

# **Management Practices of Social Business Enterprises in Bangladesh**

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# **Management Practices of Social Business Enterprises in Bangladesh**

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## Abstract

The study aims to examine the characteristic features of the management practices in social business enterprises (SBEs) of Bangladesh. In order to achieve this objective the study contributes to focus on five management practices in SBEs namely mission statement, corporate social responsibility (CSR), corporate governance (CG), human resource management (HRM), and project management and implementation (PMI). Though these five management practices are the fundamental issues in international business management development discourse, however, in the context of Bangladesh very few research activities were done to articulate their styles, strengths, issues, and weaknesses. The various aspects of management practices in SBEs and their similarities and differences are needed to be studied to fill up the existing research gap on this rapidly expanding sector.

The lack of attention in examining various aspects of management practices in SBEs has led to the following research question of what are the main characteristics of the management practices in SBEs of Bangladesh. On the basis of the existing research and literature review the overall hypothesis of this research is that: *probably management practices of SBEs are similar to management practices of conventional businesses in this country*. A questionnaire was developed consisting of seventy one aspects and an unstructured interview was held on 44 selected SBEs of BRAC and Grameen family of companies. A mixed method-qualitative and quantitative analysis is used to analyze and interpret research data. By following qualitative method the study focused on many cases of SBEs to comprehend research findings. Finally, a quantitative inference is used to determine the characteristics features of management practices in SBEs.

The findings suggest that the major characteristics features of management practices in SBEs of Bangladesh are that SB has social mission which aims to solve social problems. Moreover, CSR in SBEs emphasizes profitable business practices and follows global standards for managing and implementing CSR within the enterprises. However, CG practices are still at initial stage due to government interference that can change anything in anytime. Furthermore, SBEs strongly practices HRM, though in terms of employee compensation, a majority of the employees expressed their dissatisfaction. It is also found that most of the projects of SBEs are not able to go through properly within the project framework. All of these findings authenticated the overall hypothesis of this research and in particular, the case of Grameen Phone (section 1) illustrated the new insight of the SB which authenticated the concept of management practices of SBEs are similar to traditional businesses in Bangladesh.

The study concludes that Bangladesh practices non-loss, non-dividend social business (SB) though most common organization types of SB in world are that SB belongs to nonprofit sectors and it would be dividend or non dividend business. It is found that SB is a profitable business in Bangladesh. Eventually, academically readers will get information about styles, strengths, issues, and weaknesses of a group of management practices in SBEs which help them implication of this knowledge in the practical field as well. Yet, there are also some immensely vital issues which are needed to be studied in future namely, industrial relations in SBEs, nature of government control and managerial autonomy, financial management, collaboration between SB and conventional business, foreign entry strategy for SB, management of foreign collaborative enterprise and among others. All of these issues are important to increase knowledge in the field of management practices in SBEs.

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## List of Acronyms and Abbreviations

ADP	Annual Development Plan
AAF	Ayesha Abed Foundation
APEDA	Agriculture and Processed food Export Development Authority
AGM	Annual General Meeting
BOT	Build–Operate–Transfer
BEI	Bangladesh Enterprise Institute
BoP	Bottom of the Pyramid
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BASF	Badische Anilin- und Soda-Fabrik
BRAC	Building Resources across Communities
CSR	Corporate Social Responsibility
CV	Curriculum Vitae
CG	Corporate Governance
CB	Conventional Business
EPZ	Export Processing Zone
FD	Foreign Donation
FDI	Foreign Direct Investment
GCC	Global Communication Center
GDP	Gross Domestic Product
GED	General Economic Division
GNP	Gross National Product

HELP	Higher Education Loan Program
HRM	Human Resource Management
HRPP	Human Resource Policies and Procedures
HRD	Human Resource Department
IT	Information Technology
INGO	International Non-governmental Organization
IGVGD	Income Generation for Vulnerable Groups Development
ICT	Information and Communication Technology
IROP	International Researchers Opportunity Program
JICA	Japan International Cooperation Agency
LLIN	Long Lasting Insecticidal Nets
MD	Managing director
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
NSI	National Security Intelligence
NWTF	Negros Women for Tomorrow Foundation
NGOs	Non-Governmental Organizations
NPOs	Non-profit Organizations
PCD	Policy and Communications Development
PRL	Pre-Retirement Leave
PMI	Project Management and Implementation
RMG	Ready-made Garment
R & D	Research and Development
RJSC	Registrar of Joint Stock Companies

RDA	Recruitment, Deployment, and Appointment
SOE	State Owned Enterprise
SII	Social Information Infrastructure
SHE	Sexual Harassment Elimination
SDGs	Sustainable Development Goals
SB	Social Business
SBRC	Social Business Research Center
SBEs	Social Business Enterprises
TIN	Taxpayers' Identification Number
TBL	Triple Bottom Line
UCEP	Underprivileged Children's Educational Program
VAT	Value Added Tax
VGD	Vulnerable Groups Development
VCIP	Village Computer and Internet Program
WISE	Work Integration Social Enterprise
WHO	World Health Organization
WTO	World Trade Organization
WFP	World Food Programme

## **Chapter 1: Introduction**

### **I) Background of the study**

This research contributes to a) explore on social business (SB) as a distinctive kind of business corporation, b) examine a group of management practices in order to understand how SB management practices are similar and different from management practices of conventional business (CB), and c) find out management strategy and structure of BRAC and Grameen SBEs in Bangladesh. The appeal point is that the study focuses on a group of management practices in SBEs in Bangladesh, particularly five management practices, namely, mission statement, corporate social responsibility (CSR), corporate governance (CG), human resource management (HRM), and project management and implementation (PMI).

### **II) Statement of the problem**

SB has become a buzz word currently in international business management development discourse. The study aims to examine the characteristic features of the management practices of SBEs in Bangladesh. However, in the context of Bangladesh, the problem of management practices in SBEs is that very few research activities were done to articulate their styles, strengths, issues, and weaknesses. The various aspects of management practices in SBEs and their similarities and differences are needed to be studied to fill up the existing research gap on this rapidly expanding sector. The lack of attention in examining various aspects of management practices in SBEs has led to the following main research question of what are the main characteristics of the management practices of SBEs in Bangladesh.

### **III) Objectives of the research**

In order to address the research question the study will be conducted to achieve the following objectives: 1) to find out the various components which make up the mission statements and identify their business performance, 2) to examine the nature of CSR in the SBEs and how it functions in these enterprises, 3) to identify the distinctive feature of CG system in SBEs by providing a detailed picture and updated information about this issue, 4) to explore the characteristic features of HRM in the SBEs, and 5) to analyze management strategies in the area of PMI in SBEs. In order to achieve these objectives a mixed research method is used. On the basis of the existing research and literature review the overall hypothesis of this research is that:



*probably management practices of SBEs are similar to management practices of conventional businesses in this country.*

The study is divided into five chapters such as introduction (chapter 1), research organization and methodology (chapter 2), Literature review (chapter 3), examination of SBEs management practices (chapter 4) and conclusion (chapter 5). In order to understand the five selected management practices chapter 4 is divided into five sections namely, mission statement in SBEs (section 1), CSR in SBEs (section 2), CG in SBEs (section 3), HRM in SBEs (section 4) and PMI in SBEs (section 5) .

#### **IV) Definition of SB**

The concept of SB emerged in the late 1990s (Jager, 2010, 25). SB practitioners, activists in world follow two patterns of definition, one is USA patterns and another is European patterns. To understand SB globally, this study is divided SB concept into three perspectives: a) American perspective, b) European perspective, and c) Bangladesh perspective. Details are given below:

##### **a) American perspective**

In fact, in the case of USA, SB belongs to nonprofit sector, and Salamon et.al (1999) classified these nonprofit sectors into five, such as: i) organizations: those who have institutional existence, strategy, and structure. ii) private: institutionally separate from the state. iii) not profit distributing: these nonprofit lead to non-dividend performance, one example is SBE. iv) self-governing: it indicates fundamentally self-control institutions. v) voluntary: here, legal membership is not necessary, members can spend their time and money for voluntary contribution. Similarly, these nonprofit sectors can undertake different kind of activities include i) culture, ii) education and research, iii) health, iv) social services, v) environment, vi) development, vii) civic and advocacy, viii) philanthropy, ix) international, x) religious congregations, xi) business and professional, unions and xii) others (Salamon et.al 1999, 3-7).

According to Salamon (1994) “nonprofit sector is not dedicated to distributing profits to shareholders or directors, pursuing public purposes outside the formal apparatus of the state. Moreover, there are different kinds of nonprofit sectors in world which provides various activities globally. Furthermore, it is not easy to describe their global upsurge due to lack of systematic data, various organizational terms and functions as well. On the other hand, the definitional problems of the nonprofit sectors derive from various national as well as legal

structure of different countries where some countries leading charitable or nonprofit organization. Similarly, others do so partially or not at all.

Drucker (1990) stated that nonprofit sector aims at bringing change in individuals and in society as well as nonprofits serve the individual the ability to perform and to achieve. However, he argued nonprofits face different challenges: firstly to convert donors into contributors and secondly to give community and common purpose. Drucker (1990) emphasized that a nonprofit institution gives people a sense of community, find out purpose, and show the direction for various types of nonprofit organizations in the USA.

Oster (1995) stated that the non-distribution constraint is a provision of the law of nonprofits which refrain from distributing their net earnings to those in control of the organizations. Ott (2001) mentioned that in the case of nonprofit sector making money is necessary but not primary. Here, achieving other ends comes first and revenues consider as resources, not the end purposes.

Briefly, in the case of USA SB belong to nonprofit sectors and nonprofit sectors are not dedicated to distributing profit its stakeholders.

#### **b) European perspective**

In the case of Europe SB launched in the 1980s led by civil-society actors, social workers, and in particular third sectors namely Caritas, Diakonie and among others (Kerlin, 2006). The government of the United Kingdom (UK) stated that “a social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”(Jezard and Master-Coles, 2010).

To comprehend SB Jones and Keogh (2006) focused on Birmingham Social Economy Consortium’s definition and mentioned that according to Birmingham Social Economy Consortium (2001) SBEs are not-for-profit organizations inclusion social objectives serves economic and business activities, legally ensure that business properties will not own by individuals and establish trust for the benefits of people and places that are connected with enterprise’s social objectives. Moreover, SBE belongs to cooperative organizational structure emphasis on member’s equal rights.

Furthermore, Jager (2010) stated that SBs are tightly coupled to markets and civil societies, support communal solidarity, and allocate resources to meet social needs. Faber (2013) stated

that SB set up a common platform for the public sector, private sector, as well as NGOs emphasis on work jointly for solving social problems. He added that SBE practices collaboration, creativity, and co-creation for the solution of social problems.

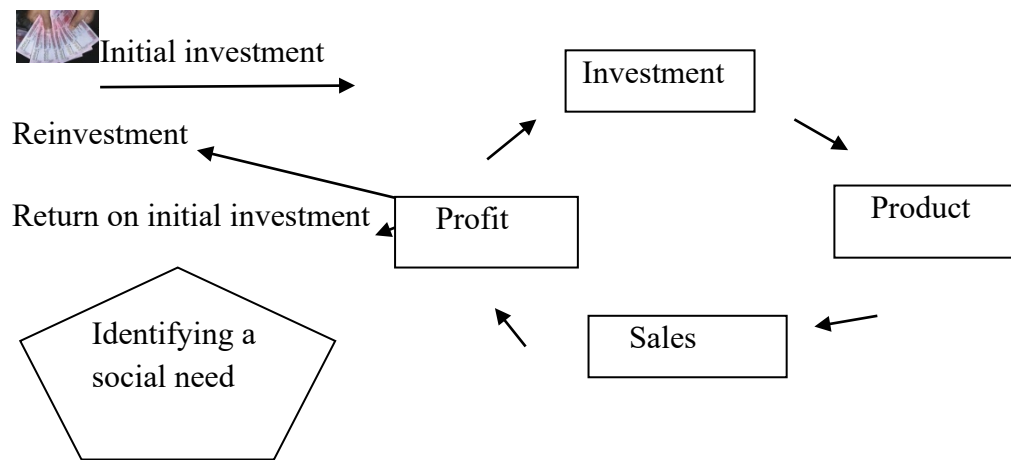
Kerlin (2006) showed the difference between USA and European patterns of SB and mentioned that USA SB put emphasis on revenue generation where European SB focuses on the social benefit. Moreover, in the case of USA organization type of SB is nonprofit. In contrast most common organization types of SB in Europe are associations and cooperatives. It can be dividend business or it can be non dividend business.

### **c) Bangladesh perspective**

In the context of Bangladesh, this study examines Yunus's "non-loss, non-dividend" SB theory. Noble laureate Professor Muhammad Yunus, who is the founder of the Grameen Bank and its microcredit activities and won the 2006 Nobel Peace Prize, is known one of the pioneer of SB development arena in world. Yunus introduced SB as a new form of capitalism through his non-loss, non-dividend theory which has been adopted by many leading world businesses such as BASF, Intel, DANONE, Veolia, Adidas, Toyota, UNIQLO, and among others, as well as many new entrepreneurs and social activists all over the world.

In order to understand Yunus theory the study focuses on Yunus SB concept in details, attempt to find out drawbacks of the concept, and suggest how to overcome the drawbacks. According to Yunus (2010) Social businesses (SBs) are non-loss, non-dividend business companies which dedicated to solving social problems. In addition business owners will reinvest all profits in expanding and improving the businesses. In fact, Yunus divided SBs as two categories such as (a) Type-I belong to non-loss, non-dividend SB (i.e. Grameen Dannone, Grameen Veolia to name a few) and (b) Type-II SB is a profit-making company owned by poor people, either directly or through a trust that is dedicated to a predefined social cause. (i.e. Grameen bank). Yunus Center (2017) confirms the cycle of SB is given below. To comprehend the cycle of SB in Bangladesh the study will focus Grameen Phone case in chapter 4, section 1.

**Figure: 1 Cycle of Social Business (SB)**



Source: Yunus Center 2017

The figure shows that the way of using profit makes the differences between SB and traditional businesses. Yunus (2010) mentioned that SB is a profitable business and profit will use for business expansion. Moreover, he added that SB has owner not donor which is distinctly different from SB concept in other parts of the world.

Yunus (2010) makes it clear that SB has seven principles as follows: i) SB has social objectives. SB attempt to overcome poverty, illiteracy, health hazards, and access to technology and among others, ii) SBEs are financially and economically sustainable, iii) in SB investors can receive only their investment amount due to its non-dividend characteristics, iv) business profit is used for business expansion and improvement, v) SB is concerned for environment, vi) SB must pay standard market wage with better working conditions for workforce, and vii) all stakeholders must engage in their work with joy and happiness.

Yunus stated that (2008) SB is not a hybrid organization. However, some scholars (Haugh, 2006, Defourny and Nyssens 2012, Battilana, Lee, et. al 2012) have argued that SB is a form of hybrid organizations of a profit-maximizing business with social objectives. The concept of hybrid organization refers to an organization which combines traditional for-profit and not-for-profit organizations, pursuing social goals by engaging in commercial activities to generate revenue for their operational project (Battilana, Lee, et. al 2012). Moreover, Battilana et al. (2012) stated that hybrid organizations merge with the social logic of nonprofit organizations and commercial logic of conventional businesses. In addition, Battilana et.al (2012) argued that

revenue-generating hybrid organizations with social goals are increasingly common in different sectors though they face many difficulties.

In contrast, Yunus (2008) disagrees with the people who believe that SBs are hybrid organizations. Yunus (2008) makes clear that profit maximizing businesses are interested to make profits for individuals, while on the other hand SB works for achieving some social goals and personal benefit is not allowed in the SB area. Therefore, it would be better to think of two pure business models, one being the profit-maximizing model and the other SB model.

However, the limitations of the Yunus SB definition are that in spite of Yunus (2010) stated that SB is a profitable business and profit will use for business expansion, but it is found that many SBs still struggle to become a profitable business. One example is Grameen Veolia. The study is found that Grameen Veolia could not meet yet primary business objective (non-loss operation). Consequently, due to lack of profits, repayment of initial investment is not possible until now, and reinvestment of additional surplus far from the initial projects.

Moreover, the study is found that many employees of SBEs don't have any basic idea about business management practices (i.e. mission statement, CSR, HRM, CG, PMI and among others). Furthermore, not only Yunus, many scholars as well who focus on SB issue, did not mention anything in the principles of SB in terms of business management practices which is very crucial to run on a business. It is very clear that Yunus SB theory still in the struggle to set up practically in Bangladesh. To full fill these gaps SB needs *a second definition*: SB is a non-dividend business that promotes a new form of capitalism ranging from rich to poor based on explicit management practices to understand various aspects of business management aimed at contribution to welfare in world society through business venture.

## **Chapter 2: Research Organization and Methodology**

### **I) Introduction**

This section addresses research organization and methodology of the study. In general, research methodology is the fundamental theoretical analysis of the research methods which are used to analyze and interpret research data. A methodology is considered as a general research strategy which is different from research method. Instead, research methodology refers to the theoretical analysis for understanding which methods or set of methods will be employed to a particular study or to calculate research results (Howell 2013). In fact, the major components of methodology includes research publications, interviews, surveys, and other research techniques, namely qualitative and quantitative analysis and also includes current and historical background of the focus.

In order to analyze and interpret research data the way of research organization and methodology for this study is as follows:

### **II) Research organization**

As the study aims to provide a detailed picture of the characteristics feature of five management practices namely corporate mission, CSR, CG, HRM, and project management and PMI in SBEs of Bangladesh, the mixed method is used as its main research tool. In order to achieve this objective a questionnaire survey and an unstructured interview was conducted on 44 selected SBEs of BRAC and Grameen family of companies in March, 2017. In fact, this research is carried out on seventy one aspects of the above five management practices. In details, these seventy one aspects are mentioned as follow:

To find out the various components which make up the mission statements of SBEs in Bangladesh and identify their business performance, this research has envisioned to find out eight aspects of mission statement, namely 1) topic of mission statement, 2) multiple goals of mission statement, 3) translate mission into action, 4) communication of mission, 5) major focuses, 6) review of mission, 7) activities to increase employee's morale and dedication, and 8) motivating employees through collective work.

To examine the nature of CSR in SBEs of Bangladesh, this research investigates the following fifteen aspects of CSR in these SBEs, namely 1) awareness of CSR as a social business terminology, 2) understanding of the meaning of CSR, 3) components of CSR, 4)

strategies for implementing CSR, 5) community investment initiatives, 6) resources given to promote CSR, 7) awards given for promoting CSR activities, 8) stakeholders to whom CSR report is given, 9) actions taken for raising awareness to CSR, 10) incentives given to encourage employees and volunteers for promoting CSR, 11) CSR practices focus on employee welfare and better work environment, 12) communication of CSR to various stakeholders, 13) adoption of CSR practices, 14) benefits of CSR, and 15) implementation of triple bottom line audit as part of CSR.

To identify the distinctive feature of CG system in SBEs the study examines twenty one aspects namely, 1) members of the board, 2) tenure of office (No. of years), 3) committee as an adjunct to the board, 4) composition of the board, 5) mechanism for rotating board members, 6) method of replacement a member of the board, 7) members of audit committee, 8) procedure for the internal and external audit, 9) audit committee report for internal audit functions, 10) mandatory preparation for internal audit plan, 11) remuneration policy for board members, 12) disclosure of remuneration of individual board members and senior management, 13) set of a quorum for meetings of the board, 14) duration of board and sub-committee meetings, 15) way of getting company information publicly, 16) information discloser policy, 17) type of information disclosed to the public, 18) information provided to the board of directors in advance of board meetings, 19) information revealed to shareholders in advance of the Annual General Meeting (AGM), 20) recording minutes of meetings, 21) A review to ensure that actions decided at meetings have been implemented.

To examine the characteristic features of HRM in the SBEs of Bangladesh seventeen aspects of HRM was undertaken included 1) job title, 2) job description, 3) authority of the personal management section, 4) processes of recruitment, 5) methods of employee selection, 6) applicant's academic qualification, 7) certificate and evidence in the selection process, 8) employment types, 9) importance of job experience, 10) required skills, 11) training and education, 12) components of employee compensation, 13) process of employee placement, 14) opportunities to build up a career, 15) role of employee's performance appraisal, 16) incentives offered in the enterprises, and 17) recreational activities.

To analyze management strategy in terms of the principles and practices of PMI in SBEs of Bangladesh ten aspects were examined, namely 1) strategy for managing projects and programs,

2) criteria for collaborative projects with the government under annual development plan or Five Year Plan, 3) steps for implementing the new projects, 4) capital budget and budgetary control technique in the enterprise, 5) performance evaluation system in the collaborative projects, 6) areas of the collaborative projects with the government and international business partners, 7) project monitoring system, 8) training place for the project development, 9) the way of sharing projects with the government, and 10) the financial source of the enterprises.

A mixed method—qualitative and quantitative analysis is used for data analysis and interpretation in this research in order to find out the level of frequency in each item. Percentages were then calculated. Finally, a quantitative inference was used to determine the nature and role of management practices in the sample SBEs. By following qualitative method the study focused on many cases of SBEs in order to comprehend research findings.

### **III) Types of research methods**

Many scholars (Hedrick, Bickman, and Rog 1993, Creswell 2002, Denzin and Lincoln 2005, Bryman 2008, Olsen and Pedersen 2008 to name a few) work on research methods and it is found that research methods can be divided into many ways. Some are given below:

**i) Basic research:** this method is known as basic, pure, or fundamental which aims to expand human's knowledge, but not to run for discovering something through the study. It can be exploratory, descriptive, or explanatory. Here, explanatory research is the most common. Generally, this research is done for human welfare, animal welfare, and plant kingdom welfare. Travers (1969) mentioned that basic research method is tried to figure out an organized body of scientific knowledge and not expected to produce immediate result of the research.

**ii) Applied research:** this research focuses on solving particular problems rather than to acquire knowledge through research. The main objective of this research method is to improve human living condition. It is found that applied research method is a way of using scientific knowledge to solve practical problems. For example to find out the way of improving agricultural crop production or invent medicine to prevent some specific disease. In general, this research is conducted on a large scale basis and is expensive. In fact, applied research is often conducted by the financial support of the national government, public corporation, World Bank, and among others.



**iii) Problem oriented research:** this research is conducted by industry apex body aims to solve problems that are facing all business companies. It is found that World Trade Organization (WTO) promotes problem oriented research in the third world countries. One example is India Agriculture and Processed food Export Development Authority (APEDA) conducts regular research for the benefit of the agro-industry. Here, researchers are identified the exact nature of the problem which is needed to be solved. In fact, problem seems to be a decision making dilemma or researchers consider that it is necessary to tackle a particular business condition. It might be a difficulty or an opportunity for the researchers.

**iv) Problem solving research:** this research is conducted by an individual company who are sought to solve problems that they faced. For example if a company conducts a research to find out customer satisfaction level it would be problem solving research. The main purpose of this research is to find out some solution for some pressing practical problems of one company.

**v) Qualitative research:** this method addresses non-numerical techniques of research organization based on the survey of research literatures, published and unpublished documents, interviews, discussions, open-ended responses, participant's observations, field notes, or reflections which are related to research topic. Qualitative research is much more subjective and can be divided into following ways: a) phenomenology: this concept addresses understandings which come from one or more individual's point of view and phenomenology is related to other key disciplines in philosophy namely ontology, epistemology, logic, and ethics. One example is we can arrange interview of 20 war victims of Bangladesh to understand genocide during the independent war in 1971. b) ethnography: this kind of research focuses on the culture of a group of people. For example, to understand the tribal life in Andaman Island, researcher can go there and live with them to study their culture and living style. c) case study: this research provides a detailed picture of one or more cases. For example researcher can bring the similar case to understand his/her arguments in details. d) grounded theory: it operates inductively instead of hypothetical-deductive approach. In fact, this research is based on observations of data from which it was developed. It depends on different types of data sources included quantitative data, review of records, interviews, observation and surveys. e) historical research: this concept allows to describe past events in the context of the current issue. It pursue to write literature review in one dissertation.

**vi) Quantitative research:** This method consisting of numeric figures, test hypothesis, focuses on cause-and-effect and make prediction. The main quantitative techniques are as follows: a) experiments, b) surveys, c) content analysis, and d) using existing statistics and numbers. Quantitative research emphasizes objectivity and explores statistical significance of the research findings.

**vii) Mixed method research:** This method applied in conducting research using both quantitative and qualitative data. This approach is used when researchers think that the integration of quantitative and qualitative data will provide better understanding of the research instead of using either quantitative or qualitative method each alone. Basically, quantitative data include close-end information concentrated on statistical analysis along with result in a numerical mechanism. In contrast, qualitative data include open-end information and data collected through words or other non-numerical elements. Finally, data are analyzed and interpreted on the basis of this non-numerical technique. For example, a researcher may conduct an interview to know details about one topic and after that quantitative inferences can be used to authenticate the research data which will make research stronger.

#### **IV) The rationales of choosing a mixed method research**

This study follows mixed method - qualitative and quantitative analysis to analyze and interpret research data. The reason is that SB is a new concept in the business area and is still in the formative stage. Therefore, research data is not sufficient to analyze by using either a purely qualitative or a purely quantitative method. It is evident that a mixed method is a combined method of qualitative and quantitative analysis and can provide more evidence to authenticate research arguments. Moreover, mixed method allows both words and numbers to analyze research findings which is an appeal point for the wider audience. In addition, it is also reduced the personal biases of the researchers.

Currently, a huge number of researchers practice mixed method to pursue research. However, initially mixed method is found since the 1950s and formally used in the late 1980s (Creswell 2003, Creswell and Plano clark 2007, Dunning, Williams, Abonyi, and Crooks 2008). Hurmerinta-Peltomaki and Nummela (2006) examine the value of mixed methods in the business area through reviewing published documents and found that mixed methods added value in light of increasing validity of the research data through statistical analysis, exploring secondary data,

and focusing on knowledge creation. Hurmerinta-Peltomaki and Nummela (2006) examine that use a mixed method analysis supports to gain a deeper, broader understanding of the facts in comparison with the qualitative or quantitative method. Another study in the business field is found that mixed method research is able to give more citations which makes mixed method more valuable than studies which do not use mixed method (Molina-Azorin, 2011).

Mixed method is the integration component which gives researchers more confidence to figure out research result and conclusion (O’Cathain, Murphy, and Nicholl 2010). In addition researchers mention that mixed method research is the only way for certain findings (Sieber 1973) and interpretation (Morse and Chung 2003).

#### **V) Challenges of mixed method research**

Critiques draw attention that mixed method consumes more time because of the integration of two different kinds of data (Creswell and Clark 2011). Moreover, it is found that in some cases researchers need additional fund and resources to collect both types of data, and require more time and space to take interview of the participants or conduct a survey. In addition, mixed method demand vast knowledge of both qualitative and quantitative methodologies and many researchers face problems due to lack of knowledge.

#### **VI) Conclusion**

Though mixed method goes through many difficulties, researchers attempt to find out the rationales and strengths of using a mixed method. Mckim (2017) examines the perceived value of mixed methods research for graduate students and shows that a huge number of dissertations and thesis containing the key words “mixed methods”.

**Table 1: Number of dissertations and theses containing the keyword “mixed methods”**

<b>Year range</b>	<b>Number</b>
2010-2013	2,538
2005-2009	2,524
2000-2004	532
1995-1999	100
1990-1994	26
1985-1989	17
1980-1984	3

Note: This research was conducted in 2014 using the search engine “Pro quest”. Recently time frame includes only four years while the others include five years.

Briefly, mixed method promotes the more evidence and the better argument. It is found that sometimes mixed method research requires additional resource, time, and space. However, it is evident that mixed method research is an integrated form of quantitative and qualitative methods and help to find out more authenticated data than using only quantitative or qualitative method.

## **Chapter 3: Literature review**

### **I. Introduction**

SB originated in the co-operative movement first founded in the 19<sup>th</sup> century in England by socialist Robert Owen (Yunus, 2008, 35), who is considered the father of the co-operative movement. Robert Owen was a capitalist but believed in worker control, and set out his three lines of development in 1829. Three development programs were “education, store keeping, and production” in the heart of the Owenism (Bloy, 2013). In the beginning, the concept of the three lines of development was not successful, but later they became well-organized particular in 1844 when the Rochdale Pioneers was established. Jager (2010) also mentioned that the origin of SB is cooperatives and stated following chronology to show the SB origin a) cooperatives (mid-1800). b) fair trade (1940-1950) c) community development cooperation (1970s) d) social firms (1970s) e) nonprofits (1980s) and f) social business enterprise (1990s) (Jager, 2010, 24). Details are given below:

#### **a) Cooperatives (mid-1800)**

In 1844 the first co-operative organization in world, called the Rochdale Society of Equitable Pioneers, was founded in England with capital of £28 collected from the 28 founding members, half of whom were weavers. It is found that other co-operatives are also followed them and it became the pioneer of co-operatives in Great Britain. During the industrial revolution, thousands of tradesmen fell into poverty due to the mechanization of work and decided to start combined food businesses so they could afford to buy their own foods. Finally Rochdale Pioneers launched a store with some selected necessary food items such as butter, sugar, flour, oatmeal, and candles. Within twelve weeks, they extended their business by including tea and tobacco, and very quickly they established a successful business with high quality products. (Fairbrain 1994).

The Rochdale Pioneers were famous for their principles that were designed from the lessons they learned from their many previous failed attempts at co-operation. The principles are a set of distinctive characteristics of co-operation that are now followed by all co-ops around the world. The Rochdale principles were approved by the International Co-operative Alliance (ICA) in 1937 and developed the updated version of Rochdale principles in 1966. Finally, in 1995 the Rochdale principles were adopted as the cooperative principles (ICA, 2011).

The Rochdale principles today well-known as cooperative principles (Fairbrain 1994, Macpherson 1996) in world are as follows: Firstly, co-operatives encouraged voluntary participation that is open to all without consideration of gender, social, racial, political and religious view. Secondly, democratic member control which means all members are equally treated in the decision making system following the one member, one vote policy in the primary level, and other levels also followed democratic principles. Thirdly, Rochdale principle affirms co-operative members economic participation and power of decision making. All members democratically and equally participate in raising funds which are common property of the co-operatives, and members usually get a little amount of remuneration and all surpluses will be used for developing the co-operatives. Fourthly, co-operatives societies must be autonomous and independent. Even if co-operatives work with other partner organizations, they always make decision by themselves and maintain their autonomy and independence. Fifthly, giving support for education, training and information which make sure that co-operatives will provide education and training for their members, as well as people in the society, and they will give information about co-operation to the public. Sixthly, co-operation among co-operatives means co-operative societies should co-operate with each other and all co-operatives will work together for achieving their goals. Seventhly, concern for the community means peoples should benefit from co-operatives decisions and co-operatives will work for their community's development. All of these are the key features of the present co-operative societies in world, and by following these seven principles co-operatives activities are established in all European countries, particularly in the UK and currently, there are approximately 7,000 independent cooperative businesses.

#### **b) Fair Trade (1940-1950)**

In the 1940s at first USA introduced the fair trade concept in the globe. Fair trade initiates a social movement through businesses aim at export in particular products or commodities from developing countries to developed countries for helping producers in the south. Fair trade products also consumed in domestic markets namely Brazil, India, Bangladesh, and most notably fair trade products are as follows: handicrafts, coffee, cocoa, wine, sugar, fresh fruit, chocolate, flowers to name a few.

In 1946, an American woman named Edna Ruth Byler imported needle crafts from low-income women in Puerto Rico; and spread out her business concept in Europe, launched “Ten Thousand Villages” which is well-known as first fair trade organization in world. Fair trade promotes the concept distribution of wealth equally between nations and believes that buying products through fair price from developing countries is more effective to promote sustainable development than traditional charity or aid (Fair Trade Resource Network (2014)).

### **c) Community development cooperation (1970s)**

Community development concept evolved in the U.S.A in 1970s aimed at improved America’s ‘back ward’ localities. During that moment, many anti-poverty programs are taken by both developed and developing countries in world. Community development practitioners namely American community organizer Saul Alinsky (Rules for Radicals) influenced people to fight against inequalities in the distribution of wealth, income, land, and among others as well as focused on political power to establish people power for changing society (Hoffman, 2012).

The concept of community development cooperation emphasis on member’s collective action to solve community’s problems. There are many different approaches to community development such as women self-help group, community capacity building, large group of unemployed or semi-employed participants, those who have lower level of literacy, social capital formation, economic development, community economic development, sustainable development, community-driven development, Asset-based community development, faith-based community development, community-based participatory research, community organizing, participatory planning, language-based development to name a few (Craig, 2014).

### **d) Social firms (1970s)**

The concept of social firm is well-known as a British term indicates on work integration social enterprise (WISE), which aims at creating job opportunities in the labor-market for the people of disable or disadvantaged group. Initially, this term well-known in the 1970s in U.K. later, it is spread out all over the Europe. The special characteristics of social firms are as follows: i) social firm’s work for disable or disadvantaged groups, ii) social firm is a business organization focuses on market-oriented goods and services to pursue its social goal and more than 50 percent income of social firms come from trade, iii) At least 30 percent of employees of social firms are disable people, iv) Regardless of product capacity all worker is paid a fair market

rate wage, v) disadvantaged and non-disadvantaged both people are getting equal opportunities in the working place (Social Firms Europe CEFEC, 2017).

#### **e) Non profits (1980s)**

In the 1980s, a large number of social institutions explored in worldwide from north to south and even post-socialist worlds includes the US, the UK, France, Germany, Italy, Sweden, Japan, India, Bangladesh, Brazil, Egypt, Thailand, Ghana, Hungary and among others, known as the “nonprofit”, the “voluntary”, the “civil society”, the “third”, or the “independent” sector. The entities of these social institutions are as follows: hospitals, universities, social clubs, professional organizations, day care centers, environmental groups, family counseling agencies, sports club, job training centers, human rights organizations to name a few. Salamon et.al (1999) show the following result (Table 1).

Table 2: Contribution of the nonprofit sectors in the country’s Gross Domestic Product (GDP)

<b>Country</b>	<b>GDP (Trillion \$)</b>
USA	7.2
Japan	5.1
China	2.8
Germany	2.2
France	1.5
U.K.	1.1
Italy	1.1

Salamon (1994) stated that in 1982 a survey of nonprofit human service organizations found that 65 percent of 16 American communities established since 1960. In the case of France 54,000 private associations created only in the 1987 which contrast to 1960s there approximately 11,000 associations were built per year. Current research showed that 275,000 charities income



performed five percent of gross national product (GNP). In 1985, a survey conducted in Italy showed that 40 percent of nonprofit organizations launched in 1977.

Japan initiated nonprofit sectors in the late 1980s to the early 1990s in particular when established NPO law named *law to promote specified nonprofit activities in 1998*. In January, 1995, the Great Hanshin Earthquake inspired citizens got involved in social activities in the earthquake zone and created the situation to establish NPO law. A survey of 2015 found that there are 50,000 nonprofit sectors (NPOs) in Japan running on twenty different types of activities (Japan NPO Center, 2017).

This phenomenon has been also viewed in developing world, in Bangladesh, there are about 10,000 registered nongovernmental organizations, 21000 nonprofit found in the Philippines, in the case of Chile there are approximately 27,000 nonprofit organizations, as well as 2000 in Argentina, in 1970s 30 percent of Kenya's capital development has come from Harambee movement which initiated a large number of development projects. In developing world, currently, 4,600 western voluntary organization giving support 20,000 indigenous nongovernmental organizations (Salamon, 1994, 4-5).

#### **f) SBEs (1990s)**

In the early 1990s Nonprofit sectors realized that commercial revenue is a way of replacing government and donor fund and started business use the term SBE to change society. In the case of USA social enterprise alliance identified as 30 sectors of activities namely community economic development, biomedical, alternative trade and development, media and communications, a huge number of stakeholders engaged in services, managing from advocacy to disaster assistances, health, homelessness and housing, poverty and immigration, civil and human rights, substance abuse, sports and recreation and among others. Defourny and Nyssens (2012) argued that in Europe social enterprises are at the crossroads of the cooperative and nonprofit sectors.

## **II) Literature on SBEs in Bangladesh**

In the case of Bangladesh non-profit sectors can be divided into three phases. The first phase is the religious faith based social organizations which focused on upgrade socio-religious view of the citizens. Before 1947, India, Pakistan, and Bangladesh together were known as British India. During that time Christian missions, Muslim khankasharif or peer astana, Hindu ashram, Budda

vihara (Buddhist monastery) focused on spiritual serves and religious based education considered are the pioneer of the NGO/NPO in Bangladesh. The second phase is the small voluntary organizations worked for the particular target group. Some of these organizations also known as cooperative association mainly farmer's associations. Before 1972, Bangladesh was known as East Pakistan; a province of Pakistan, and there were very few voluntary organizations namely Haji Muhammad Mahasin Foundation, The Aga Khan Foundation, The Kumudini Foundation to name a few. The third phase is the NGO stepped in small scale activities in Bangladesh and gradually started SBEs aimed to decrease donor dependency of the organization. At first Building Resources across Communities (BRAC) precede SBEs aimed to decrease donor dependency from the organization (Khondaker, 2006).

Cooperative societies established under East Pakistan Academy of Rural Development (now BARD), called Comilla Model in 1959, by Akhter Hamid Khan was the pioneer of cooperative movement in Bangladesh. The academy was founded to provide training for both officials and non-official members of the public and private sector those are working on rural development as well as nationally and internationally famous for its evolved model "Comilla Approach to Rural Development" (BARD 2015).

In Bangladesh, after the Independent War in 1971, many national and international NGOs started cooperative credit. Introduced by the British, it is considered a legacy of credit-based social policy intervention, as are microfinance activities and BRAC played a leading role to introduce microfinance activities in the rural area of Bangladesh. Fazle Hasan Abed, founded BRAC in 1972 and started running its SBE in 1978 to decrease donor dependency. On the other hand, in 1976 Muhammad Yunus started an experimental financial research project aimed at helping the poor in particular poor rural women and in 1983 this research project introduced as a bank named Grameen Bank. The details of BRAC development programs, SBEs, and investment and Grameen microfinance initiatives, Grameen family of companies and SBs are given below:

#### **a) BRAC development programs, SBEs, and investments**

BRAC's development programs, investments, and enterprises are strongly tied to supporting the livelihood of the poor. It established social enterprises to generate financial support to run development programs and to decrease donor dependency. Its enterprises approve 50 percent of profit use for development programs and 50 percent of profit are reinvested for business

development. The synergetic effect of this integrated model has contributed significantly to decrease BRAC's donor dependency and increase self-sufficiency (BRAC Social Enterprises Booklet, 2012). Through its unique model and integrated operations, BRAC achieves five distinctive advantages across its enterprises: synergy, cross-collaboration, cross-subsidy, continuous innovation and holistic support. BRAC operates development programs namely agriculture and food security, community empowerment, disaster, environment and climate change, education, gender, justice and diversity, health, nutrition and population, human rights and legal aid services, integrated development program, microfinance, migration, targeting the ultra-poor, water, and sanitation and hygiene are funded from BRAC social enterprises and investments. According to BRAC's Annual Report 2012, 74 percent of its total expenditure comes from those enterprises and micro investments (BRAC annual report 2012).

The unique model under which BRAC enterprises operate is completely home grown and list of SBEs under BRAC are as follows:

Table 3: List of BRAC SBEs

<b>Name of BRAC SBEs</b>	<b>Founded</b>	<b>Purposes</b>
1. BRAC Seed and Agro Enterprise	1972	Focuses on supplying good quality agricultural products, perfect productions, and post-harvest technologies to increase production and decrease post-harvest losses to generate surplus for poor and marginal farmers.
2. BRAC Fisheries	1976	Aims to post war rehabilitation for unemployed people and make opportunities income generation.
3. BRAC Sericulture	1978	To support income generating activities for impoverished women in Bangladesh.
4. Aarong	1978	To support silk farming for impoverished women in Bangladesh.
5. BRAC Cold Storage	1980	To provide better maintenance and quality of stored products, in particular storage of potatoes.
6. BRAC Artificial Insemination	1987	To serve better quality breeds of cows for rural poor

7. BRAC Feed Mill	1996	To supply good quality feed at affordable prices for the small poultry farmers who are the owner of 50-100 chickens.
8. BRAC Dairy and Food Project	1998	Aims to help rural dairy farmers.
9. BRAC Sanitary Napkin and Delivery kit	1999	To deliver in the market hygienic sanitary napkin and delivery kit at affordable prices.
10. BRAC Salt	2001	Addressed iodine deficiency problem in Bangladesh and also aims to motivate local salt farmers to progress their way of income generation.
11. BRAC Poultry	2003	To sell good quality of day-old chicks to rural farmers at a lower prices compare to market price.
12. BRAC Tea Estates	2003	To ensure better life of the tea laborers while producing tea to manage fund for BRAC's development programs.
13. BRAC Chicken	2004	Works for poultry rearing as a source of income for the landless poor in particular destitute women.
14. BRAC Printing Pack	2005	Aims to ensure good quality of packaging of products for BRAC SBEs.
15. BRAC Handmade Paper	2009	Helps to reduce the amount of waste produce by BRAC, and takes steps against environment degradation.

Source: BRAC 2016

The study attempts to introduce fifteen prominent SBEs that BRAC has established and currently own and operate. These are BRAC Seed and Agro Enterprise, BRAC Fisheries, BRAC sericulture, Aarong, BRAC Cold Storage, BRAC Artificial Insemination, BRAC feed mill,

BRAC Dairy and Food Project, BRAC Sanitary Napkin and Delivery kit, BRAC salt, BRAC Poultry, BRAC Tea Estates, BRAC Chicken, BRAC Printing Pack, and BRAC Handmade Paper.

*BRAC Seed and Agro Enterprise* was established in 1972 and is strongly engaged in agriculture sector since then. To deliver good quality of seeds for farmers, it has been marketing hybrid maize seeds since 1994 and hybrid rice seeds since 1998. It also started producing hybrid maize seeds in 1996-97, vegetable seeds in 1996, and hybrid rice seeds in 2001. It focuses on supplying good quality agricultural products, perfect production, and post-harvest technologies to increase production and decrease post-harvest losses to generate more surpluses for the poor and marginal farmers (BRAC 2016).

Established in 1976, *BRAC Fisheries* aimed at post-war rehabilitation of the unemployed people and created opportunities for income generation. Currently, this enterprise has 15 hatcheries in 10 locations of Bangladesh, generating surplus early BDT 32 million that goes into funding BRAC's development program (BRAC 2016).

In 1978 BRAC initiated a sericulture project with the objective of supporting income generating activities for impoverished women. Called *BRAC Sericulture*, it produces silk yarn to sell only to their contracted weavers who are working at the Ayesha Abed Foundation (AAF), which is under the supervision of Aarong, a fashion retailer of BRAC. Therefore, employees of BRAC sericulture project, Ayesha Abed Foundation (AAF), and Aarong are closely connected with each other (BRAC 2016).

The fashion retailer *Aarong* is one of Bangladesh's largest chain owned by BRAC and was established in 1978, when BRAC first began to support silk farming for impoverished women in Bangladesh. Today, Aarong supports 65,000 artisans, 85 percent of whom are women. It sells its product worldwide and is an example of how the poor, when organized properly, can generate a financial surplus to support vital development work (BRAC 2016).

*BRAC Cold Storage* was initiated in 1980 with the objective of providing better maintenance and quality of stored products, in particular storage of potatoes. Currently it provides services with a capacity of 60,000 bags (4,000 metric tons) for short-term storage at the charge of BDT 3 (USD 0.04) per kilogram of storage (BRAC 2016).

*The BRAC Artificial Insemination* project was initiated in 1987 partnering with the government of Bangladesh to serve better quality breeds of cows for rural poor. Today, this

enterprise has reached 61 districts in Bangladesh and inseminated a total of about 1.64 million cows by 2015. This contributes to the success of BRAC Dairy and Food project, producing the demand for milk in Bangladesh (BRAC 2016).

*BRAC Feed Mills* started its journey in 1996 and is addressed to supply good quality feed at affordable prices for the small poultry farmers who are the owner of 50-100 chickens. It fixed up its mash feed price for BDT 34-35 (approximately USD 0.42) per kilogram and its pellet feed for BDT 38 (USD 0.46) per kilogram which is lower than its competitor's prices of around BDT 1-1.25. Hence, the farmers are benefited from both low cost and get facilities to rear healthier livestock (BRAC 2016).

*The BRAC Dairy and Food Project* was established in 1998 with the aim of helping dairy farmers throughout rural Bangladesh. From its experience, BRAC found that most of the microfinance clients were interested in dairy farming in spite of many challenges, such as, poor breeding, limited veterinary services, shortages in cow feed, lack of market access, and proper refrigeration technologies. To get rid of these problems, this enterprise tries to secure market access for rural dairy farmers, encourage them to participate in cattle development and technical training program, give vaccination, and give other services as well. Today, 50,000 registered dairy farmers are working under this enterprise through its 101 chilling centres under the Aarong dairy brand. Though initially it produced 140,000 litres of milk per day, currently that has increased to 250,000 litres per day engaging approximately 1,500 employees and making it one of the largest enterprises of its kind within the country (BRAC 2016).

*BRAC Sanitary Napkin and Delivery Kit* was established in 1999 as 'Kollani Delivery Kits' to deliver hygienic sanitary napkin and delivery kit at an affordable prices and was finally established as a SBE in 2004. Female members of the BRAC Ultra Poor Program employed in this project and sell products to the target groups, in particular poor village women, which play very crucial role to reduce maternal mortality rate. It dramatically increased safe birth in the remote areas of the country (BRAC 2016).

Established in 2001, *BRAC Salt* addressed iodine deficiency problem in Bangladesh and also aimed at motivating local salt farmers to improve their way of income generation. Eventually, production of high quality BRAC salt helped government to stop importing salt, serving salinity

for the rural poor at affordable price and promoted sustainable livelihood for the salt farmers (BRAC 2016).

Established jointly with the United Nations World Food Programme (WFP) in 1987, *BRAC Poultry* project was named Income Generation for Vulnerable Groups Development (IGVGD) programme. The main beneficiaries were the ultra-poor people who received UN VGD (Vulnerable Group Development) cards. In 2003, BRAC initiated its poultry project as a SBE with the objective of selling good quality of a day-old chicks to rural farmers at lower prices compared to market price. Initially BRAC poultry started two hatcheries, which has increased to six, serving poultry and chicken enterprises in the country by raising day-old chicks into full grown chickens. As of 2016, nearly one million women are engaged in BRAC poultry program (BRAC 2016).

In 1999, *BRAC Tea Estates* was initiated as a pilot project, which gradually developed into a SBE in 2003 to ensure better life of the tea labourers by providing services such as education and health and other necessary livelihood facilities. It produces tea to self-sustain and manage fund for BRAC's development program (BRAC 2016).

Although its root was founded in the 1970s, the *BRAC Chicken* was established in 2004 when BRAC recognized poultry rearing as a source of income for the landless poor, in particular, destitute women. Today, this enterprise became a key local supplier of KFC, one of the world's most popular chicken fast food chains having more than 11,000 restaurants in over 80 countries. Most importantly, it produces high-yield varieties of day-old chicks, and owns commercial broiler farms that produce adult chickens, a broiler processing plant, and a poultry disease diagnostics laboratory (BRAC 2016).

Founded in 2005, *BRAC Printing Pack* aimed at ensuring good quality of packaging of products for BRAC Dairy, BRAC Salt, and BRAC Seed which ensure income generation of their own employees. BRAC Printing Pack generated surplus every year and increased its production capacity from 120 metric tons to 1,500 metric tons within a few years. It not only gives services for packaging BRAC products, also provides services for ACI, Square Pharmaceuticals, and other big corporate businesses in the country (BRAC 2016)

*BRAC Recycle Handmade Paper* was established as a SBE in 2009. Currently, it drives three Green Enterprises and manufactures synthesised paper products from recycled materials, such as,

used papers, stalks of wheat, hay, water hyacinth, caustic soda, dye, barley, glue, and cotton which are collected from different BRAC projects and branch offices. This helps reduce the amount of waste produced by BRAC, create employment opportunities for women, and takes steps against environment degradation nationwide (BRAC 2016).

#### **b) Grameen microfinance initiatives, Grameen family of companies, and SBEs**

To examine the origin of *Grameen Bank* and its microfinance initiatives it is found that in 1976, when Muhammad Yunus was engaged in the Chittagong University as a professor in its rural economic program, launched an experimental financial research project in order to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor funded by the Central Bank of Bangladesh. The research area was a village named “Jobra”, very close to his working place, and immediately this project activities spread to some villages next to Jobra. In 1979 the project was extended to Tangail district (a district to the north of Dhaka). With the success in Tangail, the project was extended to several other districts in the country, and finally in October 1983 the government established a special law for transforming this project into *the Grameen Bank*, which means rural bank. The exclusive characteristics of Grameen Bank is that it is collateral-free and runs without legal steps against any borrowers or any group-guarantee in the case of default in repayment. The success of Grameen Bank inspired Muhammad Yunus to establish more businesses under the Grameen family of companies and initiate to run on SBs (Yunus Center, 2017). The following table shows the list of Grameen SBEs:

**Table 4: List of Grameen SBEs**

<b>Name of Grameen SBEs</b>	<b>Founded</b>	<b>Purposes</b>
1. Grameen Bank	1983	Financial services for the poor
2. Grameen Trust	1989	Training, technical assistance and financial support for MFIs around the world
3. Grameen Krishi (Agriculture) Foundation	1991	Experimentation and training to improve agricultural practices and output.
4. Grameen Fisheries and Live stock	1994	Fish pond and Livestock breeding programs.
5. Grameen Fund	1994	Aims to lending capital to small and medium enterprises (SMEs) which is not similar to Grameen Bank objectives.



6. Grameen Phone (Grameen telecom and Telenor)	1996	Promoting tele-communication service in the village area in Bangladesh.
7. Grameen Shamogree (products)	1996	Emphasis on domestic sales and export of Grameen check hand-loom fabrics, handicrafts and products.
8. Grameen Shakti(Energy)	1996	Focus on renewable energy sources for rural Bangladesh.
9. Grameen Kalyan(Welfare)	1996	Health and welfare services for members and staffs of Grameen Bank.
10. Grameen Shikha ( Education)	1997	Scholarships and other assistance to students of poor families.
11.Grameen Communications (a joint initiatives of Kyushu University, NTT, JICA, Toyota, OMRON, Grameen Yukiguni Maitake Ltd, Hitotsubashi University, Institute of Innovation Research)	1997	Aims to taking the facility of information and communication technology at the reach of the unreached people since its foundation.
12. Grameen Fabrics and Fashions Limited	1997	Aims to successfully established the concept of SB and eliminate social problems such as unemployment, poverty, mosquito borne diseases, and other woman health complicacies.
13. Grameen Knitwear Ltd.	1997	Manufacture of knitted fabrics for export.
14. Grameen Solutions	1998	Development of IT solutions for business.
15. Grameen Health Care Trust	2006	Funding for Grameen Health Care services.
16. Grameen Health Care Services	2006	Health Care Services for the poor.
17. Grameen Danone Foods Ltd.	2006	Affordable and nutritious foods for the poor.
18.Grameen Veolia	2008	Serving safe drinking water for rural area.
19.Yunus Center	2008	To reach the growing global interest in understanding Yunus's concept of SB.
20. Grameen Intel	2009	To provide IT solutions for rural entrepreneurs particularly rural farmers.

21. Grameen Green Eye Care Hospital Ltd.	2009	Eye treatment for the poor
22. BASF (BadischeAnilin- und Soda-Fabrik in German language, in English Baden Aniline and Soda Manufacturing)	2009	To improve health using particular mosquito net and develop business for rural poor.
23. Grameen Distribution Ltd.	2009	To distribute specialized products by considering consumer's necessity.
24. Grameen Shakti Samajik ByabosaBikash (Business promotion)	2010	Promotes entrepreneurship for socio-economic development
25. Grameen Caledonian Nursing College	2010	To give support for the establishment of the international quality of nursing and midwifery education and research with purpose of promoting women.
26. Grameen Telecom Trust	2010	To promote new entrepreneurs with the aim of turning unemployment into entrepreneurship.
27. GrameenUniqlo	2011	To strengthen local communities and economic development.
28. Japan Auto-mechanic School	2015	Giving vocational training related to auto-mechanics.
29. Grameen Euglena Ltd.	2015	To cultivate high quality mung bean for domestic sale and export Japan in order to create extra income for the farmers of Bangladesh.

Source: Yunus Centre (2015)

The twenty nine Grameen SBEs are as follows: Grameen Bank, Grameen Trust, Grameen Krishi (Agriculture) Foundation, Grameen Fisheries and Live stock, Grameen Fund, Grameen Phone (Grameen Telecom and Telenor), Grameen Shamogree (products), Grameen Shakti (Energy), Grameen Kalyan (Welfare), Grameen Shikha ( Education), Grameen Communications, Grameen Fabrics and Fashion Ltd., Grameen Knitwear Ltd., Grameen Solution, Grameen Health Care Trust, Grameen Health Care Services, Grameen Danone, Grameen Veolia Yunus Center, Grameen Intel, Grameen Green Eye Care Hospital Ltd., BASF, Grameen Addidas, Grameen Distribution Ltd., Grameen Shakti Samajik Byabosa Bikash (Business Promotion), Grameen

Caledonian Nursing College, Grameen Telecom Trust, GrameenUniqlo, Japan Auto-mechanic School and Grameen Euglena Ltd.

*Grameen Trust* provides many kinds of assistance for micro finance institutions (MFIs) such as training programs for staff and managers, workshops for sharing ideas and experiences among MFI leaders from around the world, and dialogue programs for those who want to learn how microfinance works to alleviate poverty. Its experts also provide consulting, evaluation, monitoring, and other forms of technical assistance to MFIs. In the early 1990s, it became a wholesaler of donor funds for MFIs which did not have enough money to run their projects. Since it did not have enough money to support MFIs, many donor organizations such as the Mac Arthur Foundation, the World Bank, the Rockefeller Foundation, and several other government and international agencies gave financial supports to it to support other MFIs around the world. Today it works with 152 MFI projects in 41 countries, provides financial support to about 15 million poor people, assists in training, and provides many kinds of technical assistance. One of its notable initiatives is the Build–Operate–Transfer (BOT) program, whereby its experts go to a particular country which seeks supports to set up microfinance activities to alleviate poverty. It has implemented BOT projects in Myanmar, Turkey, Zambia, Kosovo, Costa Rica, Guatemala, and Indonesia (Yunus 2008).

Established in 1991 the *Grameen Krishi Foundation* (Grameen Agricultural Foundation) is engaged in a wide range of agricultural activities aimed at proper utilization of food resources to achieve self-sufficiency in food production in Bangladesh. The main activities of this project are i) to employ rural poor in particular landless men and women, ii) to introduce with various agricultural technological support for products processing, storing and marketing, iii) to give training to produce high yielding crops, iv) to support for producing organic ecological agricultural products, to introduce crop variety for nutrition availability, and to supply high quality seed and plantation materials, and v) to give financial support on both on-firm and off-firm activities including fisheries, livestock, poultry, and agro forestry (Yunus Centre, 2015).

*Grameen Motsho O Pashusampad Foundation* (Grameen Fisheries and Livestock) began in 1994 and aimed at promoting an integrated fish-crop-livestock dairy development system for sustainable rural development in Bangladesh. To achieve it stepped in the following activities: i) Animal Treatment and Health Care: to provide animal treatment, vaccinations, and artificial

insemination and other caring services for animal, ii) Livestock Insurance Scheme under which dairy farmers get compensation for the death of their cows, and thus can overcome their financial difficulties, iii) Community Feed Mills which is arranged to supply good quality feed mill with an affordable price, iv) Whole Planet Foundation, which aims at poverty alleviation and encourages to establish live stock based income generation, v) Small Holder and Dairy Development, which aims at empowering small holder milk producers by improving milk productivity and market access, vi) Monga (*hunger*) Prevention Action Plan, which aims to reduce poverty and hunger in the northern region of Bangladesh, this project offered training for fattening cattle and financial support to purchase milk cow for dairy farmers and fishing nets for fishermen, vii) Command Area Development Project, which organizes private pond owners to cultivate fish with the aim of income generation and poverty alleviation (Yunus Centre, 2015).

*Grameen Fund* was established in 1994 to ensure supporting loans, equity or both to new and existing companies for balancing, modernization or expansion, addressed the problem of getting financial support in the conventional market. This project also keep support to those entrepreneurs who use indigenous raw materials to produce products, create employment opportunities, and develop skills for the rural poor (Yunus Centre, 2015).

In 1996, the Grameen family of companies took new initiatives for IT facilities to the poor by engaging with Telenor of Norway and launching mobile phone company named *Grameen Phone* to all of Bangladesh. By the middle of 2007, Grameen Phone had become the largest tax generating company in Bangladesh, with over sixteen million subscribers (Yunus 2007). Though Grameen Phone is a very successful project it is not considered a SB due to Telenor holding 55.8% of equity (Grameen Phone annual report, 2016). As Yunus said Telenor will reduce its share below 35 percent (Yunus, 2008). The detail picture of Grameen phone will figure out in the Chapter 4: Section -1.

To help the local weavers, Grameen created a new business named *Grameen Shamogree* (village products) in 1996 and stepped into the local and international market for selling Grameen check garments. In promoting the hand-loom industry and the hand-loom weavers, Grameen Shamogree are doing well and are very popular in the local market, in particular with the young Bangladeshis who like to wear Grameen products such as shirts, saris, and other garments made in traditional patterns. Today the local hand-loom industries have great success

and a large number of its competitors have emerged. Nevertheless, Grameen check is a very popular brand name in the country. In 2014, it signed an agreement with Tailor Vintage, a world famous US apparel brand, to supply Grameen Check fabrics. In addition, it exported more than 20 million yards of Grameen Check fabric to Europe and the United states in 2015. (Yunus Centre, 2015).

*Grameen Shakti* (Grameen Energy) was established in 1996 and is working as a pioneer to provide green and clean energy to thousands of rural households in Bangladesh. It focuses on supplying electricity to rural families through solar panel who are deprived of from electric facilities, and currently it has 8 million customers including their families, and has created 12,000 employment opportunities (Yunus Centre, 2015).

