Emerging Good Practices in Business Development Services

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Portfolio Approach of BDS in Bangladesh – A case of Swisscontact - BDSP

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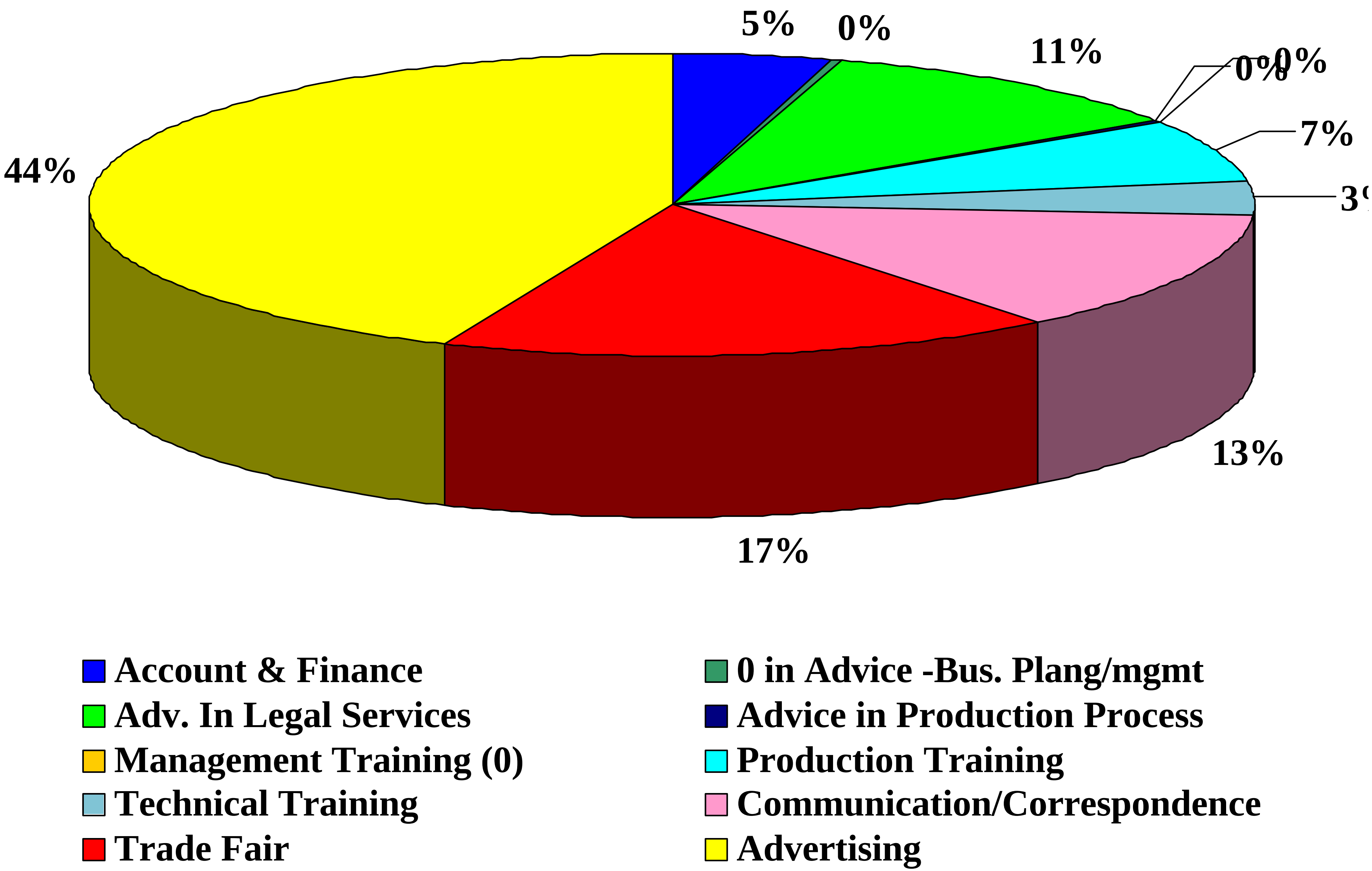
