



Enterprise Service Systems Promotion (ESSP) Project - Kandy



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July 2004 : Interview with Jordi Castan, Brazilian entrepreneur, about Nuclei, business chambers and entrepreneurs



Jordi Castan, cut foliage producer and landscaping designer, together with his wife Juliana, runs the "Jardinagem Boa Vista" enterprise with 18 employees at Joinville in the south of Brazil. He is the President of the Foundation Entrepreneur; a member of the board of Directors of the Association of Commerce and Industry of Joinville; a member of the Cut Foliage Nucleus since 1991 - having been its President for some years; shareholder and Director of the MERCAFLOR, a market for cut foliage products created together with other local cut foliage entrepreneurs; the Secretary for Economic Development of Joinville for three years; and, most important in this context, he participated in the development and dissemination of the Nucleus Approach in Brazil, Argentina,

Uruguay, Paraguay and Chile.

How did your Cut Foliage Nucleus start?

"Our Nucleus? In the beginning it seemed strange to be sitting together with my competitors, all of us full of mistrust, and now we were going to talk openly about our businesses, our difficulties, and to exchange ideas and experiences - but surprisingly, it worked. It turned into a sensation for us. After some time my colleagues actually came to ask: 'When is the next meeting? We have to proceed!'

In the second year, we started to buy and sell products among ourselves in order to expand



the variety of plants offered to our individual clients. Now there was no need any more for all of us to produce all the varieties, which considering the small quantities, had been a relatively expensive affair, and thus saved much money. It took a lot of trust among us to do this, and it took quite some time until it worked. But it did work, and six years later, some of us were ready

to invest in a joint enterprise; we started the MERCAFLOR, which is now one of the most important cut foliage markets in southern Brazil.

Most important: Before this, everyone of us worked isolated in his or her enterprise. This was the only place we knew. We had no idea whether we were doing better or worse with our enterprise and products than others. But then, through the Nucleus, the doors of the other cut foliage enterprises opened, we were able to see, how the others did business. Something started, the experts call it 'benchmarking'. This gave us a lot of food for thought - ideas for new activities and improvements.



First we visited each other, at the local level. Then we went together to São Paulo and other regions in Brazil. And later we travelled as a group to Argentina, Germany, Spain, Costa Rica and other countries. Today, we know where we stand with our enterprises - and what we still have to do!"

How did the 'Nucleus Approach' develop?

"No, we did not just copy the German chamber model. It was clear right from the beginning that this would not work due to our different culture, history, social and economic situation. But we learnt from our partner, the Munich Chamber, how to decide on services to be offered to the members and how to provide them, how to professionalize a chamber and how to run a chamber as a proper enterprise.

From German Technical Cooperation we learnt methodologies of planning, organization and communication as well as inter-cultural cooperation.

In addition, we used ideas and experiences of chambers and international projects from other Latin American countries.

All this we combined with our own Brazilian traditions and ways of managing a chamber. And, of course, we used our brains, discussed, disputed, changed, faced a lot of frustrating experiences and celebrated our successes.

Thus, step-by-step, we developed something that was later called the 'Nucleus Approach'."

Why did it work in Brazil ?

"Very simple: It worked because the time was ripe.

Had we started the same approach in 1980 it would have been a total failure. The business association, this club of big bosses, would not have opened the doors for us small entrepreneurs. But the eighties had been a lost decade in Latin America, with hyperinflation and frequent economic shocks. The economy went only in one direction : downwards.

In 1991, the partnership of the business association with the Munich Chamber started. At approximately the same time, globalization set in. Brazil opened its borders. It was an opportune moment. More and more entrepreneurs, owners of small, medium and big enterprises became aware that things had to change. We needed other forms of cooperation - how could we expect enterprises to prosper in a hostile environment where everyone perceives the other not only as a competitor but as a personal enemy? Also, it became clear that the traditional Brazilian way of sitting and hoping for the Government to solve our problems, to do something for us - this had worked successfully for centuries - would no longer be adequate. No, changes had to start at our local level, in our enterprises and in our chambers! We, the entrepreneurs, had to change something. But nobody knew what and, more so, how!

I remember very well our first planning workshop with the Munich Chamber. There sat the owners of the big companies in our town, the members of the board of directors of our Association of Commerce and Industry. The association had just celebrated its 90th anniversary, and we were very proud of it. All agreed unanimously, 'Yes, the others, these SMEs, they have problems - therefore they have to change.' But then, hours later, after long heated discussions, we came to a totally different conclusion: 'Yes, the SMEs encounter a lot of problems - to solve them, we first have to change our chamber!' Then and there the idea of a Nucleus of entrepreneurs as part of the business association fitted perfectly.

Afterwards, everyone seemed happy with this planning workshop and its results. But there was a problem: Nobody believed in the decisions! We had made so many plans before, and almost nothing had worked out. So why should it be different this time?

But then a real sensation came up: The plan worked. More and more entrepreneurs came to our association and said: 'I want to participate, too!'