*Grameen Kalyan* (Welfare) initiates its journey in 1996 aims to provide adequate and efficient healthcare services for the poor villagers who suffers from various diseases. It also supports financially for the wellbeing of the Grameen Bank borrowers, employees, and their families. It operates seventy three community based health centers in different rural areas of Bangladesh and already has been reached over 2.8 million service recipients. Similarly, Grameen Kalyan works for Grameen Bank borrowers, employees, and their families in the following way: a) welfare for Grameen Bank members: i) higher education loan to the children of its borrowers. ii) scholarship to the students among Grameen Bank borrower's families. iii) supports to Grameen Bank central emergency fund. Grameen Bank run on a central emergency fund aims to support Grameen Bank borrower's families for emergency reason. b) welfare for Grameen Bank employees: i) supports interest subsidy to provide medical loan, and ii) home appliance loan with interest subsidy (Yunus Centre 2015).

In 1997 *Grameen Shikkha* (village education) started to provide educational services for the children of the Grameen Bank borrowers. Originally it was an initiative for its borrowers since most of them were not able to read and write. Therefore at first this program's aim was to encourage borrowers at least to learn to sign their names. In 2003, it started a scholarship program called the Scholarship Management Program, aiming at those children who come from poor families facing economic difficulties which prevent them from attending school. This scholarship program already support more than 3,500 poor brilliant children, provide primary education to 500 slum children, pre-school education for more than 150,000 rural children. It

also operates vocational training for more than 3,000 poor young men and women on trades like electronics and communications, computer applications and hard ware, graphics, mobile phone services, among others (Yunus Centre, 2015).

Established in 1997 the *Grameen Communication* aims at providing information and communication technology (ICT) facilities to the remote areas of Bangladesh. To achieve this objective it focuses on Tele center movement through a project named Village Computer and Internet Program (VCIP) which has brought revolutionary changes in the rural life of Bangladesh. The major activities of this enterprise are as follows: i) to designed and develop 360 degree micro banking software named gBanker which saves huge time, money, and labor of the Micro Finance Institutions (MFIs) through loading manual works automatically, ii) to computerize operations of around 70 microcredit organizations including Grameen Bank and iii) to provide IT training to youths who are new entrepreneur or work in other organizations. iv) in collaboration with Kyushu University of Japan it has jointly designed and developed a “Social Information Infrastructure Model” for developing countries. It has developed a web portal named “Social Business Pedia” working as a web encyclopedia for social business activities all over the world (Yunus Centre, 2015).

*Grameen Fabrics and Fashion Ltd.* established in 1997 in to create employment opportunity, produce specific goods (bed nets to combat malaria) which solve particular social problems, and promote export leading growth in the country through market specific goods. It produces 2500 nets per day and 60, 000 ready-made garments per day and exports these products worldwide. It also 450 employment opportunity for women and offer social services for employees such as a day care centre and education for employee’s children (Yunus Centre, 2015).

*Grameen Knitwear Ltd.* is a hundred percent export oriented company established in 1997 in the export processing zone (EPZ) near Dhaka. It jointly works with the Grmeen Kalyan and Grameen Fund. The company has branded machineries and equipment and maintain strict quality control measures for attaining high standards in compliance with Oeko-Tax, ISO9001- 2008 and WRAP. The products of Grameen Knitwear export different countries of the world (Yunus Centre 2015).

*Grameen Solution* was established in 1998 and its services include DevOps, mobility, Cloud, Big Data/ Analytics and products like e-learning, Hospital/ Clinic Management System, Help

Desk Management System, Remittance Management System, Club Management System, Accounting and HR Management System, Inventory Management System, and Mobile Field Force Management System. It also provides “Skill Enhancement Program” organized by Hi-Tech Park Authority under the Ministry of Post, Telecommunications and Information Technology to develop skill of educated young generation the country (Yunus Centre, 2015)

*Grameen Health Care Trust* established in 2006 under the trust act of Bangladesh. It supports other institutions to run on health services, namely BASF and UNIQLO jointly works with Grameen Health Care Trust. It has also invested to Grameen Health Care Services, Grameen Green Eye Care Hospital, and Grameen Caledonian College of Nursing for the construction of hospital buildings, procurement of equipment and machineries, training of doctors and medical staffs (Yunus Centre 2015).

*Grameen Health Care Services* starts in 2006 and addresses the problems not only lack of eye care facilities in remote areas, also focus on the issue of scarce of technical expertise and updated knowledge in rural Bangladesh. To overcome these problems Grameen Health Care Services arrange various eye surgeries include cataract surgery and offer free of charge for the poor and destitute patients. It also arranges eye health education program and provide comprehensive eye care facilities to decrease diffusion of eye disease. It also strongly concentrated on prevention of blindness. Grameen Health Care Services also provide training to build up skilled worker in the eye health care and recruit mostly women (90 percent) which emphasis on women empowerment issue (Yunus Centre 2015).

*Grameen Danone limited* was launched in 2006 and it aims at alleviating poverty and creating job opportunities by following a unique proximity business model which provides daily nutrition to the poor people of Bangladesh. Danone Foods Ltd. produces a yoghurt called ‘Shokti Doi’(strength yoghurt) containing protein, vitamins, iron, calcium, zinc, and other micronutrients to ensure nutrition of children and it has agreed to reinvest their profit for business expansion (Yunus Centre, 2015).

Veolia Water is a France based leading company that focuses on the design, construction, and management of water and waste water services. It has established a SB unit in Bangladesh jointly with Grameen Health Care Services Ltd. named *Grameen Veolia Water Ltd* through Veolia Water AMI (Africa, the Middle East and the Indian subcontinent) in March 2008. It aims to

provide pure drinking water for rural people who drink arsenic contaminated water (Yunus, 2010).

*Yunus Center* established in July, 2008 has been serving as a global hub with the objective to reach the growing global interest in understanding Yunus's concept of SB. The main activities of Yunus Center are as follows: i) spreading out SB concept in the globe, ii) developing SB design, iii) addressing social problem and help to establish new SB venture, iv) building strong relationships with all SB institutions all over the world by sharing concept, idea, and finding out way of effective solutions of social problems, and v) organizing various SB events, namely celebrating SB day and encouraging people through social media, publications, and websites. Yunus Center also stepped in pursue worldwide SB related research through renowned universities and institutions. (Yunus Centre, 2015).

Established in 2009 the *Gameen Intel* is a SB venture of Grameen Trust and Intel Corporation and aims at giving technological support to underprivileged people in world. Grameen Intel evolved software named e-Agriculture, which offers a set of agricultural applications including crop and seed selection, fertilizer recommendation, and pesticide recommendation, and direct market and buyer information to farmers. It also focuses on reducing post-maternity deaths and pregnancy related complications through its software application *Shumata* (good mother) and *Dolna* (cradle). Currently, it develops software for preschool children named “gSlate” and “gDraw” to promote education in the country (Yunus Centre, 2015).

*Grameen Green Eye Care Hospital Ltd* founded in 2009 followed by cross subsidy model. It aims to provide affordable eye care examination surgeries for the poor. In fact, distressed, poorest, and helpless patients get free surgery from the hospital and low income, middle class, and well off patients can find out several options / packages for surgery based on their financial ability. In order to follow cross subsidy model rich patients are used for subsidy to the poor and destitute. It serves over 50, 000 patients with minor problems and almost 3000 patients get back their sight through the performance of cataracts operations (Khashru, 2016)

Malaria is one of the major health problems in Bangladesh. According to the World Health Organization (WHO)'s World Malaria Report 2009, about 11 million people in Bangladesh are at risk of malaria. In 2009, BASF (Badische Anilin - und Soda - Fabrik in German language, in English Baden Aniline and Soda Manufacturing) and Grameen Healthcare trust established



*BASF Grameen Ltd.* to provide protection against insect-borne diseases and started selling long lasting insecticidal nets (LLIN) at an affordable price to the poor people in the country. The insecticidal-treated nets are distributed in urban areas through grocery stores and supermarkets, and in rural areas through the established Grameen networks. The company already sold 75,000 nets and also gives technical know-how support to other local companies (Yunus Centre, 2015).

*Grameen Distribution Limited* is a sales and marketing based SBE, delivering a variety of high quality daily necessary products to the rural inhabitants of Bangladesh. Addressing the lack of access of the daily necessary products in the remote area of the country, it started to sale products such as mobile handsets, energy efficient products, health care products, and general consumer goods. This enterprise has already employed 118 people around the country with more than 9000 sales people, reached 9 million households in remote areas, and sold 568,000 products in 2015 (Yunus Centre, 2015).

*Grameen Shakti Samajik Byabosa Bikash* (Business promotion) founded in 2010 with aim of creating self-employment for the young entrepreneur by providing technical and financial support. In order to achieve these objectives it works to help the young entrepreneurs to develop and establish their business for self-employment and create job for others by organizing training and workshops. It has been already invested BDT3,32,60,000 in 168 projects (Yunus Centre 2015).

*Grameen Caledonian College of Nursing* was established in 2010, as a SB, and it addressed problems like i) lack of skilled nurses and mid-wives, ii) inadequate health care facilities for the rural poor, and iii) lack of maternal health facilities and neonatal and infant care facilities. To solve these problems, it is trying to provide high quality of nursing and midwifery education and research to promote health and wellbeing of the people in the country. Currently this college has 220 students from Bangladesh and awarded four international scholarships to top students which will allow them study at Glasgow Caledonian University, Scotland, UK (Yunus Centre, 2015).

*Grameen Telecom Trust* established in 2010 under the trust act addresses the problems of unemployment, lack of expertise to carry out an innovative business, limitation of financial access and guidance to run on a business. In order to solve these problems it promotes new entrepreneurs business project for the next generation of the Grameen borrower families. According to Yunus Centre there are more than 500 businesses in different sectors run by new

entrepreneur projects, namely IT and Telecommunication, Manufacturing, Fashion and Tailors, Pharmacy and Healthcare, Grocery (retail and Wholesale), Agriculture, Services. Grameen Telecom Trust jointly works with Grameen Distribution Limited, Grameen Fabrics and Fashion Limited, Grameen Health Care Services Limited and among others (Yunus Centre, 2015).

UNIQLO, the Japanese clothing giant, founded a joint company for initiating SB in August 2011, and is named *Grameen UNIQLO Ltd*, together with Grameen Health Care Trust. Currently, Bangladesh stands second in terms of exporting garments after China, and the GDP growth rate is above 6 percent despite an ongoing global recession. However, poverty, poor sanitation, and a low literacy rate are common social problems in this country. Grameen UNIQLO's targets social problems that are very common by establishing a local community-based SB circle. To achieve this objective, 'made by locals, for locals' is set the motto of its SB. The goals of its SB are: i) to found local business chain from production to sales. ii) to support local individuals by supplying high quality products with affordable prices. iii) to take income generating initiatives for the local people, and iv) to reinvest profit for business extension (Yunus Center 2015).

*Japan Auto mechanic school* is a joint venture with SK Dream, Japan, Grameen Shikkha (Education), and Rangs workshop Ltd. Bangladesh founded in 2015. It provides a professional and high standard vocational training program in the fields of auto-mechanics. Initially it works in Dhaka city for the next generation of Grameen borrowers. After completing two year diploma students work not only in Bangladesh, but Singapore, Malaysia, and Middle East as well (Khashru, 2016).

*Grameen Euglena Ltd.* initiates its journey in 2015. It jointly works with Grameen Krishi (agriculture) Foundation and Euglena Ltd. Japan. The objective of this business is to alleviate poverty and unemployment in the society of Bangladesh. In order to achieve this objective it produce high quality mung bean and export 60 percent of mung bean to Japan and 40 percent mung bean sells in the domestic market. Approximately 7000 farmers work in this business project and get the market price and financial support through this business (Khashru, 2016).

### **III) Literature on mission statement**

Mission statement plays one of the major executive functions in the corporate business. A mission is different from a vision in which the former is the cause and the latter is the effect. However, mission is also called philosophy, principles, vision, creed, credo, goals, or objectives

in many places in the world include Bangladesh. In general, mission is a business commitment regarding business values and intended future achievements between the company and stakeholders.

Drucker (1990) makes it clear that mission comes first in any kinds of businesses. Oster (1995) states that the three stakeholders namely, investors, employees, and clients are directly affected by the mission statement. Moreover, Oster (1995) added that mission statement serves as boundary functions among investors, employees, and clients, act to motivate them as well as evaluate business's performance. Shidu (2003) mentions mission statement as a communicative management tool.

Mission is a short statement which attributes the primary purpose of the business enterprises. It consists of the business enterprise's reason for being, what it does, and how it does (Jager, 2010). It reflects the basic business values and purpose (Baker, 2007), and focus on what it is trying to accomplish (Kotler and Andreasen, 1996). In general, the mission is a social contract between the enterprise, its members, and society at large concerning values and intended achievements (Bryce, 2000).

Jager (2010) confirms six dimensions for the criteria of developing a mission statement are as follows: Firstly, timing which emphasis on adopted long-term vision in mind. Secondly, legalize mission by the board and key constituencies. Thirdly, mission focuses on objectives of the businesses, target customers, geographical and service-related boundaries. Fourthly, mission is clearly formulated and understandable for all stakeholders. Fifthly, business mission definitely motivational to all stakeholders, social investors, staff and beneficiaries. Sixthly, monitoring and evaluations on changes in the enterprise that mission want to see in relation to the target group of beneficiaries.

Pearce and David (1987) suggest following nine components in the mission statements: i) customers of the target markets, ii) products or services, iii) geographic markets, iv) technology, v) concern for growth or profits, vi) Philosophy, vii) public image, viii) employees, ix) distinctive competence refers the term how the firm is different or better than its competitors

Moreover, some common mission themes are as follows: i) purpose of the business (Johnson et al. 2008, Sufi and Lyons 2003, Rarick and Vitton 1995), ii) basic beliefs, philosophies, tenets, principles, values, aspirations of the business enterprise (Campbell and Tawadey 1992, Pearce

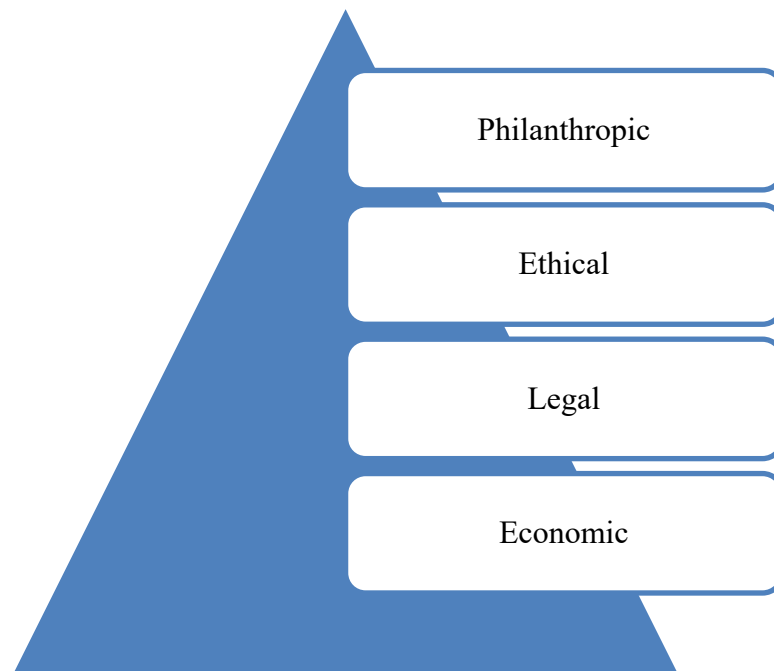
1982, Ackoff 1996), iii) defining business's customers (Abell 1980, Pearce 1982, David 1996, Campbell and Tawadey 1992), iv) business scope and boundaries related to products, markets and geography (Johnson et al 2008, Mc Ginins 1981, Pearce 1982, Campbell and Tawadey 1992), v) commitment to financial and economic objectives (Pearce 1982, David 1996), vi) commitment to long-term growth and profit (O'Gorman and Doran 1999, Campbell and Tawadey 1992), vii) business way to create value for stakeholders (Johnson et al 2008, Abell 1980, Ackoff 1987, Mc Ginins 1981, Campbell and Tawadey 1992).

#### **IV) Literature on CSR**

Over the years, world business management is taking into consideration environmental and social issues along with business mission, governance, service-dominant logic, sustainability, and so forth when evaluating corporate performance. However, initially, a corporate business aimed at providing financial benefits to its stakeholders gradually realizes that it can not stand longer by disintegrating itself from the wellbeing of the social and ecological practices. On the other hand, corporate society also faces increasing pressure from the government and civil societies to disclose their nonfinancial information on issues of employee welfare, community development initiatives, and waste and pollution reduction activities. Eventually, business has adopted CSR to become a responsible corporate citizen in today's corporate world. The notion of CSR appeared first in the beginning of the twentieth century in the United States (Frederick, Post, and Davis, 1992).

Carroll (1991) shows a CSR pyramid which is a simple framework to understand how and why businesses should meet their social responsibilities. The key features of Carroll's CSR pyramid are as follows: a) CSR is built on the foundation of profit, b) then business considers to meet the compliance in terms of rules and regulations, c) after that, business also needs to meet its ethical duties d) and finally, business addresses its philanthropic issues (Figure 1).

Figure 2: CSR pyramid-the four “Responsibilities”



Caroll (1991) argues that these four categories of CSR - economic, legal, ethical, and philanthropic - represent as a pyramid in which economic responsibilities come first and prioritize on profit consider the foundation of all others rest. After that, legal responsibilities stand for obeying the law. Then, emphasizes business should be practiced ethical obligatory issues which will drive to do what is right, just, and fair and avoid harm. Finally, philanthropic responsibilities encourage becoming a good corporate citizen, contributing resources to the community and improving quality of life.

Apart from this, Davis (1960) affirms business activity should “accomplish social benefits along with the traditional economic gains which the firm seeks”. Frederick (1986) states CSR as that corporate business must contribute to social betterment. Furthermore, Wood (1991) confirms the concept of CSR promotes that business and society stay together as interwoven rather than distinct entities, since, society expect certain level of business behavior and outcomes from the corporate world. Parsons (1961) argues that any social system can be divided into four, such as, a) adaptation to the environment (related to resources and economics), b) goal attainment (related to politics), c) social integration, and d) pattern maintenance (related to culture and values).

Elkington (1997) argues that business companies follow three different bottom lines known as triple bottom line (TBL). One is the traditional measure of corporate profit and refers the “bottom line” of the profit and loss account. The second is the bottom line of a company's “people account” and shows a particular direction in which socially responsible businesses understand how run on its operations. The third is the bottom line of the company's “planet” account, which indicates a measure of how businesses environmentally responsible. Therefore, TBL consists of three Ps: people, planet, and profit which bring sustainability of the businesses. In general, sustainability refers to continuation of growth and productivity and how business will refrain from making pollution and environmental degradation on which human well-being depends. Sustainable business aims to meet not only the needs of present generation, but future generation as well.

Briefly, CSR is a multi-disciplinary subject covering a broad range of issues in operating business. In particular, CSR is a business approach that contributes to sustainable development by delivering economic, social, and environmental benefits for all stakeholders. The concept of TBL, CSR pyramid, and sustainable development come under the umbrella of CSR on a large scale. Their implications help businesses to act in a responsible way towards a sustainable business practices.

## **V) Literature on CG**

To understand the characteristic features of CG system this research basically focuses on USA, UK, and Japanese company's CG structure. According to Holden, Fish, and Smith (1941) there are four levels of management namely, a) trusteeship management, b) general management, c) departmental management, and d) field management. Trusteeship management and general management are considered as top management. Top management includes board of directors, management committee, top managers and among others and takes responsibility to run CG of the business enterprises and consider the stakeholders demands. Top management put emphasis on making decision in terms of product-market strategy and also takes responsibilities to define the relationship between the company and the environment. In addition, setting up of organizational structure and selecting the key personnel are also the responsibility of top management. Therefore, it is found that in most of the successful business cases top management greatly impacts on business strategy, structure, and performance through the company's CG

system (Katz and Kahn, 1966). It is found that top management take the responsibilities to run company's CG through the following issues:

**a) Board members**

Koontz and Weihrich (1988) confirms that USA and UK board of directors consist of external (40 percent) and internal (60 percent) members. Thus, US board performs legal functions as their additional activities which include giving advice on financing, monitoring the decisions of officers, and authorizing long-range plans. On the other hand, Kono (1984) confirms that Japanese companies allow very few outside members on the board. Moreover, the board is just a formality and not the actual governing body in the Japanese companies due to separation of management from ownership. Generally directors are the full time company employees. Ohtsu and Imanari (2002) state that in Japanese companies when there is any dissatisfaction in terms of profit or share, company owners sell their share rather than bring any changes in the top management.

Kono (1984) makes sure that there are pros and cons to decline board powers in Japan. Firstly, the advantage of the board of directors who have been promoted from within the company is that they belong to the position of the highest authority and are able to ignore outside pressure in particular from the owners. The board focus on long-term growth in order to earn profit in the long run and avoid short-term profit for the benefit of the shareholders. Secondly, the disadvantage is that nobody can monitor the power of the president, the chief executive officers, in this CG practice system.

**b) Management committee as adjunct to the board**

Holden, Fish, and Smith (1941) divided general management level into four: i) chief executive, ii) management committee (council of general executives), iii) assembly of department heads (chief executive and council of divisional executives) and iv) the board of directors work as general management. In Japan management committee works as a decision making body. In the USA and UK management committee is popular like Japan.

There are some differences in the management committee between Japanese companies and USA or UK companies. Firstly, Japanese companies have broader responsibilities, and mostly are not related to heads of department. However, in the USA or UK each board member clearly knows their responsibilities as a board of director. Secondly, USA management committee runs

with less members than Japan. Thirdly, decetralization of the management committee is wider in Japan than USA or UK. Group decission is very popular in Japan and practices at every level of management. The oral communication (nemawashi) or lobbying is highly practiced before the meeting of the management committe in Japan and well known as the process of group decision making.

In Japan, most of the directors on the board are full time inside members known as top management namely the chairman, the president, and the chief executive officer, senior executive directors, and executive directors in charge of several departments, and ordinary directors who are usually the heads of important departments. It is also found that all department heads are not directors as well. On the other hand, the USA introduces chairman, president, executive vice presidents and selected key vice presidents as companies top management.

### **c) Legal statutory**

Legal statutory is also crucial issue to run CG in the business enterprise. Legal entities clearly mention the industrial property rights and basically, property rights focus on the theoretical and legal ownership of resources and show the method of using resources. Demsetz (1967) mentioned that a primary function of property rights is that of guiding incentives to achieve a greater internalization of externalities. For example, externalities could be internalized through government measures namely, taxes, subsidies, minimum or maximum prices and among others. However, it is evident that government initiative is not the most ideal choice to internalize externalities. Rather it is essential to clearly defined and allocated property and usage rights in a particular way. It is government's responsibility to provide the framework for negotiations between the actors in order to allocating distinctly the property and usage rights for all stakeholders related to industrial property rights (Coase 1960).

Kaufman (1994) states that in the USA the *Revised Model Business Corporation Act*, is known as a nonbinding corporation code which updates continuously to serve as a model for state law. According to the *Revised Model Business Corporation Act* (1985) "all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, its board of directors, subject to any limitation set forth in the articles of incorporation. This law gives following directions to the board nominees i) composition of the board and key board committees, ii) whether the chairman also serves as



CEO, iii) the director's investment in the company, iv) the number of other board seats held by the director, v) interlocking directorships involving the director, vi) the director's attendance at meetings, vii) whether a retired CEO sits on the board, viii) the board's decisions regarding executive pay, ix) director compensation, and x) corporate governance provisions and takeover activity (Kaufman, 1994).

CG in UK follows the statutory entity known as the *Companies Act* revised in 2006 which focuses on the following issues i) duties of the board of directors, ii) annual disclosure policy, iii) appointment and removal of the board of directors, iv) remuneration, and v) other terms of employment of directors (International Comparative Legal Guides, 2018). In addition, *European Union Company Law* puts emphasis on the following issues i) legal formation of the board, ii) capital and disclosure requirements, iii) operation (mergers, divisions) of companies (European Commission, 2017).

It is found that Japanese companies CG practices are different from the USA or European CG pattern though the USA CG practices play the leading role to set up CG code in Japan (Kaufman, 1994). The legal foundation of CG in Japan derives from the *Commercial Code* (Act No. 48 of 1899, amended by Act No. 57 of 2008). Most of the provisions of this law for public limited companies were revised and incorporated in the *Companies Act, 2005*. In Japan shareholders elect the board of directors in order to achieve company's goal and protect shareholders interests. The board elects the chairperson who looks after the entire business. In general, a retired or former president become company chairman and take the responsibility to distribute duties of the board members (Khondaker and Bremer, 2015).

#### **d) Audit and financial report**

In spite of USA company's priority to quality of audits many financial scandals occur and shake their confidence in the corporate auditing system. In order to protect financial fraudulent in the USA companies a presidential commission chaired by James C. Treadway, Jr. (The Treadway Commission, 1989), published a report. The report of the National Commission on fraudulent financial reporting made several key recommendations, including i) codes of conduct, ii) strong independent audit committees, iii) effective internal audit functions, iv) inclusion of management letters on internal control in annual reports, v) disclosures of requests for second

opinions, vi) disclosures of requests for changes in auditors, and vii) audit committee oversights of quarterly reporting (Kaufman, 1994).

Financial reporting and the auditor function in the United States emphasize the following three issues: i) independence of auditor and audit committee, ii) effectiveness of audit committee, and iii) auditor's report.

On the other hand, Japanese companies have a board of statutory auditors which separate from the board of directors and are elected at the shareholder's meeting. According to the *Companies Act*, the responsibilities of the auditors are (Article 381): i) auditing the execution of duties by directors, b) preparing reports in response to the instructions of government ministries, (the Ministry of Justice (MOJ) in particular), c) requesting reports on the business at any time from the directors, accounting advisors, managers, and other employees, d) investigating the status of the operations and the financial status of the company, and e) requesting reports on the business form of a subsidiary and investigating the status of its operations and financial status (Khondaker and Bremer, 2015).

**e) Others** (meeting, proxy vote, disclosure policy, etc.)

CG practices in the USA, UK , or Japan strongly focus on the issues such as board meeting, disclosure information, proxy voting and voting mechanism and among others. For example in the case of Japan the management committee generally meets once a week. There are many adjunct committee in the board namely, management committee, senior executive committee, planning committee and among others. It is found that Hitachi arranges a policy committee meeting once a month where as Sumitomo Electrics arrange twice a month. The clerical office of the management committee selects the topics of the meetings and provides meeting materials. The primary influence of shareholders on CG is exercised through the annual general meeting (AGM). This influence has its legal basis in Articles 295-319 of the Companies Act (Ohtsu and Imanari, 2002).

The USA public companies give emphasis on disclosure information than any other market in the world. Section 14 of the Securities Exchange Act of 1934, administered by the U.S. Securities and Exchange Commission, governs disclosure requirements as follows: i) background information on all director nominees, including information related to potential conflicts of interest, board meeting attendance figures, and stock ownership levels, ii)

compensation data for all officers and directors, iii) information on merger and restructuring proposals, charter and by law amendments, certain takeover defenses, executive and director compensation proposals, selection of auditors, and other significant business items and iv) proposals and alternative director nominees from shareholders not satisfied with management's proposals or nominees (Kaufman, 1994).

## **VI) Literature on HRM**

Kaufman (2007) confirms that the first HRM practices have found in the nineteenth century in England, France, Germany, and United States and a decade later Japan initiated to practice HRM broadly. Eilbirt (1959) makes it clear that HRM turn into mature shape through two phases. First phase in 1890s a large number of companies started to do industrial welfare work for their employees. These initiatives (industrial welfare work) are lunch rooms, medical care, recreational programs, libraries, company magazines and company-provided housing. German companies are considered as the pioneer of industrial welfare work. Second phase is familiar for practicing separate employment office. In this phase, office staffs in particular the level of clerks and supervisors became in charge of employment-related functions namely, hiring, payroll, and record keeping. Many European companies have initiated stand-alone employment office during this time. One example is German steel company Krupp.

The First World War have played a vital role to spread out HRM practices in the industrial zone (Eilbirt 1959, Kaufman 2007). With a literary context of USA, it is found that initially USA emphasized two issues of HRM functions namely welfare work and employment management and set up a new department with the combination of these two issues named personnel manament. Resarch found that "employment" and "service" both are practiced under the supervision of personnel management section. Niven (1967) confirms that in early stage many European firms are accepted the term "personnel management" except Britain. In 1913, Britain established the Association of Welfare Workers, later changed its name as Institute of Labor Management in 1931. In fact the term "Personnel" was not widely accepted until Second World War (Chartered Institute of Personnel and Development annual report 2007-08).

Another new term of HRM is industrial relations practiced in USA and Canada in 1919-20. It is considered as a more strategic approach of labor management includes workforce governance, industrial relations, and employment function of personnel management. Kennedy (1919) states

“employment management is and always must be a subordinate function to the task of preparing and administering a genuine labor policy, which is properly the field of industrial relations”

It is said that, the country outside the USA that considered the most significant advanced in HRM practice during the 1920s was Japan. Research found that Japan firmly adopted Taylor's credo of scientific management and implemented it in the workplace likely England, France, and Germany (Merkle 1980, Tsutsui 1998). In the 1920s, a huge number of Japanese company employers and government-sponsored business group visited the USA with the purpose of observing American industrial practices and trained and took back a lot of issues of HRM in Japan. Moreover, Japan formed an association of academics, business managers, and government officials called Kyochokai (Society for Harmonious Cooperation) aimed at improved industrial relations practices and the first labor management consultants appeared during this period (Gordon 1985, Kinzley, 1991). Furthermore, Japanese companies started to HRM practices robustly in terms of recruiting job candidates, hiring tests, incentive wage plans, job evaluation programs, and shop committees (Dore 1973, Hazama 1997, Jacoby 1991). Later, Japan included lifetime employment, seniority wages, extensive job rotation and enterprise unions as its HRM practices (Shirai 1983). Gradually, Japanese personnel departments have found more authority and range of responsibilities than the personnel departments of the leading American companies in Japan (Hirano, 1969).

In the 1990s, HRM practices also spread out quickly to continental Europe, Asia, Latin America, and Africa and lately, a huge number of articles and books related to HRM are available in world which helps to promote HRM practices widely.

## **VII) Literature on PMI**

The term projects have been used as a delivery mechanism to do business and accomplish its objective. It has become one of the fastest growing professions in the world. While there are several definitions of projects in the literature, one of the best has been offered by Tuman (1983) who states: “A project is an organization of people dedicated to a specific purpose or objective. Projects generally involve large, expensive, unique, or high risk undertakings which have to be completed by a certain date, for a certain amount of money, with some expected level of performance. At a minimum, all projects need to have well defined objectives and sufficient resources to carry out all the required tasks.”

In the words of Turner (1999), “a project is an endeavor in which human, financial and material resources are organized in a novel way to undertake a unique scope of work, of given specification, within constraints of cost and time, so as to achieve beneficial change defined by quantitative and qualitative objectives.” In order to make projects successful, competitive advantage should be gained by projects and to gain competitive advantage organization needs to define its strategic objectives. Project management concept was first utilized in China Mainland funded by World Bank (Wang and Huang, 2005). Project management is such a type of management which is often used to bring out competitive advantages for many organizations. Many scholars have identified project management as a key business process.

Project management is a specialized branch of management which has evolved in order to co-ordinate and controls some of the complex activities of modern industry. The changing business environment of the twenty first century increases the range of activities coming under the periphery of project management techniques and the way projects are managed. Projects are open systems because they exist in an open environment and have to respond to the ever changing dynamics of situation requiring it to become much more adaptive than ever (Prabhakar 2008).

### **VIII) Conclusion**

Co-operative activities are considered to be the antecedent of SB in the world. In the case of Bangladesh two leading developmental organizations, BRAC and Grameen Bank, initiated SB aiming at decreasing donor dependency from the organization. It is found that BRAC and Grameen enterprises started its operation just after the independent war of Bangladesh. During that period not only these two organizations were fully donor dependent but Bangladesh as well due to new born country. Therefore, initially BRAC and Grameen Bank focused on how to become self-dependent organizations and gradually, crossed many phases to run their businesses and eventually, declared that their SBs are free from donor money and it is business in every sense which means SB has owner and it is a profitable business, but profit will use for business expansion.

BRAC started its journey in 1972, just one year after the independence of Bangladesh from Pakistan. During that period, only small-scale relief and rehabilitation programs were provided for those who returned to Bangladesh as war refugees. After 1972, BRAC moved into

development programs from relief and rehabilitation projects, and focused on empowering poor and landless people, in particular women and children. Currently BRAC is working for 135 million people all over the world. As it enters its fourth decades with many achievements and successes, Bangladesh has also made impressive progress in many fields. BRAC has played a strong role to achieve this progress for the nation. In spite of the global recession, Bangladesh's GDP growth rate has been over six percent in the last ten years (BRAC Annual Report 2012), and significant progress has been made in social development issues, promoting universal primary education, raising education and nutrition levels, and improving family planning and population control. Bangladesh also made great improvement to reach the Millennium Development Goals (MDGs) regarding maternal and child health and a major part of this success is due to BRAC's nationwide health, nutrition and population program. BRAC's 105,000 health workers and nurses work to fill the gap between community and healthcare facilities (BRAC Annual Report, 2012).

After starting BRAC microfinance activities, in 1976 Muhammad Yunus launched his experimental financial research project to support the poor, and later in 1983 this research project was transformed into the Grameen Bank. Though BRAC and the Grameen Bank microfinance initiatives were started to help poor people who could not get access to the conventional banking system both organizations gradually became famous for their microfinance activities. Today, when the world's microfinance industries are facing so many difficulties, the Grameen Bank microfinance program has many successful achievements due to its operational method. Unlike a conventional bank, the Grameen Bank has no collateral and, no legal step for borrowers to recover the loan. The operational method of Grameen Bank is that each borrower must belong to a five member group, but the group is not required to give any guarantee for a loan to its member. Mutual trust and group pressure are used to collect repayments of loans. At first two group members receive a bank loan and begin repay by installments six week later, repaying the loan in 50 weekly installments. For example, if someone receives 3,000 TK. (50 USD) from the bank, she or he will repay 60TK per week (less than 1\$), and within 50 weeks she or he can make the full repayment with interest. Currently, there are 8.4 million borrowers in Grameen Bank and majority of Grameen Bank borrowers are shareholders of Grameen Bank. It is found that the number of borrowers who have bought shares stands at 5.5 million (Yunus center, 2017).

Muhammad Yunus had no plan to launch a series of companies at the preliminary stage of the Grameen Bank in 1983. However, when the Grameen Bank activities went well, he started to think about experimental new businesses that could be helpful to the poor. In 1989 the first initiative was Grameen Trust, established to give financial and technical support to world microfinance institutions. Business initiatives followed one after another very quickly, some were very successful, some were not, and after a long period of time Grameen family of companies now have more than thirty sister organizations though the participants are not “planned entrepreneurs”, but rather “accidental entrepreneurs” as Yunus has stated (Yunus, 2008, 78). Driven by circumstances, at present the Grameen family of companies is considered a role model of SB.

On the other hand, the study aims to examine five management practices, namely, corporate mission statement, CSR, CG, HRM, and PMI. There are many management practices related to industrial relation in SBEs namely, organizational structure and management in SBEs, the nature of government control and managerial autonomy, foreign entry strategy for SB to name a few. Among of them, this study has selected five management practices which are pointed out as the fundamental practices in any business enterprises. For instance, mission stands first in any business organization and CSR promotes company’s sense of responsibility towards community and environment. Moreover, CG attempts to control potential conflicts of stakeholders interest in the businesses and HRM considers that employees are capital and works for employees welfare. In addition, PMI is the central strategy of any projects which focuses on one final target. From the commencement of the works to the completion and delivery of the plant, the organizational structure must run various project activities and highly advanced management tools and methodologies to control time and cost constraints and to meet the challenging requirements of growing efficiency. In fact, the study has considered all of these issues to focus on five management practices.

## **Chapter 4: Examination of SBEs Management Practices in Bangladesh**

### **Section 1: Mission statement in SBEs**

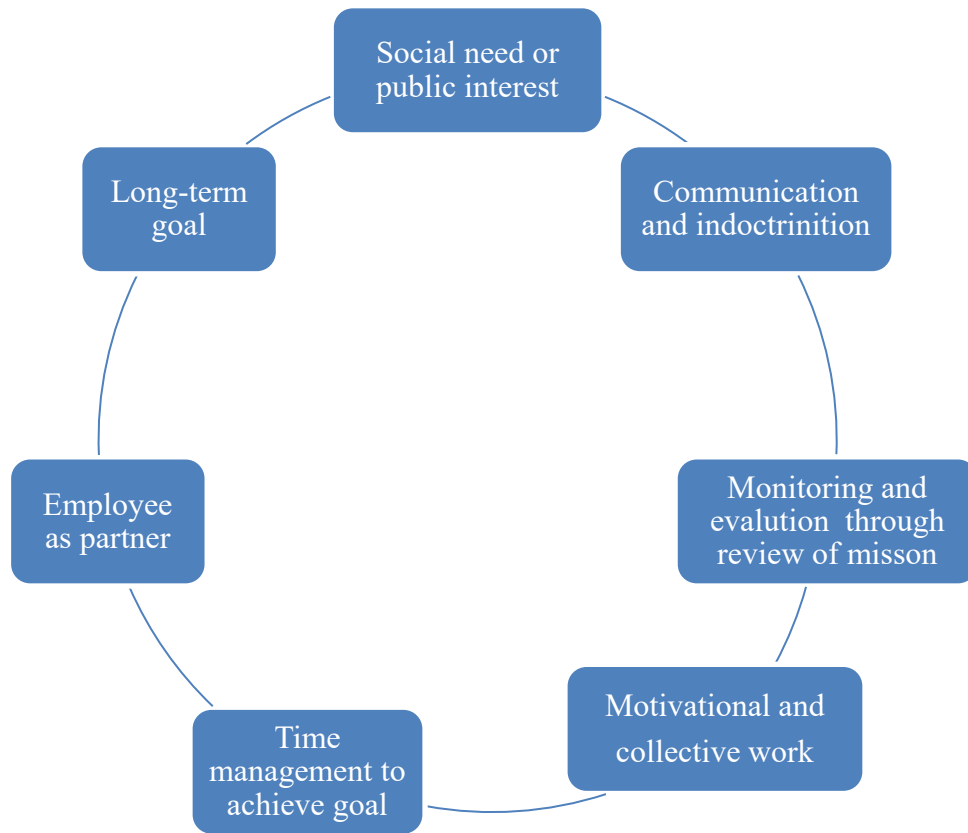
#### **I) Introduction**

Section one addresses mission statement in SBEs of Bangladesh. The objective of this section is to find out the various components which make up the mission statements of SBEs and identify their business performance. In order to achieve this objective a questionnaire was developed consisting of eight aspects and an unstructured interview was held on 44 selected SBEs. The eight aspects of mission statement in these SBEs namely, 1) topic of mission statement, 2) multiple goals of mission statement, 3) translate mission into action, 4) communication of mission, 5) major focuses, 6) review of mission, 7) activities to increase employee's morale and dedication, and 8) motivating employees through collective work. A mixed method-qualitative and quantitative analysis is used to analyze and interpret research data. These eight aspects of mission statement will answer the research question of what are the characteristic features of mission statement in SBEs.

Mission stands first in any kind of Business Corporation. Drucker (1990) states nonprofit business initiates with the performance of their mission and makes balance with the multiple goals. Kono (1984) confirms that successful Japanese business corporations put emphasis on indoctrination and communication of mission and concern for public interest. Moreover, Kono (1984) added that Japanese business concentrates on long-term goal to achieve business mission and consider employee as partner and focus on collective work to increase employee's morale and dedication. Yunus (2010) confirms that SB has social mission which aims to overcome social problem. Putting the criteria of leading scholars (Yunus 2010, Drucker 1990, Kono 1984, Jager 2010) the following components become manifest for a successful business mission statement:



Figure 3: Components of business mission statement



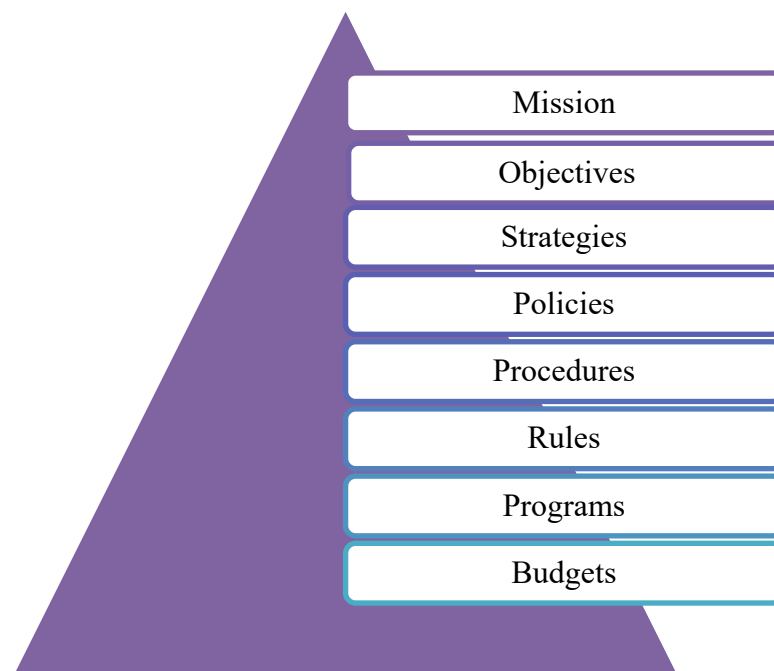
On the basis of the existing literature and survey (Yunus 2010, Drucker 1990, Kono 1994, Jager 2010) the assumptions of this research are as follows: the main hypothesis is that SBEs in Bangladesh state their mission, goals, objectives, and principles which are mostly related to developmental issues in the country and communicate those (mission, goals, objectives, and principles) to their employees, staffs, activists and volunteers and motivate them to adhere to this spirit of such goals, objectives and principles to achieve effectively their respective enterprise mission, goals and objectives. This research has five sub-hypotheses are as follows: 1) SB mission in Bangladesh substantively related to overcome poverty, or one or more problems (such as education, health, technology access, and environment) that threaten people and society, 2) SBEs positively emphasize indoctrination and communication of mission in Bangladesh, 3) SBE mission statement is relatively succinct, realistic, and current which emphasizes review of

mission, 4) SBE strongly motivates employee to work collectively and arrange activities to increase employee's morale and dedication, and 5) SBEs substantially make balance among short-term, intermediate, and long-term goals in view of mission and in particular focuses on long-term goals.

## II) General framework of mission statement

Koontz and Weihrich (1988) shows “the hierarchy of plans” (Figure 4) and confirm that mission stands first and then, gradually come objectives, strategies, policies, procedures, rules, programs, and budgets.

**Figure 4 : The hierarchy of plans**



Source: Koontz and Weihrich, 1988.

In general business mission concentrates on contribution to society, indoctrination and communication of business philosophy. Moreover, employees consider as partners in the business mission. In addition, mission statement balances multiple goals and emphasis on growth oriented initiatives. The major focuses of mission statement are as follows:

### a) Contribution to society

Business mission statement addresses the social role of the business, attempts to devote itself to society and determine its effects on society. It supports on innovative steps in the enterprises. It is found that if the enterprise is always concerned with profit, it focuses on competition at first

rather than innovation. Many big businesses have already influenced to earn profit first. In contrast, many Japanese business companies put emphasis on contribution to society and eventually, gets world recognition and success include Hitachi, Toyota, Canon, and Panasonic formerly known as Matsushita Electric Industrial Co. Ltd. to name a few.

#### **b) Indoctrination and communication of business philosophy**

Indoctrination refers the process of teaching to individual or a group of people to accept uncritically a set of beliefs. The clear communication of company missions and goals to the employees enhances their sense of identification with the enterprises. It also guides behavior in the desired direction. Business must have a clear statement of enterprise's mission and this mission is repeated all the time.

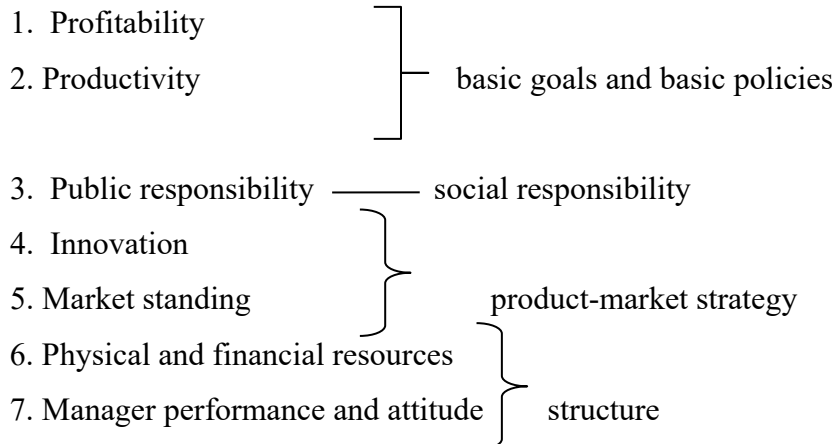
It is found that Grameen Bank practices "16 decisions" for their members' everyday in the morning meeting. These communication and indoctrination is not only practiced in the SB, many conventional businesses in particular Japanese business enterprises also firmly practise indoctrination and communication of the business mission. For example, Matsushita Electric Company in Japan arranged morning meeting everyday on every site, the company song is sung and the seven spirits are recited and one employee gave his or her opinion about the job to the assembly. Most of the successful Japanese business enterprises are much closer to Matsushita in practice.

#### **c) Employees as partners**

Business mission treated employees as business partners. The concept of Gemeinschaft (community organization) influenced businesses treat employees as partners. Gemeinschaft is like a family whose members are united by mutual love. On the other hand Gesellschaft is like only a profit making company where people exchange each other but without reward it will not work. SB is somewhat similar to Gemeinschaft because the company respects the welfare of its employees, giving them equal treatment, and in turn employees devote themselves willingly to the organization.

#### d) Balancing multiple goals

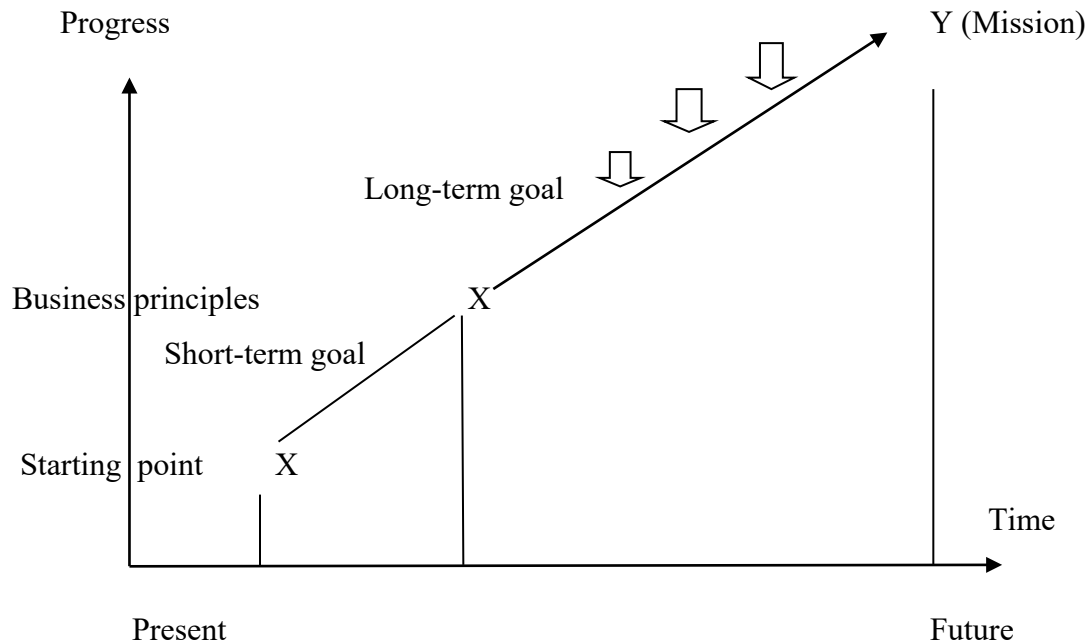
The goal of an enterprise is the direction in which the activity of the business should be aimed. The goal can be called objective, purpose and it is changeable. Drucker (1954) stated seven key areas and these seven areas can be grouped under four levels of goals:



Balancing multiple goals is necessary due to set the desired target sales amount, growth rate, and return on investment and among others. Long-term goals and budget are used as tools to attain a balanced of multiple goals.

In general, Japanese conventional businesses are more long-term goal oriented company in terms of product-market strategy in order to build capability and performance in the enterprises. Kono (1984) shows the relationship among business mission, strategy (business principles, spirits), short-term and long-term goals in Figure 5. Here, X indicates starting period of business and Y indicates where business wants to go in future through mission.

**Figure 5: The relationship among business mission, strategy (business principles, spirits), short-term and long-term goals**



Source: Kono (1984)

#### **e) Emphasis on growth oriented initiatives**

Growth has high priority in any businesses. The reason is that the growth of the enterprises is necessary to protect its market position, and maintain its relative competitive power. Growth-oriented enterprises are sensitive in relation to innovation and invest funds for the expansion of business facilities. Therefore, business mission always emphasizes growth oriented initiatives.

### **III) Characteristics of mission statement in SBEs of Bangladesh**

In their first stage, two visionary leaders namely, Fazle Hasan Abed the founder chairperson of BRAC and Muhammad Yunus the founder managing director of Grameen Bank introduced microfinance activities respectively in the rural areas of Bangladesh with a business mission of helping impoverished people who could not get access to the conventional banking system. Eventually, both organizations became familiar for their microfinance activities in the globe and this successful achievement led to the subsequent business concept in their second stage which was identified as non-profit business aimed to promote organizational sustainability. Later, in 2006, Muhammad Yunus developed the SB concept in Bangladesh and promote the idea that SB

has social mission. The characteristic features of mission statement in SBEs and how does it evolve in the society of Bangladesh are divided into three phases as follows:

**a) First phase:** at the beginning stage, microfinance played a role as common origin of BRAC and Grameen Bank initiatives. Both organizations were set up in response to crises just after the independence war of Bangladesh. In 1972, Fazle Hasan Abed left a well-paid job in London and backed to Bangladesh to help in returning war refugees and established BRAC. Initially, BRAC was named as Bangladesh Rehabilitation Assistance Committee and Abed and his team focused on post-liberation development. Within couple of years when refugees' scenario changed in a positive way, BRAC introduced its organizational name as Bangladesh Rural Advancement Committee and started to work with the mission of rebuilding the remotest villages where government aid was unable to reach. During this stage, BRAC was transformed from a short term emergency initiative to a long-term development organization.

On the other hand during the Bangladesh famine of 1974, Muhammed Yunus returned from the USA and started to work as head of the economics department at Chittagong University and found himself increasingly disillusioned with the disconnect between book learning and the abject poverty surrounding him in Bangladesh. He found that impoverished people are unable to qualify for loans through the formal banking system. Instead, the destitute could borrow money from local money lenders by accepting exorbitant interest rates. Yunus confronted the system, he took it upon himself to try and prove that the poor are extremely good credit risks by providing a loan of \$27 from his own pocket to 42 women to a small village community near Chittagong University. It was an experimental university financial research project which was initiated by Yunus in 1976. Yunus found that even tiny amounts of capital women invested in their own capacity for income generation and repaid the entire loan. This research project turned into a bank in 1983, today which is well known as Grameen Bank.

The Grameen Bank started its journey with a mission by providing comprehensive financial services, empowering the poor to realize their potential and break out of the vicious cycle of poverty. Grameen Bank has developed unique inclusive financial products and services, own criteria of targeting beneficiary and a system of credit delivery and recovery along with training and technical assistance. Grameen Bank has a revealed preference for the poorest women. It regards women as the effective agents of greater family welfare and social change. Not

surprisingly, repayment rates for Grameen Bank are as high as 97% on average. Eventually, the Norwegian Nobel Committee awarded the Nobel Peace Prize for 2006 to Professor Muhammad Yunus and Grameen Bank for their efforts to create economic and social development.

Simultaneously, Bangladesh made impressive progress in healthcare with the support of BRAC and reached Millennium Development Goals (MDGs) in terms of maternal and child health and a major part of this success are due to BRAC's health, nutrition, and population programs which work with a mission to improve reproductive, maternal, neonatal, child health and nutritional status, reduce vulnerability to communicable diseases, combat non-communicable diseases, and enhance the quality of life. "One of our goals was to reduce child mortality in Bangladesh by half" said Abed (2008). "In the Bangladesh of 1979, 252 in every thousand children born died before their fifth birthday and 136 of these died before their first. We focused on eradicating diarrhea, the biggest killer in Bangladesh at that time." He added that "There were many challenges such as uncalibrated containers to measure ingredients. Every household had utensils of varying sizes. We solved this problem by making marks on utensils in every household and explaining to the mothers how much of each ingredient had to be mixed. In fact, potable water was another challenge which could potentially make the medicines fatal rather than curative. BRAC painstakingly taught every mother to use only boiled water for these purposes." Moreover he stated that "BRAC went to every household in Bangladesh and that is what gave us the confidence that we could do anything." Today Bangladesh ranks highest in the use of oral rehydration therapy amongst developing countries. BRAC jointly works with the government of Bangladesh to promote universal immunization of children by supporting state-sponsored programs. In Bangladesh today, for every 1000 children born, 78 will not survive beyond the age of five, and 62 will die in their first year, a phenomenal improvement compared with 1979 (Singapore Management University, 2008).

Not only healthcare issue, Bangladesh also made significant progress in poverty reduction, promoting universal primary education, raising education in particular female education, improving nutrition levels, family planning and population control. Despite global recession, Bangladesh GDP growth rate has been over six percent in the last ten years. The World Bank researched on this "development conundrum", mentioned huge key factors including an active civil society and strong partnership between government and NGOs.

**b) Second phase:** as a development organization BRAC and Grameen Bank initiated non-profit business in their second stage with a mission to achieve organizational sustainability and decrease donor dependency. These non-profit business mission focus on profit and profit will use for business expansion, owner cannot receive business profit which is distinctly different from non-profit business in the globe. During this stage, Bangladesh also turned into industrialization and the ready-made garment (RMG) industry has been growing very fast in Bangladesh since the 1980s. Most of the employees in the RMG sectors are women. Consequently, a large number of poor women preferred to work in the RMG industry rather than borrowing money from the BRAC or Grameen Bank. In this situation, BRAC and Grameen Bank concentrated on creating employment opportunity through the nonprofit business expansion.

Some nonprofit businesses of BRAC including i) BRAC seed and agro enterprise established in 1972 with the mission of supplying good quality agricultural products, perfect productions, and post-harvest technologies to increase production and decrease post-harvest losses to generate surplus for poor and marginal farmers ii) BRAC fisheries founded in 1976 with the mission of post war rehabilitation for unemployed people and make opportunities income generation, iii) BRAC sericulture initiated in 1978 with a mission to support income generating activities for impoverished women in Bangladesh, iv) Aarong established in 1978 with a mission to support silk farming for impoverished women in Bangladesh, and v) BRAC Cold Storage founded in 1980 with the mission to provide better maintenance and quality of stored products, in particular storage of potatoes.

Some nonprofit businesses run by Grameen Family of Companies are as follows: i) Grameen Agriculture Foundation established in 1991 with a mission of experimentation and training to improve agricultural practices and output, ii) Grameen Phone founded in 1996 with the mission of promoting tele-communication service in the village area of Bangladesh, iii) Grameen Products initiated in 1996 with a mission to put emphasis on domestic sales and export of Grameen check handloom fabrics, handicrafts, and products, iv) Grameen Energy established in 1996 with the mission of renewable energy sources for rural Bangladesh, and v) Grameen Knitwear Limited founded in 1997 with the mission of manufacturing knitted fabrics for export.

Later, BRAC and Grameen Family of Companies introduced these nonprofit businesses as SBEs and set these nonprofit businesses within the framework of SB in Bangladesh.



**c) Third phase:** After receiving Nobel Peace Prize in 2006, Muhammad Yunus promoted non-loss, non-dividend SB concept in Bangladesh and stated that SB has a social mission which aims to solve social problems such as poverty reduction, health hazard, illiteracy, environmental pollution, and access to technology to name a few. At first Yunus introduced a SB named Grameen Danone Food Ltd. started its journey in collaboration with Danone Group (France) in 2006. Grameen Danone found the social problem is that malnutrition in children among the poor families of Bangladesh and started to work with a mission to provide nutritional yogurt (Brand name Shokti doi) for the Bangladeshi children using a SB model. Despite many challenges, Grameen Danone maintains strict quality control for the Yogurt. Currently, John Hopkins researched on the kids who are consumers of the Grameen Danone Food Ltd. and found better performance on cognitive test and greater height and mid-arm circumference. Later, most of the non-profit business of Grameen family of companies set up as SB by following corporate laws in Bangladesh. At the same time, BRAC introduced their non-profit business as home grown SBs. The details about corporate laws related to SB and how SB fund is managed are given in chapter 4: section 3.

In their third phase, BRAC introduced its organizational name Building Resources across Communities (BRAC) and declared a five-year strategic plan (2016-2020). Today, BRAC works with a mission to empower people and communities in situations of poverty, illiteracy, disease, and social injustice. BRAC's interventions aim to achieve large-scale positive changes through economic and social programs that enable women and men to realize their potential. BRAC noticed that right now rising inequality is the most pressing social challenge in the society of Bangladesh. Against this backdrop BRAC set the following overreaching goal: "in the next five years BRAC will empower 20 million of the most underserved and disenfranchised women and men to gain greater access to and have more control over resources, decisions, and actions, while continuing to maximize opportunities and expand services for the unmet needs of the 120 million people that BRAC already reach." (BRAC annual report 2015).

