

## Technical Module – Skills Development and Capacity Building of Business Intermediary Organisations (applicable to Lot 2)

Reflecting back on the Concept Note preparation stage of the SME Competitive Grant Scheme (SCGS), the INSPIRED TEAM has concluded that full SCGS applications which contain a stronger Business Intermediary Organisations (BIO) Capacity Building orientation will have an enhanced potential of being awarded a SCGS Grant. With this in mind, the INSPIRED Team has prepared the following BIO Capacity Building related tutorial intended to assist and guide applicants preparing full SCGS applications.

Several subject areas related to BIO Capacity Development have been identified by the INSPIRED Team as important subject areas for study and reflection by submitters of SCGS Concept Notes who are, in turn, invited to submit full SCGS applications. There is a brief commentary following each heading based on the recent BIO needs analysis carried out by the INSPIRED Component 2ATeam, intended to stimulate discussion. In addition, there is a reference material attached to bring the EU cluster organisations perspective referenced within topic areas. Both the tutorial and the attached material are intended to be studied completely by SCGS applicants and used for the Action preparation, Logical Framework and other sections of the Full Application development.

### A. BIOs and SCGS

The SME Competitive Grant Scheme (SCGS) Guidelines, Section 1.1, identify the current status of cluster organisations and the Business Intermediary Organisations (BIOs) development in Bangladesh as follows:

“There are no cluster associations in Bangladesh, only national trade bodies and local chambers of commerce which offer membership to companies in a cluster and may have cluster working groups. However, individual companies in a cluster may not always be members of the same trade body, as there can be more than one trade body representing a sector or sub-sector. Most national trade bodies are located in Dhaka, whereas many of the clusters operate in towns and cities outside of Dhaka, with minimal regional representation. Many of these business intermediary organisations are small and poorly funded, thus restricting their effectiveness to promote cluster development and coherence.”

Hence, one of the two specific objectives of the SCGS in Section 1.2 is to **“support the skills development and capacity building of Business Intermediary Organisations...in the eight priority sectors: agro-processing, natural fibres, leather, plastics, light engineering, electronics, furniture, textiles/crafts”**.

To this effect, Lot 2 of SCGS is focused on **support to skills development and capacity building of business intermediary organisations** as described in Section 1.3 of the Guidelines.

Actions under this heading will support Business Intermediary Organisations in developing:

- Lobbying, advocacy and networking skills
- Effective public-private sector dialogue
- Business development services for their members.
- Encouraging and providing services for social enterprises that introduce innovative models to address social and/or environmental objectives to improve the lives of the Bangladeshi poor through new or value-added economic opportunities which are also financially viable.

The SCGS Guidelines Section 2.1.3 provides substantial direction as to “Eligible Actions: actions for which an application can be made”:

### Types of action

#### **Component 2: Support to skills development of Business Intermediary Organisations**

- Technical support and training support relating to the further development of the business/sector association with respect to its cluster brokering capacity as well as advocacy and lobbying actions to improve the regulatory and legislative business environment for their members.
- Technical support and training support relating to the further development of the business/sector association with respect to its networking capacity and the creation of information links and exchange of matchmaking opportunities with other national, regional and/or European business intermediaries.
- Technical and training support relating to the further development of the business/sector association with respect to its actions to achieve financial self-sustainability.
- Technical support training support relating to the further development of the business/sector association with respect to the development of effective public-private sector dialogues.
- Technical support and training support relating to the further development of the business/sector association with respect to its actions to develop business development services for its members.
- Technical support and training support relating to the further development of the business/sector association with respect to encouraging and providing services for social enterprises that introduce innovative models to address social and/or environmental objectives to improve the lives of the Bangladeshi poor through new or value-added economic opportunities which are also financially viable.

#### **B. BIO Needs Analysis in Bangladesh**

The BIO needs analysis carried out by this INSPIRED Project in October 2012 in preparation to the SC Grant Scheme identified the following gaps and recommended the following areas and actions to improve BIO capacity:

##### **Area 1. Promotion, Information and Communication**

**Communication:** The BIOs interviewed all identified problems with effective communication with their members on a wide range of areas, including informing them of meetings in such a way the attendance at the subsequent meeting was acceptable.

It is possible that a detailed communications audit might be done with the selected BIOs to establish common problems and to then address these within workshops.

**Websites:** Many of the BIOs interviewed do not have a working website and there is a general lack of awareness on the benefits of e-business, use of the internet and of the promotional power of a website. This again could be addressed in a workshop and encouragement given to the BIOs to create their own website using local experts at a fairly low cost.

Managing the web site in terms of keeping it up to date and managing the content on a regular basis may be done internally with in-house staff being trained to do the work. Another option is to outsource the work of maintain the web to a professional “Web Master” although realistically if the website is properly constructed then it can be updated by staff comfortable with using word files and spread sheets. The project could help the BIOs through liaising with organisations such as the SME Foundation (that has helped create websites for some BIOs) and other possible sponsors able to help

BIOs launch their own web sites. The project could also advise the BIOs on finding effective training for their staff on web site administration and content management. This might be included in a day's training on the benefits of IT in general.

