

**Terms Used in Enterprise Development
Rethinking “BDS”**

A Thinkpiece from the SEEP Network

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About SEEP:

The Small Enterprise Education and Promotion (SEEP) Network is a membership association of over 50 North American organizations that support micro and small enterprise development programs around the world. www.seepnetwork.org

The Business Development Services Working Group, comprising SEEP members, seeks to advance and disseminate learning about services that help the poor benefit from global markets.

www.seepnetwork.org/bdsguide.html

Terms Used in Enterprise Development Rethinking “BDS”

What is BDS?

In the late 1990s the enterprise development community began searching for a term to replace *non-financial services*, i.e., any business services that were not microfinance. However, many wanted a term that better defined all the other services that businesses needed to operate efficiently and effectively, not just a name that was the antithesis of microfinance. *Business development services* (BDS) emerged and became the standard terminology for what used to be referred to as non-financial services.

Before the emergence of BDS, presented here as a field of practice, many enterprise development programs provided subsidized services—training, inputs, technologies, and access to markets—directly to small enterprises (SEs). However, a number of problems were associated with these programs:

- When they ended, so did support to SEs;
- They sometimes created distortions in local markets by providing unfair competition to private sector actors; and
- Their subsidized nature often meant they were supply-led (by the projects) and, therefore, not fully appropriate to the needs of SEs.

The *business development service market development paradigm* emerged to address these weaknesses by promoting services and solutions for SEs that could be delivered in a commercially viable manner and, therefore, be sustainable.

Along with this paradigm, however, came a variety of new terms and jargon. The objective of this editorial is to present some of the issues associated with these terms, to briefly examine the movement by some donors to move beyond BDS, and to make a plea that the excellent principles behind the terms not be forgotten.

Competing Definitions

The ILO Reader states that BDS is “any non-financial service provided to businesses on a formal or informal basis.” This starting point re-defines, in positive terms, the field of non-financial services. The Donor Guidelines, “Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention” further clarifies business development services as “services that improve the performance of the enterprise, its access to markets, and its ability to compete.” The SEEP On-Line Guide to BDS goes even further and provides a list of seven categories of BDS that address specific constraints to SE growth and development:

- Training and Technical Assistance
- Access to Markets
- Input Supply
- Technology and Product Development
- Infrastructure
- Policy
- Finance

While these categories are relatively broad, others define business development services more narrowly as the "provision of knowledge, skills, or information." This definition includes training and technical assistance, but precludes many activities included in the broader definitions such as input supply, access to markets, provision of equipment, lobbying for policy reform, and linking SEs to financial services. Many practitioners adhere to the broader definitions because they want the flexibility to promote solutions that respond to the many constraints facing small businesses.

Debate continues over what business development services actually are. There are many, including important decision makers in donor agencies, who understand business services according to the narrow definition. But, some of these individuals are finding that the promotion of stand-alone, fee-based services limited to the provision of "knowledge, skills and information" does not address many of the key constraints facing small enterprises. They also are realizing that it is difficult for these services to become commercially viable when targeted to SEs and are beginning to discredit BDS or, at best, to consider it "just one aspect of enterprise development." BDS has even been described as a "sunset industry" by a leading member of the donor committee for enterprise development. The alternative strategies some are turning to—facilitating market links, developing clusters, strengthening value chains—are what a number of practitioners have been doing all along. And, they call them BDS. Thus, there remains a good deal of confusion over definitions—confusion that can inhibit common understanding and the pursuit of best practices.

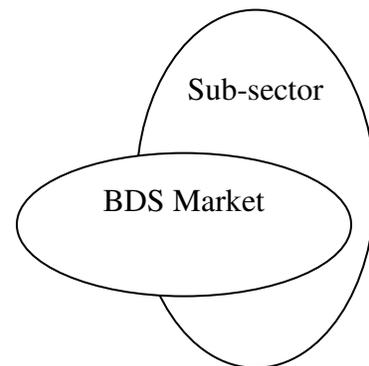
Business Service or Field of Practice?

BDS currently refers to two things: 1) a field of practice for development professionals and 2) a business service that is provided by one entity to another—preferably in a commercially viable manner. This is an issue as the term refers to both a field of development practice and a specific activity that occurs between two businesses. If someone says, "our organization does BDS," do they mean that it is development organization that designs and implements projects that facilitate business services? Or, is it a private firm that provides business services to other firms in a commercially viable manner? For this reason, many have begun avoiding the BDS acronym when talking about the second definition. Instead, they use the term *business service*, which removes the word *development* and helps avoid the connotation of subsidy that some associate with BDS.