Here lies another answer to 'Why did the Nucleus Approach work?' If someone had come from Germany or another country and told us to do this and that, if the Munich Chamber and its counsellor had tried to manipulate us - no, then it would not have worked: Brazilians are too sceptical, too proud... .

The Nucleus is not a German or another industrialized country's invention. We Latin American entrepreneurs developed it ourselves, in cooperation with others here in Brazil. It is our own product! And that is why more and more entrepreneurs and the associations started to accept it.

Today we can say that we developed a model of a business chamber in the tropics. - This makes us very proud."

What changed in the enterprises?

"Oh, quite a lot. To start with my own enterprise, in the beginning, my wife and I owned a small piece of land, we had four employees, and we produced what we liked - hoping that

some local people would pass by and buy it. From time to time, I got a contract to design a garden. - Today, we have four times as much land and employ 18 persons. Together with my Nucleus colleagues we watch the market and concentrate on the production of plants which the market demands. Our geographical market expanded. Due to MERCAFLOR our products now go 600 km north to São Paulo as well as 800 km south and west. And I design the landscaping of gardens in many more Brazilian regions. If you want to see more of my projects, see our website www.aboavista.com.br

Now I really am in business!

The future? Yes, there is one way only: We have to continue to grow, to grow and to grow - in quantity, quality, and management. There is still a long way to go. We are prepared to buy some more land ... the market is there. And what is more important for Juliana, my wife, and me as SMEs, we have a perspective that our enterprise will continue: Our son, now 17 years old, is gaining interest in the business. And he might have the necessary entrepreneurial characteristics...



Not all but a lot of my colleagues followed the same route. Today we can say, Joinville and the region, due to our joint effort, turned into a centre for cut foliage in Brazil.



The approach worked for many entrepreneurs of other sectors, too. Look at my cousin Paulo, a car mechanic. He used to repair racing vehicles - without making any money. Really crazy. I asked him, would you like to join a Nucleus? - No, no interest. Anyway, the Nucleus started. And one day he came. He visited Germany. That opened his eyes. He studied hard, passed some tests and gained the official title of German Master in motor mechanics. He was elected Nucleus president, leading the biggest Nucleus

ever with more than 120 members. Later he was invited by chambers in Brazil, Argentina and Uruguay to conduct technical training courses and to explain how the Nucleus of Car Mechanics works. In other words: He became a true entrepreneur. Today he runs one of the best equipped workshops in southern Brazil.

Or do you remember Nivaldo Rupp, the carpenter? When we first visited his tiny carpentry in 1991, my goodness, what a mess! But he had an idea: He wanted to produce spiral staircases. He saw a market for it. But he did not know at all how to construct them. Then came this German Carpenter, Christian Treffer from Munich, from whom he learned some new technologies - but still he was not able to produce these spiral staircases. Then he scratched together the little money he had, took a three months practical training in Germany, visited the International Trade Fair of Crafts and Small Industries in Munich together with 120 other Brazilian Nucleus entrepreneurs. Yes, he suffered there, without his family for such a long time, worried about his company ... But he came back and made it: Now he knew how to construct spiral staircases. And he gained a huge market for it, selling them as far as São Paulo. When you now go to visit his workshop, you will not recognize it - it looks really professional. Last week our Federation of Chambers of Commerce and Industry honoured him and his Carpenter Nucleus as the first Brazilian Nucleus with a true Nucleus success story.



I could tell many similar cases, about architects, bakers, hairdressers, light engineers, hotels and restaurants and many, many more.

The focal point of the Nucleus was that nobody told us what to do or how to do it! We had to find out ourselves, together with the chamber Nucleus counsellor. And with all of us together in the Nucleus, this became possible. We started to learn, to study, to compare, to develop trust, self-confidence and courage. We grew personally, and turned from being mere producers into true entrepreneurs.



In the beginning of the nineties, there was a common proverb in Brazil, 'What is big, is good. And what is good, is big!' So everybody dreamt of owning a big company. SMEs? - no, these were pure rubbish, without any social reputation. - This changed, also because of the Nuclei - nobody talks like that any more. SMEs, and this is the message today, in many sectors are much more efficient, more flexible and faster than big companies. In addition, they create jobs, income and economic growth. As long as they are good!"

What changed in the business associations ?

"That is easy to say, just by comparison: In 1990, our Association of Commerce and Industry had about 250 members, perhaps 40 of them active ones. It was dominated by a couple of owners of big enterprises, doing a little bit of what they called 'lobbying', running after the authorities and asking for personal favours. There was a CEO, who served as assistant to the president. There were some employees in the administration, most of them, from today's

perspective, were more or less useless. For us SMEs, this association served for absolutely nothing.

Today, things are different. Today, we have a real mission: 'Promotion, development, representation, defence, and increase of our member enterprises' competitiveness, in order to contribute to improving the quality of life in our community.' Our objective is to be recognized by the community and the entrepreneurs as an excellent service institution.



