequate:-

### **1.- In the Technical and Marketing Aspects**

1.1 Consultants should base their studies upon overall diagnoses to facilitate identification of the wide range of variables that have to be taken into account when introducing improvements in the companies. This would render implementation of the studies easier by providing a clearer vision of the problem.

1.2 Projects should be submitted at a technical level that will permit their implementation and continuation by the personnel within the companies.

### **2.- Regarding Managerial and Technical Ability**

2.1 All personnel in the companies should receive adequate training so that their level of technical, economic and human knowledge will be upgraded.

2.2 Coordinated action to motivate executives should be planned so that decisions are reached within the shortest period of time.

### **3.- In the Economic and Financial Aspect**

3.1 Procedures to obtain financing for project implementation

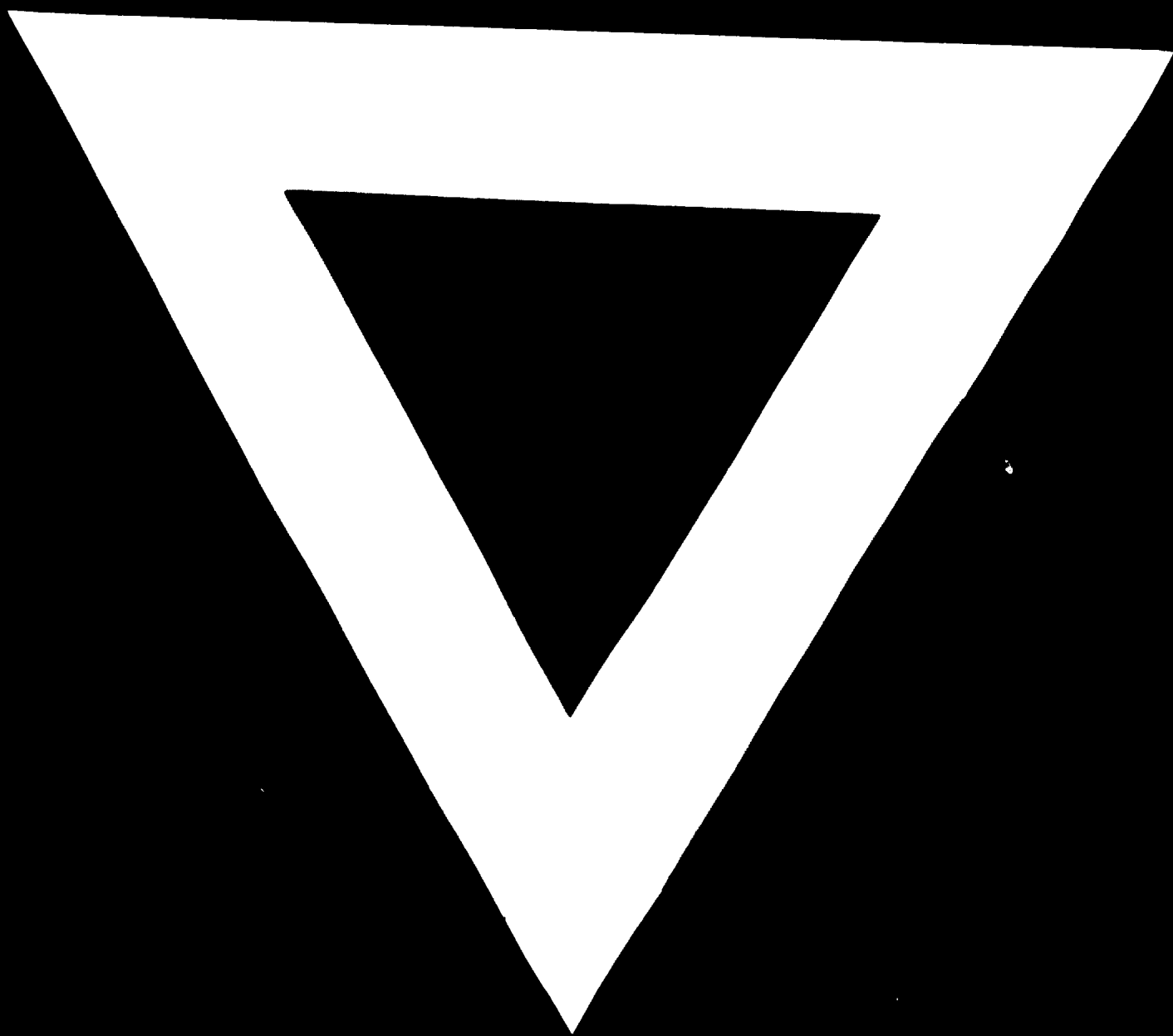
should be simplified and shorted so that they will be within reach of all entrepreneurial levels.

3.2 The profitability of the projects should respond to the type of firms involved and to their financing possibilities.

4.- Miscellaneous Aspects

4.1 The personnel involved in accounting operations within the companies should receive adequate training so that accounting procedures may be standardized in accordance with the National Accounting Plan thus facilitating the processing of financing requirements and reducing the time involved in such processing.





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