



SUSTAINABILITY STRATEGY FOR BS-NET BANGLADESH

Background

The German-funded “BDS for Micro Entrepreneurship Development Project” is part of the PROGRESS-programme that supports private sector development in Bangladesh. The component will phase out in July 2005. Project management has started a dialogue with its partners about a sustainability model as early as 18 months ahead of this date. As a result, a network of partner NGOs called “BS-Net” has been established and was formally registered in December 2004. Its objective is to ensure the continuing improvement of service delivery and professionalism of partner NGOs providing business support services. BS-Net is a facilitator and aims to support its members in their efforts to provide efficient services to their micro-, small- and medium-sized business clients. GTZ is supporting the network technically and financially, based on a performance-related scheme and with a clear exit strategy.

Establishment of BS-Net: process and achievements

Project partners have expressed their strong interest in a follow-up body during a survey that the project carried out in early 2004. The survey findings have been presented to the partners who continued to work out details of a sustainability model. During a retreat with top executives of the partner NGOs (PNGOs), the participants unanimously agreed to establish a network of practitioners and providers of business support services.

GTZ has been requested to support elaboration of a business plan. With the input from several PNGOs, the plan could be finalized in June 2004 and was distributed to all members. The new network was named “BS-Net”. Under the auspices of the Board of Directors, the BS-Net management team is using the business plan as their platform. It clearly spells out the institutional objectives but allows for flexible execution of the work programme and quick reaction to situational requirements.

Today, BS-Net is formally registered and has 40 paying members covering all districts of Bangladesh. The organization is independent in terms of office location and staff, and employs an office manager who is supported by an office assistant. All details about its structure, the membership and services can be found on the homepage (www.bd-bs.net). In addition, promotional material has been printed.

Towards institutional and technical sustainability of BS-Net

Board of Directors

Entrepreneurial thinking and the application of business principles are key to the organizational and financial sustainability of BS-Net. On the organizational side, it is the Board of Directors (BoD) that plays the main role in ensuring that this spirit is carried through the entire organization. The objectives for the BoD of BS-Net are clearly defined:

- financial sustainability
- satisfied and long-term intensive member relationships
- positive return on investment for members (paid membership fee as investment)
- provision of quality services
- highly committed management team
- core team of qualified and committed resource persons.

GTZ has supported the establishment of the BoD but does not provide any financial incentive to the individual directors for their involvement. The following criteria were applied during the selection process:

- Time commitment: the individual directors need to spend at least 20 hours per month on BS-Net related work;
- Decision-making level: the candidates should preferably hold a high-level position in their own organizations;
- Self-confidence: the candidates should feel capable to make decisions without further guidance and to accept the resulting responsibility;
- Business profile: experience and capability to apply business knowledge in a non-profit organization;
- BDS-experience: knowledge about and willingness to apply BDS-principles according to international best practice.

An evaluation of the trial period of the first BoD after almost six months showed a number of deficits. Apart from not being able to invest sufficient time, the BoD did not undertake necessary steps to establish BS-Net as an active service facilitator. The Board did not accept responsibility and, instead, the driving force of the network remained with the project.

The new Board now consists of one traditional PNGO (Dhaka), one larger NGO (Dhaka), one small NGO (Sylhet), one private consulting company and a representative from the project. This change was possible following the implementation of the initial decision of BS-Net to enlarge its target group beyond the traditional NGO partners and to open up to private companies. Out of these new members, driving forces emerged and contributed substantially to key success factors of BS-Net, namely the mobilization of members, constructive ways of service delivery towards sustainability, creative proposals for income-generating activities for BS-Net. The achievements of the new and more diversified BoD in a short period of time are very promising. The presence of the private consulting company in the board appears to be the main motor behind making the whole network more business-like. The network is active and is extending business opportunities to its

members, who are motivated by seeing a positive return on their membership fee investment.

In addition to opening the organization for private companies, the board also requested the project to assign the National Project Manager as representative and fully recognized board member for the first year of operation. Since each member has clearly defined roles within the board, technical sustainability of BS-Net is not dependent of the involvement of the project. However, and in particular during the starting phase, the organizational support and management guidance provided by the national project staff is considered very valuable.