To achieve this goal BRAC will make the following changes in the area of programming, financing, and organizational focus. First of all programming: i) eliminate extreme poverty in Bangladesh by 2020, ii) financially empower people living in poverty, iii) skills and decent work for underprivileged women and men, iv) resilience to climate change and emergency response

capacity, v) gender equality, vi) pro-poor urban development, vii) universal health care access and improved nutrition, and viii) invest in the next generation through early childhood and improved education quality. Secondly, financing: i) BRAC social development programs will increasingly adopt social enterprise models. Five programs will be the initial focus, namely, health, education, skills and employment, migration and human rights and legal services. More sophisticated targeting mechanisms will be introduced with diversified financing options (free, subsidized, fee based and among others) available for different economic groups, ii) a proactive fundraising strategy will be devised with a focus on new, diversified channels such as philanthropy and CSR, iii) BRAC microfinance program will contribute a portion of their surplus to support other social development programs. Thirdly, organizational focus: i) develop management and business development capacity, ii) increase efficiency of structures and possesses and leverage greater use of data for decision making, iii) increase influence through knowledge and evidence-driven advocacy and strategic partnership, iv) strengthen and align support programs, and v) develop mechanisms to strategically support and leverage BRAC international and other BRAC institutions more systematically. (BRAC annual report 2015).

Like BRAC, Grameen Family of Companies also have five year strategic plan. Today, BRAC and Grameen Bank concentrate on the second generation of the BRAC and Grameen Bank members respectively. Both organizations support their second generation by providing primary to higher education, vocational training, giving scholarship, creating employment opportunity and among others. Not only spreading universal primary education, over the year BRAC University plays a crucial role to promote advanced research and higher education in Bangladesh. Similarly, Grameen Caledonian College of Nursing aims to promote women education and employment opportunity in Bangladesh. In addition, currently, both organizations put emphasis on Information Technology (IT) and Information and Communication Technology (ICT) development.

Despite many difficulties, Bangladesh has made impressive strides in social and economic development over the past couple of decades. In 1990, the proportion of its population living in poverty was nearly 10 percent higher. Steady economic growth of 6 percent annually together with relatively low inflation has helped to ease poverty, mostly in rural areas. The population growth rate declined from 2.5 percent in the 1980s to 1.7 percent in the 1990s and into the new

millennium. In the education sector, the gains are equally outstanding. For example, gross primary enrollment increased from 72 percent in 1980 to 98 percent in 2001, and gender disparity in primary and secondary enrollment has been eliminated, thus reaching millennium development goals (MDGs). These achievements because of the collective efforts of the government and development partners at the grass root level. Today, government and development organizations are jointly targeted to achieve the global sustainable development goals (SDGs), which expanded on the millennium development goals (MDGs) in 2015. (Singapore Management University, 2008).

In the 45 years since Bangladesh gained independence, the country has not only emerged from war but has made significant strides both social and economic fields. Here, as development organizations BRAC and Grameen Bank plays an outstanding role through their immense performance. In 1972, BRAC started its journey to help in returning war refugees and later turned into a development organization and focused on post-liberation development through microfinance activities while in 1974 Muhammed Yunus initiated a research project to experiment that the poor are extremely good credit risks by providing a loan of \$27 from his own pocket. Later, in 1983, this research project introduced as a bank named Grameen Bank. In their second phase, BRAC and Grameen began to run non-profit businesses in order to achieve organizational sustainability, and create more employment opportunity. Eventually, these non-profit businesses introduced as a non-loss, non-dividend SB in 2006.

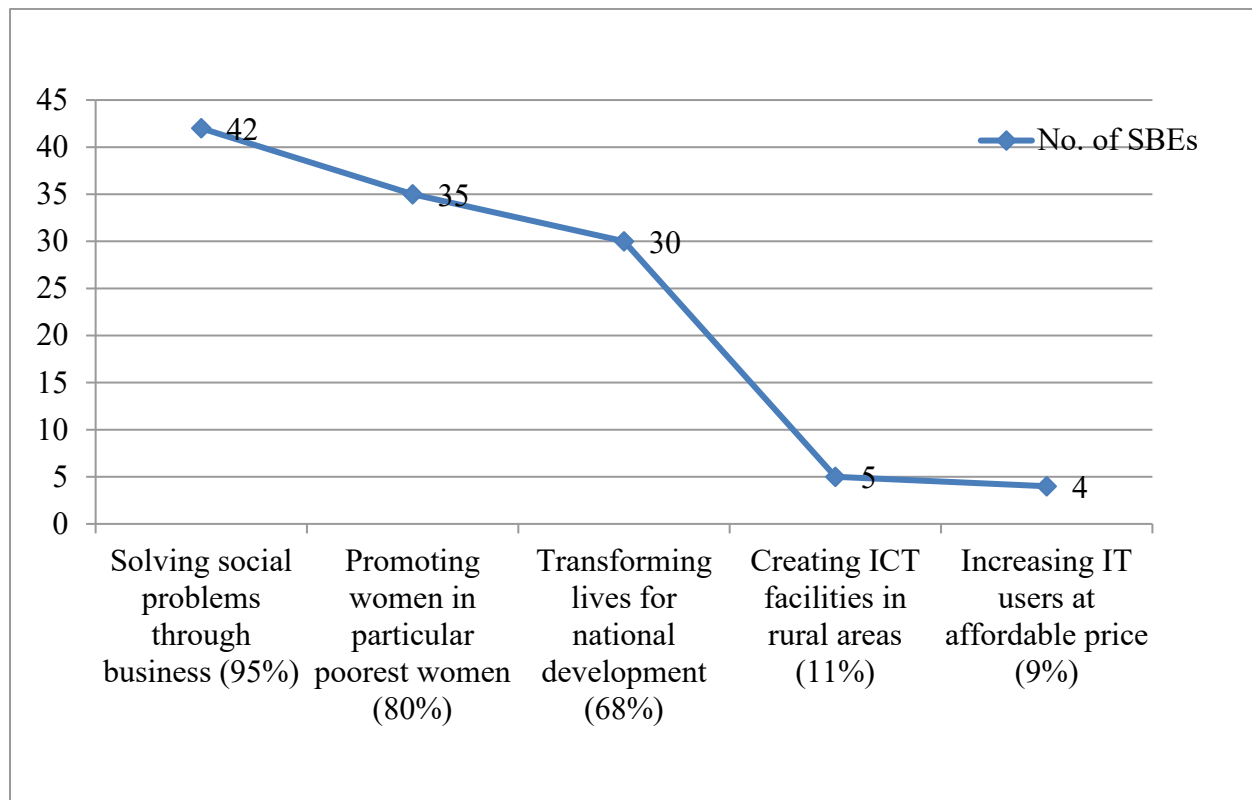
#### **IV) Research method and organization**

In order to achieve research objective an unstructured interview was conducted in March 2017. A mixed method-qualitative and quantitative analysis is used to analyze and interpret research data in which tried to find out the level of frequency in each item and then calculated percentage. Finally, a quantitative inference is used to determine the various components which make up the mission statements of SBEs in Bangladesh and identify their business performance. In addition, to comprehend research findings the study brought many related cases of SBEs by using qualitative method.

## V) Data analysis and interpretation

The findings of this research are as follows: First of all, the study addresses topic of mission statement in SBEs and the research findings showed that 95 percent of SBE's mission focused on solving social problems such as education, health, poverty, environment, unemployment among others.

**Figure 6: Topic of mission statement in SBEs**



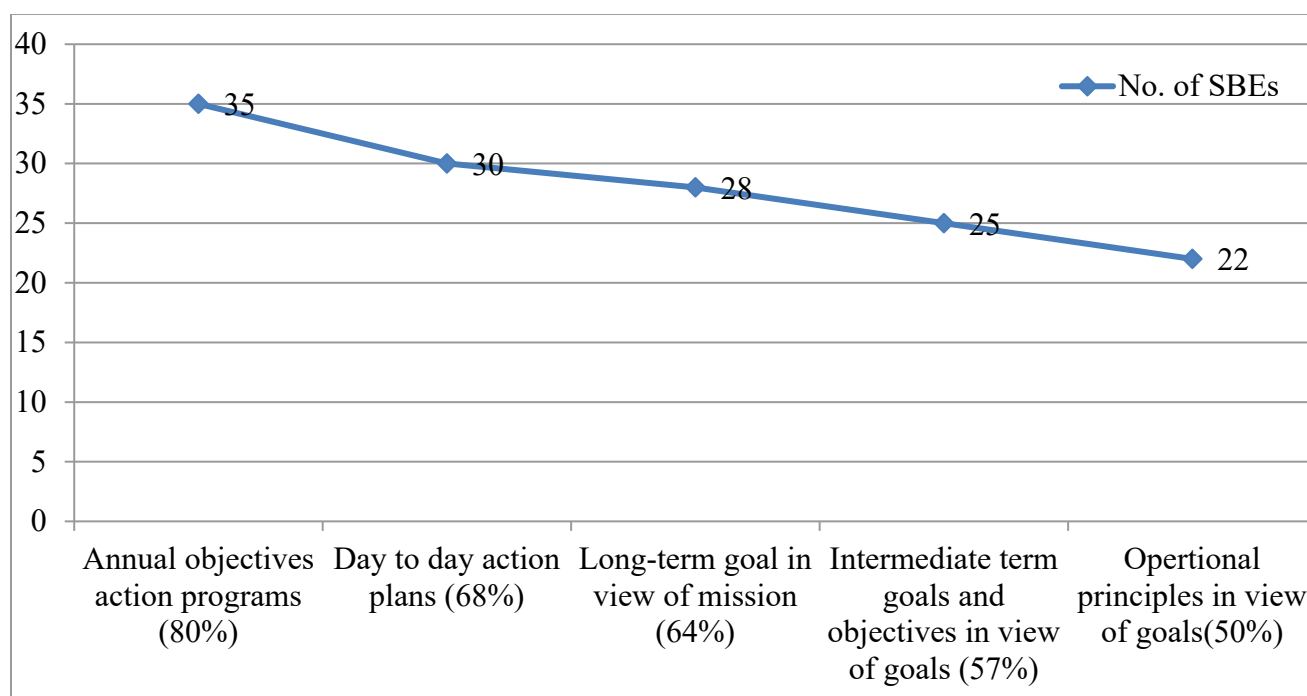
SB strongly works for the vulnerable groups in one society. Therefore, it is found that 80 percent SB is focused on woman in particular poor woman. In Bangladesh poor village woman or girl is the most vulnerable group of the society due to gender inequality. SB promotes poor village woman by giving education, health service, employment, stop early marriage and among others.

Moreover, the findings of this research are that SB is also interested in transforming lives of individuals, families, villages, and communities for national development and the result showed that 68 percent SB works for community development issues for transforming lives of the poor and it is found that significant progress has been made in social development issues, promoting

universal primary education, raising nutrition levels, and improving family planning and population control in the society of Bangladesh.

The result shows that Information and Communication Technology (ICT) and Information Technology (IT) are less prioritized in the SBEs of Bangladesh. Only 11 percent SB engaged in the ICT development activities and 9 percent SB focused on IT sectors. It is found that after the independence war of Bangladesh, all development organizations stand for poverty alleviation create opportunity for employment, health services, education in their first phase. Today, Bangladesh is classified as a lower middle-income country and on track to become a middle-income country. In this stage, SB is realized if the present economic growth continues more focus on ICT and IT sectors will help to promote infrastructure development, spread globalization, and bring ‘efficiency’ in the system. Therefore, SB is initiated ICT and IT facilities to the people of Bangladesh in their second stage. It is hoped that today, SB focuses on rapid growth of ICT and IT sectors and SB will overcome the problem of lack of technology within few years.

**Figure 7: Multiple goals of mission statement in SBEs**

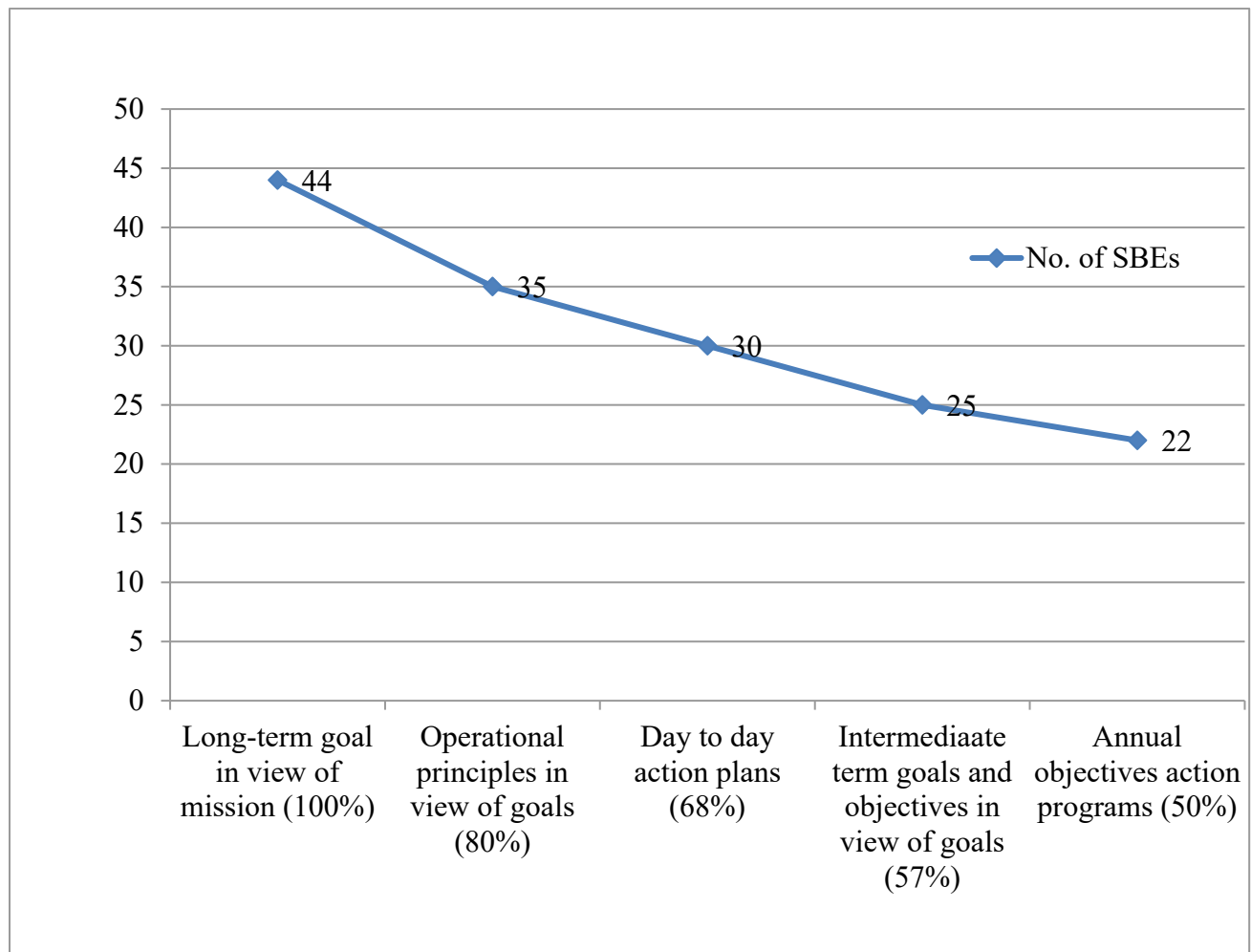


Here, the study emphasizes multiple goals of mission statement in SBEs. The research is selected five options for this topic and result showed that highest frequency 80 percent SBEs

emphasized annual objectives action programs and 68 percent SBEs focused on day to day action plans. Moreover, 64 percent enterprises gave attention to long-term goal in view of mission and 57 percent concentrated on intermediate term goals and objective in view of goals. In addition, 50 percent SBEs pointed out operational principles in view of goals.

The understandings of this research are that in general SB prefers to figure out long-term goal which include five-year plan. However to achieve this five-year plan successfully the majority of the enterprises (80 percent) work for annual objective action programs. The goal of an enterprise is the direction in which business activities are motivated and moved on the purpose. However, business goal is changeable and always growth oriented. Balancing multiple goals is necessary due to achieve desired profit, return on investment or market share

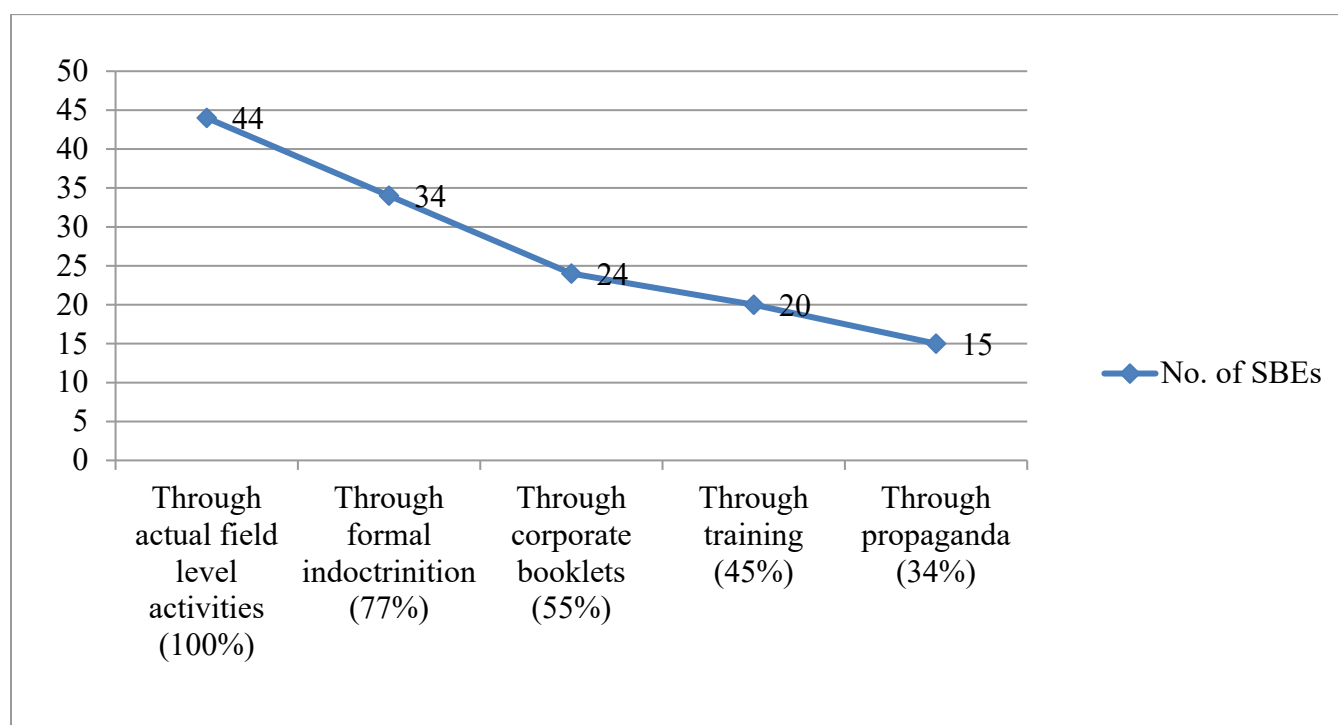
**Figure 8: Translate mission into action**



The figure addresses the issue how mission is translated into action in SBEs of Bangladesh and the research result showed that 100 percent SBEs emphasized to translate mission into action as long term goal in view of mission. In addition, it is found that 80 percent SBEs focused on operational principles in view of goals and it is interesting that SB emphasizes operational principles when they translate mission into actions. Moreover, the study is found that 68 percent SBEs focused on day to day action plans, 57 percent SBEs targeted on intermediate term goals and objectives in view of goals, and 50 percent focuses on annual objectives action programs.

Operational principles in view of goals are very important when SB translates mission into action. It is found that Grameen Bank became very successful due to its operational principles and day to day action plans. In general, it is found that SB emphasizes at least five-year plan to earn profit from the business. Therefore, most of the SB practices long-term goal in view mission.

**Figure 9: Communication of mission**

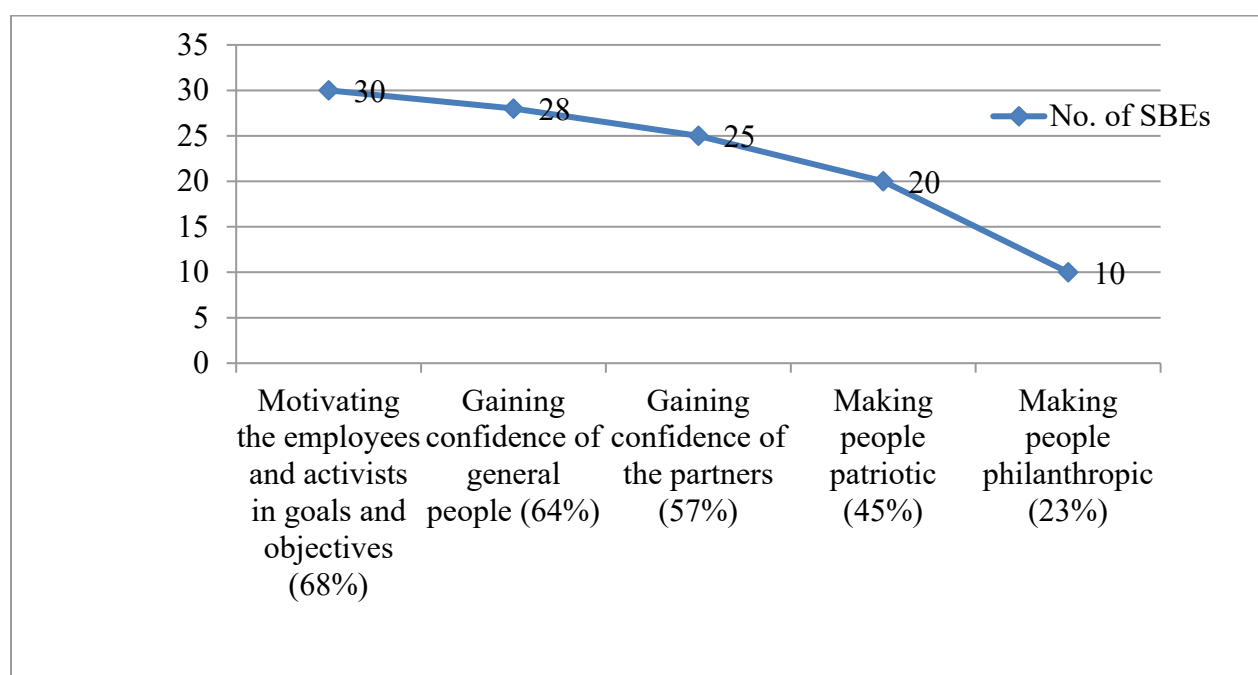


This topic points out how SBEs communicate their mission to all stakeholders and the research found that all SBEs gave priority to actual field level activities (100 percent). On the other hand 77 percent SBEs focused on formal indoctrination, 55 percent SBEs gave priority to

corporate booklets, 45 percent SBEs focused on training, and 34 percent SBEs communicated mission through propaganda.

It is found that SB is directly engaged with the field level activities and well connected to all stakeholders. Therefore, SB prefers for communicating its mission through field level activities. Indoctrination also plays crucial role to communicate mission of SBs. As mentioned before, Grameen Bank practices “16 decisions” for their members every day in the morning meeting. The clear communication of business missions and goals to the employees enhance their sense of identification within the enterprises. It also guides desired direction to run on a business.

**Figure 10: Major focuses of mission statement**



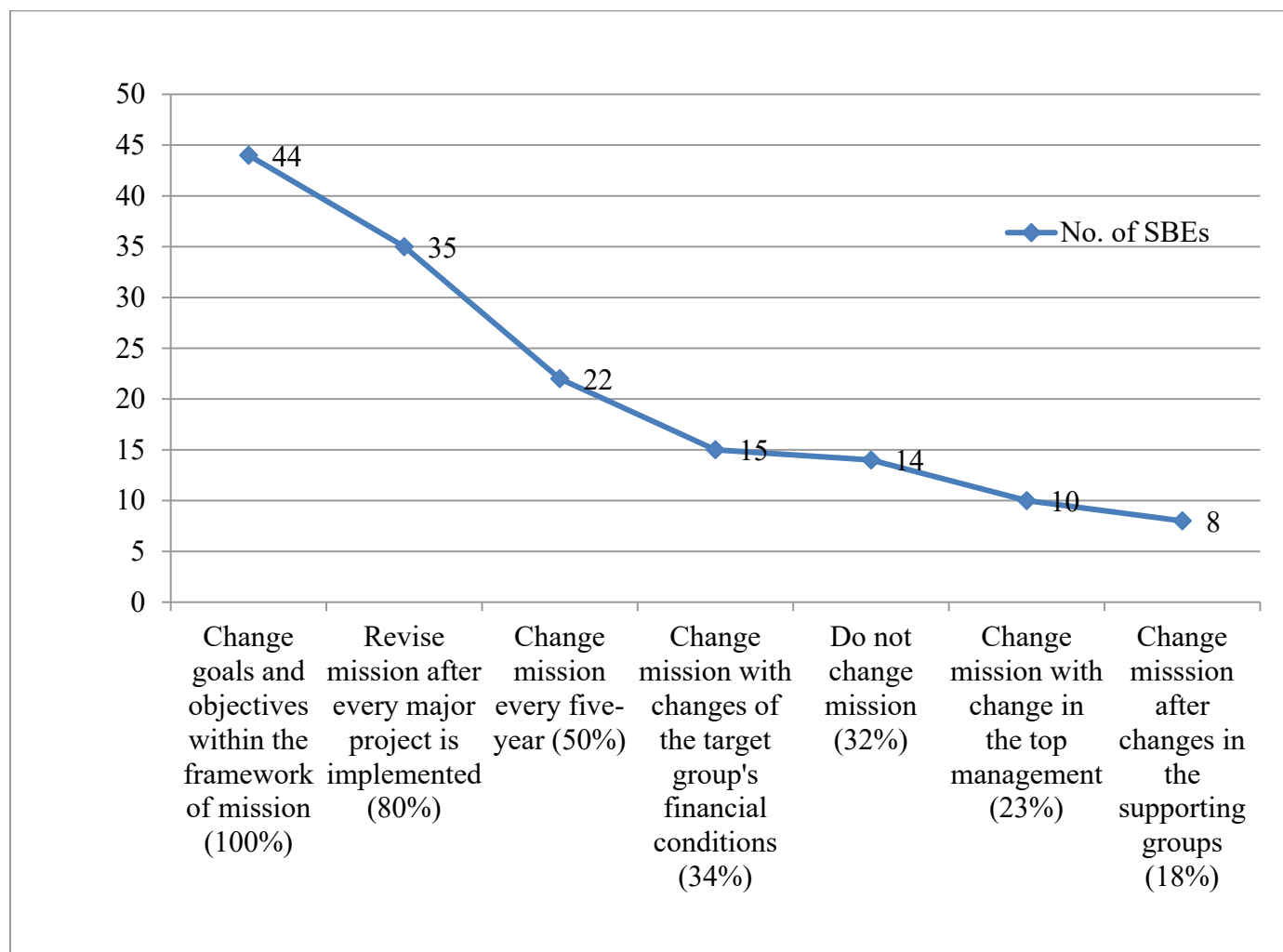
This topic addresses major focuses of mission statement. To understand this topic research has five options and the research result showed that 68 percent enterprises motivating the employees and activists in goals and objectives through mission statement, then, 64 percent SBEs focused on gaining confidence of general people, after that, 57 percent SBEs concentrated on gaining confidence of the partners, moreover study found that 45 percent SBEs worked for making people patriotic and 23 percent enterprises emphasized making people philanthropic.

The highest frequency of 68 percent SBs focused on motivating the employees and activists in goals and objectives through mission statement. It is found that SB arranges many activities



such as team work, training, seminars, workshops, for motivating employees to work for achieving enterprise's goals and objectives through mission statement. On the other hand the lowest frequency 23 percent SBEs focused on making people philanthropic. However, BRAC and Grameen SBs confirm that SB is not a philanthropic activity in any sense. SB is a profitable business. However, SB is fully devoted to the best for the people and planet. In that sense, 23 percent SBEs have chosen the option making people philanthropic.

**Figure 11: Review of mission**

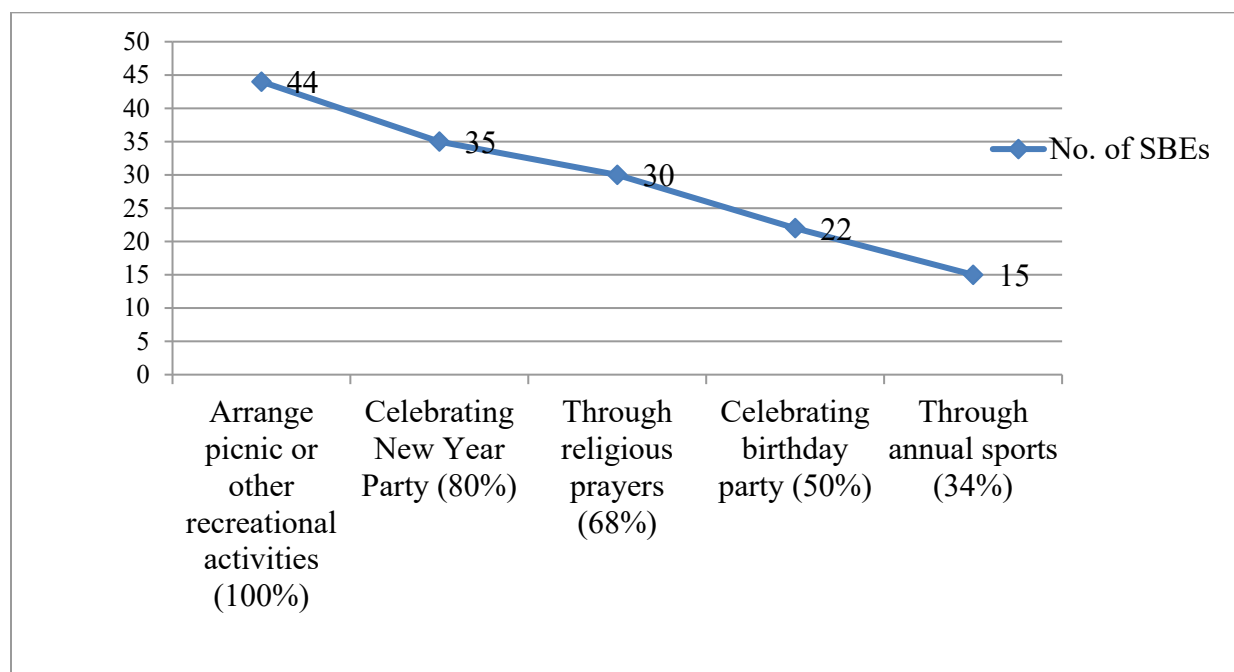


This topic addresses review of mission in SBEs and the result is found that 100 percent SBEs changed goals and objectives within the framework of mission, 80 percent SBEs revised mission after every major project is implemented, 50 percent SBEs changed mission every five-year, 34 percent SBEs changed mission with changes of the target group's financial conditions, 32

percent SBEs did not change mission yet, 23 percent SBEs changed mission with change in the top management, and 18 percent changed mission after changes in the supporting groups.

It is found that change goals and objectives within the framework of mission is the highest priority in the SBEs. The reason is that SB is a relatively new concept in Bangladesh. Therefore, SB prefers to change goals and objectives to reach the enterprise's mission. Moreover, it is found that 32 percent SBEs do not change their mission until now. If necessary, these enterprises only change their vision, objectives, and goals.

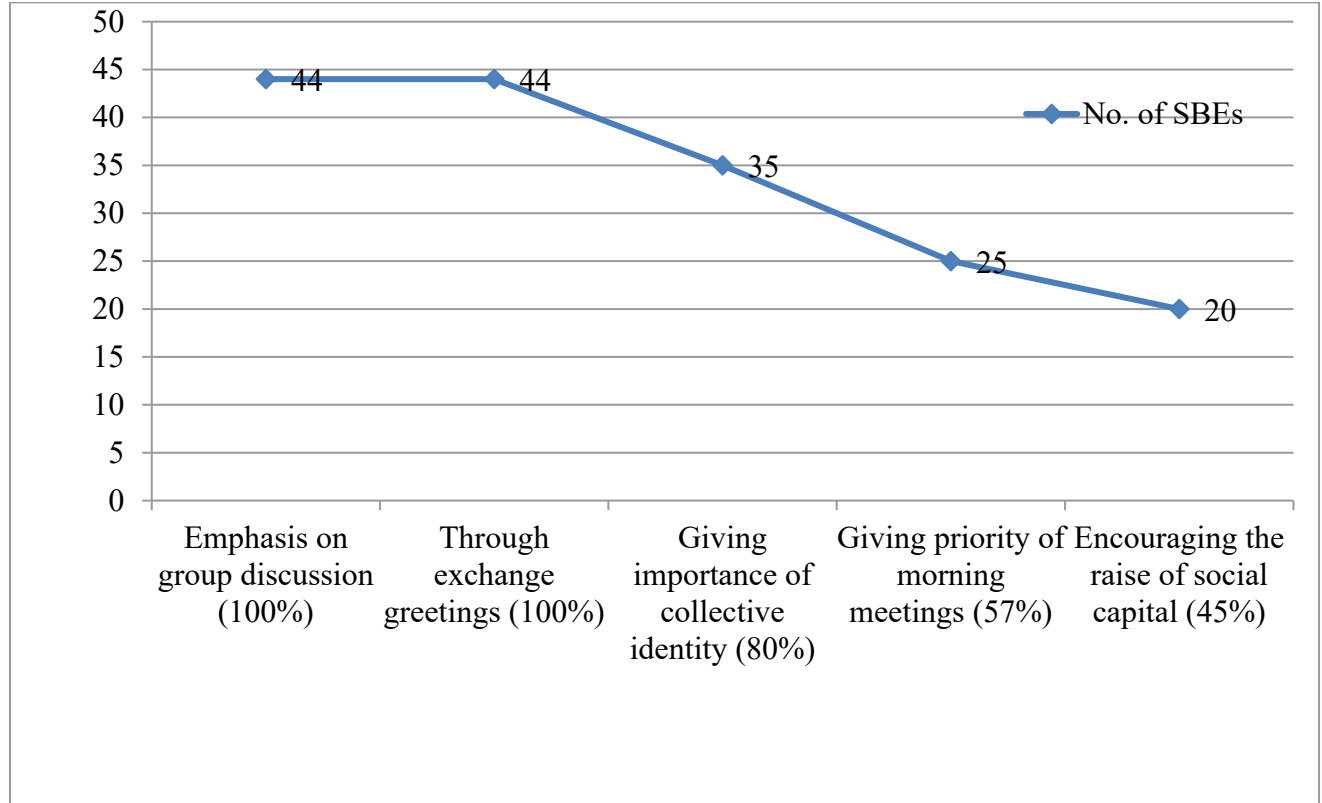
**Figure 12: Activities to increase employee's morale and dedication**



This item addresses activities to increase employee's morale and dedication and the result shows that 100 percent SBEs arranged yearly picnic, or other recreational activities such as cultural program, celebration of Bangla New Year, Victory Day and Independence Day of Bangladesh and among others. Currently, New Year celebration is also very popular within the enterprises and result shows that 80 percent emphasized celebrating New Year party. Religious prayer considers as an important component of improving employee's morale and dedication to the enterprises and 68 percent SBEs focused on this issue. 50 percent SBEs addressed celebrating birthday, in particular the founder of BRAC and Grameen Bank and many employees of SBEs celebrates their colleague's birth day as well. The research is also found that 34 percent

SBEs also arranged annual sports to increase employee's morale and dedication to the enterprises.

**Figure 13: Motivating employees through collective work**



This topic emphasizes how mission motivates employees through collective works and the result showed that 100 percent SB emphasized exchange greetings and group discussion to motivate employees through collective work. 80 percent SBEs gave importance of collective identity. In addition, 57 percent SBEs prioritized morning meetings, and 45 percent SBEs encouraged the raise of social capital to motivate employees through collective work.

The highest priority is given to the exchange of greetings and group discussion for motivating employees through collective work. Exchange greetings consider as “ice break” session in the working place and it is well-known that the outcomes of the group discussion are always bring better solution in any problem. Moreover it is found that 45 percent SBEs encourage the raise of social capital within the enterprises. Social capital promotes network, norm, and trust among the employees which is strongly motivating employees through collective works.

## **VI) Discussion of the findings**

To comprehend characteristics of mission statement in SBEs through the research findings it is found that 95 percent SBEs put emphasis on solving social problems (such as education, environment, health, unemployment, poverty to name a few) in their business mission, goals, objectives, and principles. They deal with multiple goals whereas 80 percent focuses on annual objectives action programs. All samples (100 percent) translate mission into action through long term goals in view of mission. Moreover, it is found that 100 percent SBEs concentrated on field activities for communication of mission. Furthermore, a highest number 68 percent SBEs concentrated on motivating the employees and activists in goals and objectives. In addition, the entire samples change goals and objectives within the framework of mission in terms of review of missions. Apart from this, to increase employee's morale and dedication all samples arrange picnic or other recreational activities and it is also found that exchange of greetings and group discussion are highly priority (100 percent) for motivating employee's collective work. The main hypothesis and sub-hypotheses are authenticated by the research results.

In order to understand the difference of business mission statement in between CB and SB the study will focus on the case of Grameen Phone (GP) in Bangladesh: linking every village to the world. In 1996, the Grameen family of companies took a new initiative for IT facilities to the village poor by engaging with Telenor of Norway and launching mobile phone company named Grameen phone (GP). The company started operations on March 26, 1997. Initially, Telenor enlisted their business in Bangladesh as a non-profit company which was intended to establish as a SB. However, in 2007, GP became the largest tax generating company in the country and converted itself to a public limited company. The reason is that Telenor earns profit from GP which is established as a non-profit company registered under the section 28 of the Company's Act in Bangladesh but unwilling to leave profit to Grameen family of companies. According to GP annual report 2016, the shareholding structure of GP consists of major two sponsor shareholders as Telenor mobile communications 55.80 percent, Grameen Telecom 34.20 percent. The rest 10% shareholdings include general public 2.42 percent, foreign 2.40 percent and other institutions 5.18 percent.

It is evident that, though GP does not change their mission, values, goals, business products, and business activities they offer to customers, only high equity of share marginalized GP as a

conventional business (CB) in Bangladesh. Furthermore, Grameen family of companies or Bangladesh government did not take any legal steps against Telenor due to a large number of people are benefited through GP services. Over the years, GP is the largest tax payer leading mobile phone operator in the country and GP network covers 99.5 percent of the Bangladeshi population as of annual report 2016. The case of GP helps to understand the concept SB in Bangladesh.

SB mission emphasizes social impact of the businesses. Social impact refers a tangible solution that has the potential to improve millions of lives. For instance, SB can promote access to technology in the rural areas to reduce the digital divide and enable the unreached rural community to reach the basic social needs. Global Communications Center (GCC) joint research initiatives of Grameen Communications and Kyushu University in Japan in collaboration with many Japanese companies such as NTT, Toyota, OMRON, Grameen Yukiguni Maitake Ltd, Japan International Cooperation Agency (JICA), and Hitotsubashi University. Some SB projects of GCC and their missions are as follows:

**Table 5: Some SB projects of GCC and their missions**

<b>Name of SB project</b>	<b>Mission</b>
Gram Web (NTT and Kyushu University)	One village One Portal
Gram Agri (YukiguniMaitake Ltd, JICA)	To establish ICT based farming and monitoring support (IFMS) system in the rural areas
Gram Health (OMRON)	Aims to establish technical advancement of telemedicine with preventive health care system through Portable Health Clinic and Virtual Blood Bank
Gram Car (Toyota)	To provide social services on wheels
Gram Clean (JICA)	To work for School Waste Management Program
International Researchers Opportunity program (IROP) a joint initiative of Kyushu University and Hitotsubashi University.	To create research opportunity, workshop, and Meetings, set up the solution, builds type II SB model for Bottom of the Pyramid (BoP) countries.

The findings showed that the major characteristics of SB mission statement are as follows: i) SB is a non-loss, non-dividend business, ii) SBEs have social mission which aims to solve social problems, iii) it is evident that indoctrination and communication is an important term of SBEs in Bangladesh, iv) SBEs are interested in review of mission and found that change goals and objectives within the framework of mission are the way of review of mission, v) SBEs give put emphasis on collective works and cooperates with the group work in the field level activities, vi) SBEs arranges activities (picnic, New Year Party, religious prayer, birthday celebration to name a few) to increase employees morale and dedication, vii) SBEs focus on long-term goals in particular 3 to 5 years goal and makes balance among short-term, intermediate, and long-term goals.

SB mission strongly concentrates on employee's identification and empowerment in particular women empowerment. It is found that SBEs tries to indoctrinate all stakeholders through mission. Grameen believe that human beings are not only borrowers, entrepreneurs or customers, also parents, family members, friends and neighbor as well. As members of society, they are also concerned with the well-being of their communities and families. For that reason, Grameen encourages its members to target social goals regarding health and education. To achieve these social goals, Grameen members pledge to follow decisions selected by Grameen authorities before they start work in the morning. These decisions are known as 'sixteen decisions' are as follows:

- 1) The four principles of Grameen Bank are Discipline, Unity, Courage, and Hard work- we shall follow and advance in all walks of our lives, 2) we shall bring prosperity to our families, 3) we shall not live in dilapidated houses, we shall repair our houses and work towards constructing new houses as soon as possible, 4) we shall grow vegetables all the year round, we shall eat plenty of them and sell the surplus, 5) during the plantation season, we shall plant as many seedlings as possible, 6) we shall plan to keep our families small, we shall minimize our expenditures and we shall look after our health, 7) we shall educate our children and ensure that they can earn to pay for their education, 8) we shall always keep our children and the environment clean, 9) we shall build and use pit latrines, 10) we shall boil water before drinking or use alum to purify it and we shall use pitcher filters to remove arsenic, 11) we shall not take any dowry at our sons' weddings, neither shall we give any dowry in our daughters' weddings

and we shall keep the center free from the curse of dowry, we shall not practice child marriage, 12) we shall not inflict any injustice on anyone, neither shall we allow anyone to do so, 13) For higher income we shall collectively undertake bigger investments, 14) we shall always be ready to help each other, if anyone is in difficulty, we shall all help, 15) if we come to know of any breach of discipline in any center, we shall all go there and help restore discipline, 16) we shall take part in all social activities collectively (Yunus 2008, pp.58-59).

By following these sixteen decisions strictly, Grameen employees, staff, and activists already brought positive social change into their daily life. These sixteen decisions encourage almost all Grameen Bank members to educate their children through schooling. The Grameen Bank is trying to properly use of social capital to make a strong bondage between lenders and borrowers so that borrowers never feel that they are alone in their society. Therefore, the Grameen Bank always says ‘we’ not ‘I’ which brings strength for them.

SB sets long-term goals for achieving its social mission. Yunus Center (2016) confirmed that SB emphasis on following issues related to achieve long-term goal i) setting the right goal and vision by addressing a social problem in service. ii) profit is necessarily a function of sustainability and not a primary objective of the business. iii) three to five year operational plan, and iv) some cross subsidization to ensure overall objective is reached.

It is also found that non-loss, non-dividend SB encourages true partnership, sharing of talent, expertise and enthusiasm of both organizations. Involvement with joint venture partners does not mean that one is running the show and other party just ‘signing on’ to gain public relations credit. Joint venture SB in Bangladesh promotes the concept is that SB is not for enhancing a company’s prestige, it is for working on real social problems that cause great sufferings.

On the other hand, BRAC maintains a collaborative network among the development programs, SBEs, and investments which is familiar as BRAC model and concentrates on the organizational mission is as follows: “to empower people and communities in situations of poverty, illiteracy, disease, and social injustice. BRAC interventions aim to achieve large-scale, positive changes through economic and social programs that enable women and men to realize their potential”, (BRAC annual report 2015).

BRAC values innovation, integrity, inclusiveness, and effectiveness. BRAC SBEs put emphasis on innovation in order to create opportunities for the poor. It values integrity due to

bring transparency and accountability in all financial dealings of the enterprises. It is also committed to inclusiveness to ensure that they are engaged, recognized, and helped all members of the society regardless of race, religion, gender, nationality, ethnicity, age, physical, or mental ability, socio economic status, or geography. In addition, BRAC SBEs give value on the effectiveness in order to perform better and improve the impact of the BRAC interventions.

BRAC SBEs promote the concept “surplus for sustainability, profit for the poor”, (BRAC SBEs booklet, 2012). Despite its unique model and integrated operations, BRAC achieves five distinctive advantages through its enterprises namely, i) synergy in addressing social needs, ii) cross-collaboration for greater social impact, iii) cross-subsidy to support development work, iv) continuous innovation to address market gap , and v) holistic support for entrepreneurs. BRAC SBEs began as support mechanisms for the BRAC development programs. The surplus generating model of BRAC SBEs allows for 50 percent of the financial surplus or “profit” from the enterprises to help fund BRAC’s development programs and the remaining 50 percent is reinvested in the enterprises (BRAC SBEs booklet, 2012).

## **VII) Conclusion**

The objective of this section is to find out the various components which make up the mission statements of SBEs and identify their business performance. In order to achieve this objective the study focuses on eight characteristics features of mission statement and attempts to identify how does SB mission evolve in Bangladesh. Initially, BRAC and Grameen family of companies worked as a non-profit organization and initiated microfinance activities with a business mission to lift up life of the impoverished people in particular focused on rural women. When both organizations earned profit from the microfinance activities then in their second stage, they started to do nonprofit businesses with a mission to decrease donor dependency from the organization. Eventually, in 2010 Yunus declared this nonprofit business as SB through his non-loss, non-dividend theory. Yunus (2010) mentioned that SB has social mission and this mission strongly focuses on contribution to society. SB works for solving social problems.

Briefly, human beings are naturally intended to do better for their fellows and create a world without poverty, illiteracy, disease, ignorance and needless sufferings. Therefore, people donate billions of dollars to charity, to launch NGOs, and non-profit organizations (NPOs), to work as a volunteer for community development activities or even dedicate their careers to social services



as a low paid worker. It is evident that business mission statement encourages and motivates business stakeholders for outstanding performance that is positively influence to others and it is also found that mission statement guide the resource allocation process in a way that produces consistency and business focus (Bart 1997).

## Chapter 4: Examination of SBEs Management Practices in Bangladesh

### Section 2: CSR in SBEs

#### I) Introduction

Section two addresses CSR in SBEs of Bangladesh. The objective of this section is to examine the nature of CSR in the SBEs and how it functions in these enterprises. In order to achieve this objective a mixed research method is used. With a *prima facie* review of SBEs CSR principles, processes, and code of conducts, a questionnaire was developed and an unstructured interview was held on 44 selected SBEs. This research envisioned to find out the following fifteen aspects of CSR in these SBEs, namely 1) awareness of CSR as a social business terminology, 2) understanding of the meaning of CSR, 3) components of CSR, 4) strategies for implementing CSR, 5) community investment initiatives, 6) resources given to promote CSR, 7) awards given for promoting CSR activities, 8) stakeholders to whom CSR report is given, 9) actions taken for raising awareness to CSR, 10) incentives given to encourage employees and volunteers for promoting CSR, 11) CSR practices focus on employee welfare and better work environment, 12) communication of CSR to various stakeholders, 13) adoption of CSR practices, 14) benefits of CSR, and 15) implementation of triple bottom line as part of CSR.

These fifteen aspects will answer the research question of what are the major characteristics of CSR in SBEs. Bangladesh has one of the world's richest traditions of CSR. Originally CSR activities are well known as charity in Bangladesh. However, the wave of liberalization, privatization and globalization introduce this charity as a social responsibility.

In order to develop research hypothesis the study focus on most relevant CSR theories and related approaches. As summarized in Garriga and Mele (2004), some scholars are found to divide various CSR approaches in the following ways:

**a) Instrumental approach** (Friedman 1970, Jensen 2002, Porter and Kramer 2002, Hart 1995, Litz 1996, Prahalad and Hammond 2002, Hart and Christensen 2002, Prahalad 2002, Varadarajan and Menon 1988, Murray and Montanari 1986 and among others) demonstrates that the business is an instrument for wealth creation which is its core social responsibility. Business practitioners of this theory argue that any social performance is accepted based on wealth creation and CSR is a mere means to the end of profits. Instrumental approach focus on achieving economic objectives through social activities

**b) Political approach** (Davis 1960, 1967, Donaldson and Dunfee 1994, Wood and Lodgson 2002, Andriof and McIntosh 2001, Matten and Crane 2005 to name a few), in which the social power of business is emphasized, in particular, its relationship with society and its responsibility in the political arena which leads the business should accept certain social duties and rights.

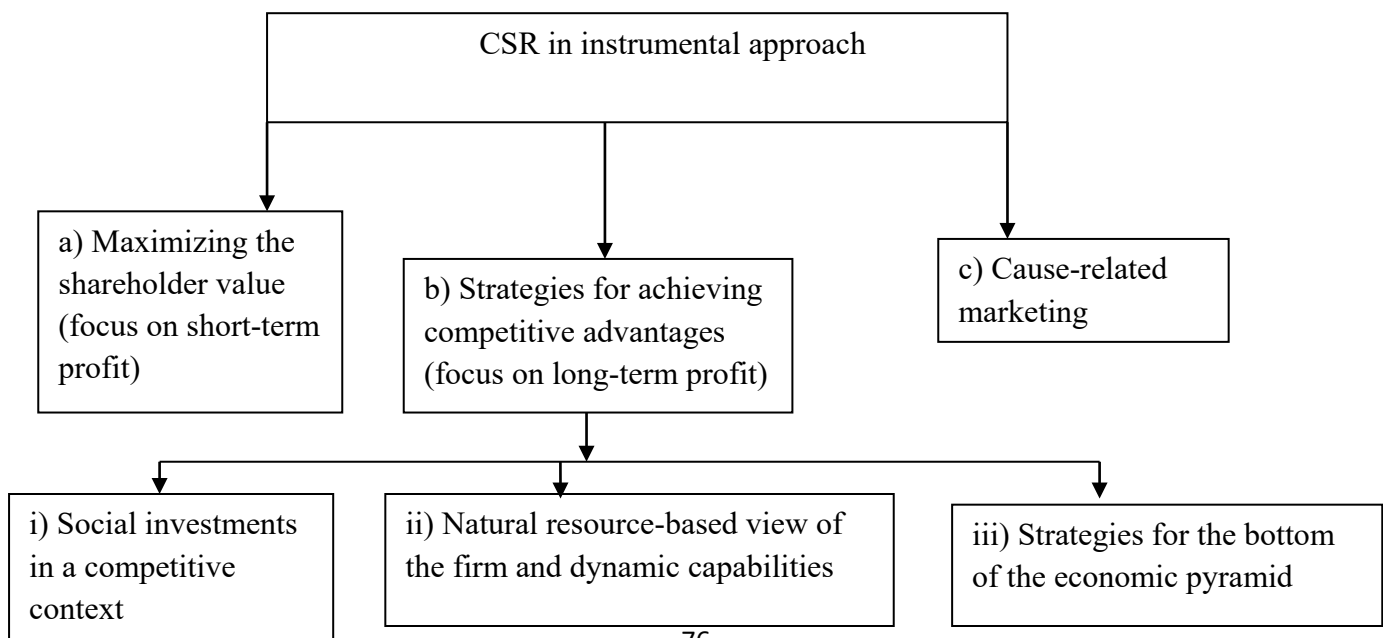
**c) Integrative approach** (Sethi 1975, Ackerman 1973, Jones 1980, Vogel 1986, Wartick and Mahon 1994, Preston and post 1975, Mitchell et al 1997, Agle et al 1999, Rowley and Berman 1997, Carroll 1979, 1999, Wartick and Rude 1986, Wartick and Mahon 1994, Wood 1991 and among others) argue that business ought to integrate social demands. This approach emphasizes that business integrates with the society for its continuity and growth and even for the existence of business itself.

**d) Ethical approach** (Freeman 1984, 1994, Evan and Freeman 1988, Donaldson and Preston 1995, Phillips 2003, Gladwin, Kennelly, and Krause 1995, Alford and Naughton 2002, Mele 2002, Kaku 1997, and among others) states that the relationship between business and society is embedded with ethical values. This group leads to a vision of CSR from an ethical perspective and argues that business ought to accept social responsibilities as an ethical obligation rather than any other consideration.

The study put emphasis on instrumental theory as it is related to CSR in SBEs in Bangladesh.

The following figure shows the model of instrumental approach.

**Figure 14: The model of instrumental approach**



Friedman is well-known as the representative of this approach mentioned that “the only one responsibility of business towards society is the maximizing of profits to the shareholders within the legal framework and the ethical custom of the country” (Friedman 1970). This approach confirms that concern for the profit does not exclude stakeholder’s interest. Moreover, a huge level of investment in philanthropy and social activities is also acceptable due to profits (Mc Williams and Siegel, 2001). There are three groups are as follows in the instrumental approaches can be identified, depending on the economic objective proposed.

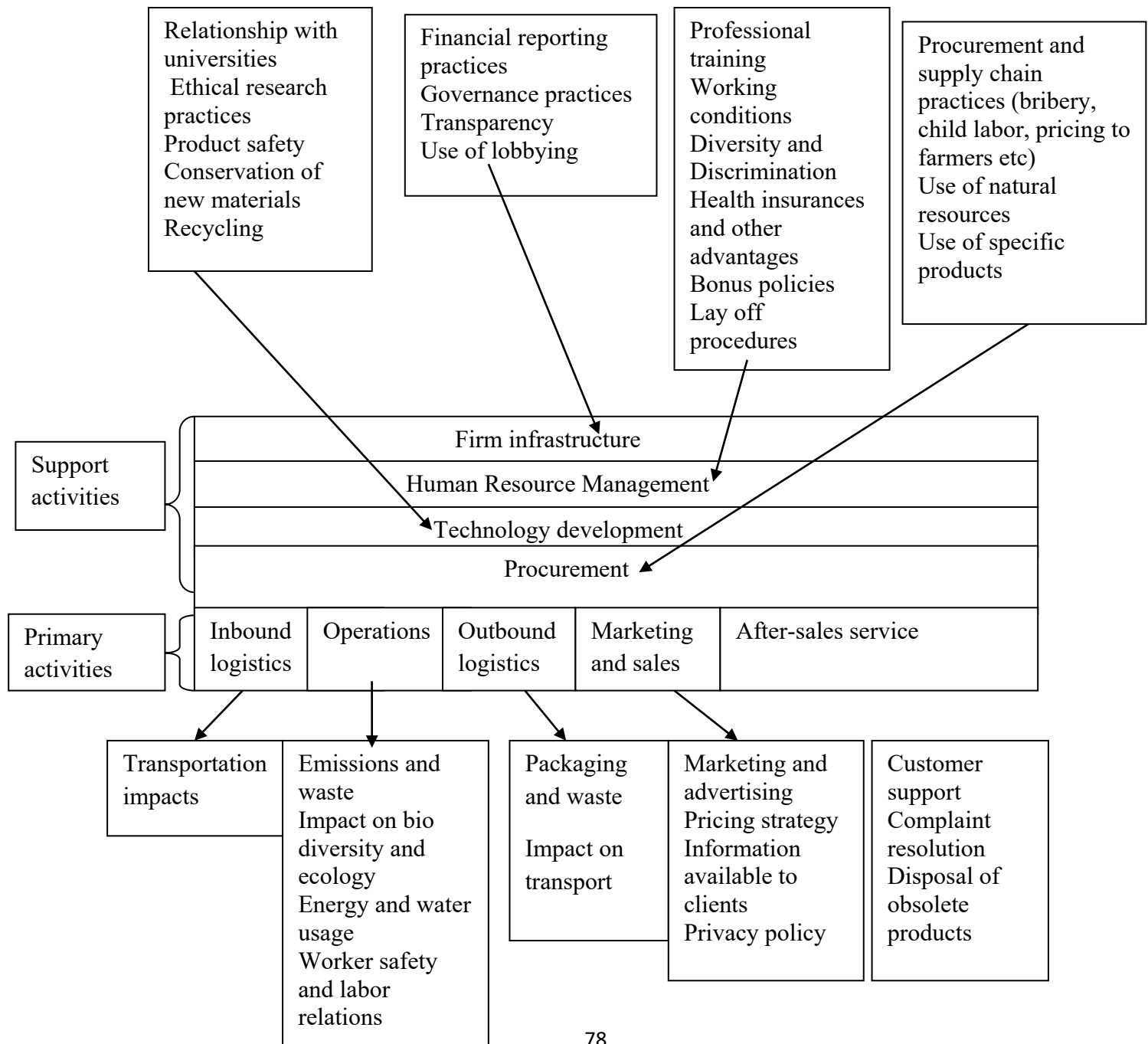
**a) Maximizing the shareholder value:** shareholder value measured by the share price is a well-known approach to evaluate specific corporate social activity. This group interests in short-term profit. Friedman (1970) made it clear with an example related to investment in the local community: “it will be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That makes it easier to attract desirable employees, it may reduce wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects.” Therefore, this group believes that the socio-economic objectives are fully different from the economic objectives.

**b) Strategies for achieving competitive advantages:** this approach focuses on the strategic goal of achieving competitive advantages which would produce long-term profits. Three approaches are included in this group, namely i) social investments in competitive context: Porter and Kramer (2002) mentioned that investing in philanthropic activities probably the only way to improve the context of competitive advantage of a firm and usually create greater social value than individual donors or government, ii) natural resource-based view of the firm and its dynamic capabilities: the resource based firm shows the ability to perform better than its competitors based on the firm’s unique human and organizational resources (Barney 1991, Wernerfelt 1984). The dynamic capabilities refers organizational dynamic strategy where manager acquire resources, modify them, integrate them, and recombine them to generate new value creating strategies, and iii) strategies for the bottom of the economic pyramid: most of the business focus on upper and middle class people as their target customers though majority of the world people are poor or lower middle class stay at the bottom of the economic pyramid. Prahalad (2002) showed the strategy how business can serve the poor and make profits. He

added that some mind-set changes can convert the poor into active consumers. This group promotes the concept that poor as an opportunity to innovate rather than a problem.