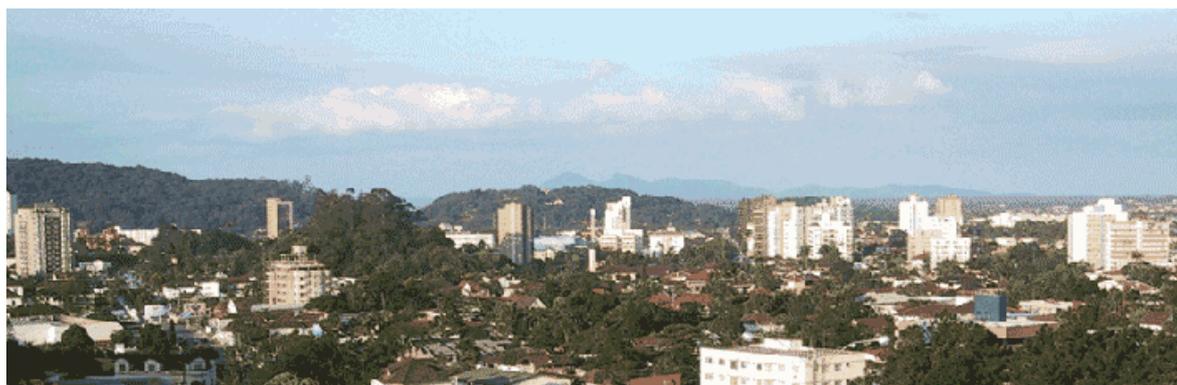
Now we have 1,200 members. 80% of them are SMEs. The association, the ACIJ, maintains a professional team of employees who run the association rather like an enterprise. We offer a wide range of services to the members, more than 20 Nuclei, training, trade fairs, and many others. We are actively involved in the development of the town of Joinville, contributing to its economic and social improvement. Not only here but in many other places, the associations have turned into a respectable power, a partner for the public administration in search of solutions for the community.

Our public relations changed - see our weekly information letters distributed per e-mail, one addressed especially to the Nucleus members. And see our web page www.acij.com.br , showing what is going on.

The association is now accepted by the SMEs as their own. Small, medium and big enterprises cooperate under one roof. I was the first SME elected into the board of directors, acting there for a long time as Secretary. Everyone pays membership fees according to the company size, which is by no means low - a minimum of about 20 US\$ per month, a maximum of 2,000 US\$ per month - not per year! For many enterprises this is a real burden. But they pay nonetheless, because they all get a satisfactory return.

Two years ago, and this was another huge step, the association was one of the first associations in Brazil to pass the ISO 9002 .

All this was a long process, slowly, with a lot of set backs. No, of course, we have not finished yet, there are still many things to do, the development must go on... We have a vision, and that counts.



Alone, we would never have made it. It worked because first some other associations in our region started along this road, then more and more; it became a movement. Our federation entered and changed, and today almost 900 Brazilian Associations of Commerce in Industry run Nuclei, they started along the same road."

What would you like to tell the Sri Lankan chambers and Nucleus entrepreneurs ?



"Sri Lanka? Give me a ticket and I'm on the next plane there. Sri Lanka is a dream for a Brazilian cut foliage producer - this huge variety of tropical plants ...

The Nuclei in Sri Lanka, I would really like to see them. And also their chambers. And certainly we can exchange a lot of ideas and experiences.

I presented the Nucleus Approach in a lot of places over all these years, in neighbouring towns, 30 or 90 km from here, in the northeast of Brazil - where people dislike everything which comes from the south - and in many Latin American countries. Every time it was the same and I always got to hear, 'Yes, that might work there in Joinville, in the south of Brazil, but

here, everything is different, our entrepreneurs, our associations and chambers ...'. Listen, maybe this is human, but why do entrepreneurs right away start to stress the differences? Why don't they stress what we have in common? That is much more interesting! And I learnt in all these places that we, the SMEs, we, the chambers, we have a lot in common. Much more than most of us imagine. And if I can during such a presentation lead the discussion into this direction - sometimes it is really difficult - then people start to open their ears, they gain interest, things start to move ...

No, the point is of course not just to copy and to transfer the Brazilian Nucleus Approach to Sri Lanka. This does not work. The Sri Lankan entrepreneurs, their chambers, they have to define their own Nucleus program! I can explain how we did it, what we did wrong, what worked, and why. But in the end, the Sri Lankan entrepreneurs have to undergo their own experiences, define their own objectives, start their own activities and take some risks. If the Nucleus develops as a true Sri Lankan program, then it may work ... This is exactly the way Nuclei started in all these Brazilian places and other countries.

Sri Lanka? So what did you say about the flight ticket ?"



Addendum: in October 2005 Jordi Castan worked for three weeks with the Cut Foliage Nuclei of Kandy, Matale and Badulla. This caused a big push to the development of the Nuclei and their entrepreneurs. At the end of 2006 14 Cut Foliage Nuclei have more than 250 members. In addition, on Jordi Castan's recommendation, the entrepreneurs created a Regional Cut Foliage Nucleus.