**Newsletters:** While the dissemination of news and other information to BIO members and other stakeholders can be done using a web-site printed news is still a very important medium, especially as many of the BIOs interviewed said only a few of their members used the internet in a regular way. The BIO could publish a newsletter on a regular basis – be it monthly or quarterly – and the project might help the BIO to understand that this could be paid for using advertising or even a main sponsor for each edition.

Workshops might be considered where BIOs could send their management staff to discuss the need for the marketing of themselves as well as any services they might be offering to as wide an audience as possible. For example, for advocacy to be effective both politicians and government officials, two different types of audience, need to be made aware of the BIO and its activities.

### **Area 2. Consultancy & Research**

The BIOs do not have a list of approved consultants or other BDS providers but rely on more informal ways of advising and counselling members seeking professional help. None of the BIOs questioned had a consultancy resource based within their operation.

The project could advise BIOs on the benefits of liaising with other agencies to develop a directory of firms/individuals working on general enterprise related services (e.g. company formation, business plan preparation, market research, event management, etc.) and sector specific technical consultants (firms/individuals) who can be quickly contacted by the members in time of need. Possible driving forces for such an initiative might be the SME Foundation or FBCCI with the support and advice of the Project.

It is important that BIOs recognise the need for networking that would identify opportunities for their members to benefit from donor funded initiatives such as the Business Edge training initiative funded by the IFC and aimed at providing SMEs with practical solutions to problems for immediate impact on their business performance.

### **Area 3. Training**

Although training is fairly widely recognised as being vital for the development of any human resource, both in the public and private sector, little evidence was collected of BIOs having well thought out training strategies for either themselves or their members. There was informal knowledge and understanding among BIOs staff of what they believed their members wanted, clear indications by management of the BIOs of the need for skills development within their own staff and also indications from various BIO leaders that there was not training available in areas of interest to them, such as in effective advocacy and lobbying.

#### **BIO management training**

- a) BIO management and providing new services to the members
- b) Use and benefits of internet-based communication and dissemination tools
- c) Understanding and using advocacy, lobbying with government and other stakeholders; as well as applications of tools such as - i) dialogue platforms, ii) private [public dialogues, iii) grassroots campaign and iv) public relations
- d) Benefits of effective networking
- e) How to identify and link with match-making and joint venture opportunities
- f) Organizing and participating in trade fairs, exhibitions
- g) The need for their members to understand Compliance & environmental protection

### BIO staff training

- a) Computer-based skills
- b) Office communication and written English skills
- c) Effective filing & documentation
- d) Computer-aided accounting & book-keeping
- e) Web administration & content management, etc.

### Member SME training

BIOs must be encouraged to, if not actually deliver training courses for their members, at least to examine external training opportunities and link with existing training providers in both public and private sectors. BIOs should take particular care to ensure they identify subsidised training being provided by donor organisations such as being provided by ILO and IFC. This is common practice in Europe and certainly one of many areas that can be valuably explored within, for example, study tours.

#### Area 4. Capacity building with BIOs.

It is important that managers and leaders of the BIOs primarily selected for support by the project are helped to improve their capacity to be effective representatives of their respective membership bases. They also need to understand the importance of providing high quality services for their members and of constantly considering new services they might be able to offer both in terms of helping them generate income but most importantly enabling them to be more effective in supporting the success and development of their respective sectors through growth and greater competitiveness.

Help and advice shall be given to BIOs to update or develop any operational manuals they might have. A basic operations manual covering topics such as organisational structure, committees, sub-committees, office management, job descriptions, marketing, holding of meetings, event management, information gathering, using the internet etc., might be developed with the encouragement of the project. This might usefully be done through workshops where topics are discussed and a simple start is made on developing such manuals that may be taken back to the office environment and with continued project encouragement properly developed.

Greater awareness of what can be achieved and a greater understanding of what similar organisations are achieving in Europe will be supported through a series of study tours to be organised within this project and SCGS grants. These shall be supported by pre-information to the trips, awareness workshops, advice on the organisations to be visited and most importantly what activity these organisations are involved with that might effectively transfer and be replicated in Bangladesh.

Efforts should also be made to help improve the understanding within the BIOs of the benefits of using the internet for e-business, international networking, identifying expert opportunities, promoting B2B opportunities. Of primary importance, is to work with those BIOs without web pages to encourage them to create their own web page to enable them to better communicate with their membership base and to enable possible international networking. Creating the web page is not enough in itself as consideration and understanding of how internet search engines work is also important.

Finally help will be provided by the project to BIOs in building the capacity of their staff members and/or associate consultants to better understand the process of applying for the EU grants that will be available for directly helping clusters to improve their competitiveness and also to help BIOs to increase their to assist their member base”.