Porter and Kramer (2006) mentioned that CSR is about creating shared value and the value chain be used to show how a CSR project could impact the company's strategy. Porter and Kramer (2006) show the CSR value chain through the following model:

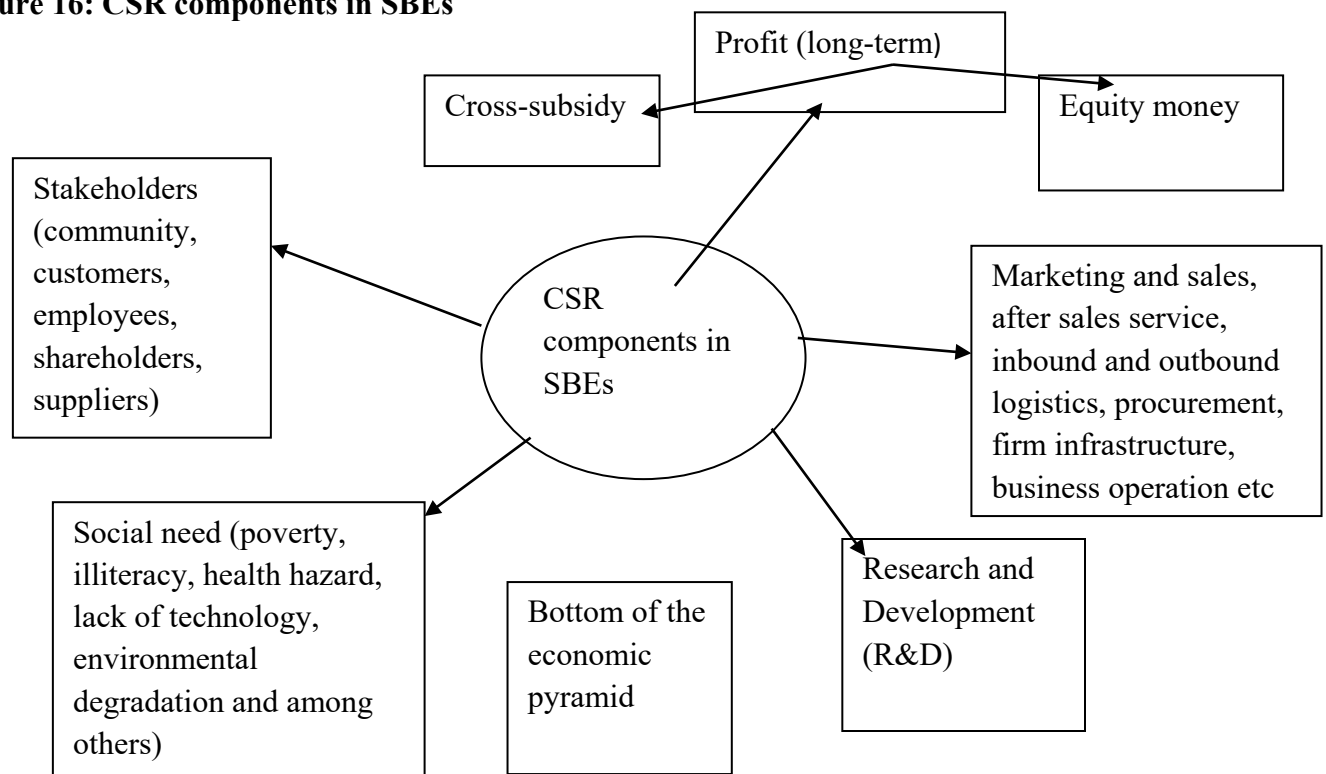
**Figure 15: CSR value chain model**



**c) cause-related marketing:** this concept is very close to the second. Cause-related marketing has been defined as “the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives (Varadarajan and Menon, 1988, p.60). This group enhances company revenues and sales or customer relationship by building the brand through the association with the ethical dimension or social responsibility dimension (Varadarajan and Menon 1988).

On the backdrop of the above literature survey the components of the CSR in SBEs are as follows:

**Figure 16: CSR components in SBEs**



On the basis of the existing research and literature survey the study focus on the instrumental approach in particular the model of strategies for achieving competitive advantages in CSR to develop the hypotheses of this section. Moreover, the study develops five sub-hypotheses by following the components of Porter and Kramer (2006) CSR value chain model. The main hypothesis is that CSR in SBEs of Bangladesh emphasizes profitable business practices to lift up the living standards of the disadvantaged group in one society. The sub-hypotheses are as

follows: 1) CSR in SBEs encourages substantively management to earn long-term profit through businesses to increase benefits for all stakeholders, 2) CSR in SBEs promotes diversity and attempts to decrease discrimination in the society in terms of gender, race, religion, ethnicity and among others , 3) CSR in SBEs robustly emphasizes utilization of investments in the community development initiatives and projects, 4) The triple bottom line (people, planet, and profit) firmly exists in SBEs of Bangladesh, and 5) CSR in SBEs substantially values stakeholder's need in particular focus on disadvantaged group in one society.

## **II) General framework of CSR**

The general framework of CSR consists of different stakeholders, namely community, customer, employee, shareholders, and suppliers (Kolka, Tulder, and Welters, 1999). Details are given below:

### **a) Community stakeholders**

Corporate CSR supports communities educational opportunities, improve the quality of the education is received by the population outside the firm, express its dedication to improving the quality of life and well-being of communities in which the firm operates, or the society as a whole. CSR shows concern for the preservation of the natural environment either in general or in the communities where the firm operates. CSR is also focus on fundamental human rights and freedom, art and culture, safety of the persons in the communities surrounding its production operations.

### **b) Customer stakeholders**

CSR presents the achievement of high product and service quality as a part of its commitment to the customer. Business CSR emphasizes customer needs, disclosure of information, consumer concern marketing practices, concern for the safety of its customers in relation to its production activities.

### **c) Employee stakeholders**

Business CSR addresses employee's promotion, training, equality of opportunity and treatment, security of employment as well as emphasizes better working environment including with wages and benefits. CSR expresses its commitment to giving the same chances in recruitment and promotion to all employees regardless of race, gender, age, or handicap. CSR is

also expresses its concern for protecting the safety of employees in the workplace along with their overall health level.

**d) Shareholders or stakeholders**

CSR expresses commitment to the involvement of stakeholders in corporate governance and to the dissemination of proper information to the shareholders.

**e) Suppliers of the business**

Concerning for the suppliers of the business CSR emphasis on fair price, business continuity, consideration of the product quality and among others.

**III) Characteristic features of CSR in SBEs of Bangladesh**

It is found that corporate world still dominated by the concept is that profitability and social responsibility completely oppose to each other. Instead of this notion, SB runs with the aim of the wellbeing of the community by conserving resources, minimizing waste, and focusing on environmental-friendly methods to do business. To understand CSR in SB Yunus (2010) mentioned that a traditional business may invest 95 percent of its resources in order to earn profit and five percent or less for the community development initiatives. By contrast, a SB devotes hundred percent of its resources for the wellbeing of the society.

Though the term CSR is comparatively new, the concept of CSR in Bangladesh itself dates back to over a hundred years. CSR in this country has evolved through different phases and the history can be divided into four phases as follows:

**a) The first phase (1858-1914)** of CSR is known for its charity and philanthropic nature during the British period known as British India (India, Pakistan, and Bangladesh). CSR was influenced by family values, traditions, culture, and religion, and also industrialization. The wealth of business was spent on the welfare of society by setting up religious institutions. In times of drought and famine, businessmen opened up their granaries for the poor and hungry. With the start of a colonial era, this approach to CSR underwent a significant change. During this period, social benefits were driven by political motives.

**b) The second phase (1915-1970)** was started during the independence movement of British India which had ended colonial period. British left the sub-continent and gave birth two countries named India and Pakistan. Mahatma Gandhi urged rich industrialists to share their wealth and benefit to the poor and marginalized in society. At the same time, Haji Muhammad Mohsin and



Akhter Hameed Khan set up trusts for schools, colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education, and empowerment of woman.

**c) The third phase (1971-1980)** was introduced when Bangladesh was a newborn country after the liberation war in 1971. Many national and international NGOs (Non-Governmental Organizations) started cooperative credit activities. It is considered a legacy of credit-based social policy intervention, as are microfinance activities. At first, BRAC started microfinance activities in 1974 give the poor access financial services. After that, in 1976 Muhammad Yunus launched his experimental financial research project to support the poor, and later in 1983, this research project was transformed into the Grameen Bank. Though BRAC and the Grameen Bank microfinance initiatives were started to help poor people who could not get access to the conventional banking system both organizations gradually became famous for their microfinance activities.

**d) The fourth phase (1980 onwards)** of CSR was initiated from industrialization period in Bangladesh during the 1980s. The ready-made garments (RMG) industry has been growing very rapidly since the 1980s. Today Bangladesh is the second-largest garments exporting country after China, which contributes significantly to the country's GDP. In spite of global recession, its GDP growth rate has been over 6% in the last ten years and significant progress has been made in social development issues, promoting universal primary education, raising education and nutrition levels, and improving family planning and population control.

One example is, many national and multinational RMG industries in Bangladesh have established daycare centers in the working place, initiated health service centers for the employees, serve high quality food with affordable prices at cafeteria of factories, and pay attention to stop early marriage. As most of the RMG industry workers are women, this industry works for promoting women. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) confirms that 80% garments workers in Bangladesh are women. In this phase, CSR can be characterized as a strategy for sustainable business development. The wave of liberalization, privatization, and globalization has led to a boom in the country's economic growth, making it possible for companies to contribute more towards social responsibility which was started originally as charity, but is now understood and accepted as responsibility.

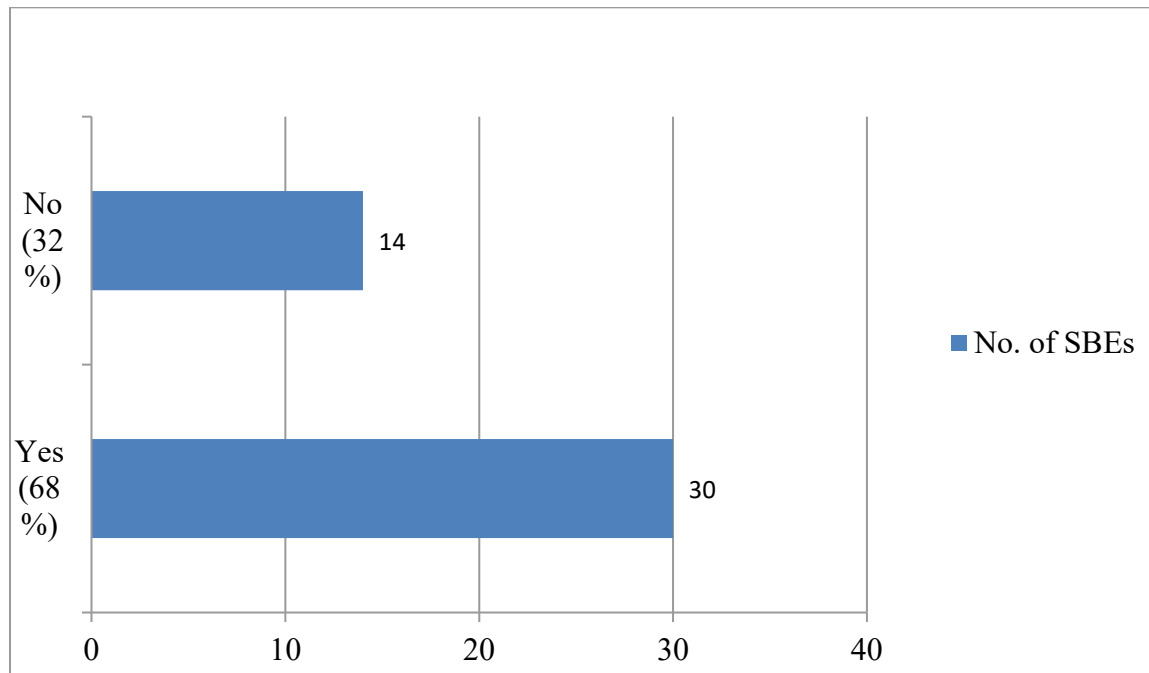
#### IV) Research method and organization

In order to examine the nature of CSR in the SBEs an unstructured interview was conducted in March 2017. Research data is analyzed by using a mixed method-qualitative and quantitative analysis-which has tried to find out the level of frequency in each item and then, calculated percentage. Finally, a quantitative inference is used to determine the nature and role of CSR in the sample SBEs. Moreover, in order to comprehend research findings many case studies of SBEs were used as qualitative analysis.

#### V) Data analysis and interpretation

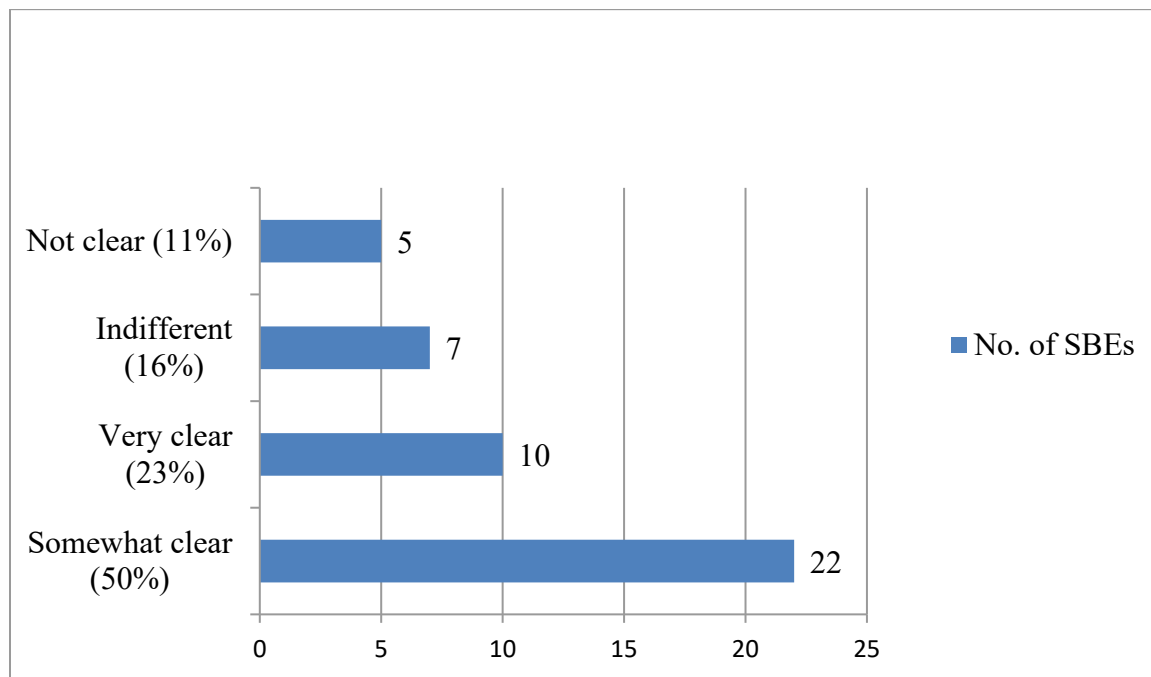
The findings of this section are as follows: first of all awareness of CSR as a social business terminology: It is important for every business companies including SBEs to become aware of CSR as a business terminology. The concept of CSR pursues the idea that the business companies are responsible to do better for the society.

**Figure 17: Awareness of CSR as a social business terminology**



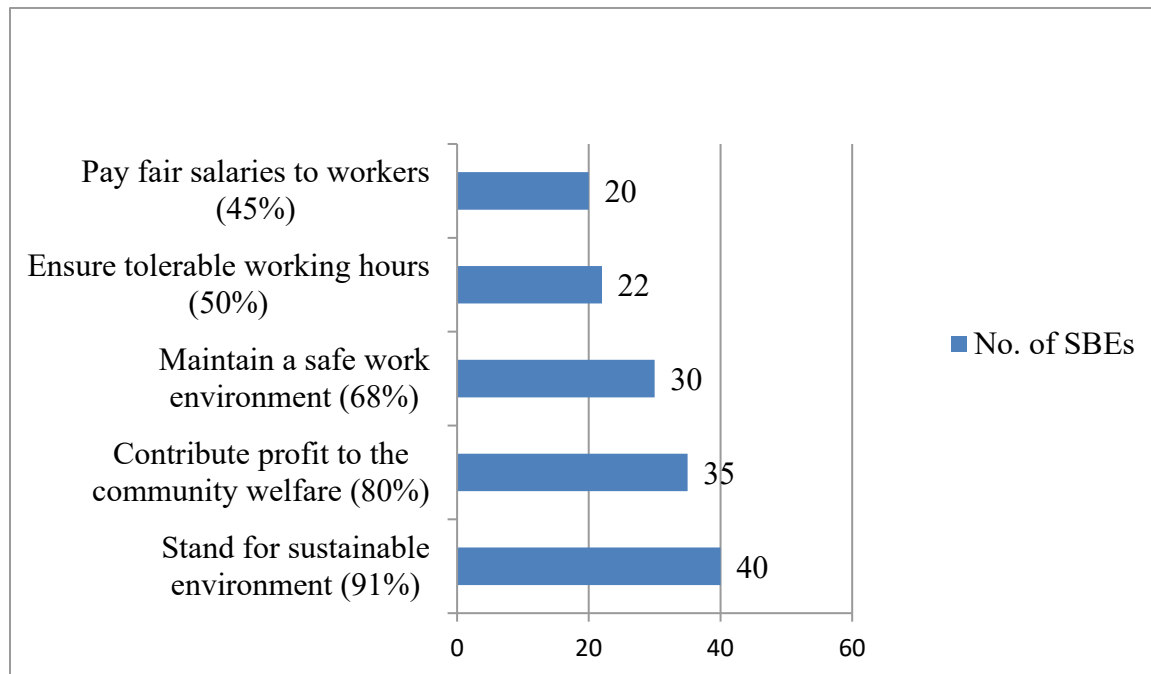
The study found that 68 percent of the SBEs are very actively aware of CSR as a social business terminology and 32 percent have no idea about CSR. The highest frequency of 68 percent approve that the majority of SBEs prioritize awareness of CSR as a social business terminology.

**Figure 18: Understanding of the meaning of CSR**



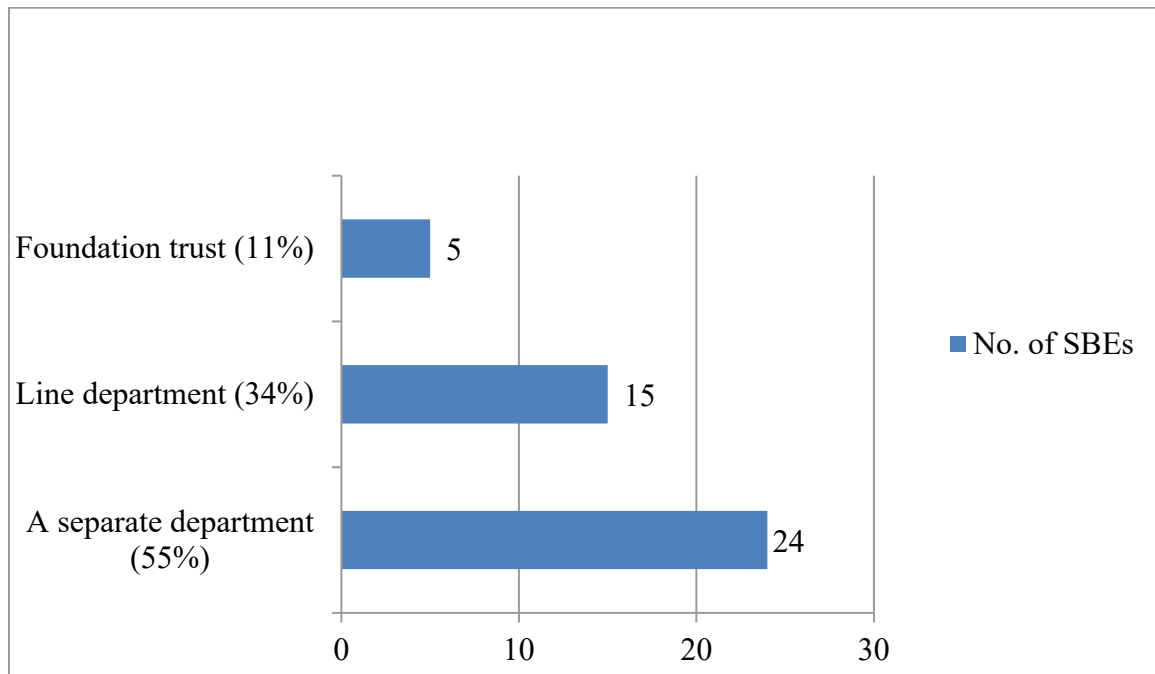
Understanding of the meaning of CSR is a very crucial point for all business stakeholders. The understanding of CSR conceptually and theoretically is not common to all. However, the study found that 50 percent SBEs are somewhat clear about the meaning of CSR, 23 percent have very clear concept of CSR, 16 percent are indifferent to CSR, and 11 percent are not at all clear about CSR. However, the highest frequency 50 percent authenticate that the understanding of the meaning of CSR stands at a satisfactory level for practicing CSR in SBEs of Bangladesh.

**Figure 19: Components of CSR**



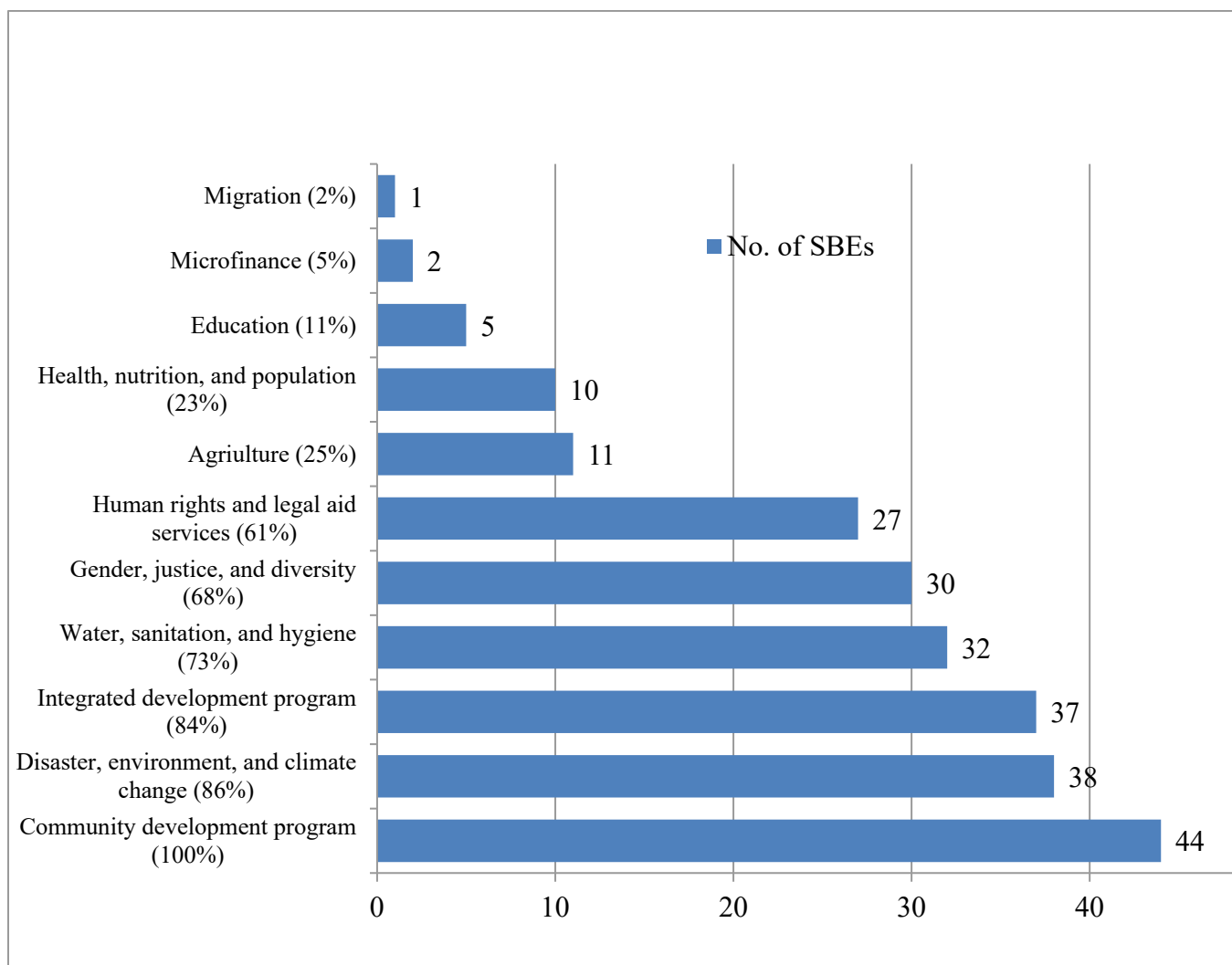
Every business sets up its CSR components initially. SBEs are not out of them. The study found that 91percent of the samples understand sustainable environment as their CSR component and 80 percent contributed profit to the community welfare. 68 percent maintained a safe work environment, 50 percent ensured tolerable working hours, and 45 percent paid fair salaries to workers. It is found that SBEs firmly focus on Sustainable Development Goals (SDGs) which is ranging from ending world poverty to achieving gender equality and empowering women and girls by 2030. It is interesting that SBEs address achieving SDGs as their first priority rather than maintaining a safe work environment or paying fair salaries to workers.

**Figure 20: Strategies for implementing CSR**



In general, businesses are strongly concentrated on the managing and implementing of CSR. The study found that 55 percent of the samples implemented their CSR through a separate department, 34 percent managed and implemented their CSR through line department, and 11 percent implemented their CSR through separate foundation trusts. The highest frequency of 55 percent authenticate that SBEs strongly work for CSR and try to establish a separate department for managing and implementing CSR within the enterprises.

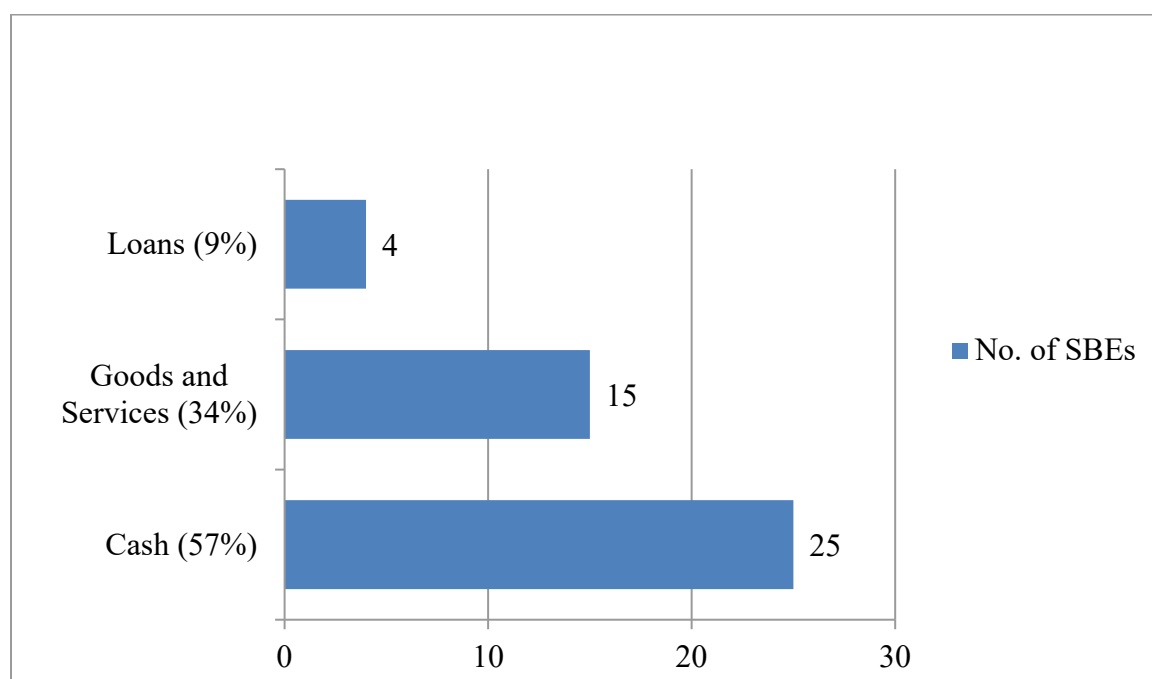
**Figure 21: Community investment initiatives**



Community investment initiatives are also a big part of CSR. SBEs in Bangladesh strongly addressed this issue. BRAC followed a collaborative network of development programs through SBEs and investments. For each of these, inclusivity is an essential component. As well as Grameen SBEs invested mainly for community development initiatives. This study found that 100 percent of the SBEs concentrated on the community development program, 86 percent focused on disaster, environment, and climate change, 84 percent worked on integrated development program, 73 percent focused on water, sanitation, and hygiene, 68 percent emphasized gender, justice, and diversity, 61 percent focused on human rights and legal aid

services, 25 percent paid attention to agriculture, 23 percent addressed health, nutrition, and population, 11 percent focused on education, 5 percent paid attention to microfinance activities, and only 2 percent contributed to migration, though remittance is highly appreciated for community development. This study found that BRAC concentrated on migration program making labor migration safe for all. The objective of this program is to create an environment for orderly, safe, regular, and responsible migration (SDG10) and promote safe and secure working environments for migrant workers (SDG8). Though 5 percent SBEs focus on microfinance activities, the study found that huge numbers of people are benefited from these activities. Grameen Bank is well-known in the world for their microfinance activities and it claimed that 9 million people are benefitted through its activities. Similarly, BRAC is also supporting 4.9 million people through their microfinance program (BRAC Annual Report 2015). The interesting thing is that though Bangladesh is famous for microfinance activities, and only 5 percent SBEs focus on this issue.

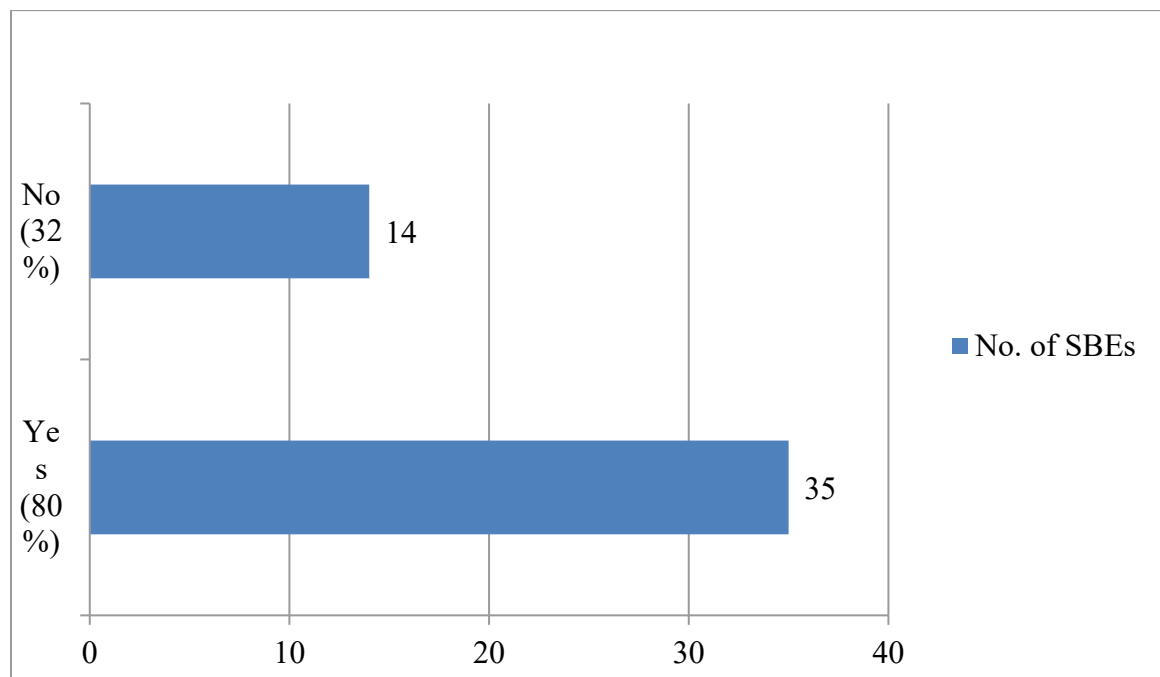
**Figure 22: Resources given to promote CSR**



Cash, loans, goods, and services are considered resources to promote CSR and study found that the majority of the sample SBEs (57 percent) in Bangladesh put emphasis on cash as their CSR resources. On the other hand, 34 percent SBEs serve for goods and services, and only 9

percent focus on loan. One example is, Grameen SBEs promotes the concept of equity money for supporting new entrepreneurs who are the second generation borrowers of this Bank. The term equity money implies that the money that is invested in a business by its owners or holders of ordinary shares is not returned in the normal course of the business. However, investors get back their money only when they sell their shareholders to other investors or after satisfying the firm's obligations.

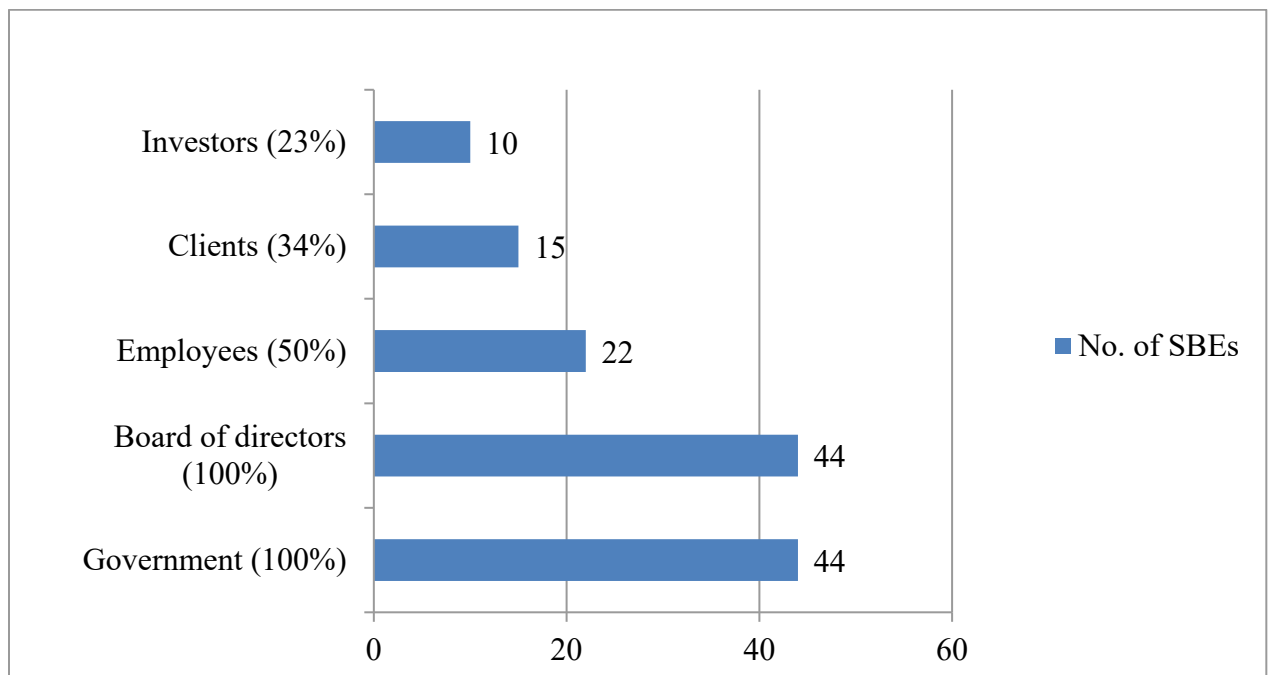
**Figure 23: Award given for CSR activities**



This study addresses the topic award given for CSR activities and found that 80 percent of the sample SBEs give award for CSR activities and 32 percent have no award system. It is expected that majority of SBEs practice award system for CSR activities.

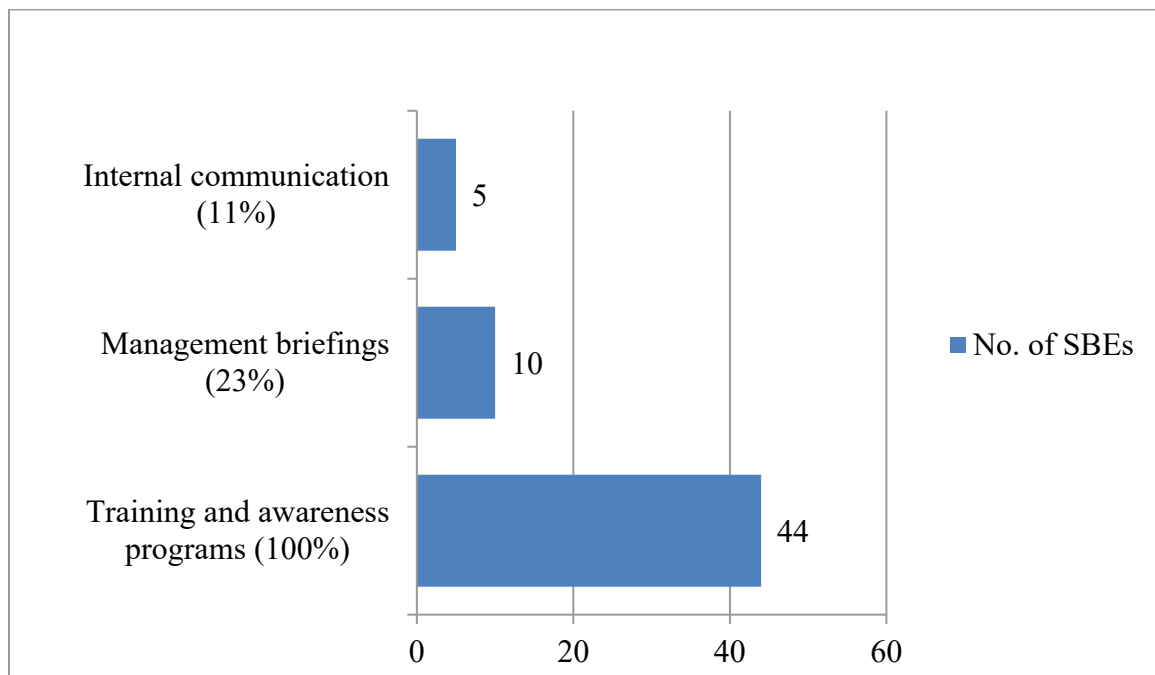


**Figure 24: Stakeholders to whom CSR report is given**



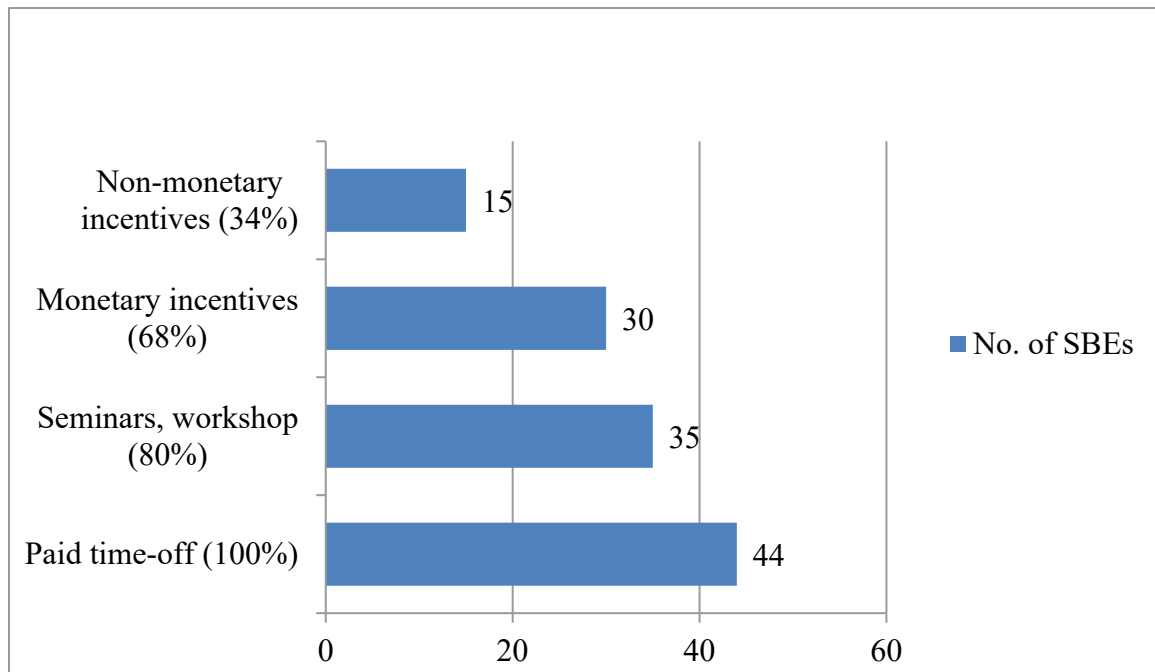
CSR reporting is also very crucial part of CSR activities and this study focused on the matter those stakeholders to whom CSR report is given. It was found that 100 percent of the sample SBEs submitted their CSR report to government and board of directors, 50 percent notified CSR reports to their employees, 34 percent informed CSR to their clients, and 23 percent informed CSR report to the investors. It is found that BRAC SBEs are fully homegrown enterprises. In contrast, Grameen has homegrown as well as foreign investment partnership enterprises. Therefore, Grameen SB must notice its CSR report to the 23 percent foreign investors.

**Figure 25: Actions taken for raising awareness to CSR**



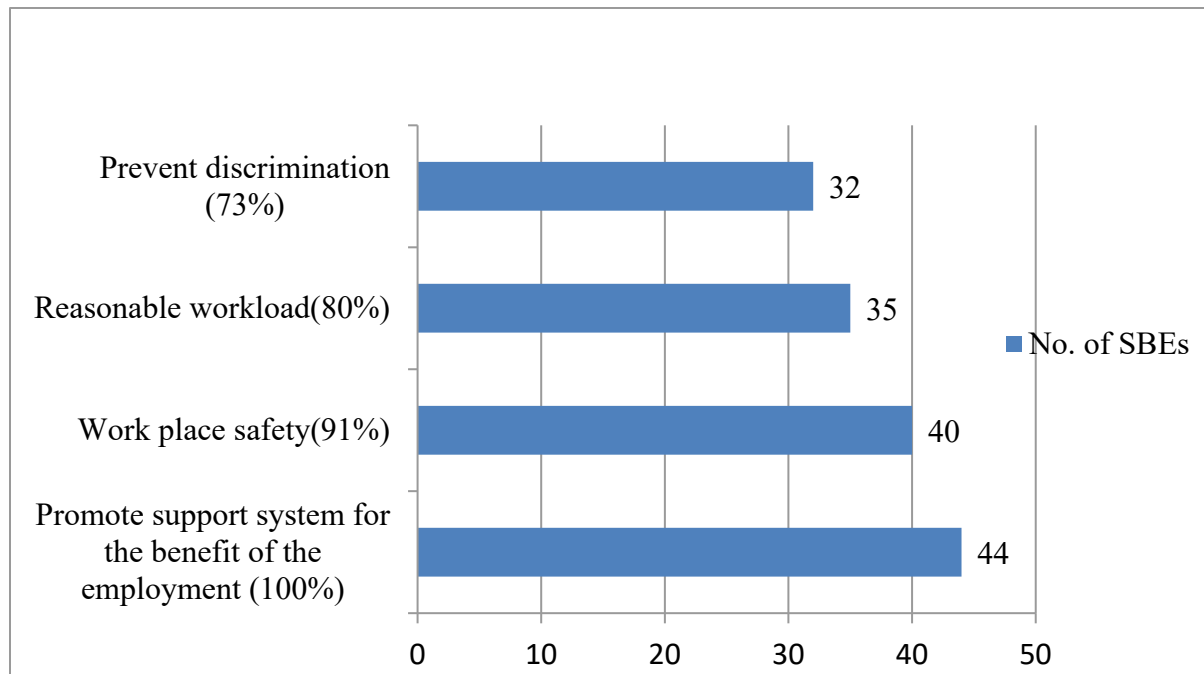
Business takes different initiatives for raising awareness to CSR. SBEs in Bangladesh have also these initiatives. This study found that 100 percent of the sample SBEs focused on training and awareness programs as actions for raising awareness to CSR, 23 percent arranged management briefings, and 11 percent emphasized internal communication as actions for raising awareness to CSR. This result is highly appreciated as training stood first for raising CSR awareness.

**Figure 26: Incentives given to encourage employees and volunteers for CSR**



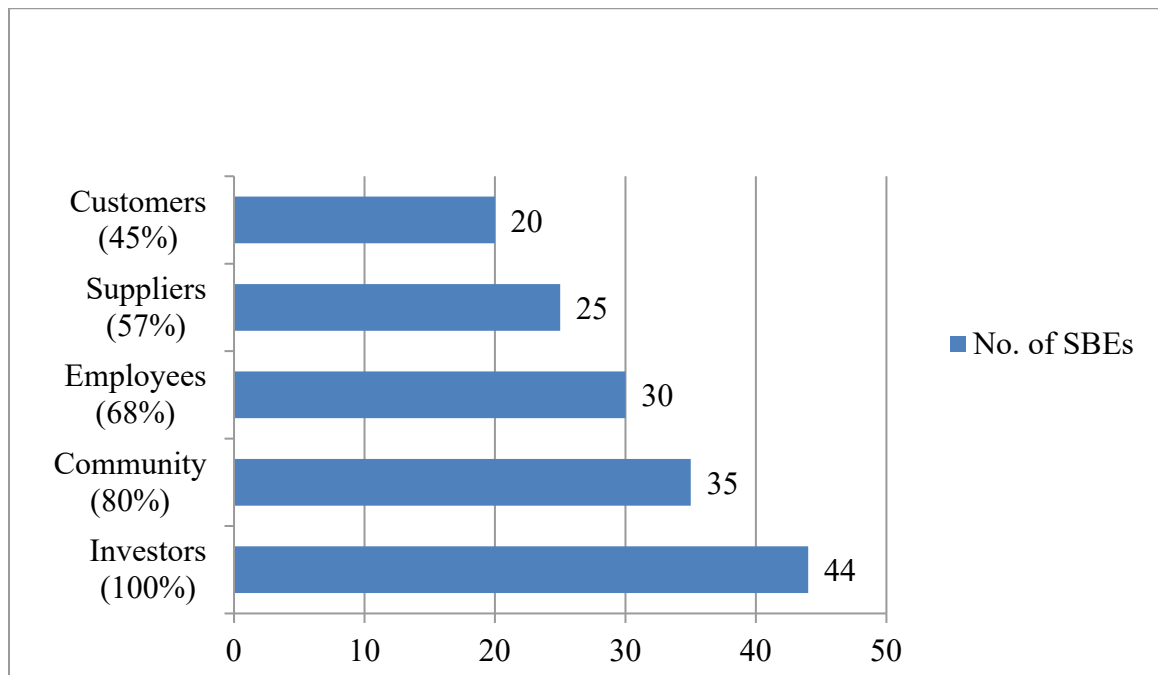
This study found that incentives to encourage employees and volunteers for CSR 100 percent of the samples focused on paid time-off option, 80 percent had seminar, workshop facilities, 68 percent gave monetary incentives, and 34 percent addressed on non-monetary incentives. One example is, six months paid maternity leave (both pre-natal and post-natal) is very common in Bangladesh, and it is equally practiced in the SBEs.

**Figure 27: CSR practices focus on employee welfare and better work environment**



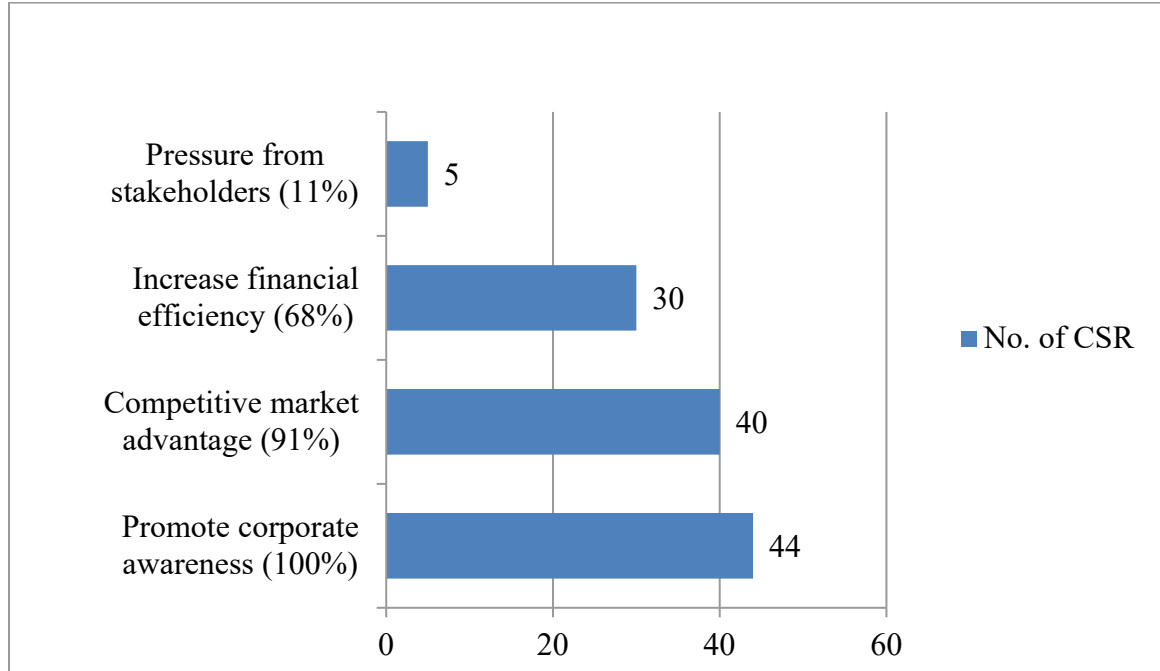
CSR practices focus on employee welfare and better work environment. This study found that 100 percent of the sample SBEs promoted support system for the benefit of the employment. For example arrangement for the day care center, child education, health checkup program, and among others, 91percent emphasized work place safety, 80 percent concentrated on reasonable workload. It is found that SBEs strongly focused on the issue that no employee should be expected to handle a massive workload, and 73 percent put emphasis on preventing discrimination related to mainstream and marginalized group, ethnicity, religion, and among others. This result positively works for CSR practices in those SBEs.

**Figure 28: Communication of CSR to various stakeholders**



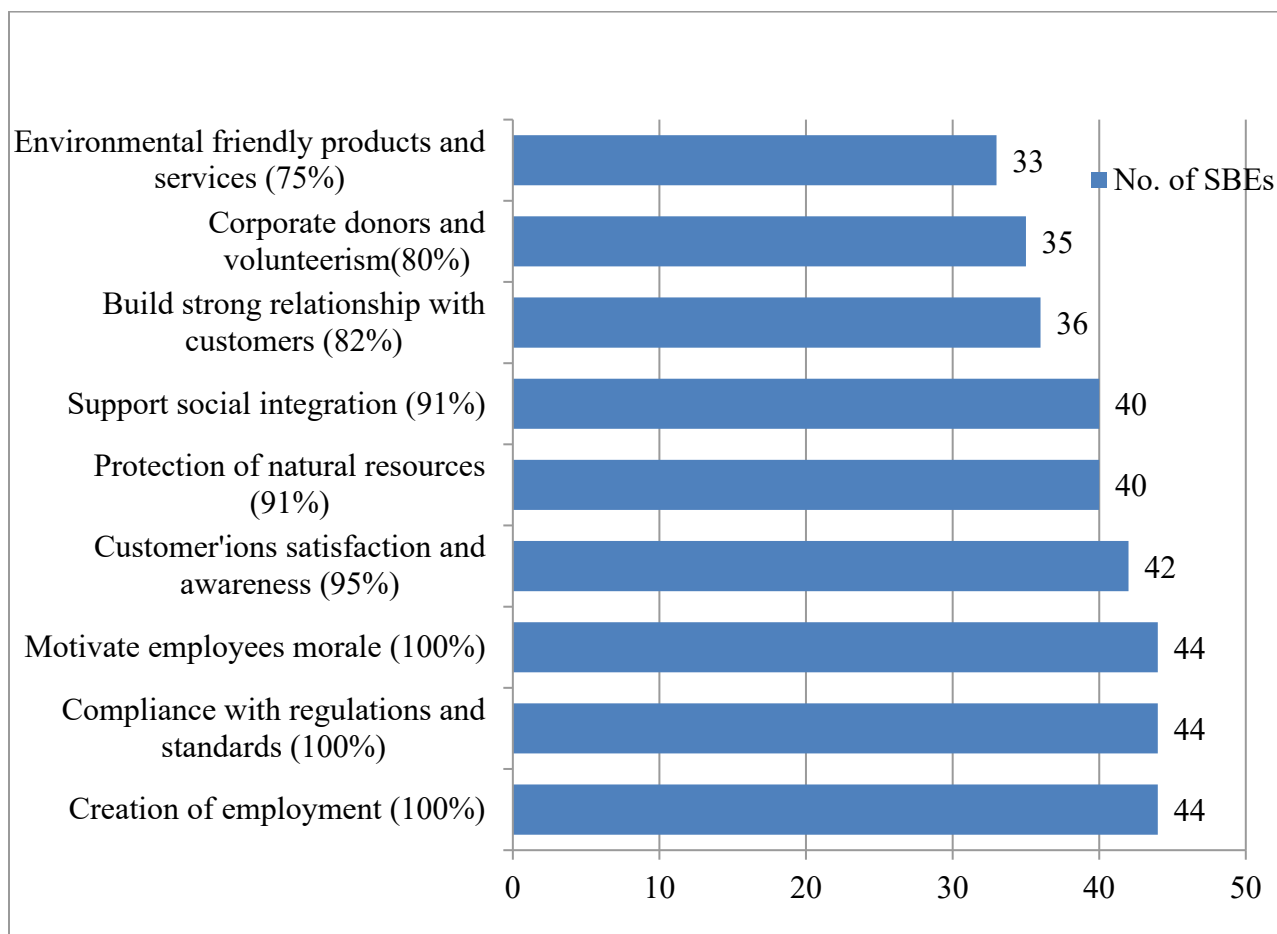
Business companies communicate their CSR to various stakeholders. SBEs in Bangladesh follow the same way. This research showed that 100 percent of the samples communicated CSR to their investors, 80 percent connected with community, 68 percent communicated with their employees, 57 percent communicated with their suppliers, and 45 percent were strongly connected with the customers. The study found that all samples communicated their CSR to their investors.

**Figure 29: Adoption of CSR practices**



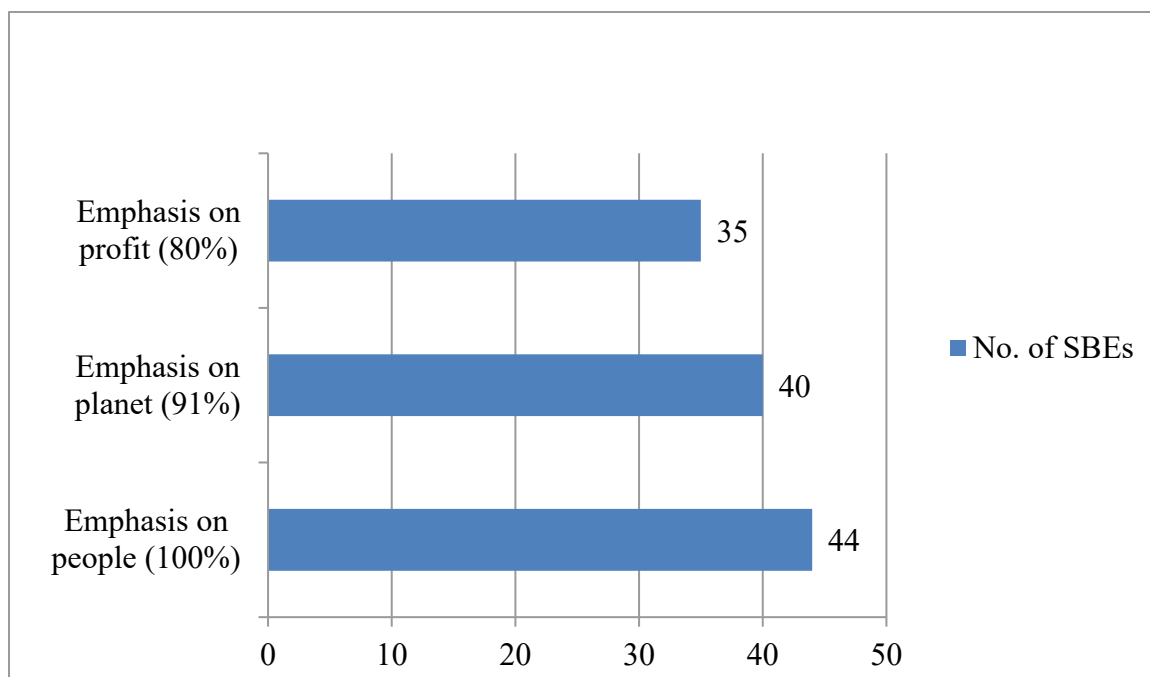
Businesses have different strategies for adoption of CSR practices. 100 percent of the samples promote corporate awareness and 91 percent focus on competitive market advantage. 68 percent addressed to increase financial efficiency and 11 percent adopted CSR practices due to pressure from the stakeholders. The highest responses for promoting corporate awareness prioritize this issue strongly in SBEs in this country.

**Figure 30: Benefits of CSR**



To examine the benefits of CSR, this study selected nine options and found the result as follows: 100 percent of the samples addressed compliance with rules and regulations, creation of employment, and motivate employee's morale. On the other hand, 95 percent focused on customer's satisfaction and awareness, 91 percent addressed protection of natural resources and support social integration, 82 percent emphasized building strong relationship with customers, 80 percent worked for corporate donors and volunteerism, and 75 percent gave attention to environmentally friendly products and services.

**Figure 31: Implementation of triple bottom line audit as part of CSR**



People planate and profit (3Ps), in other words, in triple bottom line, CSR and sustainable business is considered as an umbrella term for the SBEs. The study found that 100 percent of the sample SBEs focused on the people, 91 percent emphasized the planet as their highest priority for business operations, and 80 percent prioritized gaining business profits. In the case of SBs, although money is considered as resources, 100 percent sample SBEs prioritized the people first.