The project, on the other hand, can continue to coach BS-Net without interfering with the overall responsibility of the Board. The set-up also enables the project to maintain a comprehensive monitoring and evaluation. In line with its exit strategy, the project will withdraw this direct involvement gradually. It is planned to train and strengthen the management capacity of the other board members instead. The option that the GTZ PROGRESS program continues to assign national staff in an advisory function after project phase-out remains open. Sustainability is here mainly defined as a situation in which the expertise and know-how of the Board have been built up to the extent possible, and with a very limited involvement of international experts only. The final decision about the Board structure rests with the members as all five positions will be open for election in July 2005.

Strategic orientation using a Balanced Scorecard

The new BoD realized that a long-term, strategic orientation for BS-Net was missing although considerable time was spent in board meetings and on details of increasingly complex operational plans. The board as well as the members still lacked a clear vision of where the organisation is heading, which service products it should offer and develop. Furthermore, the need for a performance measurement system became apparent with a growing membership, countrywide coverage and plans for staff recruitment.

The directors are also aware that a presentation of organizational success – and failures - based on clear and easy-to communicate performance measures is even more important once project support phases out. BS-Net might have to search for external sponsors, and a promotional brochure or a lengthy report are not the appropriate means for such presentations.

The GTZ-BDS project offered to support BS-Net with expertise on how to introduce a Balanced Scorecard. Following a briefing with the board, a two-day workshop took place early December 2004 with all members and the directors. In a participatory manner, the main elements of the scorecard were developed. The members expressed their appreciation for the opportunity to contribute directly on the strategic level of the organization. Although the tool itself was new to most participants, the results showed that the concept was understood and applied correctly. The workshop ended with a strategy map and a preliminary list of performance measures.

In line with the project strategy to transfer all know-how to the Board via local staff, the National Project Manager engaged in an intensive follow-up of the workshop and finalised a first version of the Balanced Scorecard for BS-Net. This version was presented by the National Project Manager at the next board meeting and further refined. The board has assigned responsibility for the different strategic initiatives to the individual directors, who are in the process of implementing the first steps.

Towards financial sustainability of BS-Net

Financial sustainability for BS-Net is defined as a situation where funds generated through different sources enable the organization to grow further in terms of outreach and to widen its service offer. Membership fees as well as income from non-core services such as the in-house guestrooms and the show room complement income from the main facilitator services. It is the limited scope for income-generation through facilitator services that motivated the Board to study low-cost service delivery mechanisms and cross-financing options for its different activities.

With most of its members dealing with poor or very poor rural target groups, it is another important discussion topic for BS-Net how to unlock the market potential of this segment. In this regard, the Board appreciated the opportunity to participate in the study tour programme in Dhaka, organized by ILO in September 2004. BS-Net could present itself to an international audience and received valuable feedback. The study tour to Sri Lanka that was organized by the project for four directors in December 2004, provided a further opportunity to study in detail the experience of long-established non-profit providers such as Sarvodaya SEEDS that are dealing with a similar market segment.

Local subsidies, paid by the GTZ-BDS project, form another important pillar of the financial model of BS-Net during this start-up phase. The subsidies are performance-related and are paid only under certain criteria. They are designed as incentives and are linked to results, not overall expenditure. The milestones that have to be reached in order to unlock the next payment have been agreed in advance with the board and are noted in the business plan. All subsidies are paid on a pre-transactional level for example to support marketing activities or strategy development. The intention is to stimulate the market exchange and to minimize distortions.

Based on this incentive scheme, BS-Net receives funding from GTZ in relation to its membership and its income-generating activities. The subsidy amounts to the equivalent of the amount raised through membership fees as well as to the equivalent of participation fees raised during each activity. The management team is, therefore, in a position to increase income – and the subsidized part - substantially, depending on their ability to plan activities and to develop an appropriate pricing mechanism. Income-generation for service facilitators was another main topic during the study tour to Sri Lanka, where the directors had the opportunity to meet with two fee-charging facilitators. Both of these organizations recently emerged from a donor-supported project, which had the added advantage that lessons learnt during the transition phase could be shared with the BS-Net directors.

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