### **C. The Role of Cluster Organisations in Strengthening Clusters and Competitiveness in Europe**

Further perspective in how the BIOs can build up their capacities both to provide services to their members and develop clusters can be developed through examining the EU cluster organisations development dynamics.

The European Union supports a whole range of cluster development initiatives and BIOs' capacities for cluster development (Cluster Organisations). Among other definitions, they are defined as follows:

#### **Cluster Initiative**

“Cluster initiative: an organised effort to increase the growth and competitiveness of a cluster within a region, involving cluster firms, government and/or the research community”.<sup>1</sup>

#### **Cluster Organisation**

“Cluster initiatives are increasingly managed by specialised institutions, known as cluster organisations, which take various forms, ranging from non-profit associations, through public agencies to companies.”<sup>2</sup>

One of the established platforms for cluster initiatives mapping and cluster organisation surveys is the European Cluster Observatory: [www.clusterobservatory.eu](http://www.clusterobservatory.eu).

“During the last decades EU has shifted political focus to innovation, the knowledge economy and sustainable competitiveness. The European Cluster Observatory was established in 2007. It is used widely by cluster organisations, policymakers, practitioners and researchers. By 2012 over 2,000 maps were produced every month and over 1,500 documents downloaded every month from the Cluster Library. The Observatory is widely quoted in media, in policy papers and in scholarly work. Many hundred cluster organisations throughout Europe use the European Cluster Collaboration Platform, set up as an auxiliary service to the Observatory in 2010.”

A new survey of cluster organisations in Europe “Strengthening Clusters and Competitiveness in Europe. Role of Cluster Organisations”<sup>3</sup> was conducted within the European Cluster Observatory in October 2012. The survey highlights are as follows:

#### **Building Identity, Strategy and Brand**

European cluster organisations put their focus on building an identity, a strategy and brand for the cluster, and enhancing innovation through collaboration across innovation gaps and joint R&D projects.

#### **Business Development Among Member Firms**

Other focus is put on business development among member firms (export promotion, commercial cooperation and joint purchasing). Thus, clusters have carved out a position as important vehicles within the innovation agenda for Europe.

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<sup>1</sup> Örjan Sölvell, Göran Lindqvist and Christian Ketels, The Cluster Initiative Greenbook, Ivory Tower AB, 2003, <http://www.cluster-research.org/greenbook.htm>

<sup>2</sup> EC Communication: Towards world-class clusters in the European Union: Implementing the broad-based innovation strategy-SEC(2008) 2637} 17 October 2008, p.8, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0652:REV1:EN:PDF>

<sup>3</sup> <http://www.clusterobservatory.eu/system/modules/com.gridnine.opencms.modules.eco/providers/getpdf.jsp?uid=24556356-27a4-4be4-8c38-e71775018a19>

### **Public-Private Partnership**

Cluster organisations are truly public-private partnerships. On average they follow a 60/40 rule, with 60% public financing. This holds both for older and more recently established cluster organisations, and across most countries in Europe.

### **Role of Cluster Manager and Firm-to-Firm Collaboration**

The strength of the underlying cluster is critical for the performance of cluster organisations. Cluster managers in Europe are most frequently in touch with firms in the cluster, helping to close the firm-to-firm gap. More than 80% are in touch with firms at least every week. Cluster managers interact the least frequently with financial institutions, and outreach to other clusters and international markets are also relatively less frequent.

Cluster managers report the best impact on improved collaboration among firms in the cluster (firm-to-firm gap). 89% report improvements over the last three years in collaboration among firms.

The higher priority a cluster organisation puts on collaboration among firms, the better is performance in every aspect, both internally and externally.

The experience of the cluster manager, measured as the number of years working with cluster initiatives, is significantly related to internal performance, and also to performance in terms of improved competitiveness.

### **Firms-to-Research Institutions Collaboration**

Improvements are reported through increased collaboration of cluster firms to research institutions, and for collaboration with other clusters.

### **Staffing**

Cluster initiatives with large staffs perform better in every aspect, both internally and externally. Among European cluster organisations there is no significant difference in performance between the clusters that were initiated through a public call or policy program, and those that were initiated by a private sector initiative. Nor does there seem to be any strong effect from whether the cluster initiative is organised as a legal entity or not.

### **Formal Membership**

Having formal membership is strongly associated with financial sustainability and improved collaboration among firms.

## Grant Aid Tutorial Questions

Consultant:

Return Date:

e-mail:

### **Technical Module – BIO/BMO Capacity Building - Actions to facilitate development and meet SCGS objectives (applicable to Lot 2).**

Based on the recommendations of the recent BIO needs analysis in Bangladesh, European Cluster Organisations survey and your own experience, please write a short outline (max. 2 pages) of what actions you would recommend to your client BIO to achieve improvements in the following areas:

1. Building Identity and Strategy
2. Communications, Information and Promotion
3. Business Development Services, Consultancy and Research
4. BIO management, staff and members training
5. Policy Advocacy
6. Private-public partnership
7. Other Capacity Building