#### **VI) Discussion of the findings**

To comprehend the characteristics of CSR in SBEs through the research result it is found that 68 percent SBEs are strongly aware of CSR as a social business terminology, 23 percent are very clear about understanding of the meaning of CSR and 50 percent are somewhat clear regarding this issue. Moreover, the study found that 91percent SBEs stand for sustainable environment as component of CSR, a separate department is established by 55 percent SBEs as strategies for implementing CSR. There are many community investment initiatives in SBEs in Bangladesh and a highest priority of 100 percent initiatives went to community development programs. It is also found that cash is the main resource of 57 percent SBEs for promoting CSR. Furthermore, it is found that 80 percent SBEs give award for CSR activities and 100 percent report CSR issues



to the government and board of directors. For raising awareness to CSR 100 percent SBEs put emphasis on training and awareness program. SBEs (100 percent) are emphasized paid time-off as incentives to encourage employees and volunteers for CSR. All surveyed SBEs addressed in promoting support system for employee welfare and better work environment. Investors got the highest priority (100 percent) for the communication of CSR to various stakeholders. In addition, all surveyed SBEs focused on promote corporate awareness for adoption of CSR practices.

In addition, it is found that there are huge benefits of CSR in SBEs. For example, all sample SBEs focused on compliance with regulations, creation of employment, motivating of employees morale, and implementation of triple bottom line audit as part of CSR is very crucial issue in the context of SBEs in Bangladesh. Apart from this, study found that 100 percent SBEs put emphasis on people and 91 percent SBEs put emphasis on planet means environmental performance, and 80 percent give emphasis on profit.

The findings of the fifteen topics confirm that CSR in SBEs of Bangladesh firmly focuses on social, environmental, and economic issues. We found highest emphasis on the following aspects, namely creation of employment (100 percent), community development program (100 percent), compliance with regulations and standards (100 percent), motivating employee morale (100 percent), sustainable environment (91 percent), and protection of natural resources (91 percent) and among others. It is interesting that 100 percent SBEs emphasis on creation of employment, but only 45 percent pay fair salaries to workers. Not only creation of employment, SBEs also highly emphasizes protection of natural resources and stands for sustainable environment rather than paying fair salaries. Therefore, it seems that many skilled and educated people are not interested to work in the nonprofit sectors including SBEs. All of these results are authenticated the sub-hypothesis of this research and subsequently main hypothesis as well.

Based on these research findings, the crucial points of CSR in SBEs of Bangladesh are as follows: a) CSR is multi-disciplinary subject and focuses on social, environmental, and economic issues, b) CSR contributes to community investment initiatives such as education, health, promotes gender equality as its social responsibility, c) as for economic performance CSR emphasizes creation of employment, promotes earning profit from business, and profit will use for business expansion, d) CSR encourages earning adequate returns on the employed resources, e) to promote environmental responsibility CSR gives emphasis on triple bottom line (people,

planet, and profit), compliance with regulations and standards, stand for sustainable environment, to name a few.

To understand SBE's CSR some specific examples of Grameen and BRAC CSR practices are given below:

**a) Some specific examples of CSR practices in the Grameen SBEs**

**i) Struggling member's loan with zero interest**

Beggar vendors or struggle members of Grameen Bank receive loan without interest, in other words, Grameen Bank is providing zero interest rate for struggling members. The basic features of the program are as follows: a) existing rules of Grameen Bank do not apply to beggar members, this program has its own rules, b) all loans will be interest-free, loans could be run for a very long term, in order to make repayment installments very small. One example is, for a loan to buy a quilt or a mosquito net, many borrowers are paying BDT 2.00 (US\$ 3.4 cents) per week, c) beggar members are covered under life insurance and loan insurance programs without incurring any cost, and d) groups and centers are being encouraged to become patrons of this type of members, e) each member receive an identity badge with their own picture and name and Grameen bank logo, f) members are not required to give up begging but are encouraged to take up an additional income-generating activity like selling popular consumer items door to door, or at the place of begging. As of 31<sup>st</sup> December 2015, cumulative members under this program reached 109,000, of which 104,762 are women. By this time 2,568 branches of Grameen Bank have implemented the program. So far BDT 176.14 million has been disbursed and BDT 149.20 million has already been repaid. The struggle members saving balance stood at BDT 9.55 million (Grameen Bank annual report 2015).

**ii) Higher education loan with zero interest rate for five years**

As an element of its CSR, Grameen Kalyan (welfare) has initiated a program named Higher Education Loan Program (HELP) that identifies outstanding young villagers and offer them financial support as a loan with zero interest to finish their university education. The hope is to create a highly educated new generation from poor villager's family who will become a prime mover in one's family to alleviate poverty. For this purpose, Grameen Bank also developed some parallel programs to help its scholar's employment. HELP considers a great inspiration for the poor village high school students to proceed their study at university level.

### **iii) No return policy Scholarship system**

Grameen has its scholarship program for its borrowers and employees children (no return policy), ranging from 5-7 years old kids to secondary and higher secondary school children. Scholarships receivers are 27,000 people per year and they are getting per month from BDT 152 to BDT 500. 50% of these scholarships are for girls and the remaining are opened for both boys and girls.

### **iv) Scholarship for study abroad**

Grameen Bank made it clear that Ewha Women University (South Korea) and the Caledonian University provide two scholarships per year. In addition, Grameen borrower's daughters and sons receives five scholarships from Khazana Foundation of Malaysia.

### **v) Bill and Melinda Gates Foundation Scholarship for Grameen borrowers daughters**

Grameen borrower's daughters receive eleven scholarships for five years from Asian University for Women (Chittagong, Bangladesh) founded by the Bill and Melinda Gates Foundation.

### **vi) Research program for national and international students**

Every year many national and international researchers visit Grameen Bank to participate the following programs: i) exposure visit, ii) Internship, iii) basic training, iv) research, v) Grameen International Dialogue, and vi) media support, documentary, journalists, writers, and among others. Grameen Bank Annual Report 2015 reported the flow of foreign visitors to the Grameen family of SBEs during the last two years as shown in Table 6 and the number of visitors from ten leading and other countries as shown in Table 7.

**Table 6: The number of foreign visitors to the Grameen SBEs in 2014-2015**

<b>Program</b>	<b>No. of visitors</b>	
	<b>2014</b>	<b>2015</b>
Exposure	1,003	535
Internee	295	244
Basic Training	23	10
<b>Total</b>	<b>1,321</b>	<b>789</b>

**Table 7: The number of visitors to the Grameen SBEs from the leading countries in the world until 2015**

<b>SI No.</b>	<b>Country</b>	<b>No. of visitors</b>
1	Japan	1,606
2	America	557
3	Bangladesh	448
4	China	414
5	Nepal	346
6	India	245
7	Thailand	197
8	Germany	161
9	Italy	158
10	Spain	135
11	Others	1,164

Grameen Bank Annual Report 2015 also made it clear that 90 percent of the visitors from Japan which tops the list came for exposure to the Grameen system. On the other hand, 95 percent of the German and Italian visitors were students who came for an internship with the Bank. The visitors from neighboring Nepal comprised entirely of those who wanted to learn from its experience on the dispensation of small credits. Visitors also came from such exotic and far away countries as Albania, Burundi, Mauritania, Tonga, and Kazakhstan. Outbound tourism country Japan also had its share of visitors with 205 in 2015. Tourist-based and one of the best microfinance practice country Nepal also send 47 visitors in 2015. Moreover, from China with 139, India with 25 and Bangladeshi 123 visitors also join the program. Grameen Bank confirmed that foreign visitors increased to 16.5 percent until 2015.

## **b) Some specific examples of CSR practices in the BRAC SBEs**

BRAC social business enterprises are strategically connected to their development programs. According to its Annual Report 2015, BRAC's key CSR programs are as follows:

### **i) Education for realizing potentials**

BRAC provides a number of scholarship and assistance programs, namely a) BRAC Bank-Prothom Alo Trust Adamya Medhabi Scholarship for outstanding students, b) scholarships for the meritorious students of Business Studies school of the University of Dhaka, c) BRAC University Scholarship, d) technical educational support through the Underprivileged Children's Educational Program (UCEP) and named UCEP Institute of Science and Technology scholarship, and e) Biochemistry Olympiad to inspire the youth for research and study in science, and f) supporting research activities for national and international researchers.

### **ii) Social welfare**

BRAC also gives a) lifetime support to BirProtik TaramonBibi (freedom fighter of Bangladesh Independence War in 1971), b) bicycles for school girls, and c) initiative for safe drinking water for the people of the remote area.

### **iii) Art and culture**

BRAC's arts and cultural awards, namely a) enriching Bangla literature: BRAC Bank-Somokal (popular Bangla newspaper) ShahityaPurushkar (literature award), and b) contribution to the Asiatic Society of Bangladesh for publishing history book are also prominent.

### **iv) Health**

In the health sector, CSR oriented activities include a) support to National Heart Foundation Hospital of Sylhet and b) support to Bangladesh Thalassaemia Samity (cooperative association) and Hospital.

### **v) Environment**

Activities for environmental condition improvement include a) solarizing small and medium enterprises unit offices, b) marathon for humanity called DOUR, and c) taking warmth to the needy people during winter.

### **vi) Media**

In the area of media, contributions include a) BRAC Prothom Alo (popular Bangla Newspaper) Purushkar (award), BRAC Daily Star Purushkar, b) BRAC Media Award (for

example, in 2017, it awarded ten journalists from local and national media in raising mass awareness on migration, migrant's rights, and welfare, c) Urban Innovation Challenge Award, d) BRAC Observers Award for Road Safety Program, and e) Radio Pollikontho (singer from remote village area) Award.

Furthermore, this research found a number of advantages gained from BRAC SBEs as follows: synergy, cross-collaboration, cross-subsidy, continuous innovation, and holistic support. Apart from these, BRAC CSR strongly focuses on the following issues: i) well-being and resilience through disaster, environment, and climate change program, ii) expanding horizons through education and migration program, iii) economic development and social protection through agriculture and food security, integrated development (synergy), microfinance, enterprises and investments, iv) empowerment through community development, put emphasis on gender, justice, and diversity, human rights and legal service, and v) research program through innovative concept and idea in the national and international level. Moreover, this research found that 44SBEs CSR were mainly concerned for people, especially the poor. They have huge contribution to human dignity, human capacity, gender equity, fairness, honesty and integrity, discipline, creativity and innovation, participation, accountability, cost consciousness, teamwork, need-based programming, openness, effectiveness, efficient, and expansion, sharing information, transparency, futuristic ambitious, professionalism, quality products, and services.

## **VII) Conclusion**

The objective of this section is to examine the nature of CSR in the SBEs and how it functions in these enterprises. The study found that the history of CSR evolved in Bangladesh into four phases. Firstly, during the period of British India, religious and spiritual influences encouraged people to participate social welfare activities which were similar to CSR activities. Secondly, during the movement of the independence war of British India, Gandhi encouraged industrialists to share their wealth to the marginalized people which considered an initiative to serve individual properties to others regardless religious purpose. Thirdly, after the independence war of Bangladesh, not only governmental organizations but many nongovernmental organizations initiated cooperative credit activities to lift up life of the impoverished people. Gradually, Grameen Bank microfinance activities became familiar in world. Fourthly, in 1980s Bangladesh entered in industrialization through ready-made garments (RMG) industry and

business enterprises initiated CSR activities as part of their organizational performance. Initially, the social activities which were considered as charity gradually became social responsibility.

In order to achieve the research objective the study focuses on fifteen characteristic features of CSR and found that the basic concept of CSR in SB (a sense of company's social, economic and environmental responsibility) is very similar to that in the conventional business. CSR promotes the ideology that businesses are responsible for the society by using profit. The case of GP authenticates that the way of using profit makes the difference between SB and CB. Moreover, CSR encourages for earning profit and doing best for the people and planet through businesses.

## **Chapter 4: Examination of SBEs Management Practices in Bangladesh**

### **Section 3: CG in SBEs**

#### **I) Introduction**

This section addresses CG in SBEs. The objective of this section is to identify the distinctive feature of CG system in SBEs by providing a detailed picture and updated information about this issue. In order to achieve this objective a mixed research method is used. A questionnaire was developed consisting of twenty one aspects include 1) members of the board, 2) tenure of office (number of years), 3) committee as an adjunct to the board, 4) composition of the board, 5) mechanism for rotating board members, 6) method of replacement a member of the board, 7) members of audit committee, 8) procedure for the internal and external audit, 9) audit committee report for internal audit functions, 10) mandatory preparation for internal audit plan, 11) remuneration policy for board members, 12) disclosure of remuneration of individual board members and senior management, 13) set of a quorum for meetings of the board, 14) duration of board and sub-committee meetings, 15) way of getting company information publicly, 16) information discloser policy, 17) type of information that disclosed to the public, 18) information that provided to the board of directors in advance of board meetings, 19) information is revealed to shareholders in advance of the annual general meeting (AGM), 20) recording minutes of meetings, and 21) a review to ensure that actions decided at meetings have been implemented.

An unstructured interview was held on 44 selected SBEs. The twenty one aspects will answer the research question of what are the distinctive characteristics of CG system in SBEs. The study will examine BRAC and Grameen SBEs CG system in order to comprehend their CG strategy and structure. These two organizations follow two different laws to run SBEs. The study will show how these two distinctly different laws separate the governing system of BRAC and Grameen SBEs.

CG practices are necessary in the corporate society to avoid potential conflicts of stakeholders interest. These conflicts arise from two issues. One is different stakeholders have different purpose and preferences, and another is lack of information among stakeholders related to their goals, actions, and organizational knowledge (Osman, 2006). Some Japanese scholars (Ohtsu and Imanari 2002 and Miwa 2006) make it clear that CG address two significant facts in the business enterprises. Firstly, who owns the enterprise and secondly, whose interests are run by

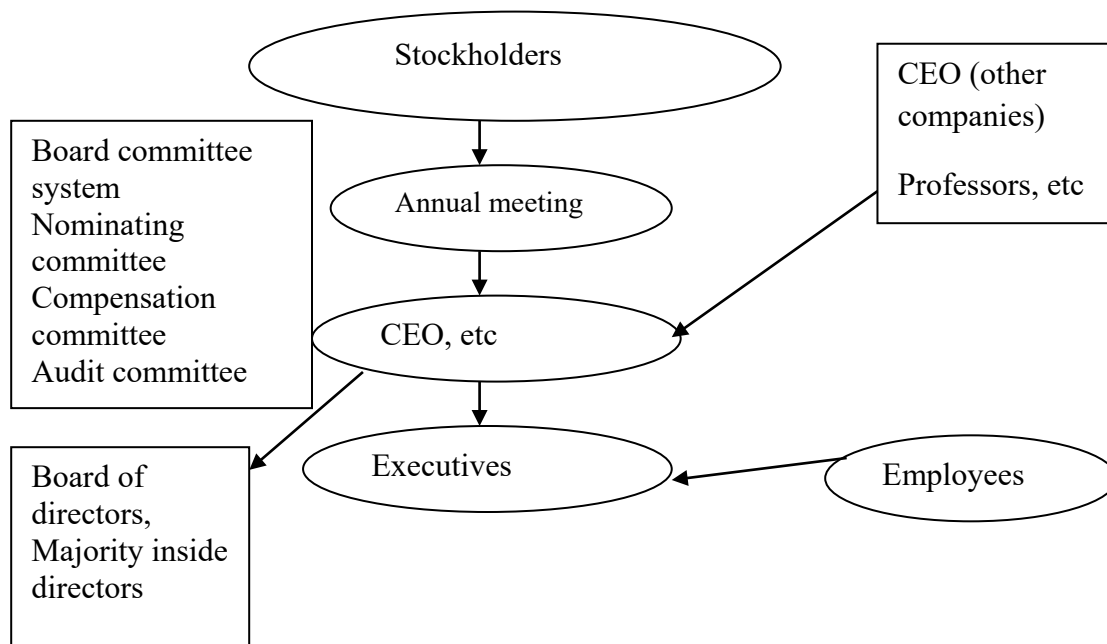


business enterprise. Moreover, Miwa (2006) added that CG played a salient role to find out by whom in the long run a business enterprise is manipulated. Shailer (2004) mentioned that CG is the mechanisms, processes, and relations by which a business enterprise is controlled.

CG consisting of different kinds of responsibilities among different stakeholders, namely board members, management, customers, creditors, auditors, regulators, employees and set up corporate rules and regulations for making decisions and distributes duties, rights, and rewards among business stakeholders in the enterprises. In addition, effective CG system not only depends on monitoring system of the business enterprises, it also depends on policies and decisions of the business enterprises and their agents (OECD, 2004 and Tricker, 2009).

The major components of the CG system are as follows: board issue, committee as adjunct to the board, legal statutory, audit and financial report, meeting, proxy vote, disclosure policy and among others (Koontz 1988, Kono 1984, Kaufman 1994, Ohtsu and Imanari 2002, Miwa 2006, Demise 2006).

Figure 32: The companies board committee system



Source: Demise (2006)

On the basis of the existing research and literature survey the assumptions of this research are as follows: The main hypothesis is that CG in SBEs of Bangladesh seems to have ensure responsibility, accountability, fairness, and transparency among different CG practices and

distributed duties, rights, and rewards among board members, management, stakeholders, creditors, and auditors, and established needful rules and regulations to ensure governance. This research has five sub-hypotheses are as follows: 1) CG in SBEs insists on making the responsible relationship equally between the company and the governing body, 2) CG in SBEs emphasizes stakeholder's accountability robustly which pursues proper supervision within the enterprises, 3) CG in SBEs passes the test of fairness substantially, ensure better and effective protection to all stakeholders, 4) CG in SBEs strictly practices company's rules and regulations where a board of directors ensures business transparency within all stakeholders, and 5) CG in SBEs positively encourages all board members to participate effective decision-making process in the business affairs.

## **II) General framework of CG practices in the business enterprises of Bangladesh**

In 2004, Bangladesh Enterprise Institute (BEI) established “The Code of Corporate Governance for Bangladesh” with the help of international experts on CG and other Codes of Corporate Governance. It is found that CG practices in Bangladesh mostly follow USA and European style in particular UK style related to legal framework, board issue, method of selection, appointment, rotation and removal of the board of directors, management committee, audit and financial report, disclosure information, meeting, voting mechanism, and among others.

### **a) Legal statutory**

The following legal measures are practiced in the corporate society of Bangladesh: i) Societies Registration Act 1860 revised in 2013, ii) Companies Act 1913 revised in 1994, iii) Securities and Exchange Ordinance 1969, iv) Bangladesh Bank Order 1972, v) Trust Act 1882, vi) Bank Companies Act 1991, vii) Securities and Exchange Commission Act 1993, viii) Financial Institutions Act 1993, and ix) Bankruptcy Act 1997.

### **b) Board issue**

According to *the Companies Act 1994* every public company and a private company which is a subsidiary of a public company will have at least three directors. The directors of the company will be elected by the members in AGM. Any causal vacancy occurring among the directors may be filled in by the directors. The appointed person will be a person qualified to be elected a director under the clause and will be subject to retirement at the same time in whose place he is appointed. The Societies Registration Act 1860 confirms that the board consisting of two different

group of members. One is governing body and another is general body. General body elects the governing body and it is consisted of seven to twenty one members. It consists of internal members. The members of the governing body elects a chairperson among themselves by majority vote.

**c) Committee as adjunct to the board**

CG practices encourage to create committee as adjunct to the board and the adjunct committee aims to implement board decisions. These adjunct committees are management committee, planning committee, audit committee, audit review committee, risk management committee, investment committee, community development committee, and among others. For example, community development committee can meet once or twice a week to set up a decision. *The Societies Registration Act 1860 revised in 2013* makes it clear that to execute this adjunct committee decision governing body of the society will meet at least four times in a year and questions arising at any meeting of the governing body will be decided by a majority of votes.

**d) Audit and financial report**

*The Companies Act 1994* mention that every company will keep proper books of account with respect to a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place, b) all sales and purchases of goods by the company, c) the assets and liabilities of the company, and d) in the case of a company engaged in production, distribution, marketing, transportation, processing, manufacturing, and mining activities, such particulars relating to utilization of material, labor, and other items of overhead cost.

*The Societies Registration Act 1860 revised in 2013* also put emphasis on audit and financial report of the society and declare that once a year the accounts of the society will be examined and audited. The governing body will submit the proposition to the members of the society in a written or printed audit report and will convene a special meeting for the consideration of this report.

**e) Others (meeting, quorum, disclosure information, voting mechanism and among others)**

*The Companies Act 1994* recommend to disclose remuneration of the directors, a balance sheet of the company, a copy of its profit and loss account, the report of its board of directors, and the

report of its auditors in the AGM. *The Societies Registration Act 1860 revised in 2013* mention the ordinary business of the AGM as follows: a) adopt audited accounts, balance sheet and report of the governing body, b) election of the members of the governing body, c) appointing and fixing of remuneration of auditors, and d) pass annual budget of the society. The notice of the AGM will send at least twenty one days ago through advertisement or by post.

According to *the Societies Registration Act* the quorum for the AGM of the society will consist of seven members if the total members of the meeting are twenty. If the quorum is not formed within one hour the meeting will stand adjourned to the same day in the following week at the same time and place and if such adjourned meeting face the problem related to quorum meeting will held without such quorum. The chairperson of the governing body will preside as chairperson at every AGM of the society. If chairperson cannot attend within fifteen minutes of the meeting, the members present will choose one of their member to be chairperson of the meeting.

At any AGM a resolution put to the vote of meeting will be decided on a show of hands. If a poll (declaration of the result of the show of hands) consists of any equal number of votes, the chairperson will be entitled to a second or casting vote. On a show of hands every member present in person will have one vote.

### **III) Characteristic features of CG system in SBEs of Bangladesh**

#### **i) Legal entities in SBEs**

The study particularly attempts to find out the legal entities of SBEs to understand characteristic features of CG system in SBEs. In Bangladesh, the existing laws make it clear that SBEs cannot depend on donors. Consolidating Nahar (2017) and other sources (*The Grameen Bank Ordinance 1983 amended in 1994, BRAC Memorandum of Association Revised in 2013, The Trust Act 1882, The Societies Registration Act 1860, and The Companies Act 1994*) the legal entities of SB are as follows:

#### **a) Society/foundation under The Societies Registration Act 1860 revised in 2013**

*The Societies Registration Act 1860* promotes the activities related to science, literature, fine arts, societies for the foundation and the maintenance of libraries, public museums, and collections of natural history, mechanical inventions, and philosophical enlightenment. In general, foreigners are prohibited serving as founders in the society. The responsible authority

for this act is the Registrar of Joint Stock Companies (RJSC) and Ministry of Home Affairs for National Security Intelligence (NSI) clearance. The necessary things to register as society include name clearance, memorandum of association, article of association, and police clearance certificate by the NSI.

The crucial issues to consider under *The Societies Registration Act 1860* are as follows: i) a society must sue or be sued in the name of board members or officers not for individual, ii) the board consisting of more than seven founding/ executive committee members, iii) the number of total members should be at least three times in comparison to the number of members in the executive committee, iv) foreign donations require approval known as Foreign Donation (FD) Registration from the NGO Affairs Bureau (NGOAB), v) annual return must be submitted to the Registrar of Joint Stock Companies (RJSC), and vi) can be dissolved by vote of three-fifths of the member (if the government is involved with the permission of the government).

#### **b) Private Limited Company under The Companies Act 1913 revised in 1994**

*The Companies Act 1994* is the appropriate legal entities for the foreigners to do business in Bangladesh. *Foreign Private Investment Act of 1980*, and Foreign Direct Investment (FDI) policy are also connected to *The Companies Act 1994*. The responsible authority to register a private limited company is the Registrar of Joint Stock Companies (RJSC) and other licensing authorities related to particular business. The required documents are as follows: i) name clearance from the Registrar of Joint Stock Companies (RJSC), ii) memorandum and articles of association, iii) RJSC forms with the relevant personal detail of the directors and shareholders, iv) after the incorporation of the company, need trade license in the name of the company (confirm rent receipt for this purpose), Taxpayers' Identification Number (TIN), bank account, value added tax (VAT), and share certificate for shareholders, the registry for shareholders, shares and directors, import/export registration certificate (if applicable), different licenses from authorities and membership of the trade association.

The crucial issues to consider under *The Companies Act 1994* are as follows: i) any one (local/foreigner) can establish a private limited company and can become a shareholder and/or director. ii) the number of directors would be two to seven and directors belong to company shares. iii) the number of shareholders would be two to fifty. iv) it provides limited liability for the shareholders (up to their investment). v) shareholders are not responsible for the company's

debt. vi) authorized capital (maximum of share capital which company is authorized to issue in favor of shareholders). ix) paid up capital/ share capital

**c) Not for profit company under section 28 of The Companies Act 1913 revised in 1994**

This act promotes the work related to commerce, art, science, religion, charity, or any other useful objects and strongly prohibits foreigners work as founder of the organization. Registrar of Joint Stock Companies (RJSC) is the official authority for this act. In order to register under this law the required documents are name clearance, memorandum of association, articles of association, and police clearance, and further documentations are required on the basis of the purpose of the association.

The vital issues to consider *under section 28 of The Companies Act 1994* are as follows: i) a bank account and as a legal entity it can sue and be sued in its name, ii) it is a private limited company, need at least two shareholders iii) annual reports, iv) FD Registration from the NGOAB if there is foreign donors. v) board of directors, and vi) keep accounts, audit, and audit report.

**d) Trust under The Trust Act 1882:**

*The Trust Act 1882* makes it clear that anyone can run SB if there is a clear legal organizational purpose related to trust activities. This law is more flexible in terms of status, registration, and management.

The salient issues under *the Trust Act 1882* as follows: i) completion of the registration with the trust deed, duly stamped at the relevant sub-registry office, ii) selection of the trust property and transfer of the trust property to the trustee, iii) the beneficiaries are selected by the trustee and it works for the fixed beneficiaries or discretionary, iv) trustee can receive remuneration from the trust and trust property can be movable or immovable, v) to run NGO or charity under The Trust Act 1882, Foreign Donation (FD) registration is mandatory from the NGO Affairs Bureau (NGOAB) in terms of receiving foreign donations, vi) it is necessary to maintain clear account and audit.

BRAC, a development organization, was formed in 1972 under *the Societies Registration Act 1860*. Although it was first set up to resettle refugees in post-war Bangladesh, BRAC later redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor, and in 1978, BRAC initiated business enterprise aimed at reducing

donor dependency from the organization and gradually, BRAC was establishing profitable businesses one after another from the business profit and introduced itself as SBE, known as BRAC model. This model is a collaborative network of enterprises, development programs, and investments work for the empowering women in particular poor women, alleviating poverty, creating job opportunity, and enhancing financial sustainability.

On the other hand, Grameen SBs are the sister organization of Grameen Family of Companies. Most of the Grameen companies are registered under *the Section 28 of the Company's Act*. Companies formed under this act have no owners, no one can accept profit individually. These companies are categorized as “nonstock company limited by guarantee”. The directors of these companies provide personal guarantees but are not allowed to take profits.

There are some Grameen companies which are registered as “for-profit” companies. These are owned by a few of the non-profit companies mentioned above. As a result, the profit from these for-profit companies goes to the non-profit companies, but not to the owners. The study found that there are some common objectives of SB, such as creating employment opportunities, promoting education and literacy, supporting vulnerable people, children, and young people through selling goods and services, improving particular community, supporting another social enterprise, improving health and well being, protecting environment, providing affordable house and food. BRAC and Grameen SBs particularly work on these issues. The synergetic model of BRAC development programs, SBEs, and investments are fully governed by BRAC’s governing body and the Grameen Family of Companies CG system jointly work with governing body of Grameen Bank, Grameen Admin and Yunus Center.

## **ii) Fund raising system in SBEs**

Initially, BRAC and Grameen Bank founded non-profit businesses by using donor grants. Gradually, these non-profit businesses started to earn profit and eventually, became profitable business. In 2006, these non-profit businesses introduced as a non-loss, non-dividend SBs. Moreover, Yunus stated (2010) that SB has owner, not donor. On the other hand, BRAC introduced their SBEs as home-grown business enterprises. To support these strategies in terms of SB, Yunus (2010) made it clear that some of the characteristic features distinguish a SB from the typical forms of non-profit organization. For example, a foundation is not considered a SB. Because it is not financially sustainable and most of the cases foundation does not generate any

business activities. Generally, it supports charitable programs and provides some benefits to the communities. Instead, if a foundation invests money to launch a SB the business could create social benefit while generating the income to sustain itself. Gradually, this SB can repay the original investment to the foundation and foundation may be able to use this invested money for some worthy purpose.

Similarly, a traditional NGO is a nonprofit, charitable organization can run a SB by separating its legal, tax, and financial purposes. For example, as a NGO BRAC initiated SBEs and separated its activities legally from organizational development programs and investment activities. Substantially, BRAC's donor grants are for the funding of its development projects and programs such as agriculture and food security, education, health, community empowerment, disaster, environment and climate change to name a few. In contrast, other revenue recognition strategies are as follows: i) income generating projects: such as Aarong Rural Craft Center, BRAC Printers and Printing Pack and BRAC Dairy and Food Project, ii) program support enterprises: mainly consisting of poultry firms, feed mills, seed mills, fish, and prawn hatcheries, horticulture nurseries, chilling centers, broiler rearing and meat marketing, salt production, recycle paper production and health product related activities, iii) revenue from the sale of goods: it is measured at the fair value of the consideration received or receivable, net of returns, discount and VAT. iv) service charge on microfinance loan: it is recognized on an accrual basis as income.

On the other hand, Grameen Family of Companies mentioned that SB fund can be created in two ways: i) equity and ii) loan. Moreover, a SB fund comes from various sources, such as: i) partnership business, ii) government agencies, iii) autonomous bodies, iv) international organizations, v) any kind organization, vi) foundation, vii) private companies, and viii) NGOs.

Generally, business profit is using as equity or loan to extent new SBs. However, in terms of "donation" to SB fund Grameen family of companies mentioned that donation to SB fund is not paid up capital and it will be channeled through donor. It can come through government agency, corporations, or trusts. For example Grameen Trust or Grameen Health Care Trust works as a channel of the SB donor. Donation to other areas and donation to SB fund has difference in characteristics. Donation (90 percent of the total amount) in SB is used to invest in SB ventures. Some part (10 percent) of the fund is also used for relevant research works.



Grameen Caledonian College of Nursing is an example of using donor money to run a SB. Nike Foundation donated money in establishing the Grameen Caledonian College of Nursing. Nike donated the money to Grameen Health Care Trust and Grameen Caledonian College of Nursing is a project of the Grameen Health Care Trust. Nike collects all financial and other information from Grameen Health Care Trust.

Eventually, the study is found that more funding and support mechanisms-probably the most important drivers of growth are emerging to encourage the incubation and growth of SBs and other similar ventures. For instance, impact investment funds defined as “investments intended to create positive impact beyond financial returns”- have become a significant funding source for social entrepreneurs and SBs around the world. Yet, traditional businesses use their CSR fund to create a SB fund. However, many multinational companies increasingly seek to move away from traditional CSR, aiming to better leverage and integrate their socially motivated activities with the core business. SBs not only provide a more effective way to create social impact but also offer corporations the opportunity to harness a variety of business benefits, which themselves become increasingly important as a source of competitive advantage. It is found that many Grameen family of companies are used impact investment fund to run SB though Yunus (2010) mentioned that SB is different from CSR activities.

#### **IV) Research method and organization**

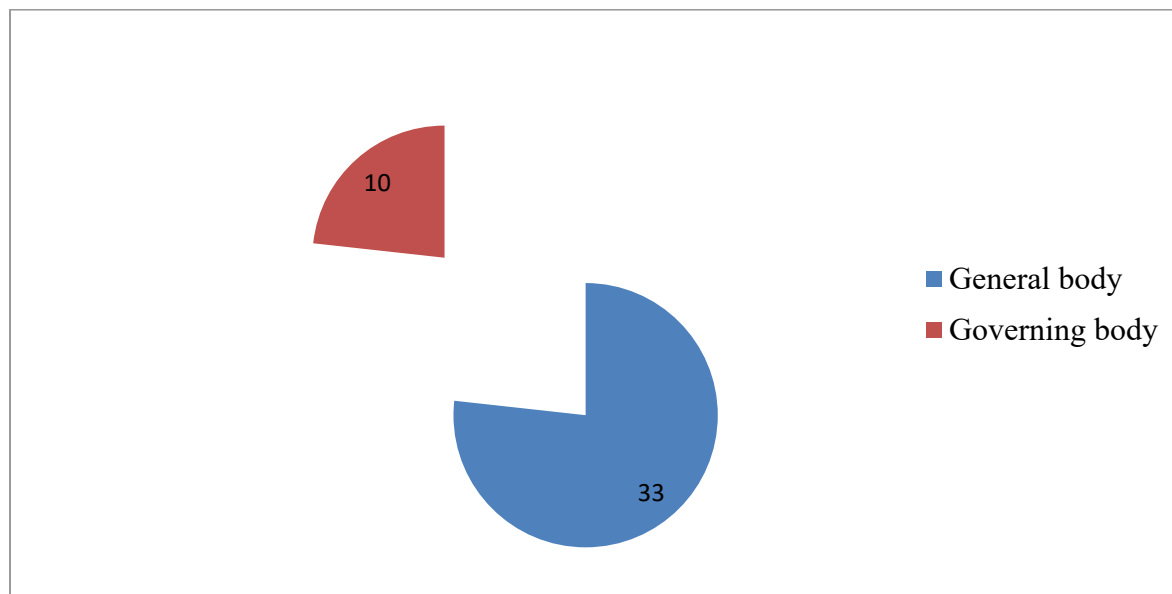
To examine the characteristics feature of CG system in the sample SBEs a questionnaire was developed which identified twenty one aspects. An unstructured interview was carried out in 44 selected SBEs of BRAC and Grameen family of companies during the period of field survey in March 2017. The twenty one aspects of the CG system are selected with the help of *The Code of Corporate Governance for Bangladesh, 2004, the Societies registration Act of 1860, Memorandum of Association of BRAC revised in 2013, the Grameen Bank Ordinance in 1983 amended in 1990*. A mixed method-qualitative and quantitative analysis is used to analyze and interpret research data in which tried to find out the level of frequency in each item and then calculated percentage. Finally, a quantitative inference is used to determine the characteristics feature of CG system in the sample SBEs. In addition, in order to comprehend research findings many case studies of SBEs were used as qualitative analysis.

## V) Data analysis and interpretation

Firstly, the general body of BRAC consists of 33 members and the governing body belong to 10 members. As per *the Memorandum of Association and Rules and Regulations of BRAC*, revised in 2013, the general body elects the governing body and governing body elects a chairperson among themselves. The governing body have full control on all the affairs and properties of the BRAC.

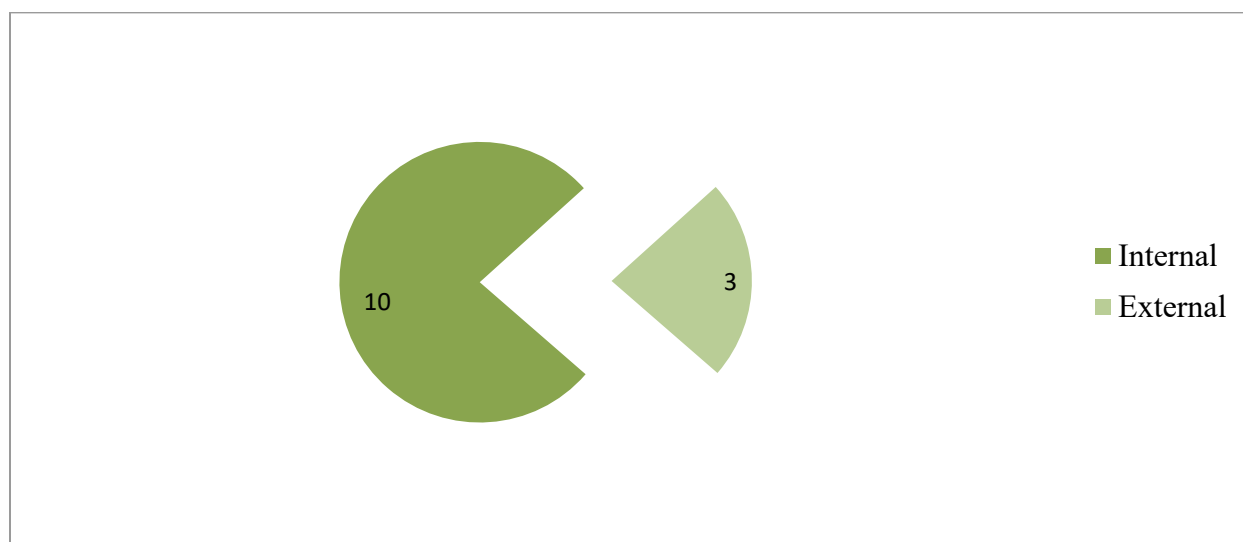
### 1) Members of the board

**Figure 33: Members of governing body in BRAC (number of person)**



The governing body strictly maintains accounts including i) the amount of money received and expended by the BRAC. ii) all sales and purchases by the BRAC, and iii) the assets and liabilities of the BRAC.

**Figure 34 : Members of governing body in Grameen family of companies**



The board of the Grameen Bank consists of 13 members. Internal members are ten and includes managing director. Nine members are elected from the borrower shareholders. On the other hand, external members are three nominated by the government. As per the rules of *the Grameen Bank Ordinance 1983*, Yunus was the founder managing director and nine other board members were elected from the borrower shareholders. However, currently government brought some changes in terms of board issues of the Grameen Bank and it was found that the managing director, and three members including the chairman nominated by the government.

Yunus Centre (2017) made it clear that nine shareholders are the members of the governing body who are also borrowers and hold 76.01 percent of Grameen Bank shares. The remaining 23.99 percent is held by the Government of Bangladesh, Sonali Bank Ltd., and Bangladesh Krishi Bank. In addition, Grameen Bank has 8.86 million members and one board representative is elected from one million members. The borrower shareholders of Grameen Bank are divided into nine constituencies. The election is held in three tiers in each of these constituencies. The election process within Grameen Bank is specified in its Election Rules.

Moreover, the managing director (MD) has no voting power because MD does not hold any share. Therefore, twelve members have voting power. If there is a tie (6-6) in the voting process, the chairman can give vote.

According to *the Grameen Bank Ordinance 1983*, the major activities of the governing body is as follows : i) to undertake the management, control, and supervision of the Grameen family of companies, ii) to manage their financial activities including audit and provide credit without collateral to landless persons for all types of economic activities, iii) to accepts deposits but excluding business in foreign exchange transactions, carries out survey and research, issue publication and maintaining statistics with a view to improving the economic condition of the landless person, iv) to undertake income-generating projects, extending businesses which known as SB, v) to invest its fund in government securities and provides professional counseling to the landless person regarding investments in small business and cottage industries. All of these activities are under the supervision of the governing body.

## **2) Tenure of office**

### **a) Governing body of BRAC**

The Code of Corporate Governance for Bangladesh attributed in its NGO section that one-third of the Board of NGO in Bangladesh retire at every AGM and board members are not eligible for more than two consecutive terms. The chair of the board can be appointed for two consecutive terms to enable strategic continuity. Retired members can be reelected at a gap of at least three years. The Memorandum of Association of BRAC agreed with this term and confirmed that a member of the governing body as appointed will retire at the following annual general meeting (AGM) of the Society and then will be eligible for re-election.

### **b) Grameen Family of Companies**

Muhammad Yunus was the founder managing director of the Grameen Bank from 1983 to 11 May 2011. After that the government appointed acting managing director of the Grameen Bank from 12 May 2011 to 14 Aug. 2011. Then, appointed acting managing director from 14 Aug 2011 to 30 Oct 2014. After that it appointed acting managing director who worked from 30 Oct 2014 to 29 Oct 2015. Current acting managing director started to work from 29 October to til now (2017). On the other hand, the first chairman of Grameen Bank started to work from 2003 to 2010. And then the next chairman worked from 2011 to 2016. After that, there was no chairman until now (2017). Nine shareholders who are the members of the governing body of Grameen Bank are elected for the 3 years.

As mentioned above that Yunus Centre jointly worked with Grameen Admin, here Muhammad Yunus works as the chair of the Yunus Centre from 2008 to until now (2017). Yunus Centre also appointed one executive director who is continuing from 2008 to till now (2017).

### **3) Method of selection, appointment, rotation, and replacement of members of the governing body**

*BRAC Memorandum of Association revised in 2013*, made it clear that selection, appointment and rotation of the board members happens at every annual general meeting. A member of the governing body will retire at the next following annual general meeting (AGM) and then will be eligible for re-election. By an extraordinary resolution, any member of the governing body may be removed before the expiration of his/her period of office and by an ordinary resolution another person can be appointed in his place. The persons appointed will retire at the next AGM and will follow all rules and regulations which are applicable to the governing body member.

The governing body can suddenly discharge any member of the board if the member i) ceases to be a member of the BRAC, ii) is found to be of unsound mind by a court of competent jurisdiction, iii) is just insolvent, iv) absents himself from three consecutive meetings of the governing body or from all meetings of the governing body for a continuous period of three months, whichever a longer, without leave of absence from the governing body, v) accepts a loan from the BRAC, vi) is concerned or participates in the profits of any contracts with the BRAC, and vii) is punished with imprisonment by a competent court for a term exceeding six months in respect of an offence which under the law for the time being in force is cognizable.

Apart from this, the governing body will not be vacated in any reason that the member concerned is a director or member of any company or corporation which has entered into a contract or done work for the society but the member concerned must not vote in respect of any such contract or work and if he/she does so, vote will not be counted. In addition, if all members of the governing body are disqualified from voting in respect of any such contract or work, the same will be subject to approval or ratification of the society in annual general meeting. Moreover, the qualification in relation to accepting loans should be duly authorized by general body.

*The Grameen Bank Ordinance 1983* made it clear that the rotation of appointed three directors depends on the government, and these three directors will hold office at the satisfaction of the government and the elected nine directors will hold office for a term of three years and will continue in office until his/her successors enters into the governing body. Grameen Bank confirmed that nine elected directors are rotated in every three years.

In addition, the managing director (MD) will be the whole-time officer and the chief executive of the Bank and will serve under the Bank on such terms and conditions as may be prescribed by regulations. If a vacancy occurs in the office of the MD or if the MD is unable to discharge the functions of his office on account of absence, illness or any other cause, such officer of the Bank as may be prescribed by regulations will discharge the functions of the managing director until a new managing director is appointed to fill such vacancy enters upon his/her office or until the managing director resumes the functions of his/her office.

Moreover, the chairman or an appointed director may resign his office by writing under his hand addressed to the government, and the managing director or any other director may resign his office by writing under his hand addressed to the chairman, provided that no resignation will take effect until it has been accepted by the government or as the case, maybe the chairman. Apart from this, The Grameen Bank confirmed that it will not necessary to fill a vacancy for a period not exceeding three months.

#### **4) Committee as adjunct to the board**

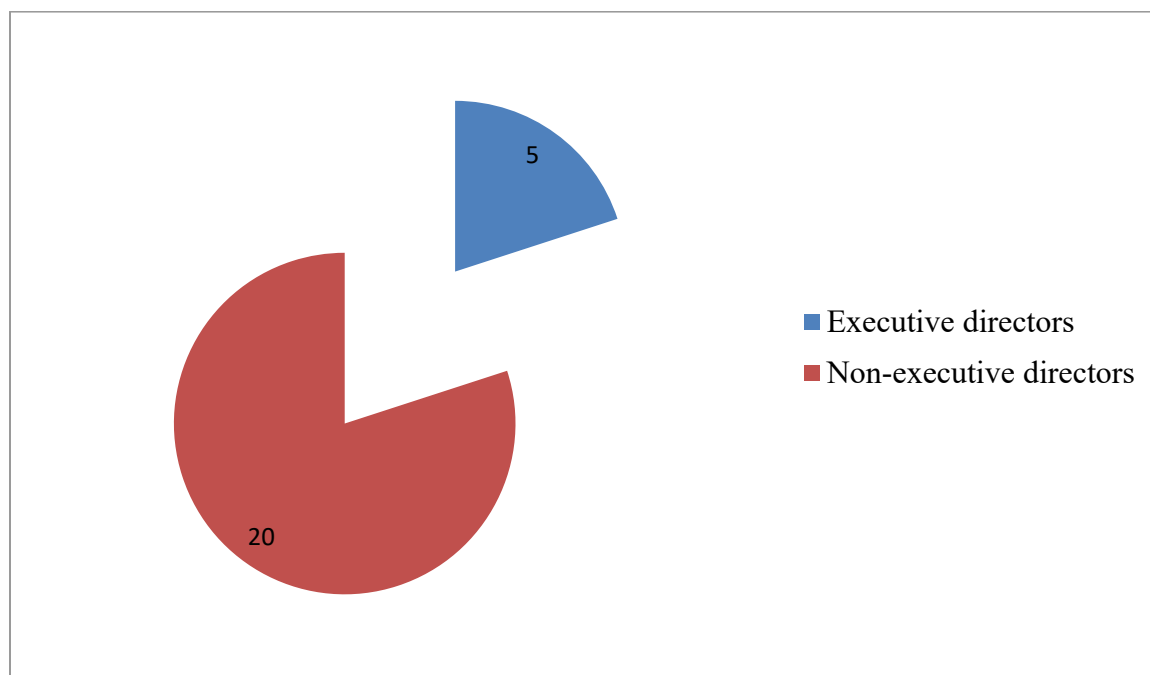
*Memorandum of Association of BRAC 2013* stated that the members of the governing body may delegate any of their powers to committees consisting of such member or members of their society as they think fit. Currently, BRAC declared five-year strategic plan in terms of programming, financing, and organizational focus of BRAC. To achieve this goal BRAC governing body form some adjunct committees to proceed organizational activities such as audit review committee, risk management committee, investment committee, community development committees to name a few.

Similarly, the governing body of the Grameen Bank also creates many adjunct committees to promote their activities. *The Grameen Bank Ordinance 1983* confirmed that the board may appoint such committee or committees as the board thinks fit to assist in its efficient functions. For example, the operating system of Grameen Bank from the central office to branch office

members is divided into different groups under the supervision of member responsible credit committees to run micro-credit activities effectively. In addition, the Grameen Bank is exposed to a variety of risks. The most important of which are a credit risk, liquidity risk, and operational risk. These risks are being identified, measured and monitored by various committees on behalf of the Grameen governing body. Moreover, the audit committee, audit review committee, and investment committee are also found in this organization.

## 5) Composition (number of the members) of the Board

**Figure 35: Composition of the board of BRAC**



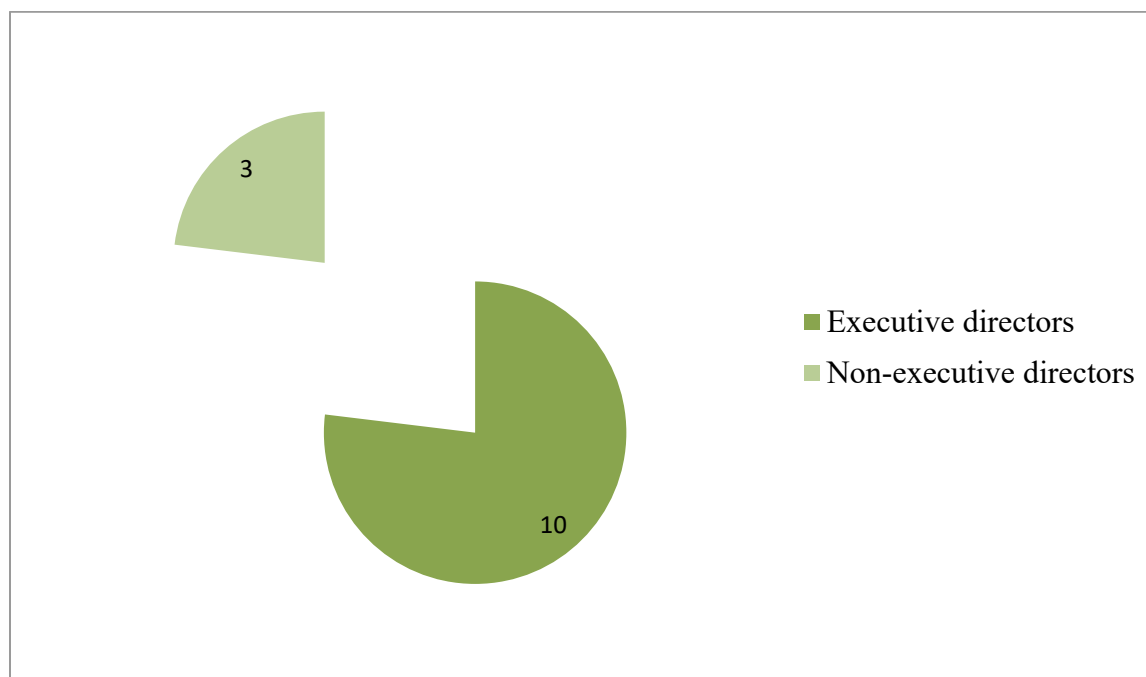
Source: Annual report 2016

Bangladesh Enterprise Institute (2004) made it clear that an effective board of directors for NGO, properly constituted, with a mix of proficient directors providing a full range of appropriate knowledge and skills, is the linchpin of good governance. BRAC has employed a huge number of national and international professionals, activists, and expertizes as the Board of directors including executive directors. The study found that a group of professionally skilled persons works in the board of BRAC.

The findings of this study are that fifteen SBEs are managed by five executive directors, which means one executive director is looking after three enterprises which is not sufficient for

the good governance. BRAC should decentralized and dilute its CG by delegating executive positions to more people which should be one executive in each SBE.

**Figure 36: Composition of the board of the Grameen family of companies**



According to the *Grameen Bank Ordinance 1983* three non-executive directors includes chairman appointed by the government. On the other hand nine executive directors elceted by the borrower shareholders for the three years through five steps and the managing director will be an ex-officio director of the board who is not shareholder of the bank. Moreover, MD has no voting power. If there is any tie in the voting system chairman can decide everything.

#### **6) Audit (Procedure for internal and external audit, mandatory preparation, and audit report)**

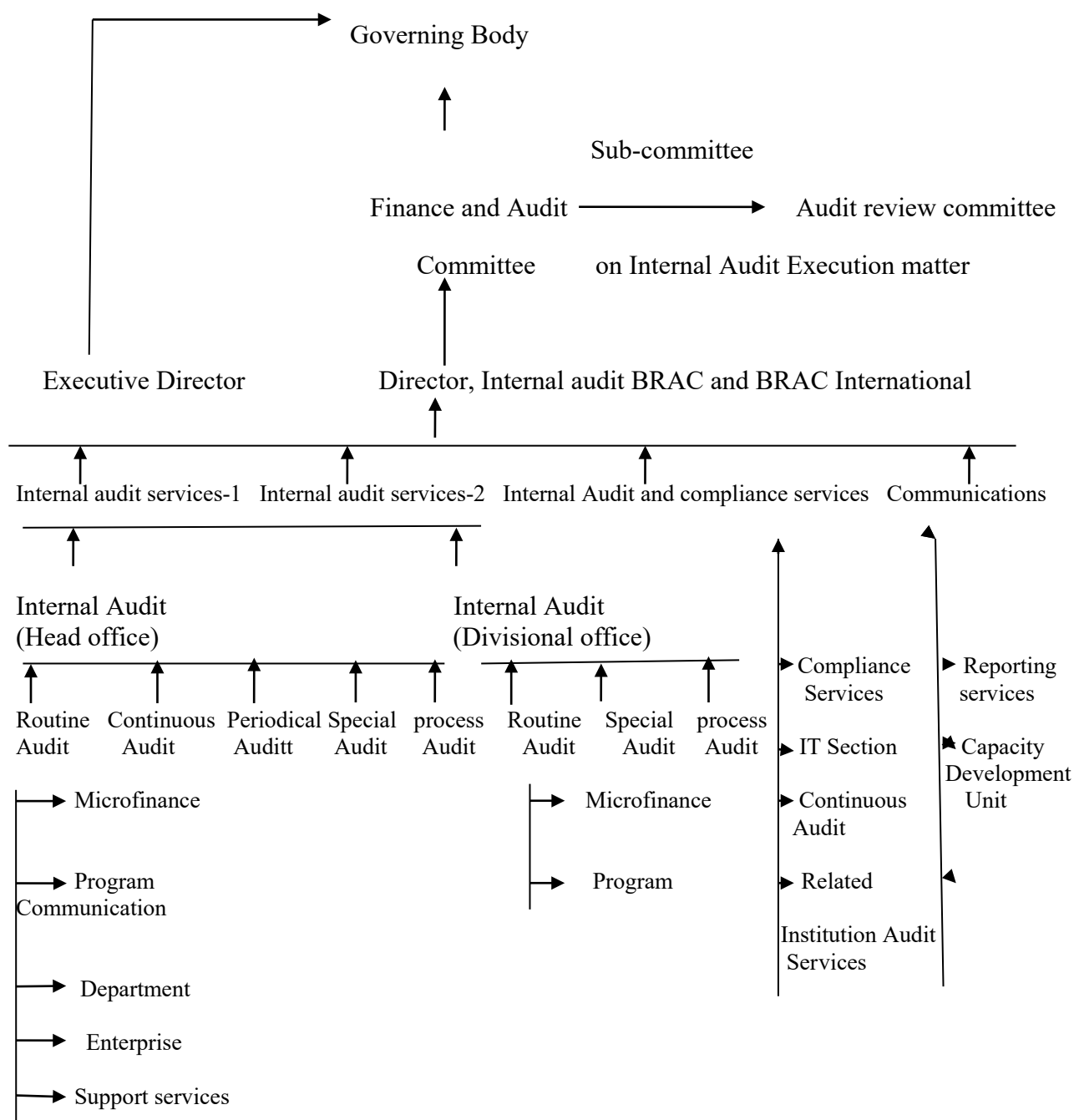
The procedure of audit in BRAC is as follows: *BRAC memorandum of association revised in 2013* made it clear that the audit committee's authority comes from the board. The committee has the authority to direct the internal audit department to conduct an audit, review, and/or a special investigation into any matters within the scope of the committee's responsibility. The committee is empowered to i) have unrestricted access to all BRAC activities, records, property, and personnel, ii) approve the use of outside accountants, consultants, or others retained by BRAC to assist in conducting audits, reviews, and special investigations, iii) review and



recommend appropriate budget and financing for BRAC as part of the budget approval process, iv) retain with board approval, independent counsel, accountants or others having special competence as necessary to assist in fulfilling its responsibility or assist in the conduct of an investigation, and v) delegate authority to subcommittees (*BRAC memorandum of association revised in 2013*).

Moreover, the committee will have the resources and authority necessary to discharge its duties and responsibilities. Each member will be free of any relationship that would interfere with the exercise of his or her independent judgment as a member of the committee. The governing body of BRAC constitutes the BRAC Finance and Audit Committee with the following six members: Chairperson (1), members (4), and chief financial officer acts as secretary (1). The role and purpose of the audit committee of BRAC are as follows: a) Financial reporting and budgeting processes, b) system of internal controls and risk management, c) compliance with legal and regulatory requirements, d) qualifications, independence, and performance of the external and internal auditors (*BRAC memorandum of association revised in 2013*).

**Figure 37: Organogram of Internal Audit Department of BRAC**



Furthermore, members of the committee have professional experience and expertise in at least one of the following fields: nonprofit administration, investing, finance, accounting financial

reporting, auditing, or information technology. At least one member of the committee should have accounting or related financial management expertise. However, the lack of any such member will not invalidate or otherwise affect the actions taken by the committee.

In addition, the BRAC Finance and Audit Committee will arrange at least two meetings in a year, or more frequently as deemed necessary by any committee member. A quorum will consist of two committee members. Each member will be entitled to one vote and will cast that vote on each item submitted. Members will only abstain from a vote when there is a valid conflict of interest addressed to the committee. The committee may invite members of management, representatives of the external auditor and among others to attend meetings and provide relevant information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The minutes of each meeting will be prepared and approved at subsequent meeting.

Apart from this, the committee relies on the expertise and knowledge of management, the internal auditors, and the independent auditors in carrying out its oversight responsibilities. As such, the finance and audit committee is accountable to the board for carrying out the following responsibilities: a) financial statements, b) budgeting, c) risk and internal controls, d) internal audit, e) external audit, f) compliance, and g) communication and reporting.

The procedure of audit in the Grameen Bank is as follows: Grameen puts emphasis on internal audit as a part of the internal control system for detecting any error or fraud at an early stage. The internal audit division of Grameen Bank is characterized by two-tier structure namely central audit and zonal audit. Central audit conducts the audit of different divisions at the head office.

Moreover, central audit office supervises, advises, directs, and provides necessary guidance to zonal audit offices. The zonal audit office audits zonal offices and their area offices and all branches within the zone. Central and Zonal audit offices execute complete audits and brief audits to monitor operations and review compliance with statutory requirements. Besides, central audit conducts pre-audit of almost all transactions of head office. The Internal Audit Division works under the direct supervision of the MD. However, internal audit is completely independent in its work. Internal audit is conducted in yearly intervals to ensure compliance with the policies of the Bank and regulatory bodies.

In Grameen Bank accounts are audited by independent auditors in accordance with to The Code of Corporate Governance for Bangladesh and auditor's report is submitted to the Board of Directors of the Grameen Bank.

The constant rotation of auditors all things being equal makes borrowers, depositors, the general public and other stakeholders of Grameen Bank to be more confident with the information contained in the financial statements presented at the end of the year in the annual report and this makes these financial statements more credible. The high credibility of financial statements can go a long way to enhance growth all things being equal (Hossain and Neng, 2011).

## 7) Remuneration policy and disclosure

According to *The Code of Corporate Governance* for Bangladesh remuneration principles are as follows: a) remuneration for directors should be in accordance with the constitution of the state owned enterprise (SOE) and subject to approved by the shareholders, b) the pay structure of SOEs should be independent of the government pay structures, so as to better compete for skilled workers with the private sector (BEI, 2004).