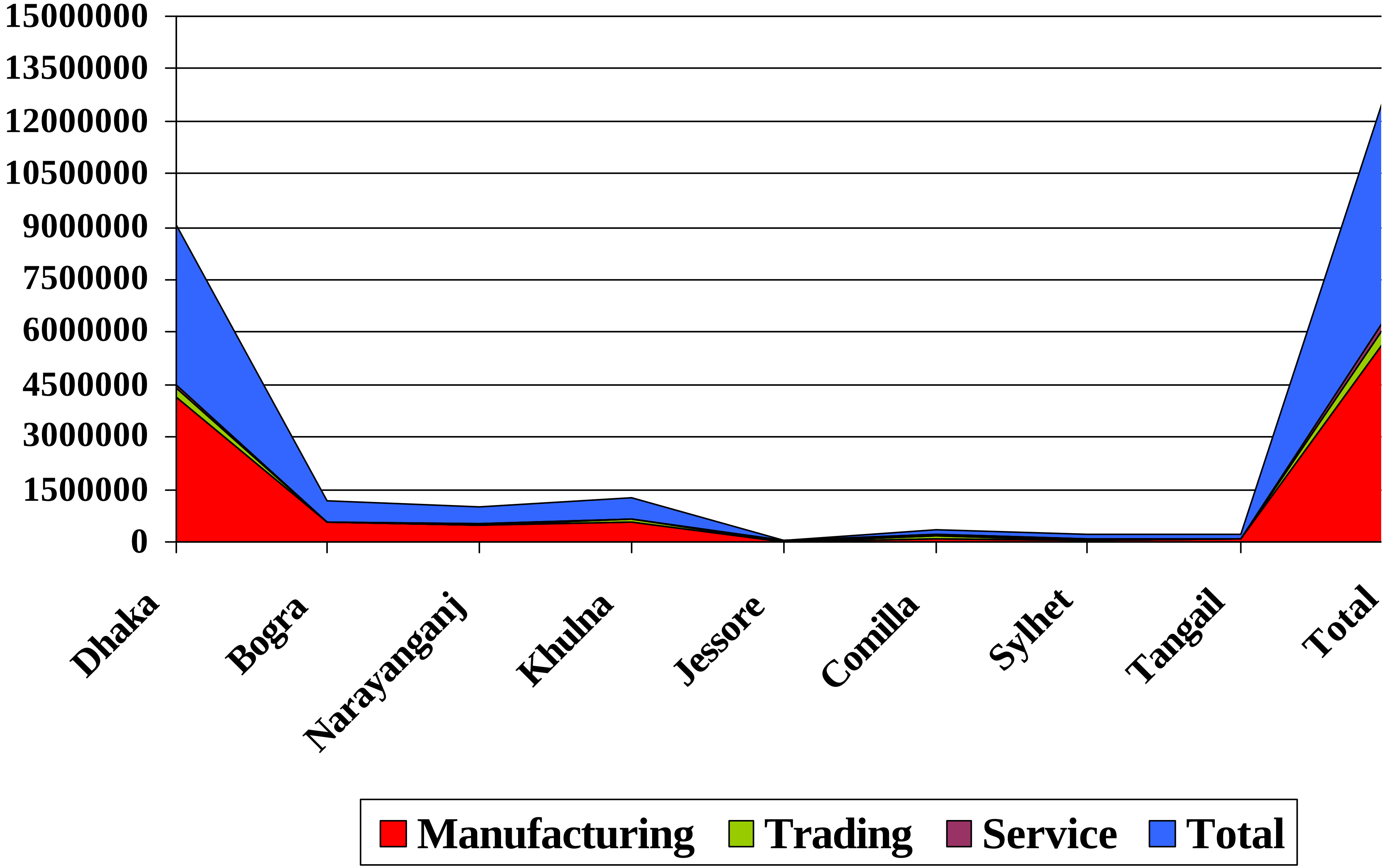
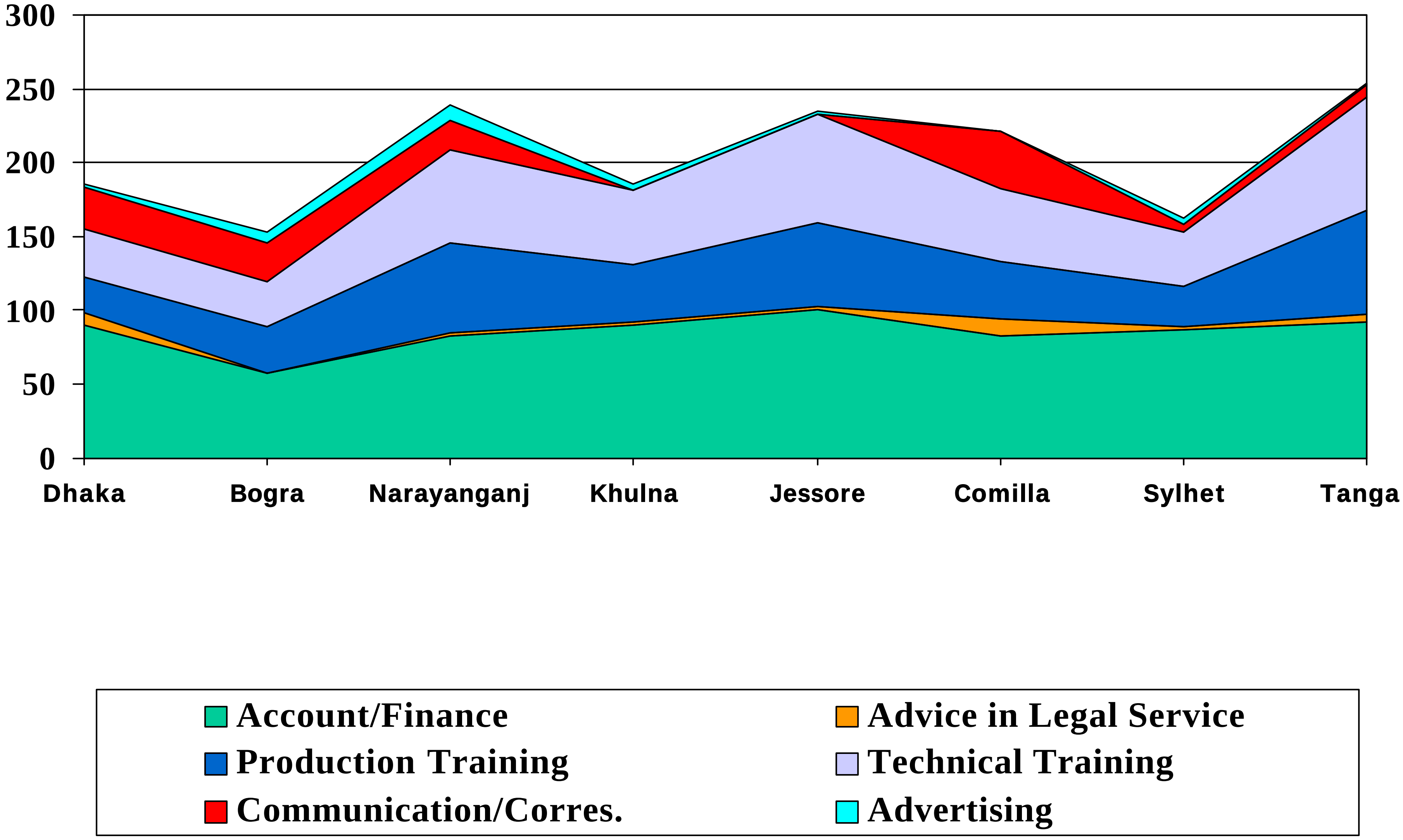
SERVICE-WISE TOTAL SPENDING
1999-2000