Business Development Service "Markets"

Another term that causes confusion is *BDS markets*. This one originally referred to the supply and demand of business services. Take the example of training: ideally a development program would help foster both the efficient supply of training by many providers and a strong demand for training among SE consumers. This coming together of providers and consumers in a mutually beneficial and commercially sustainable manner would constitute a successful *BDS market* for training services.

Some professionals delineate these markets by illustrating that BDS markets support small enterprises in their efforts to perform better in sub-sector or value chains (defined as all firms that buy and sell from each other in order to supply a particular set of products or services to final consumers.) The diagram illustrates the connection.



This model holds in situations where SEs purchase business services from independent commercial providers. But, it can cause confusion in the case of *embedded business services* which occur when a buyer of SE products or a seller of inputs to SEs also provides them with services as part of their transactional relationship. In these scenarios, SEs do not pay direct fees for the services and service providers (input supplier, buyer, etc) cover the costs. A good example of this is export companies that provide technical assistance, training, finance, and/or inputs to their SE suppliers. The exporter provides these services because it makes good business sense to do so and it ensures they receive high quality goods from the SEs. The services are *embedded* in the transaction the two parties have with one another and it is difficult to describe this kind of relationship as a *market*. Although there is service provision and use, there is no buyer or seller of services to constitute a commercial market. The term "BDS market" or "market for business development services" does not fit when talking about embedded services, which frequently are the only kind available to rural enterprises.

What is a "BDS Market Assessment"?

The term *BDS market* is also used when talking about a *BDS market assessment*. Following the logic from the earlier paragraph, a BDS market assessment would assess the supply and demand of the market for a particular business service. However, the term usually is used to refer to a range of analyses and assessments that include sub-sector analysis, consumer market research, and surveys to identify generic types of business services in a given country. This makes it difficult to compare methodologies and approaches for conducting such assessments when the term means so many different things. To avoid this confusion, some differentiate the various kinds of market assessments, while others use the term *business service market assessment* to make the activity more explicit.

Concerns and Implications

There is a real concern that as donor agencies move on to new terms and approaches—competitiveness, clusters, value-chains, pro-poor private sector development, etc.—we may lose the tested and widely accepted principles that have emerged during many years of focused attention on BDS. One of the most important principles is the *sustainable delivery of services and solutions* that meet the recurrent needs of SEs. This key principle should not be lost. Its absence was the reason that so many enterprise development programs were discredited before the emergence of BDS practice. The current discussion on *upgrading value chains* might lead some to believe that it is all right for development projects to provide direct subsidized services to SEs in order to *upgrade* their ability to participate more competitively in value chains. However, without the discipline of looking for ways to provide sustainable upgrading, enterprise development initiatives might easily regress to the earlier problems they faced—low outreach, a lack of sustainable impact, and distortion of private sector markets.

It is vitally important that we not lose sight of this principle of sustainable delivery in enterprise development programs. However, to do that we may need to move away from that somewhat controversial term—**BDS**.

Alternative Vocabulary

Some time ago, a donor representative explained that when presenting BDS to un-informed field staff, the term *commercially viable solutions to SE and industry constraints* provided the best and clearest definition. This description communicates the principle of BDS without getting into a debate on definition of the term.

When one looks closely, *commercially viable solutions* can be used almost everywhere that "business development service" is. (The exception is when using it to describe a field of practice—for that more thought is needed!) One can talk about a provider, a user, or a facilitator of a commercially viable solution. One may also talk about an assessment of a solution (rather than a BDS market assessment) and about upgrading SEs by using commercially viable solutions so they can more successfully integrate into global value chains. And, embedded business services can be seen as examples of commercially viable solutions.

Discussion Questions:

The issues above have contributed to a search by several major donors for new paradigms and approaches to replace the term BDS, or to seek additional approaches that can complement it. A potential result could be that professionals turn away from or forget the principles that have emerged over the last five years—principles that have helped improve outreach, cost-effectiveness, and sustainable delivery of services and solutions for SEs. Two key challenges facing enterprise development practitioners at this point include:

- How can we define the enterprise development industry in ways that resonate with donors and continue the strong momentum that the industry has gained over the past eight to ten years?
- Regardless of what we call it, how can we ensure that the principles and practices embodied in the field of BDS, and the associated *market development paradigm*, live on in enterprise development strategies?