According to Grameen Bank annual report (2015) chief executive's salary and fees of the bank are as follows:

Table 8: Chief executive's salary and fees of Grameen Bank-2015

Chief executive's salary and fees	Amount in per month	
	2015	2014
Basic Salary	1,310,000	1,192,500
Contributory provident fund	32,750	29,814
Bonus	110,000	100,000
<b>Total</b>	<b>1,452,750</b>	<b>1,322,314</b>

The study did not found BRAC's executive's salary information in any published report. As per rules and regulations of BRAC, it does not disclose executive payment system. However, BRAC made it clear that some information is confidential, if necessary BRAC disclose to the

particular responsible authority, for example board of directors meeting, government, and donors and among others.

## **8) Meetings**

*BRAC memorandum of association 2013* pointed out that notice of the AGM should be informed at least fourteen days ago which will be sent by post or in other way and include information of meeting place, day, and duration of meeting, consent in writing of all the members entitled to receive notice of the meeting. A meeting can be convened by a shorter notice when the governing body thinks the time is fit for all the members.

In BRAC, another notice for meeting of special resolution must be given at least twenty one in advance to all the members. If all the members attend such a meeting, a resolution may be proposed and could be passed or not as a topic of meeting for the special resolution. Furthermore, if any member alleges the non-recipient of notice, or if any board member demands the sudden cancellation of a meeting, he/she cannot stop the proceedings of such meeting.

In addition, the ordinary business of the AGM will be done as follows: i) adopt audited accounts, balance sheet, and report of the governing body, ii) election of the members of the governing body, iii) appointing and fixing of remuneration of auditors, and iv) pass annual budget of the society. Apart from this, BRAC memorandum of association confirmed that the governing body of BRAC will meet at least four times in a year for dispatch of business, adjourn and regulate their meetings and proceedings as they think fit.

*The Grameen Bank Ordinance 1983* confirms that the meetings of the board will be held at such times and at such places as may be determined by the board, provided that a meeting may otherwise be convened by the chairman when he thinks fit. If for any reason, the chairman is unable to be present at a meeting of the board, the directors present may elect a chairman from amongst themselves to preside over the meeting. The committee secretary will count minute related to the proceedings and resolutions of all meetings of the committee, including recording the names as in attendance.

## **9) Quorum**

According to BRAC memorandum of association the quorum for a annual general meeting (AGM) will be settled as follows: i) if the board members of the society at the time of the meeting do not exceed twenty in number, the quorum will be seven members present and entitled

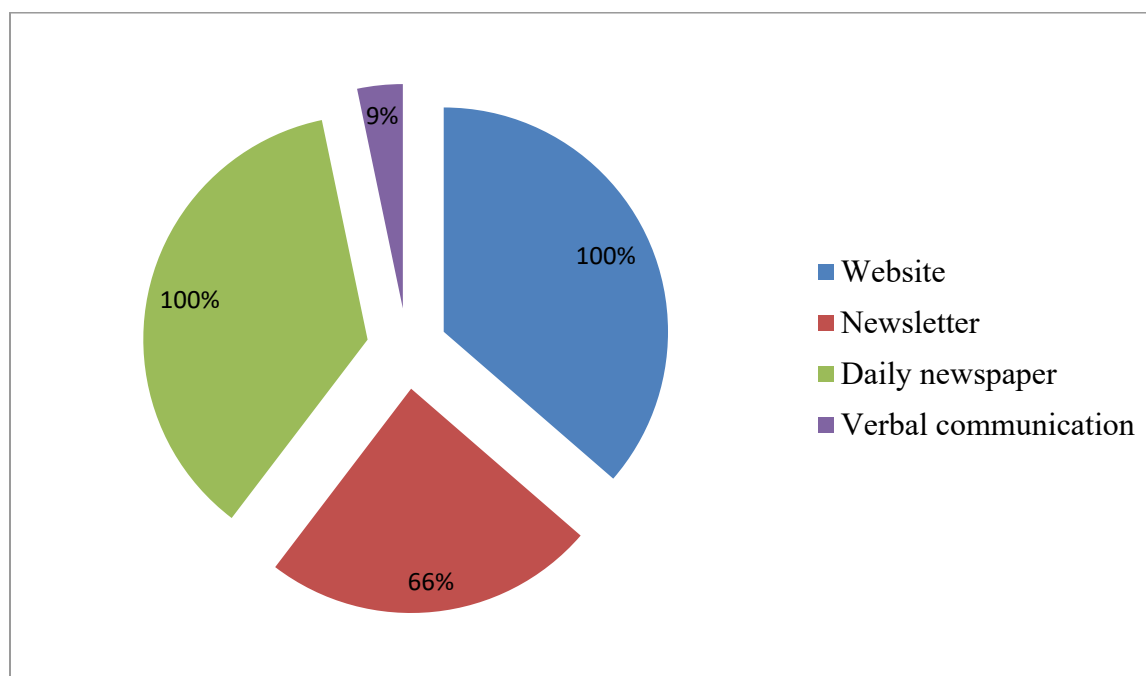
to vote, if it exceeds twenty, there will be added member to the above quorum-one for every five additional members. ii) if the quorum is not formed within one hour from the time scheduled for the meeting, requisite members for the quorum will be dissolved. In other case it will stand adjourned to the same day in the following week at the same time and place. If a meeting is adjourned for quorum of members, the meeting can be held without quorum.

On the other hand, the quorum necessary for the transaction of the business of the BRAC in that case quorum will be fixed by the governing body, In general at least five members are necessary for the quorum.

Likewise, *the Grameen Bank Ordinance 1983* points out that initially the quorum for a meeting require three directors presence in person. However, in some cases, in particular a matured business project demands four directors for the quorum.

#### 10) Way of getting company information publicly

**Figure 38: Way of getting company information publicly**



The study found that all information (100 percent) about BRAC and Grameen Bank is available on their website. Similarly, both organizations emphasize to disclose information in the daily newspaper if necessary. Moreover, Grameen Bank is publishing company's newsletter (66 percent). Verbal communication is also present there. It is found that some information (health check-up, job opportunity, scholarship, etc.) though found on the website, it also very popular to

get such information through verbal communication. The study also found that information on background of directors, governance structure, policy, policy on risk management, significant changes in ownership are disclosed (100 percent) through the annual report, newspaper announcement, Chairman's message, report publication and press release. Grameen family of companies (66 percent) discloses remuneration of directors through the annual report.

## **VI) Discussion of the findings**

To comprehend characteristic features of CG system in SBEs the study found that BRAC model is a collaborative network of SBEs, development programs, and investments and its governing body works for this integrated model. On the other hand, Grameen SBs are the sister organizations of Grameen family of companies. Governing body of the Grameen family of companies known as Grameen admin jointly work with Yunus Centre to govern Grameen SBs. The limitation of this section is that the study could not gather all information together. The reason is that BRAC and Grameen SBEs follow two different laws to govern the enterprises. The research result shows that two different legal statutory, namely *the Societies Registration Act 1860 revised in 2013* and *the Companies Act 1913, amended 1994* bring huge distinctive issues of governing body of Grameen and BRAC SBEs.

The study found that the major characteristics of CG system in SBEs are as follows: i) members of the board: the governing body of BRAC are divided into two, such as general body and governing body. General body is consisting of thirty three members and governing body belongs to ten members. On the other hand, Grameen family of companies has three external members and ten internal members. ii) tenure of office: in the case of BRAC one-third of the board members are retired at every AGM and board members are not eligible for more than two consecutive terms, the chair of the board can be appointed for two consecutive terms to enable strategic continuity. Moreover, retired members can be reelected if there is a gap of at least three years. iii) according to the BRAC annual report 2016, BRAC has five executive directors and twenty non-executive directors. Instead that Grameen has three non-executive directors and ten executive directors in principle. iv) there is also an adjunct committee to help and proceed governing body's activities such as the audit review committee, the risk management committee, the investment committee, community development committee to name a few. v) the study found that both organizations practise internal and external audit and having audit report as well.

Moreover, the quorum, information of the frequency of meetings, notice of meetings has also seen in the BRAC and Grameen SBEs. The committee secretary will minute the proceedings and resolutions of all meetings of the committee. vi) apart from this, the company information is available on the website as well as daily newspaper. In addition, information is also getting publicly through newsletter (66 percent) and verbal communication (9 percent) as well. The study is also found that information such as the background of directors, governance structure and policy, policies on risk management, significant changes in ownership disclose through the annual report (100%), newspaper announcement, chairman's message, report publication and press release. vii) remuneration of directors Grameen family of companies disclose through annual report. BRAC stated that some organizational information is confidential. If necessary, BRAC also disclose remuneration to donors, government, and board members and among others.

All these findings authenticated the sub-hypotheses and subsequently, the main hypothesis. However, in terms of stakeholders accountability, the understandings of this study is that Grameen Family of Companies are going through some difficulties. Currently, the government has enacted *the Grameen Bank Act 2013* repealing the previous *Grameen Bank Ordinance 1983*. Therefore, the government has brought changes in the CG system of the Grameen Bank in terms of MD and nine elected members from borrowers shareholders who were connected to the grassroot level directly. According to *Grameen Bank Act 2013*, the government nominates managing director, three members included chairman, and withdraws nine members. Grameen Bank currently passes through critical phases in terms of stakeholders accountability and responsibility. Thus, this sub-hypothesis related to stakeholders accountability is partly accepted.

In spite of the regulatory weakness, BRAC and Grameen Family of Companies SBEs activities get attention worldwide. It is found that though *the Societies Registration Act 1860* did not provide any specific direction for the audit of the society, however, BRAC well endows financial and audit activities in view of global standards. On the other hand, Bangladesh government brings some reforms in the Grameen Bank's board structure.

World Bank (2006) researched on economics and governance of nongovernmental organizations which operates *the Societies Registration Act 1860 revised in 2013* in Bangladesh and observed some critical issues in terms of corporate governance and financial accountability as follows:



i) *The Societies Registration Act 1860* is the law which is used to register NGOs. As we know, BRAC is registered under *the Societies Registration Act 1860*. World Bank (2006) study found that *the Societies Registration Act 1860* is one of the most lenient with respect to fiduciary requirements. Other than filling the annual list of the governing body with the registrar and receiving prior consent of the government in case of dissolution, there is no other formal requirement that NGOs have to abide by.

ii) World Bank (2006) observed that *the Companies Act* provides the most rigorous legal framework with clear directives on their fiduciary obligations. These include holding of annual general meetings, maintenance of accounts, and appointment of a registered chartered accountant as an auditor. Noncompliance of directives may result in fines or imprisonment. The number of NGOs registered under this law is significantly lower than under other laws, possibly reflecting a lack of awareness of this option as well as its more rigorous legal requirements.

iii) Grameen Bank is a private bank not a NGO in Bangladesh according to *the Grameen Bank Ordinance 1990*. In spite of being registered under *the Companies Act 1994*, Muhammad Yunus was founder MD from 1983 to 2011, May 11, under the rules and regulations of *the Grameen Bank Ordinance 1983*. The findings of this study is that to run an organization by following two rules could be (MD) contradictory for making fair decision. One example, according to *the Companies Act 1994* MD not to be appointed for more than five years at a time, though *the Grameen Bank Ordinance 1983* amended in 1990 allowed Muhammad Yunus as MD until the board takes any other decision and in this regulation no age limit was imposed for the position of the MD.

iv) The rules and regulations for the Grameen Bank did not work eventually and Bangladesh government took an initiative for changing MD of Grameen Bank due to the age limit issue and government argued that Muhammad Yunus should retire during his 60s by following government fixed retirement age in Bangladesh. Though Grameen strongly denied Bangladesh government point of view and confirmed that Grameen Bank has been operating as a private bank since 1990. As it is not a government bank, Bangladesh Government has no power to impose any government institution's rules to Grameen Bank. Therefore, critics pointed out that institutional governance is still at very initial stage in Bangladesh where the government interference can change anything in anytime (Yunus Center 2012, World Bank 2006).

v) Critiques draw attention that women who elected to the board of directors of Grameen Bank has no voice in the board meetings and Board of Directors of Grameen Bank structured and formed by a “one man show”. Nine elected members are the woman borrower shareholders and are not experienced in banking, uneducated or semi-educated, and sit on the bank board. Hence, these women are not able to contribute positively to the policy-making role of the board (Newaz and Abdullah, 2011).

To overcome these problems the following issues are important: i) all laws and regulations related to the SBEs need to be harmonized and streamlined to create a uniform regulatory framework that avoids duplication, overlapping, and contradictory requirements. The existing laws can be modified by incorporating standardized requirements for board structure as well as the process of registration needs to be simplified and the steps be made publicly available. ii) boards and general bodies should ideally be constituted with a diverse group of individuals bringing different skills and expertise. iii) there should be term limits on board members to allow for rotation. iv) *the Societies Registration Act 1860* ought to be amended based on the current state of the sector and in line with international good practices. v) Grameen family of companies are following *the Companies act 1994* as well as GB established based on *the Grameen Bank Ordinance 1983*. It is undoubtedly promoting contradictory situation due to following two legal entities. Currently, Bangladesh Government tries to find out better solution for this issue. However, it would be better to follow one’s organizational rules and regulations.

## **VII) Conclusion**

The study found that there is no direct law to register and regulate SBEs in Bangladesh. However, there are laws which allow doing SB. SBEs are registered under *the Societies Registration Act 1860* and most of the Grameen SBs are registered under *the Section 28 of The Companies Act 1994*. There are some Grameen companies which are also registered as “for-profit” companies.

However, corporate sectors are still in its initial stage in Bangladesh. The current system in Bangladesh does not provide sufficient legal, institutional, and economic motivation for stakeholders to encourage and enforce corporate governance practices. Ahmed and Yusuf (2005) conducted a research related to CG practices in Bangladesh and found that CG practices are not popular to the most of the companies and organizations in this country due to family oriented

businesses and unwilling to disclose company information and improve governance practices. Moreover, they clarify that poor legal system, no pressure from the international investor community, irregularity of annual general meeting, and absence of the board of directors in the meeting are identified as a weak management practice in Bangladesh.

In a nutshell, Grameen and BRAC are both trying their best in terms of practicing CG system in spite of many limitations as mentioned above. However, still they have to go a long way for improving the institutional framework through practicing good governance in the enterprises. The findings of this study are that SBEs establish to help people in particular poor people in Bangladesh requires a well establish link between service users, policy makers, and service providers which create the relationships of accountability that govern service provision and ultimately determine its quality.

## **Chapter 4: Examination of SBEs Management Practices in Bangladesh**

### **Section 4: HRM in SBEs**

#### **I) Introduction**

This section examines the characteristic features of HRM in the SBEs of Bangladesh. In order to achieve this objective a questionnaire consisting of seventeen aspects of HRM was undertaken and an unstructured interview was conducted on 44 selected SBEs. In order to analyze and interpret research data a mix research method is used. The seventeen aspects in the questionnaire included 1) job title, 2) job description, 3) authority of the personal management section, 4) processes of recruitment, 5) methods of employee selection, 6) applicant's academic qualification, 7) certificate and evidence in the selection process, 8) employment types, 9) importance of job experience, 10) required skills, 11) training and education, 12) components of employee compensation, 13) process of employee placement, 14) opportunities to build up a career, 15) role of employee's performance appraisal, 16) incentives offered in the enterprises, and 17) recreational activities.

These seventeen aspects will answer the research question of what are the unique features of HRM in SBEs. Like traditional businesses, SBEs practices HRM components in the enterprises. The study attempts to find out the way of practising HRM in SBEs.

Dessler (2016) defines HRM is the strategy of acquiring, training, appraising, and compensating employees, and also keep attention to labor relations, health and safety, and fairness concerns. These include job analysis, recruitment, selection, orientation and training, performance appraisal, compensation, incentives and benefits, concentrate on employee relations in terms of interviewing, counseling, and disciplining. According to Storey (1995) HRM is directly related to employee management aims to build up highly committed and skilled workforce in the organization through the strategic implementation of cultural, structural, and personnel techniques. Moreover, Boxall, Purcell, and Wright (2008) make it clear that HRM is an indispensable component of evolving an organization. In fact, it is related to the management of work and people towards desired ends and considered as the core issue of management to improve employees skills, knowledge, and organizational performance.

## **II) General framework of HRM**

A general framework of HRM provides the essential and current information related to HRM issue in the work place. According to Dessler (2013) the core concept and tools of HRM are as follows:

- a) First of all, staffing, personnel management, or HRM includes recruiting, selecting, training, compensating, appraising, and developing employees.
- b) Managers responsibility is one of the vital part of HRM and generally company managers are authorized person for the two types of work. One is line authority and another is staff authority. The major responsibilities for this position are making decisions, giving orders and directing the work of others. In order to achieve organizational goal the line manager creates a superior-subordinate (order giver-order receiver) relationship where as the staff manager (advisory) particularly advise other managers or employees.
- c) HR plays a strategic role to bring the changes in the work environment which includes workforce diversity, rapid technological change, globalization, and changes in the nature of work, such as the movement toward a service oriented society and put emphasis on education and human capital.
- d) HRM policies and practices prevent discrimination in the work place in principle. These occurs because of race, color, religion, sex, or national origin and among others. One example the Fifth Amendment to the U.S. Constitution (ratified in 1791) states that no person will be deprived of life, liberty, or property without due process of law.
- e) HRM emphasizes staff-train-reward activities as part of talent management in the work place which includes the integrated process of planning, recruiting, developing, managing, and compensating employees.
- f) HRM positively encourages employee training and employers arrange training to new employees in order to provide skills and knowledge which they need to perform their jobs. In general, a business organization provides two types of training namely, on-the-job training and off-the-job training. In details, on-the-job training refers employee training at the work place and off-the-job training refers employee training which arrange far from the work place.
- g) Performance appraisal is an essential elements of the HRM and company manager evaluates subordinates performance based on performance standards which helps for raising promotion

and compensation. The performance appraisal is generally conducted using one or more popular appraisal methods namely graphic rating scales, alternation ranking, paired comparison, rating scales, web-based appraisal to name a few.

h) HRM put emphasis on employee compensation and benefits. The components of compensation are divided into two: i) direct financial payments namely, wages, salaries, incentives, commissions, and bonuses, and ii) indirect payments which would be financial benefits like employer-paid insurance and vacations.

i) HRM arranges many activities for improving employees morale and dedication to the work place. Moreover, HRM not only works for managing labor relations it also focus on protecting employee's safety and health as well.

On the basis of the Dessler (2013) HRM approach the assumptions of this research are as follows: The main hypothesis of this research is that SBEs in Bangladesh practices HRM aspects namely employee's selection, recruitment, training, commitment, compensation, motivation, performance appraisal, and incentives etc. which aim to achieve business goals and employee's needs like conventional businesses and public sector enterprises. The sub-hypotheses are as follows: 1) HRM in SBEs literally specifies the duties and skills required for a job and prioritize the appropriate candidates through the selection and recruitment process, 2) SBEs basically use on-the-job training as well as off-the-job training development techniques to build a strong work force in the enterprises, 3) SBEs positively emphasize teamwork, employee commitment, and leadership building which are essentially needed to attain goals and objectives, 4) SBEs highly appreciate employee's compensation and incentives which motivate for committing to enterprise and employee's personal goal achievement, and 5) Definitely SBEs arrange many recreational activities to promote high morale and enthusiasm of their employees.

### **III) Characteristics of HRM in SBEs of Bangladesh**

Since gaining independence in 1971, Bangladesh has been progressing gradually towards its dream a poverty free society. Initially, BRAC and Grameen Bank initiated to lift up destitute people's life rather focused on entrepreneurship, competitiveness, and HRM. However, in the early 1990s Bangladesh entered a free-market economy and gradually achieved commendable economic growth and today, Bangladesh belong to an industry contribution to GDP of about 28.5 percent (ILO 2013, PwC 2015).

BRAC and Grameen Bank initiated nonprofit businesses and encouraged entrepreneurship in their second stage when Bangladesh also turned into industrialization. To contribute Bangladesh's economic development SBEs realized that the country's limited natural resources and abundance of human resources, the efficiency and efficacy of HRM practices could be pivotal and driving forces for socio-economic development of Bangladesh. During the field survey Grameen family of companies and BRAC confirmed their HRM practices as follows:

Grameen Bank SBEs follow government pay structure as well as provide per day 200 TK. for lunch to all Grameen Bank staffs. All employees also get allowances for medical, travel as well as education of two children. Grameen Bank has arrangements for loans namely house building loan, medical loan, consumer loan, staffs welfare loan, and vehicle loan. Moreover, the employees of Grameen Bank get twenty casual leave per year, earn leave one day for thirty three working days and six months for maternity leaves follows by government rules.

Grameen SBEs also arranges education leave for employees with the lean job. Employees get deputation facilities means transfer another section and come back to own working place, they have also one year vacation for preparing to pre-retirement leave (PRL). Grameen SBEs employees get pension, gratuity, insurance and death come retired benefits. In addition Grameen bank has recreation subsidy, and two festival bonus. Grameen Bank also arranges additional bonus such as congratulate letter, encouragement bonus, New Year bonus among others.

In addition, to comprehend HRM practices in SBEs of Bangladesh this study focuses on BRAC HRM aspects. BRAC has established a separate department named Human Resource Department (HRD) works as a strategic partner of BRAC's development programs, SBEs, and investments. HRD of BRAC sets up a qualitative and strategic approach in managing workforce. The key focus areas are procedural justice, transparency, equality, respect for diversity, free from discrimination, and recognition of human potential with a purpose to use its skilled and highly skilled workforce effectively (BRAC human resource and learning division booklet 2017).

The objectives of BRAC HRD are as follows: i) to establish BRAC as a right-based human organization by promoting its culture and values, ii) to develop employees knowledge and skills through BRAC and BRAC international activities, iii) to promote gender, justice, and diversity aims to encourage employees morale and dedication to the organization regardless of class, religion, ethnicity, cast, ability, age, and sex, iv) to develop performance appraisal system in

order to recognize best performance as well as enhance quality and accountability, v.) to keep updates organizational management, vi) to increase availability of HR information and employee services, and vii) to work for the revision, implementation, and monitoring of BRAC HR policies and practices (BRAC human resource and learning division booklet 2017). HRM activities in BRAC are organized under seven units as follows:

**a) Recruitment, Deployment, and Appointment (RDA)**

The major activities of RDA are as follows: i) to receive approved an official order from the programs, ii) to prepare and publish advertisement, iii) to receive application from the job candidates, iv) to select the CVs related to the criteria, v) to create database and plan for employee selection, vi) to make sure the exam center based on the number of the candidates, vii) to coordinate with staff from other Programs for invigilating, checking scripts, and viva voice. viii) to prepare the questionnaire and answer scripts, ix) to carry out the examination, make results and announce the result, x) to give declare selected candidates name for pre-service training, xi) to prepare deployment list for every selected candidate, xii) to arrange the pre-service training (BRAC human resource and learning division booklet 2017).

**b) Transfer Management Unit**

This unit collaborates with the policy and communications development (PCD) division. It aims to work organizational development and staff development by promoting human resource policies and procedures (HRPP) and its proper implementation. Moreover, it creates awareness about rights, entitlements and responsibilities of staff, publication, communication and presentation of HRD activities within and outside the organization are also its part of responsibilities.

The major activities of the PCD are as follows: i) to formulate new organizational policies and make revision of existing policies and procedures, ii) to organize orientation for the new employees, iii) to update employee's designation. iv) to organize meetings and keep records of the meetings, v) to organize social events, vi) to publish HR report and bulletin, vii) to organize national and international training, travel, and higher study programs (BRAC human resource and learning division booklet 2017).



#### **c) Compensation and Benefit Management Unit**

This unit works for the salary, increment, adjustment, leave, loan, allowances and staff welfare fund. There are seven types of loans offered by BRAC for the wellbeing of the staff namely i) staff loan, ii) special loan, iii) higher education loan, iv) mobile phone loan, v) motor cycle loan, vi) car loan, vii) loan from provident fund. All types of loans manage by this division (BRAC human resource and learning division booklet 2017).

#### **d) Performance Management Unit**

The major activities of this unit are as follows: i) to set up the organizational performance appraisal system. ii) to make decisions with the help of performance management system advisory team and implement the decisions, iii) to organize employees promotion by following HR policy and procedure, iv) to design, prepare and review of performance appraisal form and training module and materials as per need, vii) to prepare different types of report (routine and need base), and viii) to give information related to staff performance appraisal issues (BRAC human resource and learning division booklet 2017).

#### **e) Grievance Management Unit**

The major activities of this unit are as follows: i) to disseminate of sexual harassment elimination (SHE) policy, ii) to establish a free flow of information system, and iii) to follow up and monitoring grievance related decisions (BRAC human resource and learning division booklet 2017) .

#### **f) Staff Separation Management Unit**

This unit executes five different types of activities as follows: i) resignation, ii) retirement and voluntary retirement, iii) termination, iv) final payment, and v) redundancy (BRAC human resource and learning division booklet 2017).

#### **g) HR Field Operations Management Unit**

The major activities of this unit are as follows: i) to coordinate HR activities with different programs. In fact, HR officers responsible to communicate with field management, participate in their meetings, visit field, and provide necessary information, ii) to organize recruitment and selection processes in the field offices, iii) to communicate and coordinate with the field staffs through attending meetings, workshops and sharing information related to new changes in the organization, iv) to make orientation on HR policies and procedure, gender and SHE policy to

the field supervisors, v) to arrange training and workshops on gender policy in the field level offices (BRAC human resource and learning division booklet 2017).

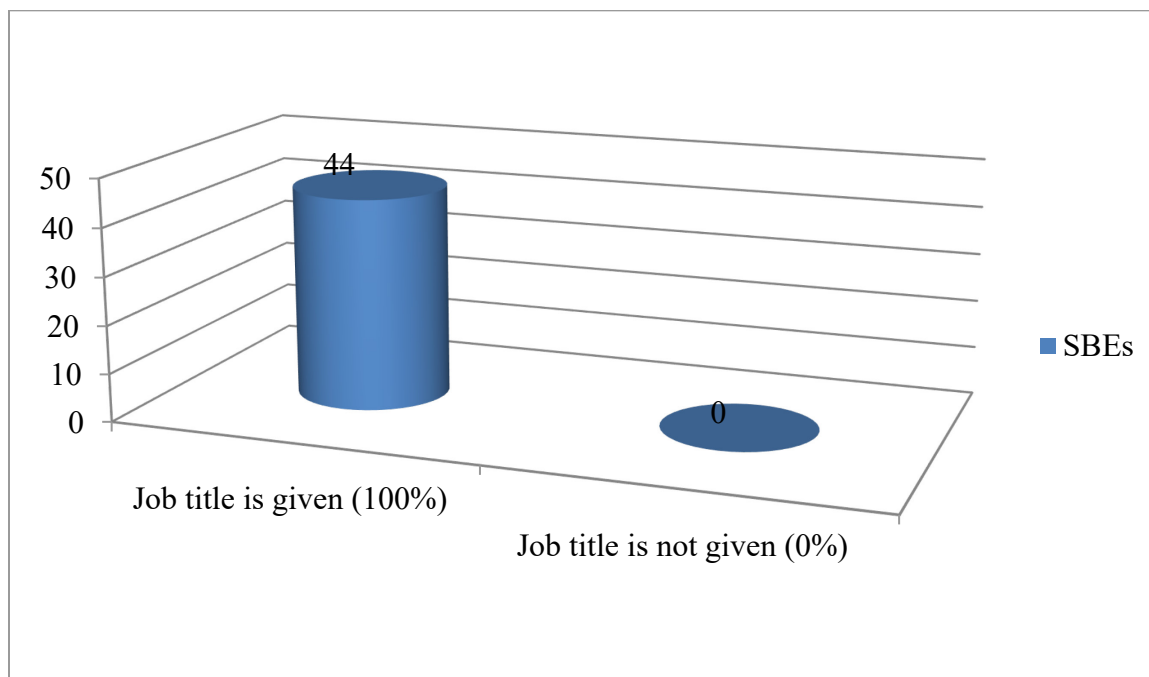
#### IV) Research method and organization

This research examines the characteristic features of HRM in the SBEs. In order to achieve this objective an unstructured interview was conducted on 44 selected SBEs in March 2017.

Research data was analyzed by using a mixed method-qualitative and quantitative analysis which tried to find out the level of frequency in each item. Percentages were then calculated. Finally, a quantitative inference was used to determine the nature of HRM in SBEs. In addition, in order to comprehend research findings many case studies of SBEs were used as qualitative analysis.

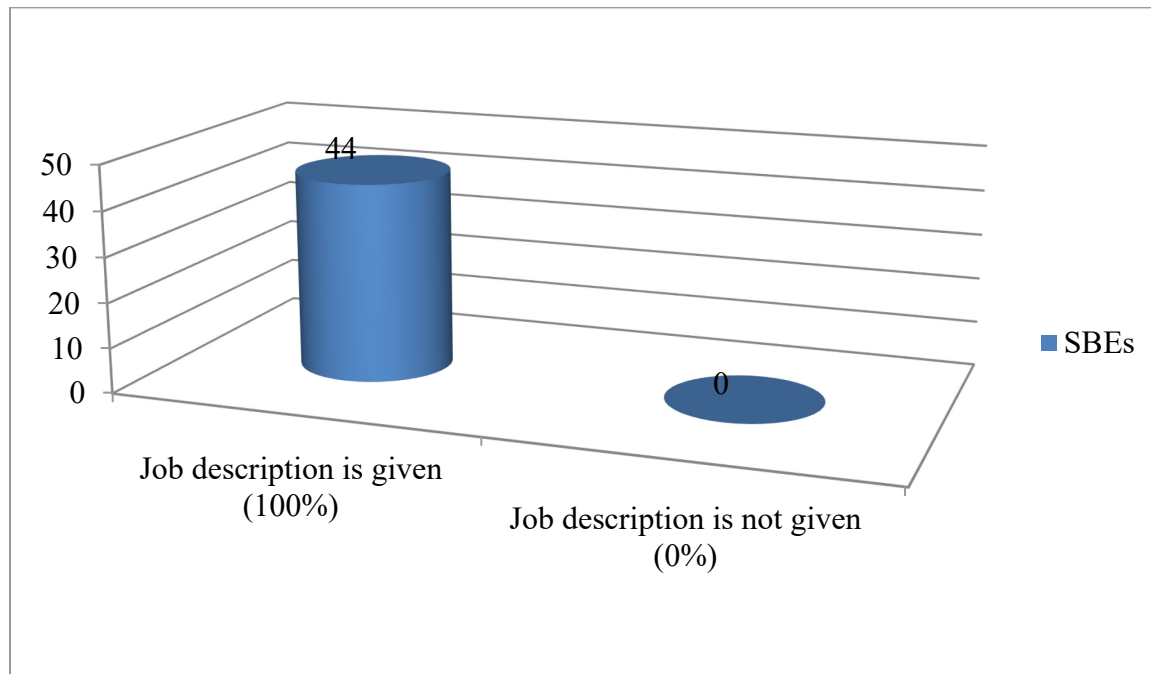
#### V) Data analysis and interpretation

**Figure 39: Job title**



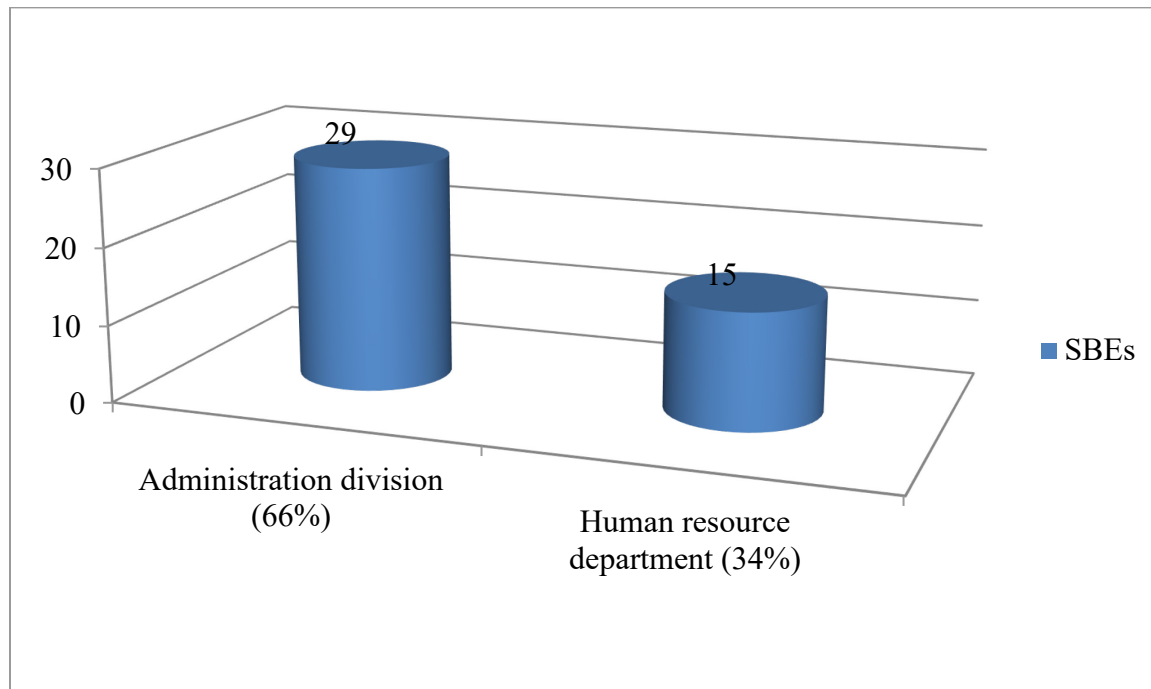
Job title is an identity where individuals recognize themselves with their job designation and performance in the work place for example foreman, supervisor, engineer etc. and derive motivation from its uniqueness. The research findings are found that 100 percent SBEs prioritize job title for the employee selection and recruitment process.

**Figure 40: Job description**



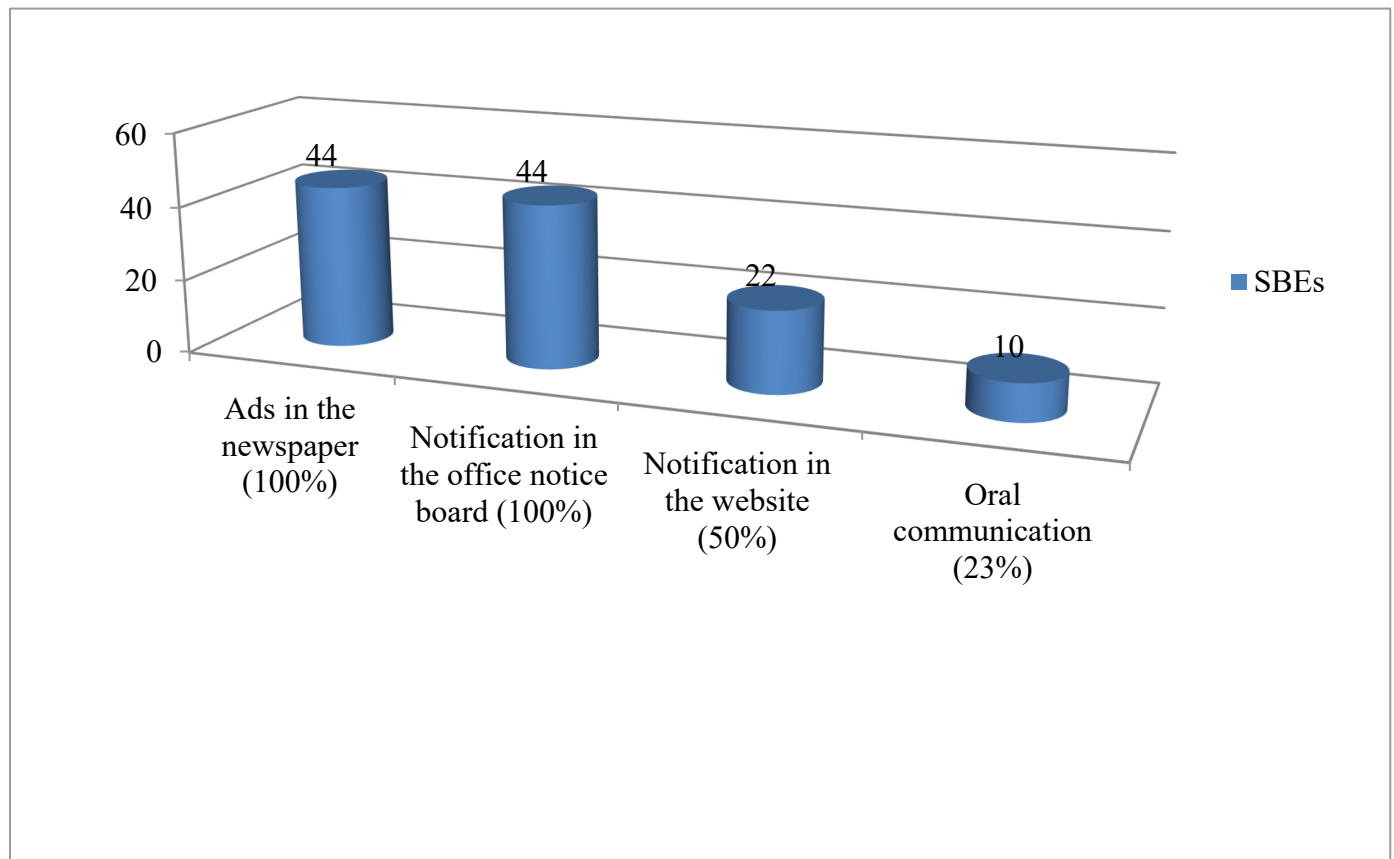
Job description is a list of a job's duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities which consider one product of a job analysis (Dessler 1997). It is found that 100 percent SBEs put emphasis on giving job description during job advertisement.

**Figure 41: Authority of the personal management section**



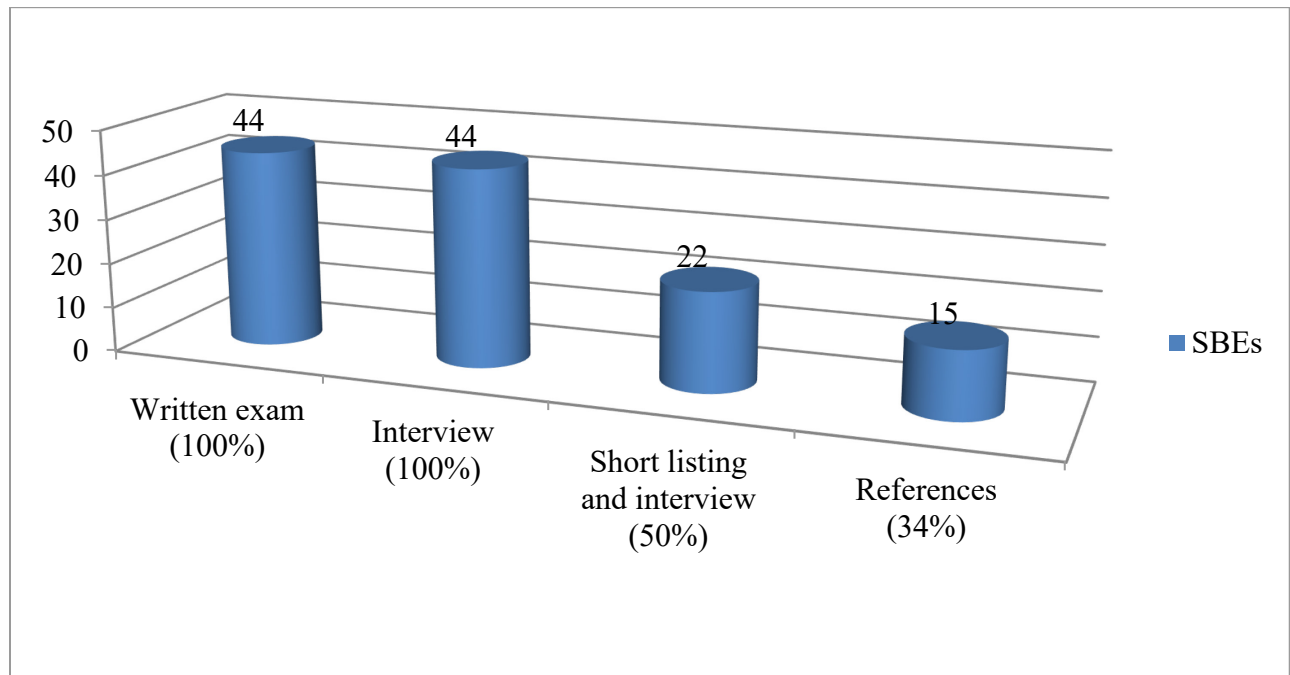
Yunus center (2017) confirms that the administration division is the in charge of HRM of the Grameen family of companies including SBEs and it is found that all the sample SBEs (66 percent) of the Grameen companies HRM manages by the administration division. On the other hand BRAC run on human resource department (HRD) to manage and supervise HRM of the whole organization include SBEs. It is evident that all the sample SBEs of BRAC (34 percent) HRM is controlled by HRD.

**Figure 42: Processes of recruitment**



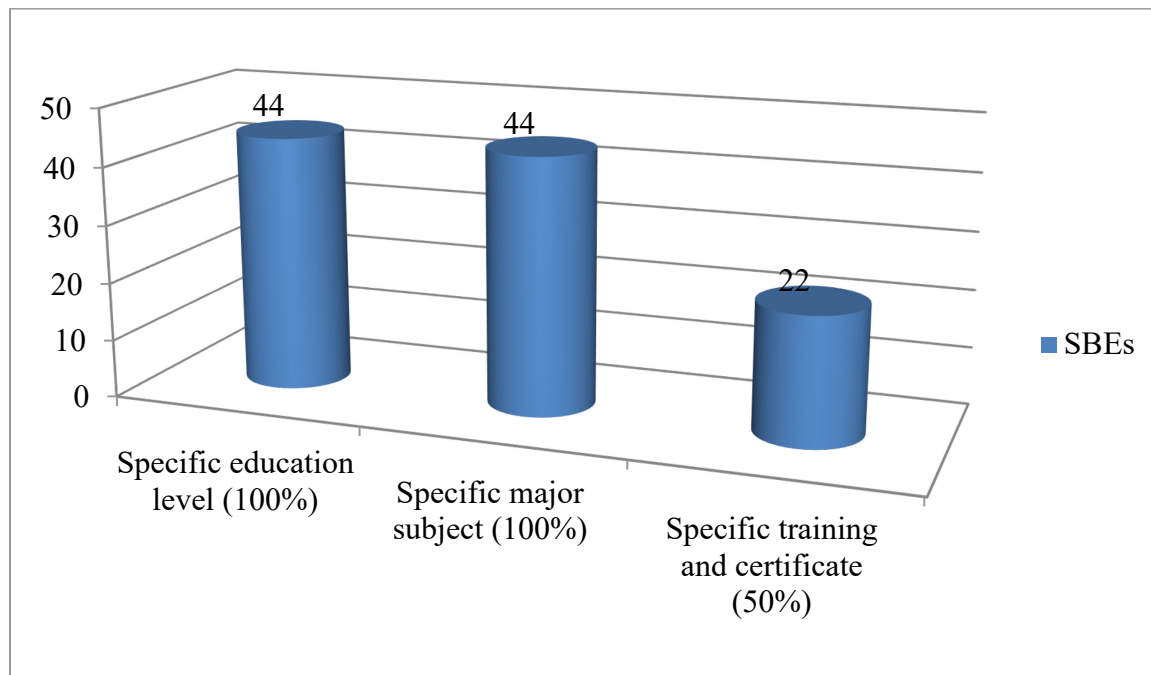
The research findings found that the highest frequency 100 percent SBEs not only give advertisement in the newspaper, recruitment notice also found in the office noticeboard (100 percent). Moreover, in the sample SBEs 50 percent SBEs go through online recruitment process. There is also practices of oral communication (23 percent) for recruitment.

**Figure 43: Methods of employee selection**



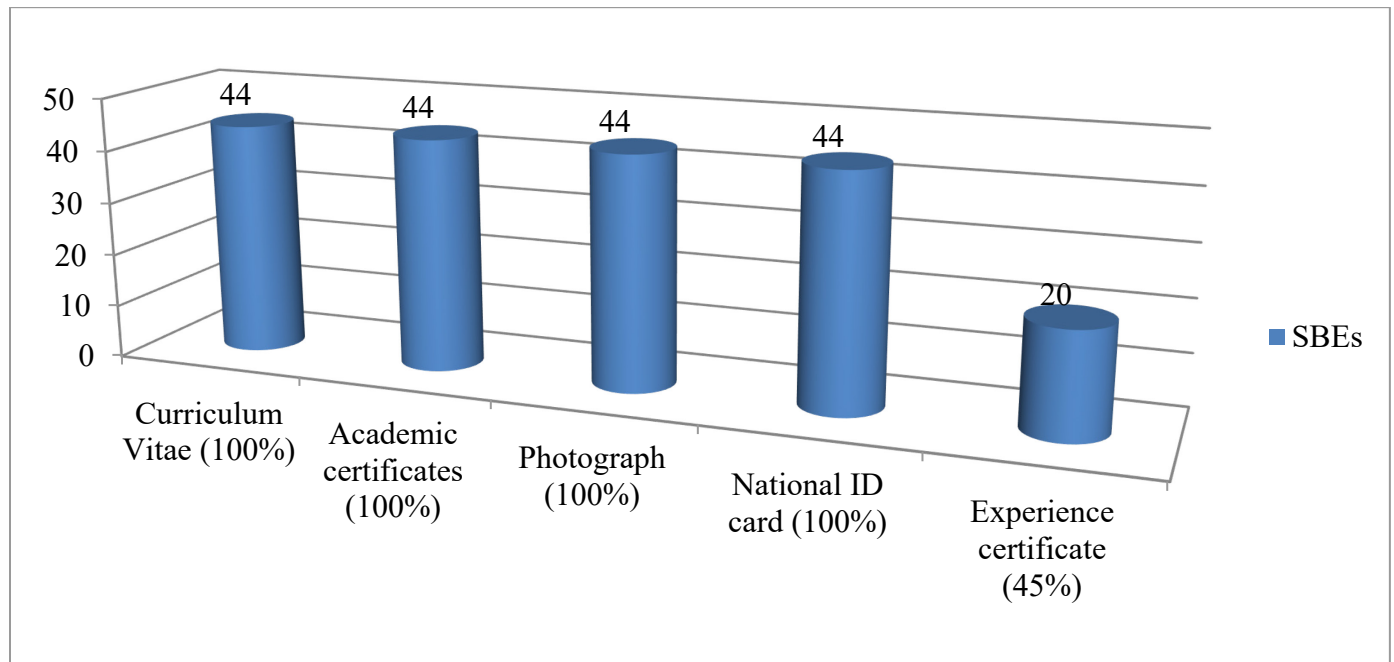
The research result showed that 100 percent of the SBEs arrange written exam and interview as a method of the employee selection. It is also found short listing and interview (50 percent) and references (34 percent) are used for selecting employee in the enterprises.

**Figure 44: Applicant's academic qualification**



It is found that 100 percent SBEs focus on specific standard education and major subject in terms of applicant's academic qualification. In addition, specific training and certificate also considered as applicant's academic qualification in the sample SBEs (50 percent).

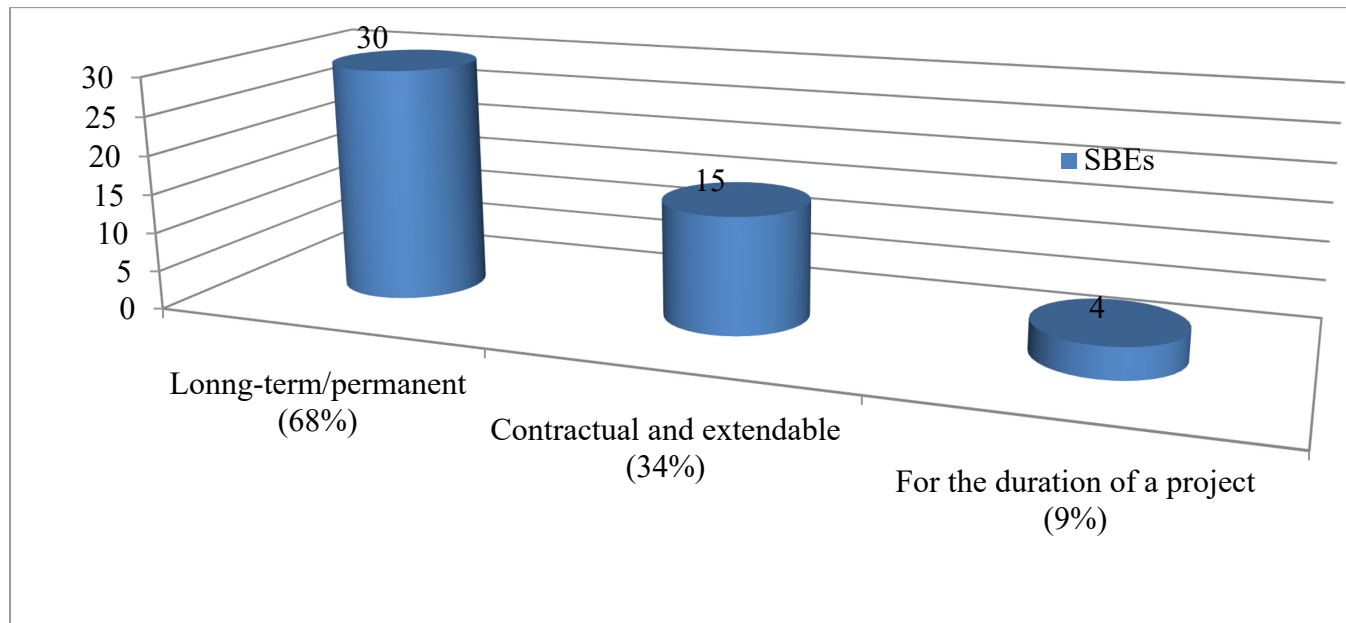
**Figure 45: Certificate and evidence in the selection process**



The research findings evidence that 100 percent SBEs prioritize curriculum vitae (CV), academic certificates, photograph, national identification number as the evidences in the selection process. Moreover, some enterprises (45 percent) require experience certificates.

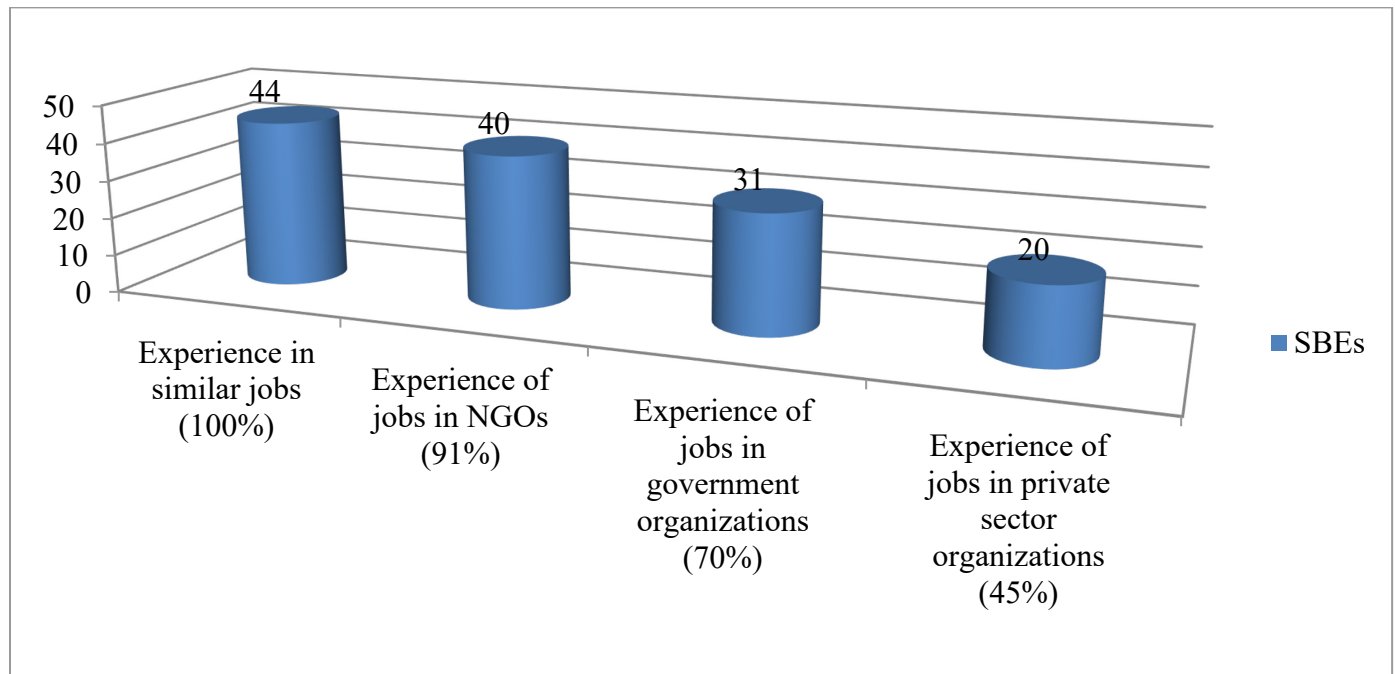


**Figure 46: Employment types**



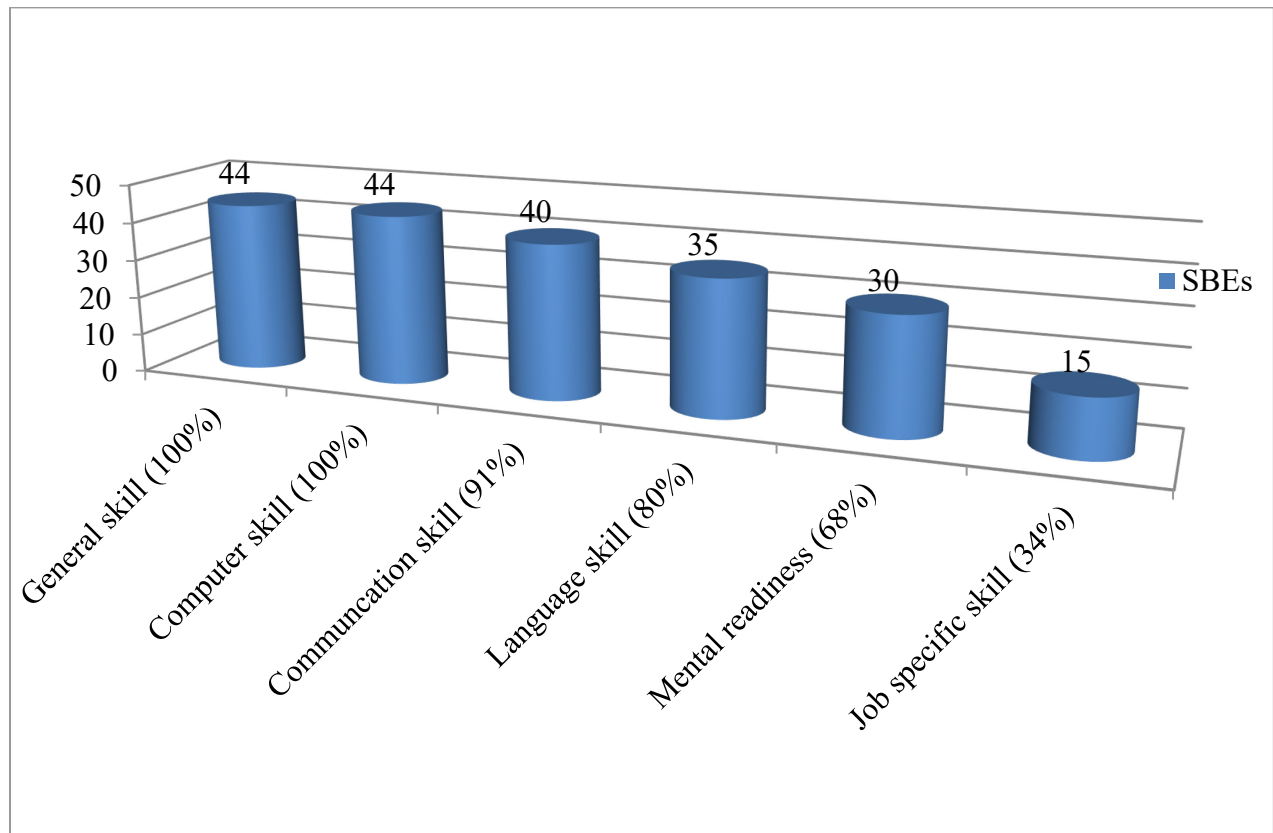
The research result shows that 68 percent sample SBEs emphasize long-term or permanent employment. There is also contractual and extendable employment (34 percent). In addition, few SBEs (9 percent) have the employment practices for the duration of a project.