TOTAL SPENDING ON BDS BY TOWN



CAPACITY OF FIRMS TO 'GET IT DONE IN-HOUSE'



WHAT DOES THE MARKET/SURVEY SAY in Bangladesh?

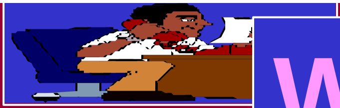
- ✓ There is a very large market for BDS in Bangladesh – (11million US$) mostly purchased by small/medium enterprises.

- ✓ Traditional BDS like training/ counseling mostly offered by NGOs are “least” purchased items by businesses.

- ✓ There is a very high but unfulfilled demand for product innovation and service marketing in light engineering/metal work, textiles and leather.

- ✓ Business growth and BDS spending has a direct relationship. However, the market is still untapped.

- ✓ If the products/services meet their demand, entrepreneurs (even the very small ones) are willing to pay for it.



WHAT DOES THE MARKET/SURVEY SAY?

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- ✓ Any service to SMEs is considered BDS even with 100% subsidy – There is no coherent understanding of BDS in the market!

- ✓ There is hardly any interaction between the private sector and the government except through the chambers who are relatively politicized.

- ✓ Demand is there but suppliers are not very enthusiastic to make small enterprises their clients; they want to scale up!

- ✓ More than 50% clients access BDS through informal providers (especially in engineering) and 90% providers are located in the cities.

- ✓ Most of the technical providers are not part of formal networks and don’t even know they are service providers!

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THE GOOD, THE BAD AND THE UGLY EXPERIENCE – WITH GOVERNMENT

- ***There is a Love – Hate Relationship between the Private Sector and the Government***

- ***" Stimulating market demand" and being a Facilitator is very attractive to the government and we have received +ve response!***

- ***We are asking the government to do " Re-regulation'" than "De-regulation" which is more acceptable to them***

- ***Local governments/municipalities - easier to sell/ convince "BDS" and it is possible to reach policy makers through them!***

- ***Not ready to close down the old structures for political reasons but willing to invest in Innovation Fund, Best BDS Provider Contest, Voucher Schemes etc***

- ***Constant dissemination and discussions with them –"loosing face" is the biggest issue!! How we say is more important than what we say!***

THE SERVICE PROVIDERS

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WHO QUALIFIES ?

Any provider offering BDS to small enterprises on a commercial basis.

CRITERIA :

Services sold to SEs; Resources and capacity, commercial orientation, core competence, approach to product development and experience.

PARTNERSHIP PROCESS :

Service providers submit a detailed business plan (Focus marketing strategies) evaluated by professional investment bankers

BDSP contribution will be step-wise based on "Results". A ratio is 70:30 is used (carrot and stick)

COMMITMENTS :

Products / Services developed thought BDSP collaboration has to be sold on a commercial basis. Once the target (financial) is met, the formal relationship is over.

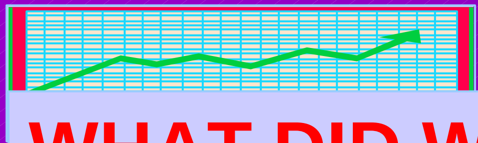
NON DELIVERY :

Negligence and misuse → Legal action

Lack of interest → Advanced amount to be paid in six months

Failed product development → Bad debt

PERFORMANCE MEASUREMENT FRAMEWORK



WHAT DID WE LEARN SO FAR?

1. As BDS Facilitators, we need to hob-nob with large businesses to earn respect from SMEs, "Know- Who" definitely matters! Few words from big business means a lot to SMEs & providers!

2. Successful providers looked at us as donors obsessed with poverty and gender issues – not for profit or private sector! We have distanced ourselves from the "Donor" perception!

3. We are in a hurry because demand is there but service providers take time on market/product development! We push and we lose them! (Especially the ones with potential!)

4. Support from stakeholders is not so great as our visibility and outreach is not there like in the past where numbers counted more!

5 "knowledge of the Market (demand and supply and FGD)" seems to be our USP(Unique Selling Proposition)!

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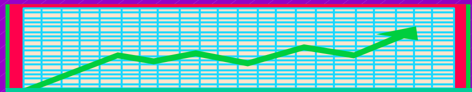

WHAT DID WE LEARN SO FAR?

6. We realize facilitating BDS is just not about demand and supply. We need to offer competence, understanding of the market, hardcore private sector approach and patience to be part of it!

7. BDS Awareness creation seems to be a neglected but relevant strategy. Even our FGDs produced a lot of ripple in the market!

8. **Current developmental vocabulary needs to be changed e.g from Grant to Investment, Capacity building to Increased competitiveness, Co-funder to Venture capitalist etc. if we want acceptance from the private sector. (we have seen the difference!)**

9. Service marketing is more difficult to explain and make providers understand than product marketing!

10. In certain respects, we are forced to be more entrepreneurial as a facilitator than service providers!

Our Current Concerns and Risks

- **How do we integrate “poverty alleviation” agenda of the donors with the strong market orientation of the programme?**

- ***Differentiation between “Private Goods” and “Public Goods” – When does public goods become private?***

- ***Is investment on “product development” good enough to motivate private sector providers to move into rural /semi- urban areas?***

- ***Since BDS puts premium on service providers and their “sales of services” - will it necessarily lead to increased employment creation?***

- ***If we support one partner and invest on its market development – do we kill the competition ?***

- ***Effect of corruption seems to be very high on SMEs, we are too small – how do we cope with it? And finally,***

- ***Dangerous trend emerging as some funders subsidize transaction in the name of BDS!***