**Figure 47: Importance of job experience**



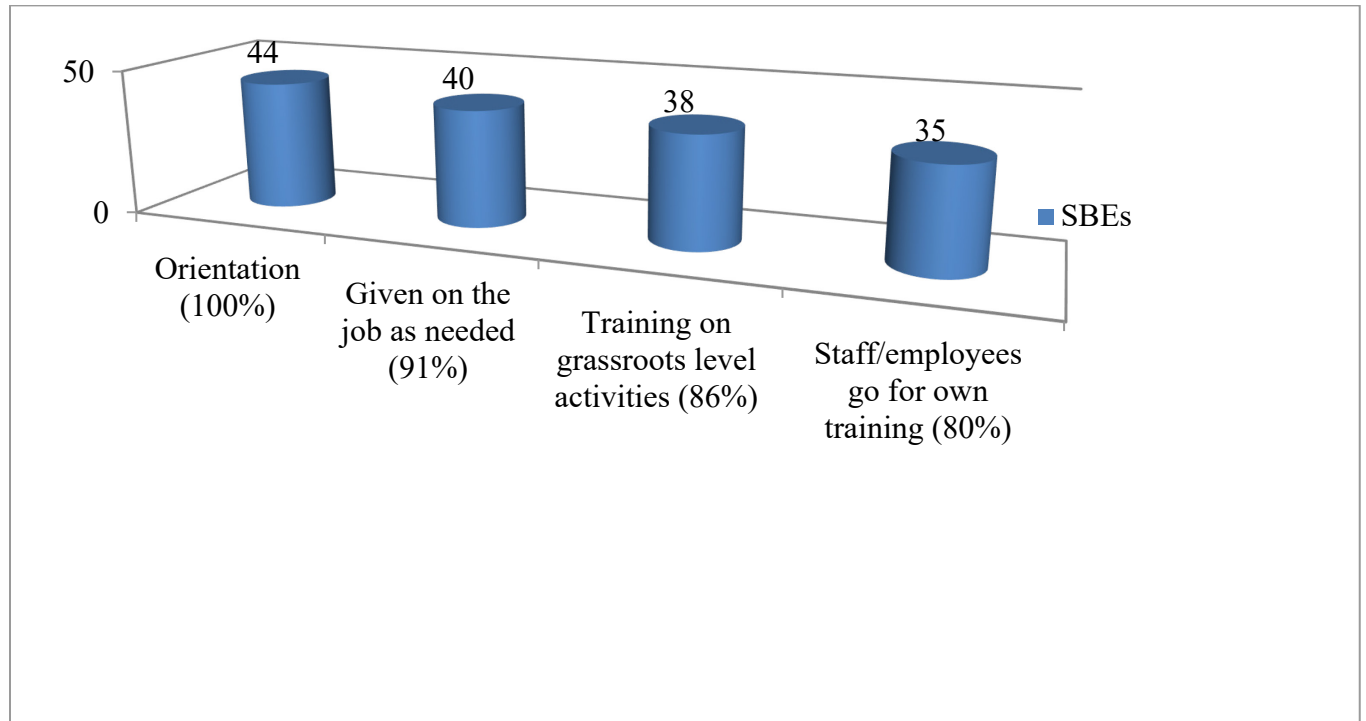
It is found that 100 percent SBEs prioritize experience in similar jobs in terms of the importance of job experience. 91 percent SBEs prefer NGOs work experience. Moreover, research result also show that 70 percent SBEs are interested in government job experience. 45 percent give emphasis on experience of jobs in private sector organizations. However, all the sample SBEs confirm that similar work experience consider employee as a skilled worker.

**Figure 48: Required skills**



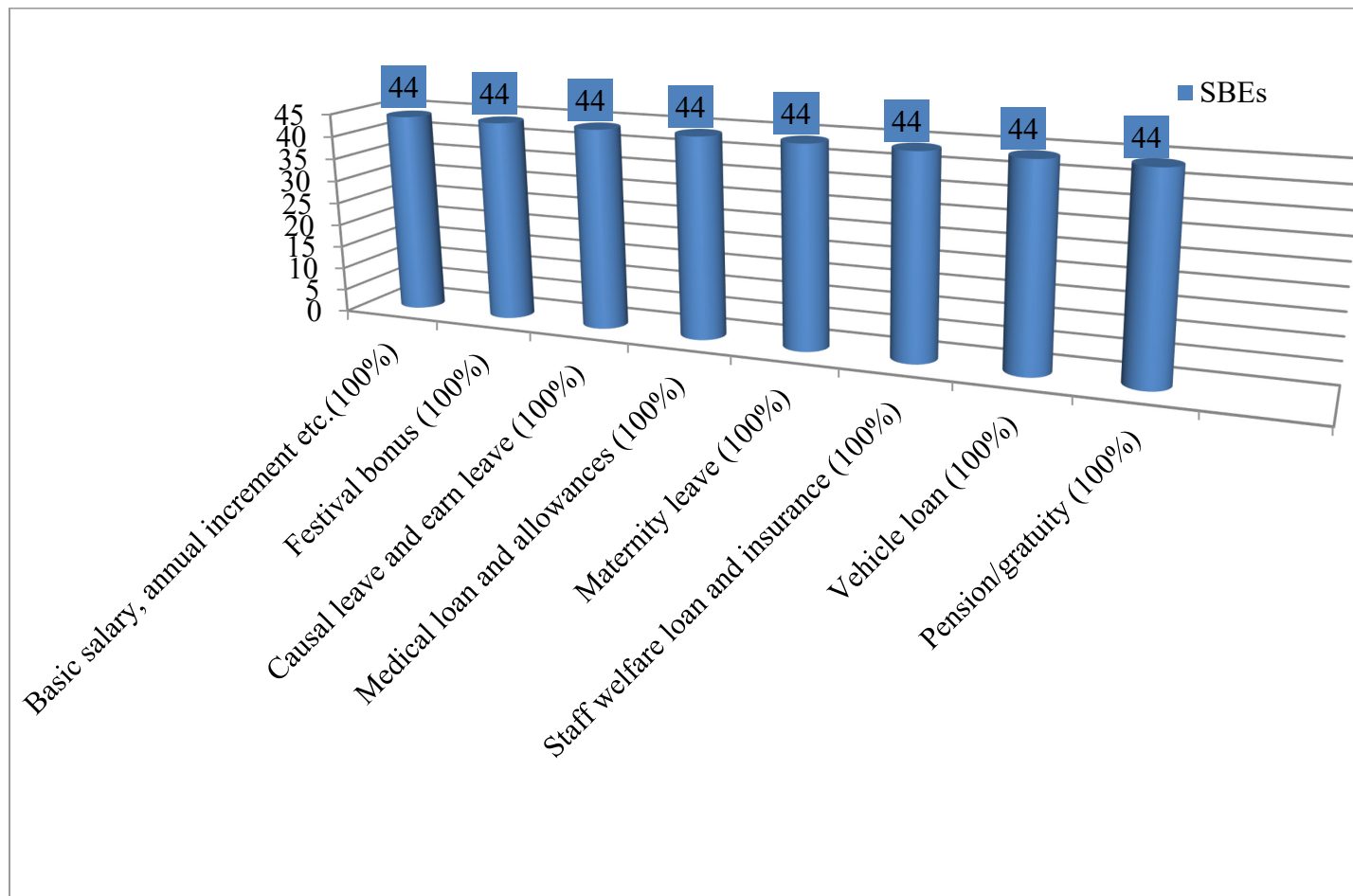
All sample SBEs (100 percent) confirm that general skill in terms of education, manner, and attire are very important in the working place. Likewise, SBEs (100 percent) put emphasis on computer skill. In the sample SBEs communication skill is considered as social capital. It is found that 91 percent SBEs put emphasis on communication skill in the enterprises. Language skill is very important for doing certain level of work. Therefore, 80 percent SBEs focus on language skill. In addition, SBEs work for the poor people in other words grass root people and employees in SBEs must go remote area for their work. Here, mental readiness is immensely important and research result found that 68 percent SBEs concentrate on the topic employee's mental readiness. Moreover, it is found that 34 percent SBEs emphasize job specific skill, which could be professional or technical work.

**Figure 49: Training and education**



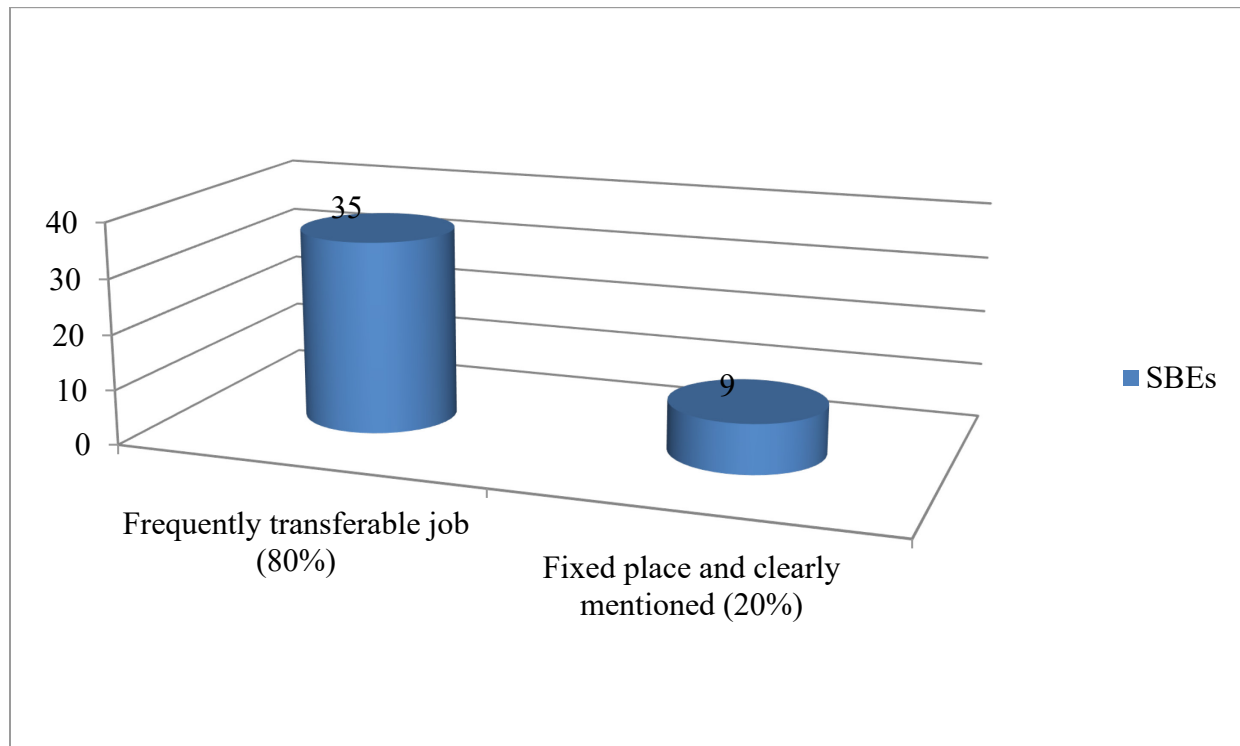
Orientation plays crucial role for specific job position and it is found that 100 percent SBEs arrange orientation for the new employee's training and education. Moreover, the research result shows that 91 percent SBEs are given training and education to their employees on-the-job as needed. Furthermore, 86 percent SBEs gives training to their employees on grassroot level activities. Apart from this, 80 percent SBEs employees go for own training to develop their particular skill.

**Figure 50: Components of employee compensation**



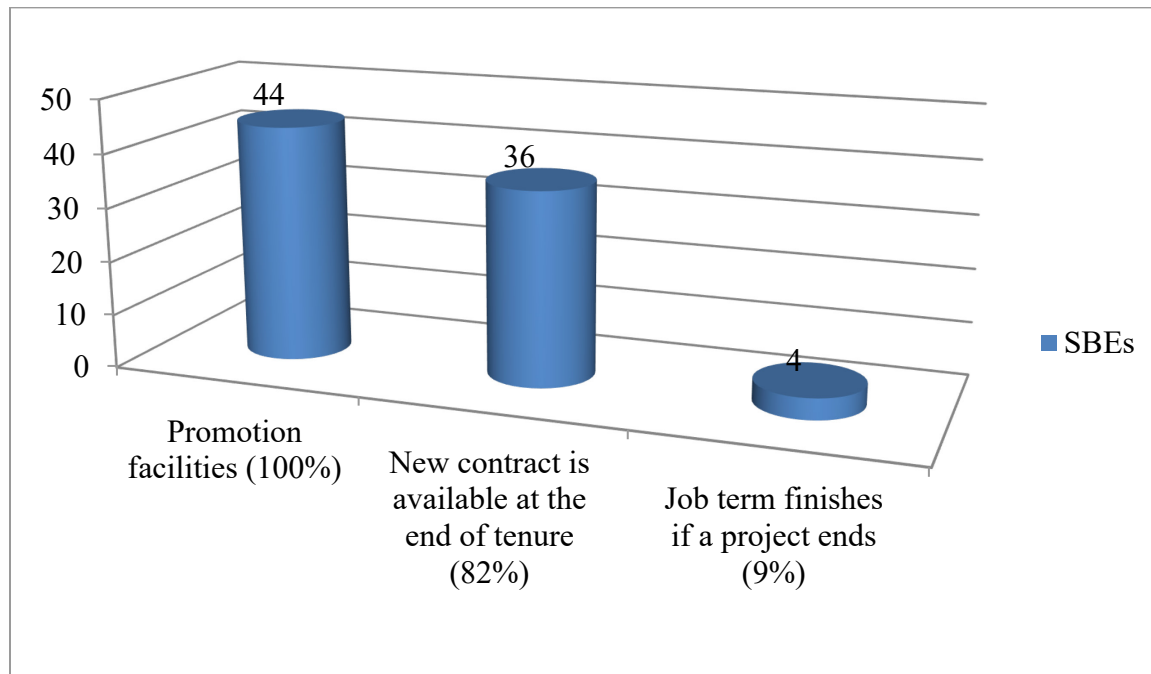
It is interesting that all components of employee compensation, namely basic salary, annual increment, provident fund, festival bonus, casual leave and earn leave, medical loans and allowances, maternity leave, staff welfare loan and insurance, vehicle loan, pension, and gratuity are available all the sample (100 percent) SBEs .

**Figure 51: Process of employee placement**



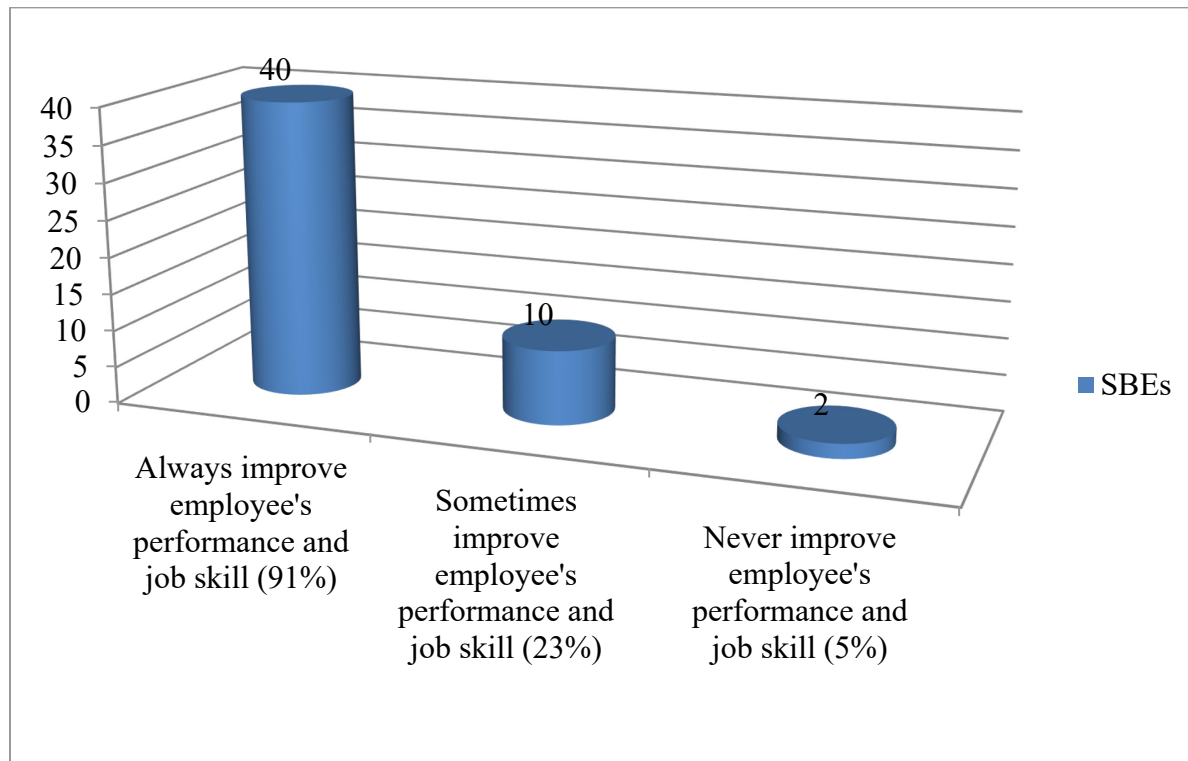
The research result shows that 80 percent SBEs practice frequently transferable job in terms of employee placement. On the other hand, there are some enterprises (20 percent) practice fixed place and clearly mention job position.

**Figure 52: Opportunities to buildup a career**



The findings of this research are showed that 100 percent SBEs practices promotion facilities to build up employee's career, also new contract is available (82 percent) at the end of the tenure. Apart from this, it is found that 9 percent SBEs finish job term if a project ends.

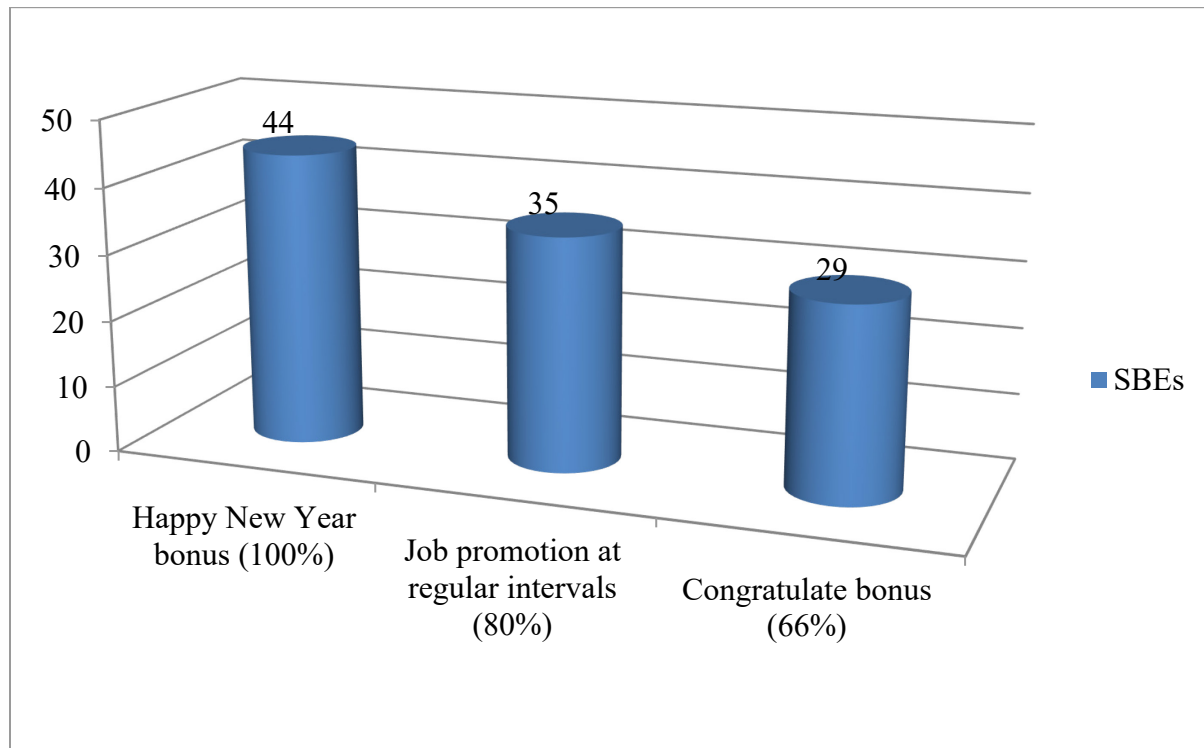
**Figure 53: Role of employees performance appraisal**



The research result shows that 91 percent SBEs agreed with the concept that performance appraisal helps to improve employee's performance and job skill. It is also found that 23 percent SBEs are also admitted that performance appraisal sometimes improve employee's performance and job skill. Moreover, 5 percent SBEs mentioned that performance appraisal never improve employee's performance and job skill.

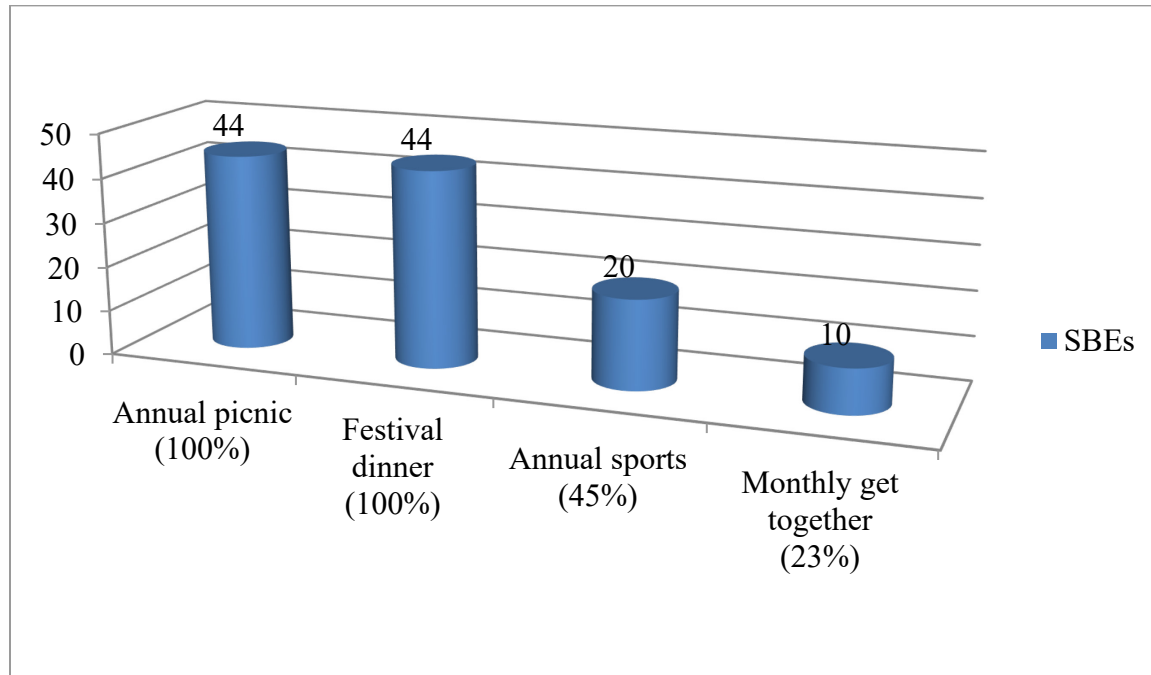


**Figure 54: Incentives offered in the enterprises**



As found incentives offered in the enterprises including 100 percent SBEs give Happy New Year bonus, 80 percent SBEs focus on job promotion at regular intervals, and 66 percent SBEs practise congratulate bonus. SBEs pay congratulate bonus to employees to thank and congratulate them on meeting and achieving specific goals. These result in positive happenings for the enterprises, employees, and customers.

**Figure 55: Recreational activities**



This research is also concentrated on find out recreational activities in SBEs found that all the sample in SBEs (100 percent) arrange annual picnic and festival dinner. Moreover, it is also found that 45 percent SBEs prioritize annual sports as recreational activities in the enterprise. Moreover, 23 percent SBEs arranges monthly get together for the recreational activities in the enterprises. All of these recreational activities increase employee's motivation and commitment to the enterprise.

#### **VI) Discussion of the findings**

In order to comprehend characteristics of HRM in SBEs through the research findings the study found that all the sample of SBEs (100 percent) has given job title and job description in their job advertisement. Moreover, it was found that 66 percent SBEs are selected administration division as their authority of the personal management section whereas 34 percent SBEs set up separate human resource department. 100 percent SBEs emphasized ads in the newspaper and notification in the office notice board in terms of process of recruitment and it is also found that 100 percent SBEs chose written exam as well as interview as their methods of employee selection. In addition, the entire sample (100 percent) in SBEs focused on specific education

level, specific major for the applicant's academic qualification. Also all (100 percent ) SBEs emphasized on curriculum vitae (CV), academic qualification certificates, photograph, and national ID card as candidate's certificate and evidence in the selection process.

Apart from this, a high frequency 68 percent gave emphasis on long term employment, 100 percent on experience in similar jobs, all samples put emphasis on employee's general skill and computer skill. Orientation is considered as employees training and education. It is found that all sample SBEs prioritized components of employee compensation. It is also found that a high frequency (80 percent) SBEs address frequently transferable job as the process of employee placement. Promotion facilities consider as the opportunity to build up a career.

Moreover, 91 percent SBEs admitted that performance appraisal helped to improve employee's performance and job skill. All samples offered New Year bonus for incentives. Annual picnic and festival dinner were arranged (100 percent) as recreational activities. All of these findings authenticated the research hypotheses.

However, ispite of giving emphasis on all HRM issues, it is found that a majority of the employees of BRAC and Grameen SBEs stated their dissatisfaction in terms of remuneration and compensation. Most of the employees of BRAC and Grameen think that SBEs pay standard salary to the higher level employees. In contrast, those who work in the middle and lower levels get very poor salary. Therefore, the sub-hypothesis related to employee's compensation and incentives is partly valid.

The findings are summarized the characteristic features of HRM in SBEs as follows: i) HRM in SBEs induces job title and job description to their employees selection and recruitment process, ii) Orientation is considered as the major training and educational place for the new employees, iii) recreational activities motivate employees to work collectively and become more committed to the work, iv) HRM in SBEs strongly practices employee compensation namely basic salary, annual increment, provident fund, festival bonus, casual leave and earn leave, medical loans and allowances, maternity leave, staff welfare loan and insurance, vehicle loan, pension, and gratuity to name a few, and v) performance appraisal positively effect on SBEs employee's performance and skill.

All of these findings approved that SBEs in Bangladesh firmly practice HRM components in a similar way of CBs. However, it is found that SBEs give more focus on social issues even

through the HRM practices. SBEs HRM attempts to establish social justice, transparency, gender equality and among others and accept these issues as business core values which make the differences from traditional business.

## **VII) Conclusion**

The objective of this section is to examine the characteristic features of HRM in SBEs. In order to achieve this objective the study focuses on seventeen characteristic features of HRM in SBEs. The findings showed that SBEs in Bangladesh firmly focus on HRM practices related to employee's selection, recruitment, training, compensation, motivation, performance appraisal, incentives and among others. SB in Bangladesh expands its operation across the country with its social mission. SB contributes to build strong tie in the society. Therefore, success of SBEs is expecting to the mass people in particular poor people. HRM can help SB to get their success. HRM in SBEs promotes equal opportunity and affirmative action, employees health and safety as well as handling grievances and employee relations.

HRM plays an important role in any business enterprises including SBEs and encourages company to think employees as human assets not costs to the enterprises. A productive, thriving workforce considers as the key to competitive advantage of the successful business enterprises. On the backdrop of this issue the study concludes that HRM is immensely significant management practice in SBEs. If SBEs firmly practice HRM, it can bring positive changes to the employees and enterprises. It is hoped that SBEs in Bangladesh strongly focus on HRM aspects strategically in order to add value in the enterprises.

## **Chapter 4: Examination of SBEs Management Practices in Bangladesh**

### **Section 5: PMI in SBEs**

#### **I) Introduction**

Section five addresses PMI in SBEs. The objective of this section is to analyze management strategy in terms of the principles and practices PMI in SBEs. In order to achieve this objective a questionnaire was developed consisting of ten aspects, such as, 1) strategy for managing projects and programs, 2) criteria for collaborative projects with the government under annual development plan or Five Year Plan, 3) steps for implementing the new projects, 4) capital budget and budgetary control technique in the enterprise, 5) performance evaluation system in the collaborative projects, 6) areas of the collaborative projects with the government and international business partners, 7) project monitoring system, 8) training place for the project development, 9) the way of sharing projects with the government, and 10) the financial source of the enterprises. An unstructured interview was conducted on 44 selected SBEs of BRAC and Grameen family of companies. A mixed method - qualitative and quantitative analysis is used in this research. The ten aspects will answer the research question of what are the natures of PMI in SBEs.

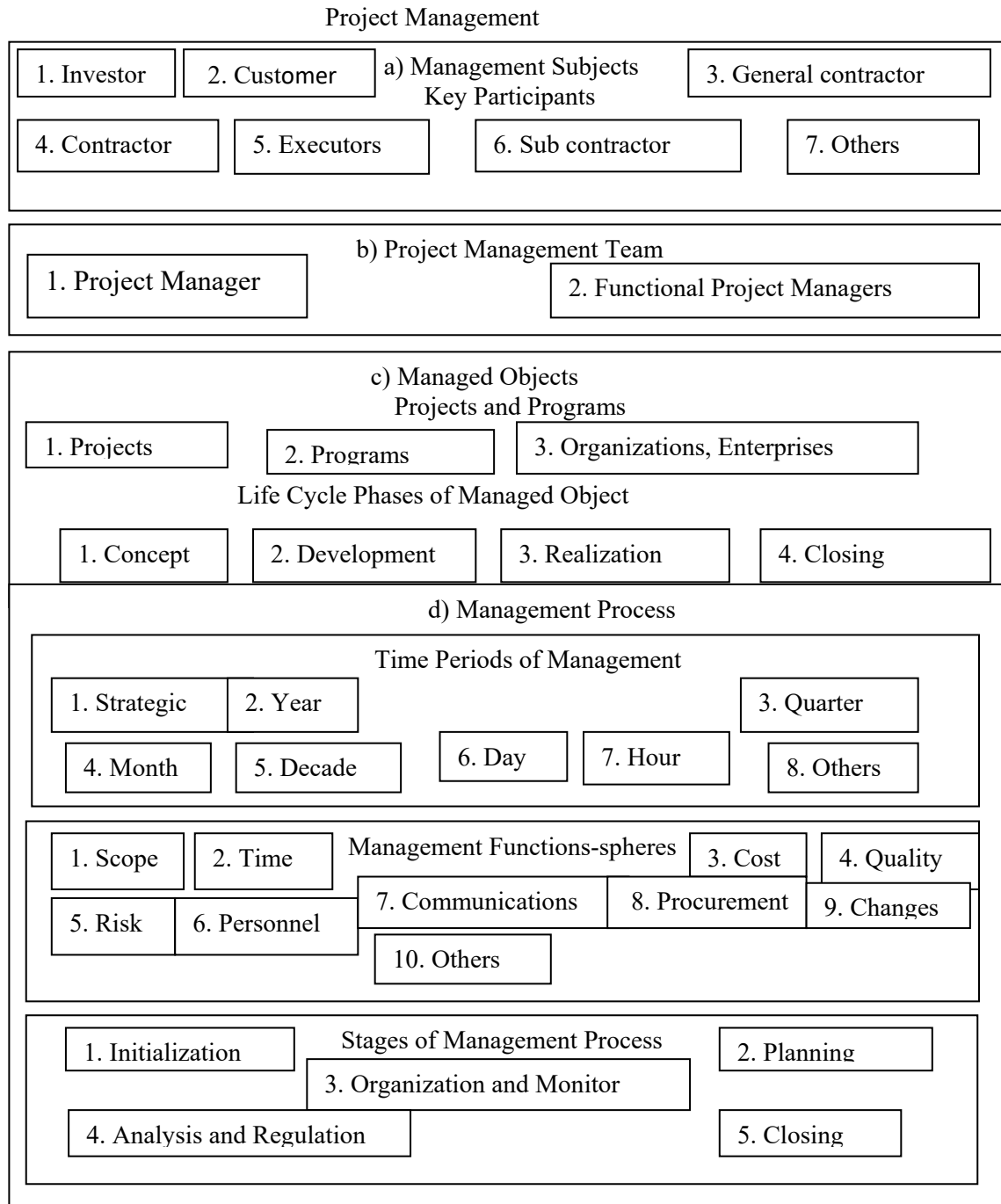
Project Management Institute (1994) mentioned that project management involves applying knowledge, skills, tools, and techniques to project activities in order to meet or exceed stakeholder need and expectations. It is the art of directing and coordinating human and material resources throughout the life of a project to achieve project objectives within specified constraints. Kerzner (2003) confirmed that project management focus on the planning, organizing, directing, and controlling of company's resources for a relatively short term objective that has been established to complete specific goals and objectives. Project management is accomplished through the use of processes such as: initiating, planning, executing, controlling, and closing. The term project management is sometimes used to describe an organizational approach to the management of ongoing operations also referred to as management by projects. Similarly, many aspects of ongoing operations are treated as projects so as to apply the project management practices easily to them.

Archibald and Voropaev (2003) showed the specific model of project management. It is said that risk and uncertainty is the highest at the beginning stages of a project. Good project

management deals with three factors: time, cost, and performance. Projects are successful if they are completed on time, within budget, and to performance requirements. In order to bring the many components of large projects into control there is a large toolkit of techniques, methodologies and tools. These techniques provide the tools for managing different components involved in a project: planning and scheduling, developing a product, managing financial and capital resources and monitoring progress. However, the success of a project always rests on the abilities of a project manager and the team members.

There are many project management tools for use in the practical situation. Based on Prabhakar (2008) we give an example as follows: a) Work breakdown structure (WBS)-this tool is related to planning and scheduling a project. Basically, it is a functional decomposition of the tasks of the projects. The total work of the project is broken down into the major subtasks. It starts with the end objective required and successively subdividing it into manageable components in terms of size and complexity: program, project, system, subsystem, components, tasks, subtasks, and work elements. b) Gantt charts-developed by Harry Gantt in 1916, which gives a timeline for each activity. They are used for planning, scheduling and then recording progress against these schedules. c) PERT (Program, Evaluation and Review Techniques) / CPM (Critical path method)-Both methods, PERT and CPM method use a graphic representation of a project that is called “project network” or “CPM diagram” and it is used to portray graphically the interrelationships of the elements of a project and to show the order in which the activities must be performed (Prabhakar 2008). A systematic model of project management is given in Figure 56.

**Figure 56: A Systematic model of project management process**



Source: Archibald and Voropaev (2003)

On the basis of the existing research and literature survey (Project Management Institute 1994, Kerzner 2003, and Archibald and Voropaev, 2003) the assumptions of this research are as follows: the main hypothesis is that the management strategy of SBEs in Bangladesh give priority to project objective, plan, duration, budget, resource (such as money, materials, manpower, and machine) put emphasizes on input, output and outcomes of resources in terms of project management and implementation which also include a risk management plan, a quality plan, a procurement plan and a communication plan in order to ensure a project's effectiveness, efficiency and implementation. The sub-hypotheses are as follows: 1) SB project positively put emphasis on social need and states what will occur within the project to solve the social problem through businesses, 2) SB in Bangladesh significantly determines to maintain due time for the project which identifies benefits of completing the project as well as the project justification, 3) SB's budget estimates cost of each task firmly using an average hourly/daily rate for each resource such as money, materials, machine, manpower and among others which help make balance between project resource and budget, 4) SB substantially identifies resources of each business project and considers resource constraint as well, 5) SB firmly follows project plan which is considered as the guideline of the project management and implementation.

## **II) Project Management and Implementation – The General Framework**

Project management and implementation implies how a project is developed and implemented to attain enterprise goals and objectives. Archibald and Voropaev (2003) stated that in general project follows four steps as follows: a) concept (initiation, identification, and selection), b) definition (feasibility, development, demonstration, design prototype, and qualification), c) execution (implementation, realization, production and deployment, design/ construct/ commission, installation, and evaluation), and e) closeout (termination, including post – completion evaluation). Kerzner (2003) has developed a theoretical sequence of phases that may be identified with most of the projects as follows: a) conceptual, b) planning, c) testing, d) implementation or execution, and e) closure.

As done under auspices of Royal Families projects by PRINCE2 (2002) a project involves following phases: a) pre-feasibility (validation of concepts), b) feasibility (detailed investigation of viability), c) design, d) contract (procurement), e) implementation, f) commissioning, (inauguration) g) handover, and h) operation.

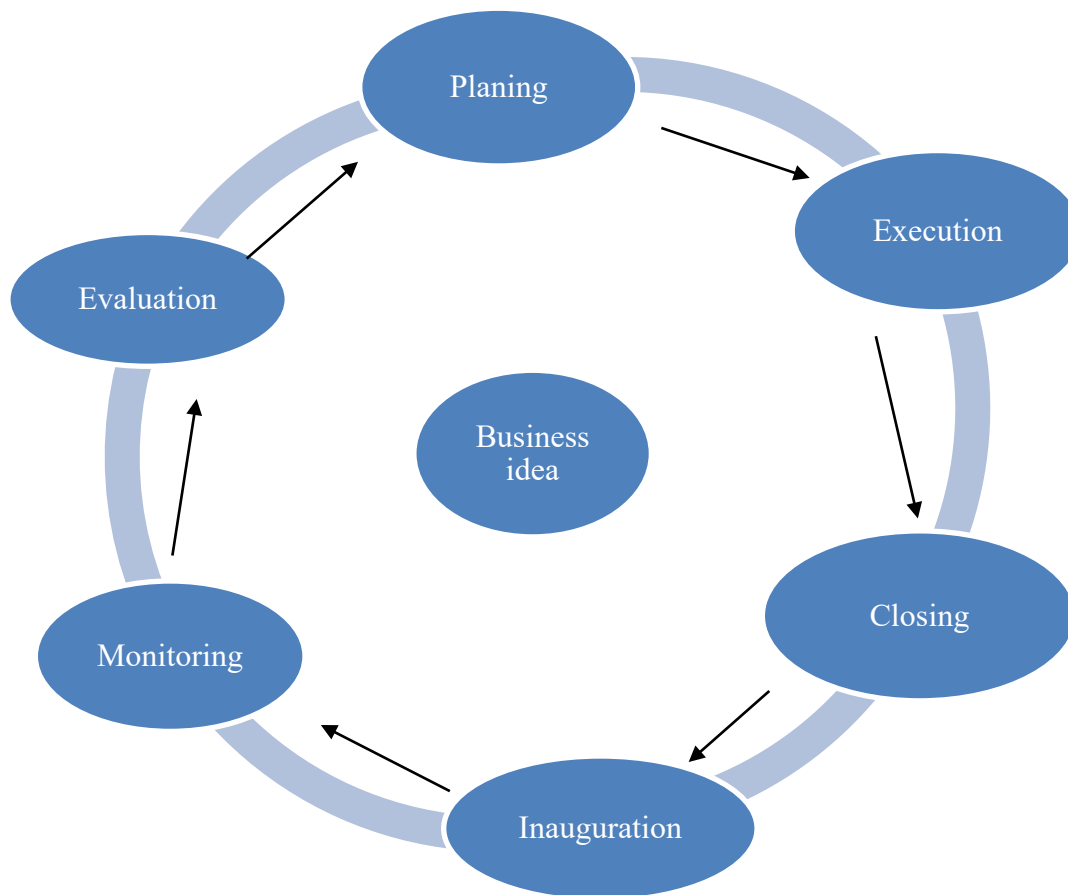


Kulkarni et al (2004) confirmed that the projects, especially the ones having a longer lifecycle, could be categorized into many phases depending on the functions. For convenience and simplicity points of view, the three commonly known phases is utilized namely: a) procurement phase: from inception to the financial closure and beginning of works (tendering, dealing with governments, lenders, insurers, pressure groups, experts ) b) Execution phase: this session is also known as project implementation phase and c) Operation and handover phase.

According to Gareis and Huemann (2000) the project-oriented company (POC) do have specific processes, such as assignments of projects and programs, project management, program management, quality management of projects and programs, project portfolio co-ordination, networking between projects, personnel management in the POC and organizational design of the POC.

In view of the above discussion the following figure shows the general framework of the project development. It is found that an idea for a project is the central part of the whole project activities which will be identified the benefits of the projects. After that, project focuses on planning in terms of resources namely timing, budgeting, working force, networking with the different stakeholders. In particular, in this phase project focuses on money, materials, machine, and manpower.

**Figure 57: General framework of the project management**



Then, project takes initiatives for the execution of the plans and gradually comes the term closing session and inauguration of the project. Monitoring is a crucial part to develop a project and finally, project evaluation finds out the benefits of the project.

**a) A business idea**

The starting point of a SB is a business idea. SB aims to solve one or more social problems and ensure welfare for the society through business operations. The idea of a SB comes from the ability of identifying a social need such as poverty alleviation, health, education, employment, access to technology, water resources and among others. The entrepreneurs need to have a proper understanding of what will be the proper steps to take into establishing and operating the business as well as have a clear and solid plan on how the specific social problem is going to be

tackled through the SB venture that going to be launched. To find out a particular reason is essential for a SB. A proper idea and a specific goal facilitate the success of a venture.

### **b) Planning**

SB gives emphasis on 3 to 5 years operational plan. To achieve business mission SB sets day-to-day action plans, operational principles in view of goals, intermediate term goals and objectives in view of goals, annual objective action programs, and long term goal in view of mission.

SB fund can be created in two ways namely a) equity and b) loan and business fund is utilized into two ways firstly SB fund is invested as equity or loan which is 90 percent of the total amount. The rest amount is used for research and development (R&D) purposes. SB funds come from as follows: a) partnership business, b) government agencies, c) autonomous bodies, d) international organizations, e) any kind organization, f) foundation, g) private companies, and h) NGO's (Khashru, 2016). Building a strong business network is important for the SB.

It is found that donation to SB fund is not paid up capital and it will be channeled through donor. It can come through government agency, corporations or trusts. For example Nike foundation donated money in establishing the Grameen Caledonian College of Nursing. Nike donated the money to Grameen Health Care Services. Grameen Caledonian College of Nursing is a project of the Grameen Health Care Trust. Nike collects all financial and other information from Grameen Health Care Trust.

Currently, Grameen Caledonian College of Nursing is a self-funded business venture fully run by student tuition fee. Students get loan from the Grameen Bank and after graduation they get work and repay the loan (as per month 3000 TK or 36 US\$) and profit is reinvested in the businesses.

### **c) Execution and closing session**

SB fund is run as per the business laws of the land. All tax related regulations are duly followed. The fund is registered according to the company laws of the country, a company that is liable against its shares, or formed as trust accordingly to the trust law of the country. One example is a New Entrepreneur project. It is found that different Grameen companies including Grameen Telecom Trust, Grameen Kalyan, and Grameen Shakti Samajik Byabosha Ltd. work to

establish the New Entrepreneurs as truly professional, honest, and successful business persons through proper guidance and monitoring.

#### **d) Monitoring**

To monitor SB activities there is management team who are elected by the company and responsibilities are distributed properly. The company has to send regularly financial report to the SB fund. Fund and the company management are needed to maintain a regular and amiable working contract. Internal auditor of the fund needs to regularly visit the company. SB fund provide technical support, if the entrepreneur needs any kind of technical assistance to run on the business. Fund also helps the entrepreneur in “product quality control” and “marketing of the produces”.

#### **e) Evaluation**

The success of a SB depends on the impact it creates on society. If a SB is running successfully and has already paid back the seed money to the investors, but has barely made an impact on society, it cannot be called a successful SB. Determining factor of success for SB is the social impact it has created so far rather financial health of the company. Whatever social problem is targeted through a SB or whatever the investment volume in the venture may be, it is always important to thoroughly evaluate the feasibility of the project as well as to gather all the necessary information before starting the venture.

SB projects give emphasis on the term social impact. It promotes a business idea which seeks to a tangible solution to improve the living condition of the millions of people in one society. Jager (2010) shows sets of practices to conduct an effective social-impact assessment as follows: i) to indentify interested and affected people, ii) to encourage all stakeholders participation, iii) to figure out historical background of the target area which helps to comprehend responses to the project and to assess growing impacts, iv) to find out social, political, cultural, and financial approaches of the target areas to understand local communities values, in particular how they relate to the planned intervention, v) social impacts put emphasis on scope of the projects, vi) to predict related to the different segment of the projects, vii) to show the way of project and program alternatives, viii) it assists in site selection, ix) to minimize project cost, x) to recommend in terms of employees compensation and incentives, xi) to describe potential conflicts among stakeholders and find out the solution of this problem, xii) to develop strategies

for the projects where it run, xiii) to emphasize skill development and capacity building in the community, xiv) to find out proper institutional and coordination management for the project and target population, xv) to implement management program in the community, xvi) to collect baseline data aims to evaluate and audit of the impact-assessment process and the project itself.

### **III) Characteristic features of SB project management in Bangladesh**

An effective business management model with a clear value proposition is an important to a SB. The challenges that the SB project management must tackle, however, are exceptionally difficult, particularly, in the context of a developing country. In the case of SB in Bangladesh, the crucial challenge is that is gaining a deep understanding of the specific needs of the target population in order to design a clearly differentiated solution that meets those needs. Other challenges are as follows: i) achieving a price point that the targeted population can actually afford, ii) physically reaching those most in need, and iii) generating sufficient demand for the new offering. An effective SB project management model must explicitly address these four challenges (Yunus Center, 2015). Moreover, Yunus center (2015) identified a set of key success factors are required for SB as follows:

#### **i) choosing the right focus area**

Any successful business identifies and meets a specific customer need. A SB is no different, except that it focuses its efforts on addressing an unmet social need or unsolved social problem along with considering three factors including: a) the core strengths, capabilities, and business agenda of the company that wants to engage in a SB, b) the problems and needs that are the most pressing and underserved in a targeted geography, and c) the landscape of stakeholders, legal issues, and the activities of other players.

#### **ii) designing a successful business model**

SB particularly works for the impoverished people in one society. The poor are demanding too. Therefore, SB focus on the following issues to design a successful business model: a) a clearly differentiated offering tailored to local needs is crucial, b) to minimize the clash between affordability and sustainability through consider differentiated pricing, c) rethink how to reach customers and employ effective distribution methods, d) go beyond traditional marketing, customer education is often needed too.

### **iii) continuously learning and adapting**

It takes time to get it right, adapt and practice to make the business model work. SB practitioner all over the world mention that getting the business model right is an iterative learning process that involves time and effort, trial and error. This learn-and-adapt cycle can be approached into two ways: a) rapid market entry: this “learn by doing” approach involves entering a market quickly with a small-scale prototype and gathering direct feedback-an approach often used by entrepreneurs and startups that want to gain a first-mover advantage and try out new ideas in the market place quickly, b) thorough advance planning: by doing more thorough planning and testing in advance, a business can minimize its risk of failure and protect its investment and corporate brand. After up-front planning, pilot programs may be used to prove an offering’s potential for social impact and financial sustainability before scaling it up for entry in the broader market. This approach is more typical of corporations that set up a SB.

### **iv) building efficient and sustainable operations**

SBs aim to translate initial investments into self-perpetuating impact well into the future, but such long run benefits can only be achieved if efficient, sustainable operations are put in place. To remain viable over the long term and increase the social impact they deliver, SBs must structure operations and partnerships effectively, hire and retain the right talent, and design operations to be as lean and efficient as possible. Although, these objectives are the same as in any business, SBs face particular challenges in addressing them effectively. Many corporations find that partnering with a local company or social sector organization can provide valuable access to knowledge of markets and customer needs, support for local production, distribution, and administration and an understanding of the specific challenges in the social sectors. Grameen’s joint venture partners often cite the clear benefits gained from Grameen’s deep knowledge of Bangladesh market dynamics, both in rural areas as well as in the country as a whole.

### **v) managing for impact**

A SB tries to find out whether success has been achieved and can be sustained and increased. Success means two things such as a) delivering real social impact and b) doing self-sustainably, without the financial support of a corporate partner or outside donations. Both of these outcomes

can and should be measured and managed. While most companies are used to managing financial returns, managing social impact is often a new undertaking.

To understand SB project management and implementation this research focus on Gram Web model of Grameen Communications. Grameen Communications belong to Global Communications Center (GCC) which is a joint research initiative of Grameen Communications and Kyushu University in Japan in collaboration with many Japanese companies such as NTT, Toyota, OMRON, Grameen Yukiguni Maitake Ltd, and includes Japan International Cooperation Agency (JICA) Hitotsubashi University, and Institute of Innovation Research (Grameen Communications booklet 2017).

GCC works in Bangladesh with a mission of taking the facility of ICT at the reach of the unreached people. GCC activities cover various fields including agriculture, education, health, information, and mobility to build a Social Information Infrastructure (SII) model in developing countries. Gram Web is one of their SB project in Bangladesh. Gram Web as a SB aims to produce information of the villagers, generated by the villagers and ownership for the villagers and creates thousands of micro entrepreneurs. Indeed, it technically supports 85,000 portals for 85,000 villages in Bangladesh and replicable in other countries.

The study has found that Grameen communications prioritize project management committee as strategy for managing projects and programs of the Gram Web. Similarly, it receives service from consultants and sometimes follows prescribed form of business partners. Moreover, Grameen Communications invites partner for establishing new projects as the criteria to establish collaborative project. Business project run as per project proposal and sometimes follow the guidance of the business partners. It concentrates on capitalization, funding cost, liquidity in terms of capital budget and budgetary control technique in the enterprise. In order to maintain budget cycle it emphasizes risk management in the SBEs related to strategic, operational, financial, political, legal, external, and environmental. Furthermore, Grameen Communications SBEs maintain payback period as well as put emphasis on profitability and efficiency. In addition, independent committee and business partners evaluate Grameen its business performance. It is found that Grameen communications promote women empowerment, employment generation, environment protection, health, promotion of education, agriculture and among others. Internal monitoring committee and business partners are engaged in the project

monitoring system. It also practices project terminal or completion report as for the project monitoring system. Apart from this, Grameen communications arrange internal training and send employees to the international organization for developing skills (Grameen Communication Booklet 2017).

Smith, Fraser, and Schauerhammer, (2015) shows that BRAC put emphasis on result-based project management through value for money with the principle of “doing more with less”. BRAC SBEs follows cost-recovery financing and social impact investment. Moreover, BRAC SBEs concentrate on stakeholder’s opinion, deepen organizational engagement, build governance and structure, constructively solving organizational problems, secure resource commitment, develop, launch, and deliver project innovation, develop a communication plan, and agree benchmarks for project evaluation (BRAC procurement guidelines and implementation procedures, 2007 and BRAC annual report 2012).

#### **IV) Research Method and Organization**

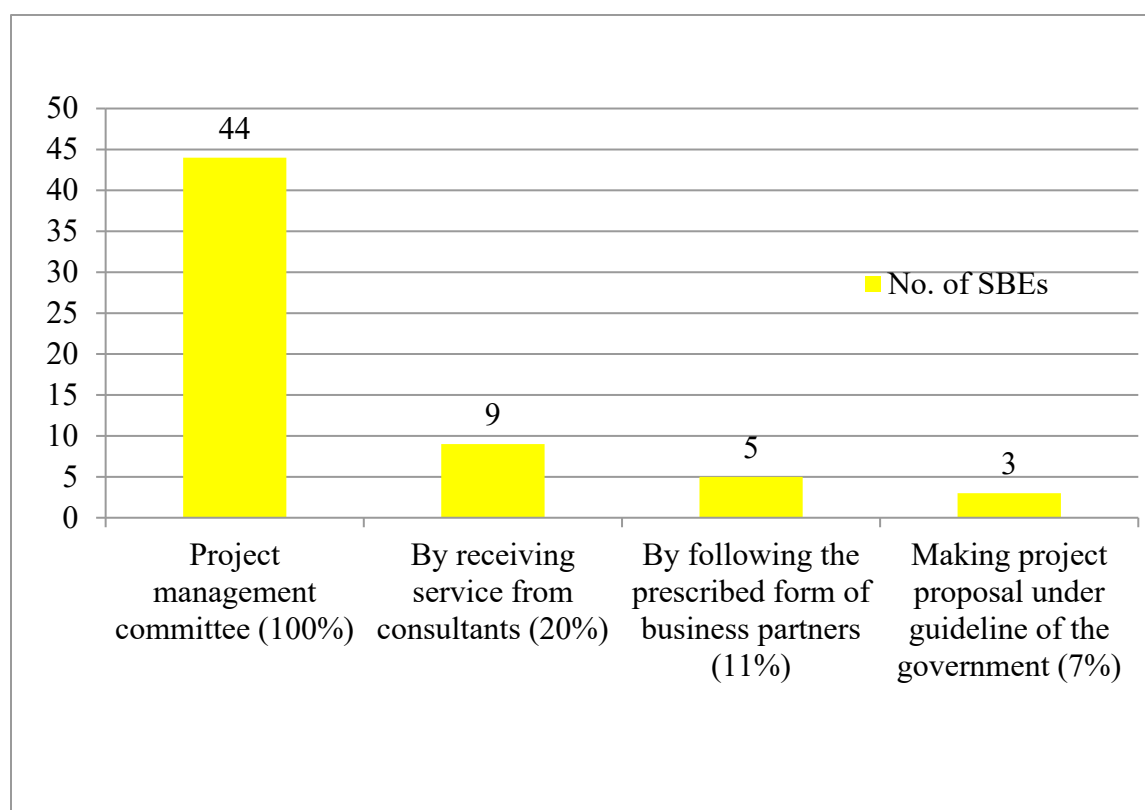
An unstructured interview was carried out in 44 selected SBEs of BRAC and Grameen family of companies in March 2017. Research data are analyzed by using a mixed method-qualitative and quantitative analysis which tried to find out the level of frequency in each item. Percentages were then calculated. Finally, a quantitative inference was used to determine the nature and role of PMI in the sample SBEs. In addition, in order to comprehend research findings many case studies of SBEs were used as qualitative analysis.

#### **V) Data analysis and interpretation**

First of all the study focuses on the issue strategy for managing projects and programs and the findings are as follows:



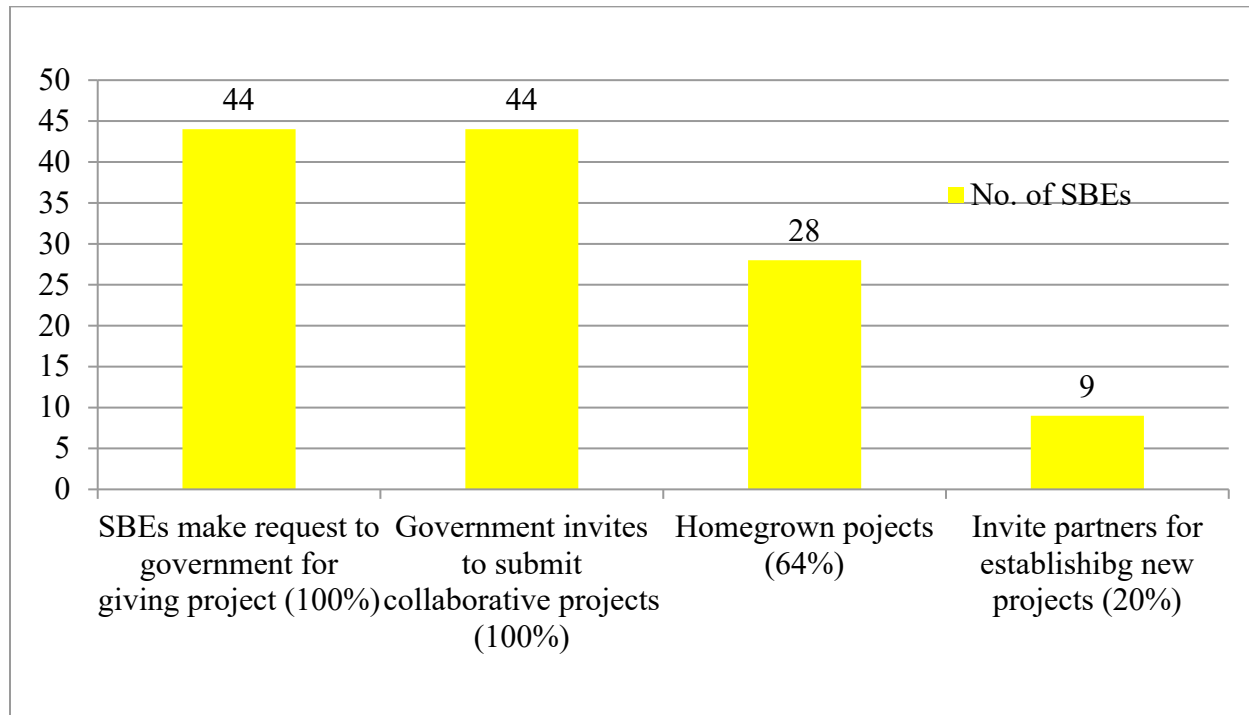
**Figure 58: Strategy for managing projects and programs**



The study found that all the sample SBEs (100 percent) have project management committee to run a business project. As we know, project management committee includes functional experts, implementers, and also key developers of the project. They work together to protect the stability and dynamic growth of the project. It is also found that some SBEs (20 percent) receive services from the consultants. Moreover, SBEs (11 percent) are received prescribed form of business partners for managing projects and programs. Though BRAC SBEs are fully home-grown SBEs, but some Grameen SBEs run businesses with the foreign partners. The understanding of this study is that some Grameen SBEs run projects by following the prescribed form of business partners. There are also some SBEs (7 percent) which make project proposal under guideline of the government. One example is Grameen Bank. It is interesting that very few SBEs make project proposal under the guideline of the government. The reason is that in Bangladesh, NGO works with the government in terms of the developmental issues namely health, education, micro-credit and among others. BRAC as a developmental organization, build partnership with the government and work jointly in terms of health and education. In the case of

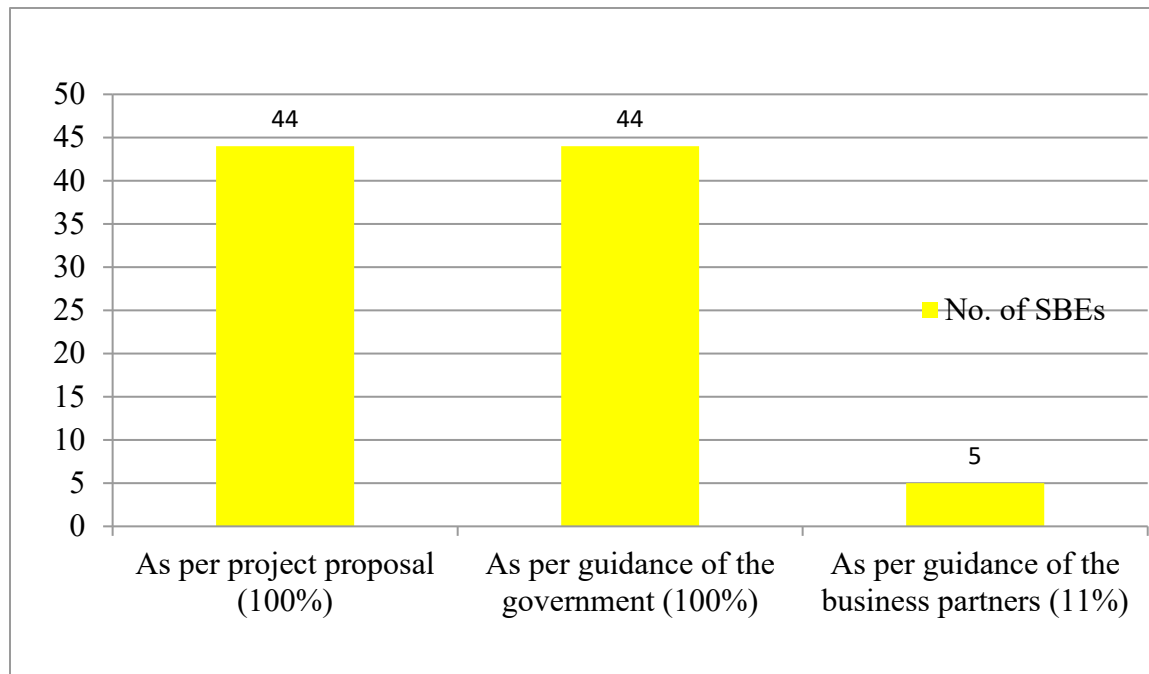
Grameen SBEs, Grameen Bank, Grameen Telecom, and Grameen education make collaboration with the government.

**Figure 59: Criteria for collaborative projects with the government under Annual Development Plan or Five Year Plan**



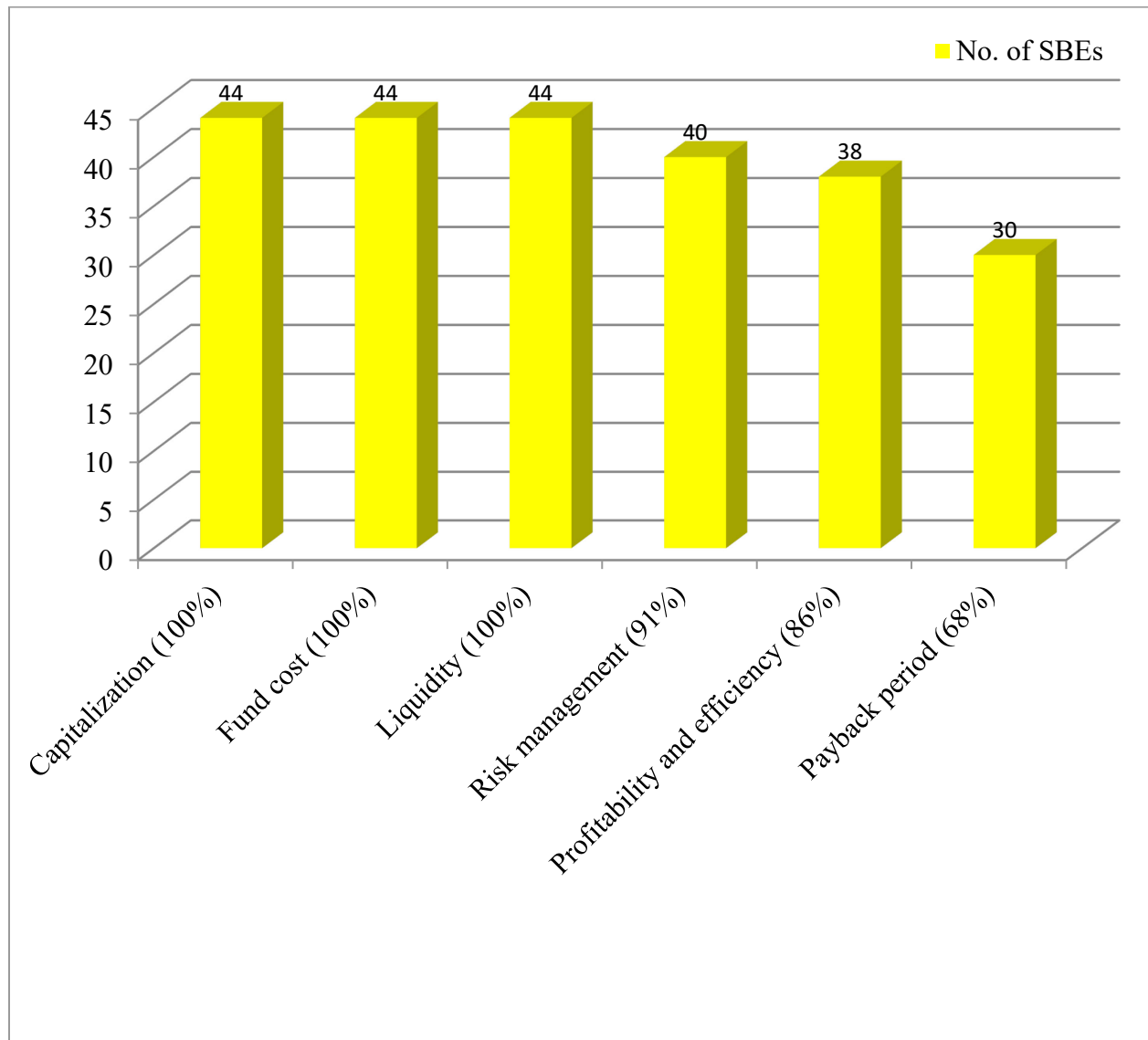
The study also inquired on the issue of collaborative projects with the government under the Annual Development Plan or Five Year Plan. It is found that 100 percent SBEs are interested to start collaborative business with the government and all samples (100 percent) admitted that government invites them to submit collaborative projects. There are also home-grown projects (64 percent). In addition, Grameen family of companies (20 percent) deals with the foreign partners to run SBEs.

**Figure 60: Steps for implementing the new projects**



It is also found that SBEs (100 percent) implemented the new projects by following project proposal and equally give priority to the guidance of the government. Moreover, 11 percent SBEs follow the guideline of the business partners.

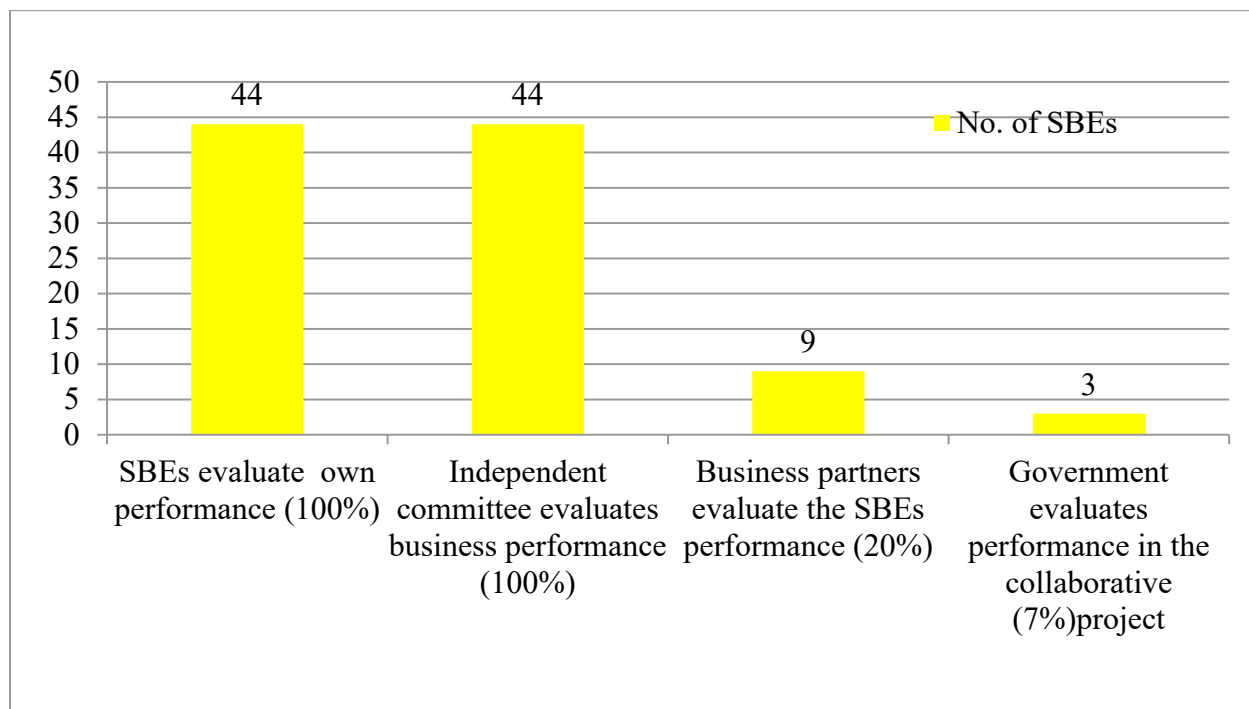
**Figure 61: Capital budget and budgetary control technique in the enterprise**



Capital budget and budgetary control is crucial term for keeping the enterprise on a right track during the spending phase of the budget cycle. The study found that 100 percent SBEs put emphasis on capitalization related to total assets in terms of cash and bank balance. Moreover, it is found that all samples (100 percent) concentrated on fund cost and liquidity in the enterprise.

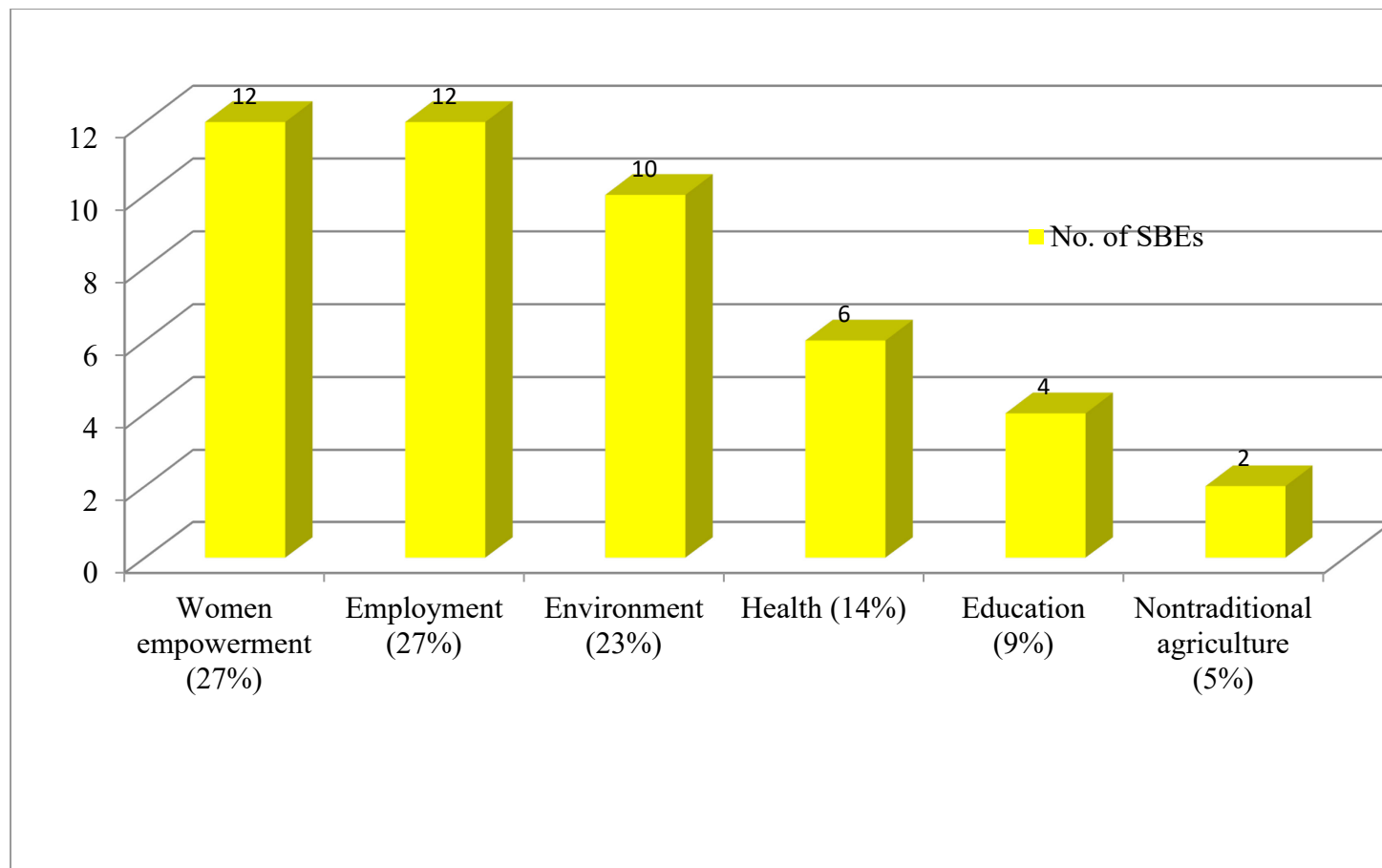
Furthermore, the findings show that 91 percent SBEs prioritize risk management in the enterprises which is related to the identification, analysis, assessment, control, and avoidance, minimization and elimination of acceptable risks. An enterprise can use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy in proper management of future events. Apart from this, SBEs also concentrate on profitability and efficiency, and it is found that 86 percent SBEs practice profitability and efficiency in the enterprises. This research also examines payback period and shows that 68 percent of the samples maintain due payback period. All of these issues of capital budget and budgetary control techniques are found in the SBEs.

**Figure 62: Performance evaluation system in the collaborative projects**



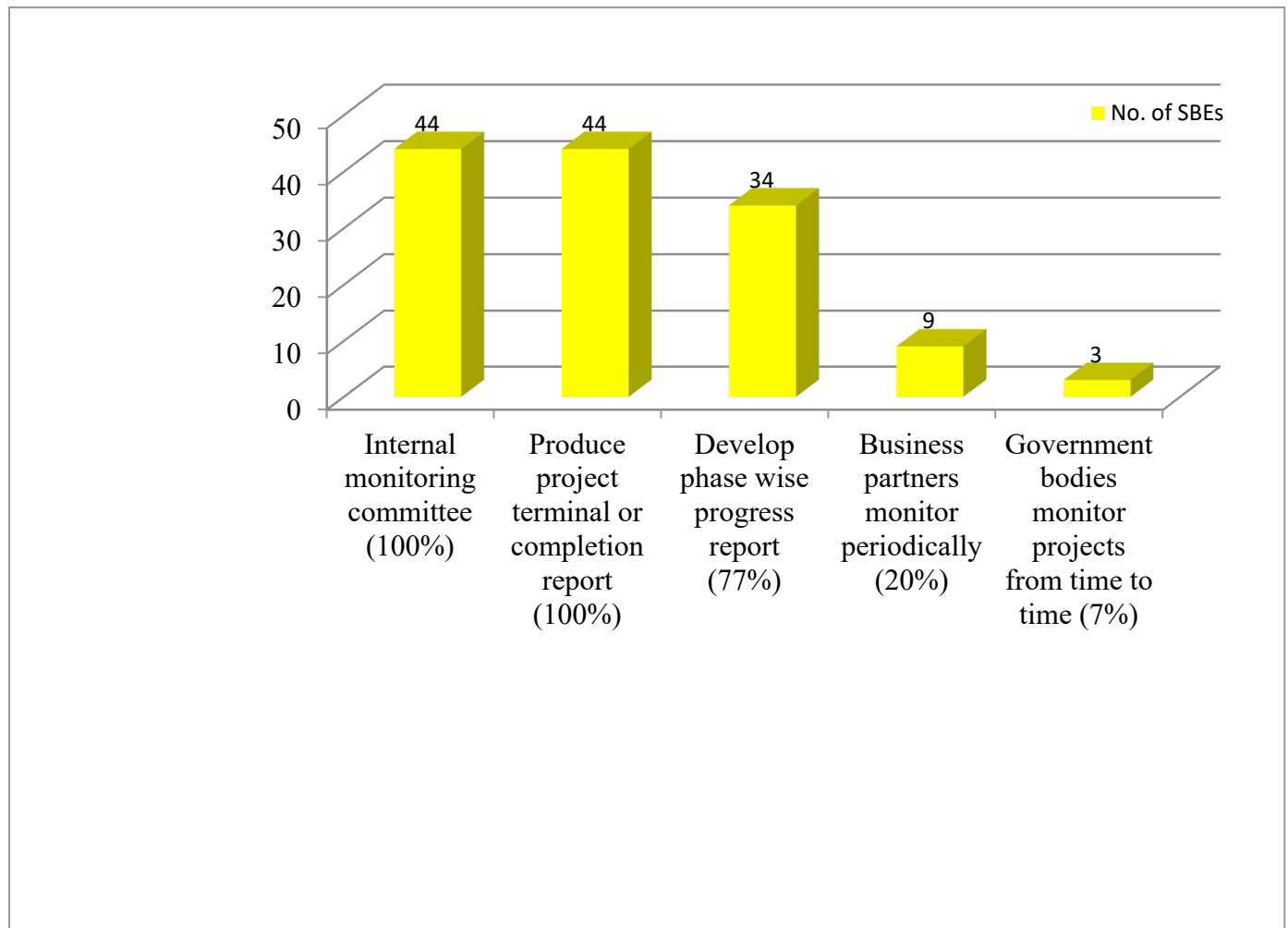
The study also carried out the topic performance evaluation system in the collaborative projects and found that 100 percent SBEs evaluate own performance and all samples (100 percent) put emphasis on independent committee for evaluating business performance in each enterprise. Moreover, nine SBEs (20 percent) run by Grameen family of companies have foreign business partners and it is found that business partners are also evaluating the SBEs performance. There are three (7 percent) collaborative business projects with the government and therefore, government also evaluates that business performance.

**Figure 63: Areas of collaborative projects with the government and international business partners**



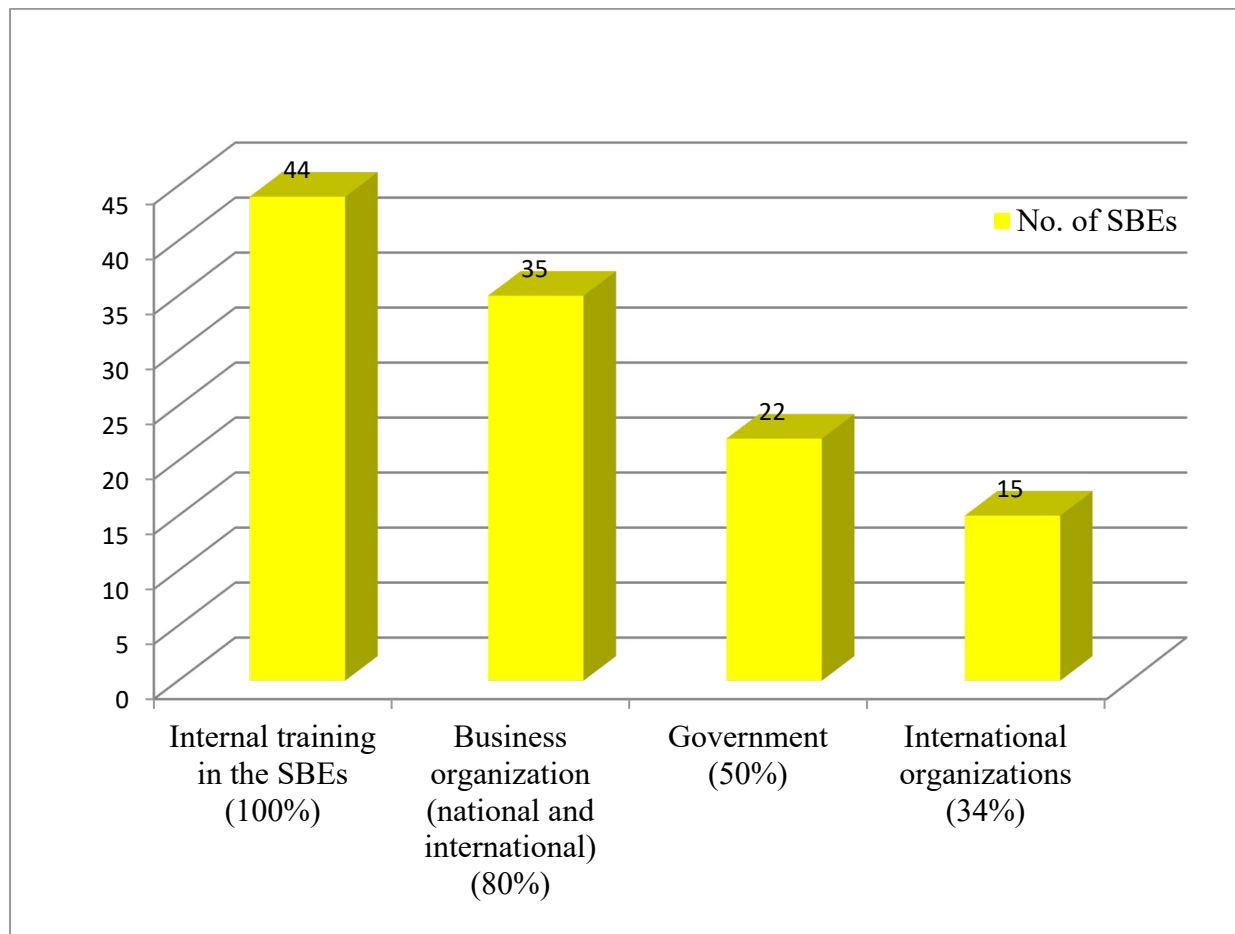
The study is found that 27 percent (a high frequency) SBEs prioritize woman empowerment and employment generation in the areas of the collaborative projects with the government and international business partners. Moreover, it is found that 23 percent concentrated on environmental issues, 14 percent work for the health issues, 9 percent focus on education, and 5 percent SBEs emphasize nontraditional agriculture related to collaborative projects with the government and international business partners.

**Figure 64: Project monitoring system**



This research also carried out the topic project monitoring system. It selected five options, namely i) internal monitoring committee, ii) produce project terminal or completion report, iii) develop phase wise progress report, iv) business partners monitor periodically, and v) government bodies monitor projects from time to time. The research result shows that all samples (100 percent) set up internal monitoring committee and produce project terminal or completion report. Moreover, 77 percent develop phase wise progress report. There are nine SBEs run by foreign partners. Therefore, nine SBEs (20 percent) are monitored by business partners. Furthermore, three SBEs (7 percent) are categorized as a government partnership project and government bodies monitor that business projects from time to time.

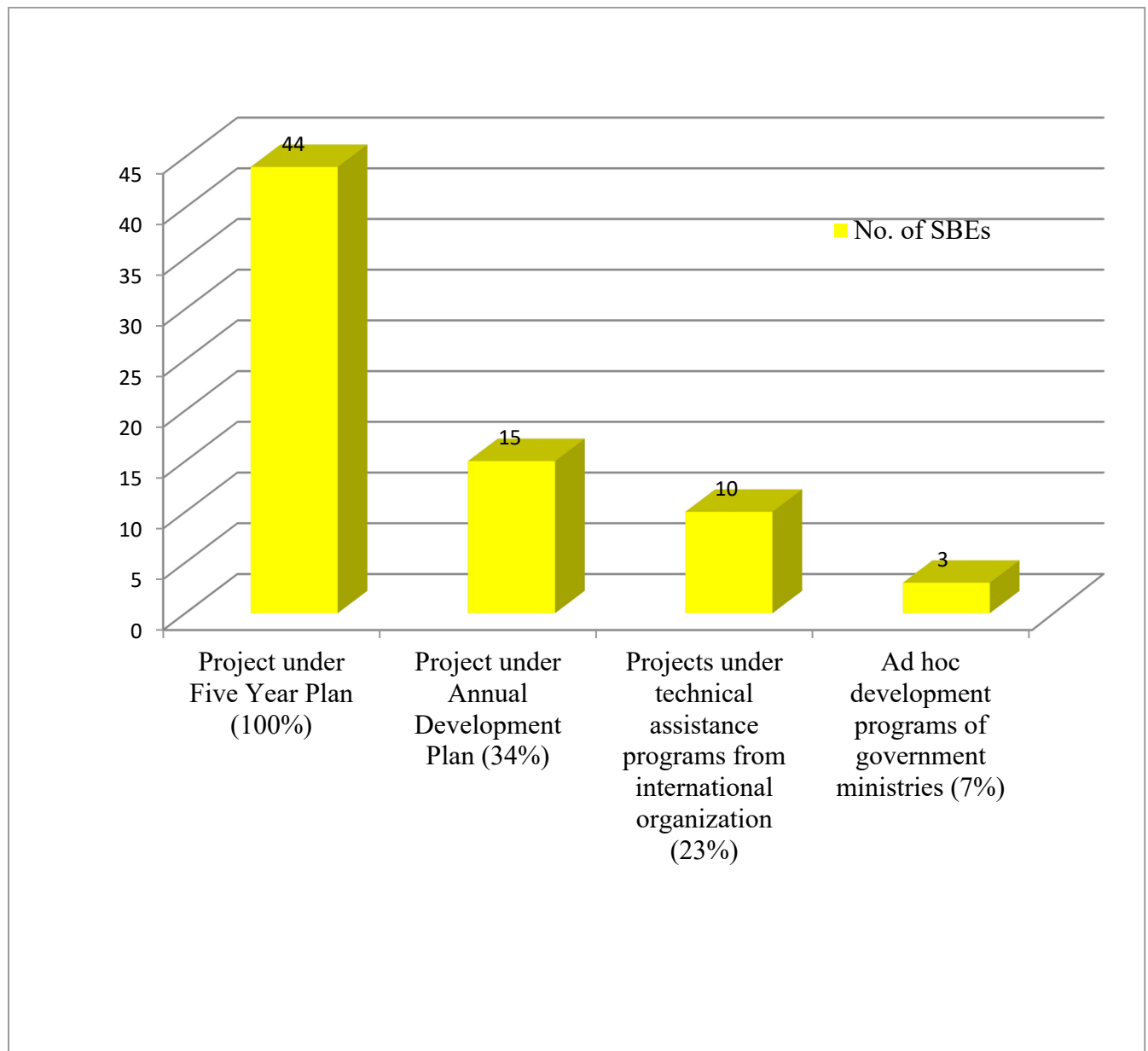
**Figure 65: Training place for the project development**



The study is also interested to find out training place in SBEs for the project management and found that 100 percent SBEs arrange internal training, and 80 percent dispatch their employees to other national and international business organization. It is also found that 50 percent emphasize to participate government training program and 34 percent employees are trained by the international organizations.



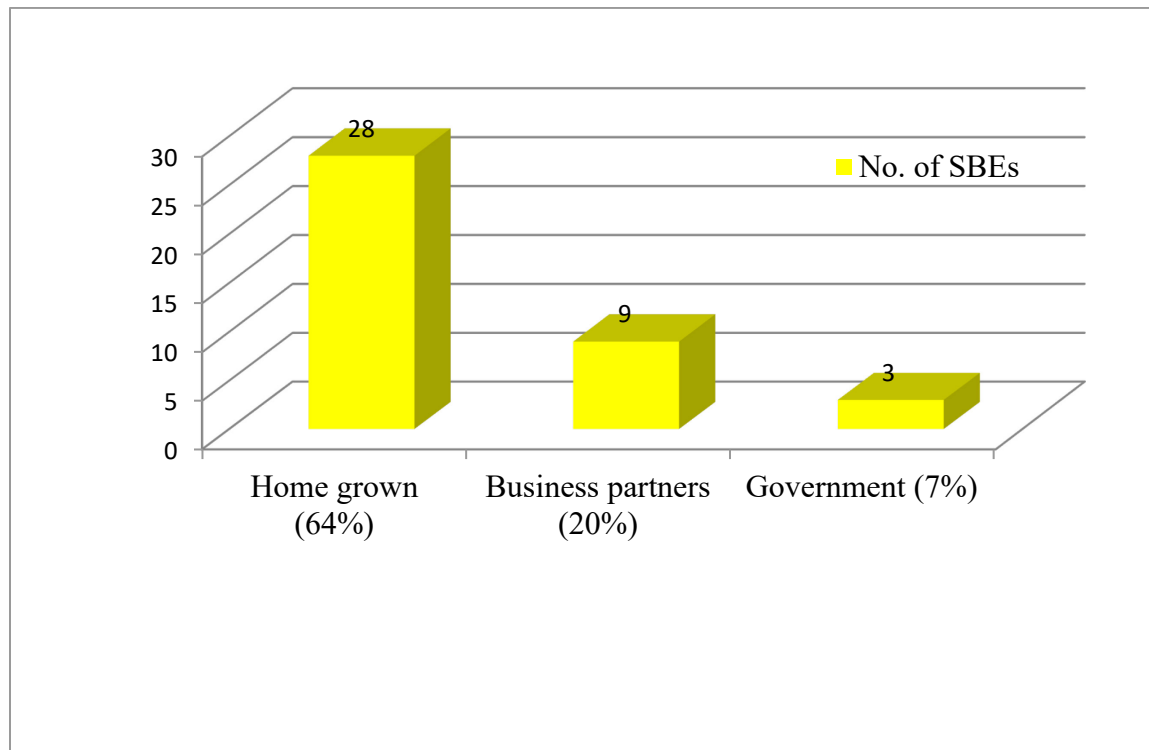
**Figure 66: The way of sharing projects with the government**



The findings show that SBEs (100 percent) are preferred to share projects with the government under Five Year Plan. As we know, SBEs put emphasis on long-term goals (3 to 5 years plan). Some SBEs (34 percent) are interested in sharing projects with the government under Annual Development Plan. One example is Grameen education. SBEs confirms that though projects start for one year, but there is hope that projects may extend for one or two more year and it happens many time. There are also found that 23 percent share projects with the

government under technical assistance programs from international organizations. In addition, 7 percent also share projects through ad hoc development programs of the government ministries.

**Figure 67: The financial source of the enterprises**



The findings show that the financial source of the enterprises are, namely home-grown, business parents, and government. It is found that 64 percent SMEs are fully home-grown, 20 percent are collaborative projects with the foreign business partners, and 7 percent jointly work with the government.

## **VI) Discussion of the findings**

The study has envisioned finding out ten aspects of PMI in order to understand the characteristic features of PMI in SMEs and it is found that 100 percent SMEs depend on project management committee as strategy for managing projects and programs. All samples (100 percent) made it clear that SMEs make request to the government for giving projects and 100 percent got invitation from the government to submit collaborative projects under the Annual Development Plan or Five Year Plan. Moreover, it was found that all implemented new projects as per project proposal and followed the guidance of the government. The study also

concentrated on the application of capital budget and budgetary control techniques in the enterprises and found that 100 percent emphasized capitalization, funding cost, and liquidity in terms of capital budget and budgetary control technique. Furthermore, it is evident that all samples evaluated own performance and they had also independent committees for evaluating business performance.

In addition, 27 percent SBEs focused on women empowerment and employment generation, 100 percent produced internal monitoring committee and project completion report for monitoring projects. It is also found that 100 percent arranged internal training for the project management and implementation. Apart from this, all samples preferred projects under Five Year Plans as the way of sharing projects with the government. It was found that 64 percent were home-grown enterprises. The main hypothesis and sub-hypothesis authenticated based on these findings. It is evident that SBEs attempt to run through the project plans which are considered as guidelines for project management and implementation. It is evident that SBEs put emphasis social need and focus on the solving social problems through businesses. SBEs concentrate on project duration, budget, indentifies project resources, and resource constraint. However, it is found that in terms of project cost, profit, and reinvestment SBEs faces difficulties to run through the project plan until now. Therefore, this showed that the sub-hypothesis five was not valid.

The study tried to find out differences in terms of PMI practices between SB and CB and found that SB follows a particular business model as shown in the chapter 1. The business model makes the differences managing and implementing between CB and SB projects. This business model links markets and livelihood especially for the poor to improve their health, education, or finance. Moreover it is found that, communication and team work is also important in SBEs. Not only have these, SBEs strongly practiced cross subsidy and equity money as their business financial source. The SB fund can be used in four ways: i) to set up new SBs, ii) to expand an already existing SB, iii) to replicate a SB, and iv) to convert another entity into a SB.

Khashru (2016) confirms that SB can run by the following way: i) partnership consisting of two or more individuals who makes an agreement in terms of business money, skills, and other resources and share business profit and loss by following the partnership agreement. It sets up into two ways: a) general and b) limited. Firstly, all the partners of the general partnership can directly control the business through their decision making ability. They are not responsible

personally for the debt of the business. Partners in a general partnership can lose more than their individual investment. In the general partnership the liabilities, contributions, and responsibilities of the partners are often equally treated which are not applicable for the limited partnership. Secondly, limited partnership addresses the business partnership where the partner may not be involved in the day-to-day management of the business. They only contribute fund to the business and responsible for debts based on their invested amount. They do not have any ability related to management control and making decision. ii) government agency addresses an administrative unit of government consisting of permanent or semi-permanent employees who are the responsible for the oversight and administration of specific functions, such as the central intelligence agency, the census bureau, office of management and budget to name a few. iii) autonomous body refers any distinct unit that is under its own governance and control. They do not need to get approval for their action. If autonomous body runs a business company, it is regulated by the company law. If it is a society, it is governed by the law on registration of societies. However, in both cases, board of members decides the rules of business. iv) an international organization consisting of international members, scope, and presence. There are two types of international organization, namely, a) international nongovernmental organizations (INGOs), and b) nongovernmental organization (NGO), v) foundation is a legal entity of a nonprofit sector establishes by a group of people aims to support disadvantaged group in one society. vi) private company is a business organization consisting of private investors, shareholders, or owners under its articles, namely a) restricts the right to transfer its shares, if any, b) prohibits any invitation to the public to subscribe for its shares or debenture, if any, c) limits the number of its members to fifty not including persons who are in its employment.

It is interesting that government agencies are the minor participants in the SB arena. It is evident that government has strong participation with the NGOs activities in Bangladesh in terms of social development issues, promoting universal primary education, raising education and nutrition levels, and improving family planning and population control. Bangladesh also made great improvement to reach Millennium Development Goals (MDGs) regarding maternal and child health and a major part of this success is due to BRAC's Health, Nutrition and Population program where government leads collaboration work with it.

Government also invites all SBEs through the Five Year Plan or Annual Development Plan to participate public arrangements. General Economic Division (GED) of the Planning Commission is in the process of preparing the 7<sup>th</sup> Five Year Plan (2015-16 to 2019-20). In line with that GED focuses a huge number of issues as follows: 1) improving access of the poor to financial services, 2) strategy for development of SME in Bangladesh, 3) strategy for education and training, 4) improving land administration and management, 5) prospect and strategy for tourism development, 6) strategy for mobilizing foreign resources, 7) strategy for export diversification, 8) fiscal management and revenue mobilization, 9) financial market developments and challenges in Bangladesh, 10) strategy for infrastructure development, 11a) climate change and disaster management, 11b) environment, forestry, and biodiversity conservation, 12) governance and justice, 13) strategy on local government strengthening, 14) strategy for food security and nutrition, 15) lagging regions study, 16) gender equality and women empowerment, 17) agriculture sector development strategy, 18) achieving digital Bangladesh by 2021 and beyond, 19) strategy for ocean and river resource management, 20) south south cooperation in the regional context, 21) health strategy for 7<sup>th</sup> Five Year Plan, 22) impact of demographic transition on socioeconomic development, 23) final nutrition background paper for 7<sup>th</sup> Five Year Plan, 24) linking equity and growth in Bangladesh, 25) final ending extreme poverty in Bangladesh (The Seventh Five Year Plan, planning commission, Ministry of Planning, Bangladesh). The understandings of this study are that SBEs also work on almost of these issues. Therefore, if government makes collaboration with the SBEs to promote the seventh five year plan it will bring positive changes in the society of Bangladesh.

Likewise, another government initiative is Annual Development Plan (ADP) and through this the government organizes list of projects in various sectors and allocations for a year out of a five-year plan for implementation of the government's development policies, programs and investments in the plan. The ADP is prepared on the basis of the year's development budget approved by the parliament.

The Planning Commission sets up the ADP in view of objectives and goals of Five-Year Plan and it gets approval from the executive committee of the national economic council. Internal and external funds both are used to progress ADP, fields activities and development projects and national economic development are the major concentration of this project. Generally, foreign

aid is one of the major financial sources to run this government projects. Until now, government has less participation in the SBEs. Therefore, there is a chance to increase government participation in near future.

## **VII) Conclusion**

The objective of this section is to analyze management strategy in terms of the principles and practices of PMI in SBEs. In order to achieve this objective the study focuses on ten characteristic features of PMI in SBEs. The major findings of this section are as follows: i) SBEs focus on project management committee as a strategy for managing projects and programs, ii) SBEs not only make request to the government for giving projects, government also invites SBEs to submit collaborative projects with the government under Annual Development Plan or Five Year Plan, iii) SBEs implement new projects as per project proposal and guidance of the government, iv) SBEs give attention to capital budget and budgetary control techniques, v) SBEs practice performance appraisal of the employees and businesses through independent committee, vi) their collaborative projects with the government and international business partners promote women empowerment, employment generation, improve health services, promotion of education and so on, vii) SBEs produce internal monitoring committee and project completion report for the project monitoring system, viii) SBEs put emphasis on employee's training and arrange internal as well as external training for the employees, and ix) SBEs prefer projects under Five Year Plan as the way of sharing projects with the government.

## **VIII) Conclusion of five management practices in SBEs**

Chapter 4 examines five management practices namely, corporate mission, corporate social responsibility (CSR), corporate governance (CG), human resource management (HRM), and project management and implementation (PMI) in the SBEs of Bangladesh. In order to comprehend the five selected management practices this chapter is divided into five sections such as mission statement in SBEs (section 1), CSR in SBEs (section 2), CG in SBEs (section 3), HRM in SBEs (section 4) and PMI in SBEs (section 5) .

To understand mission statement in SBEs the study focused on the history of SB mission in Bangladesh and found that both organizations (BRAC and Grameen family of companies) initially worked as nonprofit organization by following USA and European perspectives in terms of nonprofit organization. Moreover, as a beginner of the nonprofit organization BRAC and

Grameen Bank initiated microfinance activities with the aim of helping impoverished people of Bangladesh. When microfinance activities became profitable business project both organizations started to do more nonprofit businesses with a mission of decreasing donor dependency from the organization. In 2010, Yunus declared these nonprofit businesses as SB through his non loss, non dividend theory and mentioned that SB has social mission. To comprehend CSR in SBEs the study divided CSR history into four phases (details are given in section 2). Furthermore, CG system in SBEs basically follow the *Socities Registration Act 1860 revised in 2013*, the *Companies Act 1913 revised in 1994*. However the findings showed that institutional governance still in initial stage in SBEs where government interference can change anything in anytime.

In addition, initially both organizations could not practices HRM firmly. For instance, as a beginner, employee training opportunities were very limited in BRAC and Grameen family of companies. Lack of financial resources employee training was considered as expense rather than an investment. At the beginning stage BRAC and Grameen Bank were fully donor dependent organizations. They started their organizational activities with very limited resources not only financial but manpower as well. For example, as an economics Professor Muhammad Yunus initiated his microfinance activities with his few students whose major was economics. Therefore, Muhammad Yunus guided them by his own knowledge and skill. During that time, it was expensive for them to send employee outside for training or bring expert to train employee in the organization. However, gradually BRAC and Grameen Bank became profitable organizations and focused on hiring new inexperienced employees and arranged training in order to develop employee's skill and knowledge once which was considered as expense now became investment for the organization. Apart from this, the study found that PMI in SBEs is still in the formative stage. Though SBEs attempt to follow the cycle of the project management but still struggle to maintain project plan in terms of cost, profit and reinvestment. The findings of this chapter are summarized as follows:

Section one addresses mission statement in SBEs. The objective of this section is to find out the various components which make up the mission statements of SBEs and identify their business performance. In order to achieve this objective a mixed research method is used. A questionnaire was developed and an unstructured interview was held on 44 selected SBEs.

It examined eight aspects of mission statement namely (a) topic of mission statement, (b) multiple goals of mission statement, (c) translate mission into action, (d) communication of mission, (e) major focuses, (f) review of mission, (g) activities to increase employee's morale and dedication, and (h) motivating employees through collective work. These eight aspects will answer the research question of what are the characteristics features of mission statement in SBEs.

The findings show that 95 percent SBEs emphasis on solving social problems (such as education, environment, health, unemployment, poverty to name a few) in their business mission, goals, objectives, and principles. They deal with multiple goals where 80 percent focuses on annual objectives action programs. All samples translate mission into action through long term goals in view of mission. Moreover, it is found that 100 percent SBEs concentrated on field activities for communication of mission. Furthermore, a highest number 68 percent, concentrated on motivating the employees and activists in goals and objectives. In addition, the entire samples change goals and objectives within the framework of mission in terms of review of missions. Apart from this, to increase employee's morale and dedication all samples arrange picnic or other recreational activities. It is also found that exchange of greetings and group discussion are highly emphasized (100 percent) for motivating employee's collective work. The main hypothesis and sub-hypothesis are authenticated by the research results. Mission statement provides a sense of purpose and direction in the enterprises and attempt to ensure the interest of the key stakeholders. In addition, mission statement sharpens business focus and enables control over employees. Above all, mission statement also promotes shared values and behavioral standards.

Section two addresses CSR in SBEs. The objective of this section is to examine the nature of CSR in the SBEs and how it functions in these enterprises. In order to achieve this objective a mixed research method is used. With a literary review of CSR principles, processes, and code of conducts, a questionnaire survey and an unstructured interview was conducted. This included fifteen aspects of CSR namely (a) awareness of CSR as a social business function, (b) understanding of the meaning of CSR, (c) components of CSR, (d) strategies for implementing CSR, (e) community investment initiatives, (f) resources given to promote CSR, (g) awards given for promoting CSR activities, (h) stakeholders to whom CSR report is given, (i) actions



taken for raising awareness to CSR, (j) incentives given to encourage employees and volunteers for promoting CSR, (k) CSR practices focus on employee welfare and better work environment, (l) communication of CSR to various stakeholders, (m) adoption of CSR practices, (n) benefits of CSR, and (o) implementation of triple bottom line audit as part of CSR. These fifteen aspects will answer the research question of what are the major characteristics of CSR in SBEs.

The findings suggest that CSR in these enterprises emphasize profitable business practices and follows global standards. It is also found that although business profit is necessary, it is not the primary objective in SBs arena. Briefly, the findings are as follows: 68 percent of the SBEs are very actively aware of CSR as a SB terminology and 32 percent have no idea about CSR. 68 percent approve that the majority of SB prioritize awareness of CSR as a social business terminology. 23 percent have a clear understanding of the meaning of CSR, and 50 percent are somewhat clear regarding this issue. Study found that 91 percent SBEs stand for sustainable environment as component of CSR. 55 percent SBEs establish separate department as strategies for implementing CSR. There are many community investment initiatives in Bangladesh and 100 percent of samples have community development programs. It is also found that cash is the main resource of 57 percent samples for promoting CSR. Moreover, 80 percent SBEs give award for CSR activities and 100 percent report CSR issues to the government and board of directors. For raising awareness to CSR 100 percent emphasis on training and awareness program. The samples (100 percent) promoted support system for the benefit of the employment as part of the CSR. Investors got the highest priority (100 percent) for the communication of CSR among various stakeholders. In addition, all samples focused on promoting corporate awareness for adoption of CSR practices.

It was also found that there are substantial benefits of CSR in SBEs of Bangladesh. All (100 percent) samples focused on compliance with regulations, creation of employment, motivating of employee's morale, and implementation of triple bottom line audit as part of CSR. Apart from this, the study found that 100 percent SBEs give emphasis on people and 91 percent give emphasis on planet meaning environmental performance, and 80 percent gives emphasis on profit.

All these findings have authenticated the main hypothesis and sub-hypothesis of this section.

The crucial understanding of this study is that the basic concept of CSR in SBEs is very similar to that in the conventional business. CSR promotes the ideology that SBs are responsible for the society by using profit. Moreover, CSR encourages doing best for the people and planet through businesses.

Section three addresses CG in SBEs. The objective of this section is to identify the distinctive feature of CG system in SBEs. Based on “*The Code of Corporate Governance for Bangladesh, 2004*”, “*The Societies Registration Act of 1860 Memorandum of Association of BRAC*” revised in 2013, “*The Grameen Bank Ordinance 1983*” and “*the Section 28 of The Companies Act 1994*” a questionnaire for the CG was developed. It was divided into twenty one items such as (a) members of the board, (b) tenure of office (No. of years), (c) committee as an adjunct to the board, (d) composition of the board, (e) mechanism for rotating board members, (f) method of replacement a member of the board, (g) members of audit committee, (h) Procedure for the internal and external audit, (i) audit committee report for internal audit functions, (j) mandatory preparation for internal audit plan, (k) remuneration policy for board members, (l) disclosure of remuneration of individual board members and senior management, (m) set of a quorum for meetings of the board, (n) duration of board and sub-committee meetings, (o) way of getting company information publicly, (p) information discloser policy, (q) type of information that disclosed to the public, (r) information that provided to the board of directors in advance of board meetings, (s) information is revealed to shareholders in advance of the Annual General Meeting (AGM) (t) recording minutes of meetings, (u) A review to ensure that actions decided at meetings have been implemented. These twenty one aspects will answer the research question of what are the distinctive features of CG in SBEs.

The study found that there is no direct law in Bangladesh to register and regulate SBs. However, there are existing laws, which in their broader scopes, allow entities to register, and thus regulate the same doing social business. For instance, someone can register an entity as (i) Trust under *The Trust Act 1882*, (ii) Society under *The Societies Registration Act 1860*, (iii) Private Limited Company (for-profit) under *The Companies Act 1994* and iv) Not for-profit company under Section 28 of *The Companies Act 1994*.

BRAC SBEs are registered under *The Societies Registration Act 1860*. This law enacted during the British India period when India, Pakistan, and Bangladesh was one country. However,

currently the responsible authority for this act is the Registrar of Joint Stock Companies (RJSC) of Bangladesh, and Ministry of Home Affairs of Bangladesh for National Security Intelligence (NSI) clearance (details are given in section 3). A great majority of non-profit organizations in the country are formed and registered under this Act because of its wide scope and flexibility to permit a broad range of activities. This Act is silent whether foreigners can be a founding partner or not. Practically, the foreigners are prohibited from serving as founders in the society. On the otherhand, most of the Grameen SBs are registered under *the Section 28 of The Companies Act 1994*. There are some Grameen companies which are also registered as “for-profit” companies. Foreigners are not allowed to become founder of the company.

The findings of this section show that all the samples (100 percent) prioritize committee as an adjunct to the board. Method of selection, appointment, rotation, and replacement of a board member (in case of any problem), 100 percent follow the rules and regulations of the enterprises. All samples put emphasis on internal and external audit and all (100 percent) have internal audit committee members, invite national and international Chartered Accountant firms for external audit and have audit report as their procedure for the internal and external audit. All samples (100 percent) strongly practice audit committee report for internal audit functions and focus on mandatory preparation of internal audit plan. Furthermore, it is found that all samples give emphasis on remuneration policy for board members, disclosure of remuneration of individual board members, and senior management. Similarly, 100 percent SBEs focus on quorum for meetings of the board.

The research result also shows that 100 percent SBEs arrange board and sub-committee meetings once in a quarter. The study also focuses on the way of getting company information publicly and shows that 100 percent give emphasis on websites and daily newspapers, 66 percent have newsletters to get company information, and 9 percent depend on verbal communication. It is also found that all samples (100 percent) practice information disclosure policy through annual report, newspaper announcement, chairman’s message, report publication, and press release. The study also examined on the type of information disclosed to the public and showed that 100 percent disclosed the background of directors, governance structure and policy, policies on risk management, significant changes in ownership. 66 percent were found to disclose remuneration of directors to the public. The research result showed that 100 percent SBEs emphasize

information which are provided to the board of directors in advance of board meetings namely agenda, board papers, and minutes of the previous meeting. It is also found that all samples (100 percent) revealed information to shareholders in advance of the AGM including agendas of the AGM, annual report, financial statements, and audit reports.

All these findings authenticated the sub-hypotheses and subsequently, the main hypothesis. However, in terms of stakeholders accountability, the understandings of this study is that Grameen Family of Companies are going through some difficulties. Currently, the government has enacted *the Grameen Bank Act 2013* repealing the previous Grameen Bank Ordinance 1983. Therefore, the government has brought changes in the CG system of the Grameen Bank in terms of managing director and nine elected members from borrowers shareholders who were connected to the grassroot level directly. According to Grameen Bank Act 2013, the government nominates managing director, three members included chairman, and withdraws nine members. Grameen Bank currently passes through critical phases in terms of stakeholders accountability and responsibility. Thus, this sub-hypothesis related to stakeholders accountability is partly accepted.

Section four addresses HRM in SBEs. This section examines the characteristic features of HRM. As in other sections, an unstructured interview was conducted during the field survey in March 2017. A questionnaire survey consisting of seventeen aspects of HRM was undertaken. In order to analyze and interpret data a mix-method of qualitative and quantitative analysis is used. The seventeen items in the questionnaire included (a) job title, (b) job description, (c) authority of the personal management section, (d) processes of recruitment, (e) methods of employee selection, (f) applicant's academic qualification, (g) certificate and evidence in the selection process, (h) employment types, (i) importance of job experience, (j) required skills, (k) training and education, (l) components of employee compensation, (m) process of employee placement, (n) opportunities to build up a career, (o) role of employee's performance appraisal, (p) incentives offered in the enterprises, and (q) recreational activities. These seventeen aspects will answer the research question of what the nature of HRM practices in SBEs.

The findings show that all the sample (100 percent) were given job title and job description in their job advertisement. Moreover, it was found that 66 percent selected administration division as their authority of the personal management section whereas 34 percent set up separate human resource department. 100 percent emphasized ads in the newspaper and notification in the

office notice board in terms of process of recruitment and it is also found that 100 percent chose written exam as well as interview as their methods of employee selection. In addition, the entire sample (100 percent) focused on specific education level and specific major for the applicant's academic qualification. Also all (100 percent) emphasized on curriculum vitae, academic qualification certificates, photograph, and national ID card as candidate's certificate and evidence in the selection process.

Apart from this, a high frequency of 68 percent gave emphasis on long term employment, 100 percent on experience in similar jobs, and all (100 percent) put emphasis on employee's general skill and computer skill. Orientation considered as employees training and education. It is interesting that all samples prioritized components of employee compensation. This research also found that a high frequency (80 percent) address frequently transferable job as the process of employee placement. Promotion facilities considered as the opportunity to build up a career.

Moreover, 91 percent admitted that performance appraisal helped to improve employee's performance and job skill. All samples offered New Year bonus for incentives. Annual picnic and festival dinner were arranged (100 percent) as recreational activities. Thus main hypothesis and sub-hypothesis are authenticated in this section. The result shows that the sub-hypothesis four related to employee's compensation is partly accepted.

It is evident that SBEs strongly give emphasis on the issues in terms of the basic salary, annual increment and provident fund, festival bonus, casual leave and earned leave, medical loan allowances, maternity leave, staff welfare loan and insurance, vehicle loan, pension and incentives New Year bonus, job promotion at regular intervals, congratulate bonus and among others.

However, during the interview, a majority of the employees expressed their dissatisfaction with remuneration and compensation and stated that remuneration is very low for those who works in the middle and lower levels in comparison with those who work in the higher level. Therefore, it is evident that compensation policy is not highly appreciable for all employees in these enterprises.

Section five addresses PMI in SBEs. The objective of this section is that to analyze management strategy in terms of the principles and practices of PMI in SBEs and a questionnaire was developed consisting of ten aspects such as (a) strategy for managing projects and programs, (b) criteria for collaborative projects with the government under annual development plan or

Five Year Plan, (c) steps for implementing the new projects, (d) capital budget and budgetary control technique in the enterprise, (e) performance evaluation system in the collaborative projects, (f) areas of the collaborative projects with the government and international business partners, (g) project monitoring system, (h) training place for the project development, (i) the way of sharing projects with the government, (j) the financial source of the enterprises. A mixed method-qualitative and quantitative analysis is used for data analysis and interpretation in this research. These ten aspects will answer the research question of what are the characteristic features of PMI in SBEs.

The findings showed that 100 percent SBEs depend on project management committee as strategy for managing projects and programs. All samples (100 percent) made it clear that SBEs make request to the government for giving projects. 100 percent got invitation from government to submit collaborative projects under Annual Development Plan or Five Year Plan. Moreover, it was found that all implemented new projects as per project proposal and followed the guidance of the government. The study concentrated on capital budget and budgetary control technique in the enterprises and found that 100 percent emphasized capitalization, funding cost, and liquidity in terms of capital budget and budgetary control technique. Furthermore, it is evident that all samples evaluated own performance and they had also independent committees for evaluating business performance.

In addition, 27 percent SBEs focused on women empowerment and employment generation, 100 percent produced internal monitoring committee and project completion report for monitoring projects. It is also found that 100 percent arranged internal training for the project management and implementation. Apart from this, all samples preferred projects under Five Year Plan as the way of sharing projects with the government. It was found that 64 percent were home-grown enterprises.

The main hypothesis and sub-hypothesis were authenticated based on these findings. It is evident that SBEs attempt to run through the project plans which are considered as guidelines for project management and implementation. However, it is found that in terms of project cost, profit, and reinvestment SBEs faced difficulties until now. Therefore, this showed that the sub-hypotheses five was not valid. The following table shows a summary of validity of the hypotheses in this research.

**Table 9: Validity of the Hypotheses**

No	Hypothesis	Result	
Section1	Mission statement in SBEs	<b>Valid</b>	<b>Invalid</b>
1	SB mission in Bangladesh substantively related to overcome poverty, or one or more problems (such as education, health, technology access, and environment) that threaten people and society.	√	
2	SBEs positively emphasize indoctrination and communication of mission in Bangladesh.	√	
3	SBE mission statement is relatively succinct, realistic, and current which emphasizes review of mission.	√	
4	SBE strongly motivates employee to work collectively and arrange activities to increase employee's morale and dedication.	√	
5	SBEs substantially make balance among short-term, intermediate, and long-term goals in view of mission and in particular focuses on long-term goals.	√	
Section 2	CSR is SBEs		
1	CSR in SBEs encourages substantively management to earn long-term profit through businesses to increase benefits for all stakeholders.	√	
2	CSR in SBEs promotes diversity and attempts to decrease discrimination in the society in terms of gender, race, religion, ethnicity, and among others.	√	
3	CSR in SBEs robustly emphasizes utilization of investments in the community development initiatives and projects.	√	

4	The triple bottom line (people, planet, and profit) firmly exists in SBEs of Bangladesh.	√	
5	CSR in SBEs substantially values stakeholder's need in particular focus on disadvantaged group in one society.	√	
Section 3	CG in SBEs		
1	CG in SBEs insists on making the responsible relationship equally between the company and the governing body.	√	
2	CG in SBEs emphasizes stakeholder's accountability robustly which pursues proper supervision within the enterprises.	Partly valid	
3	CG in SBEs passes the test of fairness substantially, ensure better and effective protection to all stakeholders.	√	
4	CG in SBEs strictly practices company's rules and regulations where a board of directors ensures business transparency within all stakeholders.	√	
5	CG in SBEs positively encourages all board members to participate effective decision-making process in the business affairs.	√	
Section 4	HRM in SBEs		
1	HRM in SBEs literally specifies the duties and skills required for a job and prioritize the appropriate candidates through the selection and recruitment process.	√	
2	SBEs basically use on-the-job training as well as off-the-job training development techniques to build a strong work force in the enterprises.	√	



3	SBEs positively emphasize teamwork, employee commitment, and leadership building which are essentially needed to attain goals and objectives.	√	
4	SBEs highly appreciate employee's compensation and incentives which motivate for committing to enterprise and employee's personal goal achievement.	Partly valid	
5	Definitely SBEs arrange many recreational activities to promote high morale and enthusiasm of their employees.	√	
Section 5	PMI in SBEs		
1	SB project positively put emphasis on social need and states what will occur within the project to solve the social problem through businesses.	√	
2	SB in Bangladesh significantly determines to maintain due time for the project which identifies benefits of completing the project as well as the project justification.	√	
3	SB's budget estimates cost of each task firmly using an average hourly/daily rate for each resource such as money, materials, machine, manpower among others which help make balance between project resource and budget.	√	
4	SB substantially identifies resources of each business project and considers resource constraint as well.	√	
5	SB firmly follows project plan which is considered as the guideline of the project management and implementation.		×

All these sub-hypotheses authenticated the overall hypothesis that: *probably management practices of SBEs are similar to management practices of conventional businesses in this country.* In addition, the major finding of this study is that the way of using profit consideration makes the difference between CB and SB. As we know, in the case of traditional businesses, shareholders receive business profit. In contrast, SB shareholders are not able to receive business profit, rather profit is used for business expansion.

Overall, the case of Grameen Phone (section 1) illustrated the new insight of the SB which authenticated the concept of management practices of SBEs are similar to traditional businesses in Bangladesh. Moreover, it is found that to make business profitable SB emphasizes cross-subsidy business style, along with equity money considered as additional discovery through the research hypothesis.

In addition, SB promotes the concept is that SB is a profitable business. However, it is found that despite most of the SBs still struggle to make profit, there are also many profitable SBs as well. One example is “Aarong”. Thus, no one expects a miracle cure in terms of making profit in SBEs. SB is on a mission and still has to go a long way to achieve their social mission.

## **Chapter 5: Summary and Conclusion**

### **I) Summary**

This thesis summarizes as follows:

#### **a) Introduction**

Chapter 1 belongs to introduction of this thesis. This research contributes to i) explore on social business (SB) as a distinctive kind of business corporation, ii) examine a group of management practices in order to understand how SB management practices are similar and different from management practices of conventional business (CB) and iii) find out management strategy and structure of BRAC and Grameen SBEs in Bangladesh. SB has become a buzz word currently in international business management development discourse. The study aims to examine the characteristic features of the management practices in SBEs of Bangladesh. However, in the context of Bangladesh, the problem of management practices in SBEs is that very few research activities were done to articulate their styles, strengths, issues, and weaknesses. The various aspects of management practices in SBEs and their similarities and differences are needed to be studied to fill up the existing research gap on this rapidly expanding sector.

The concept of SB emerged in the late 1990s (Jager 2010, p.25). SB practitioners, activists in world follow two patterns of definition, one is USA patterns and another is European patterns. To understand SB globally, this study is divided SB concept into three perspectives namely, a) American perspective, b) European perspective, and c) Bangladesh perspective

To understand SB in Bangladesh the study focuses on BRAC and Grameen SBEs. At the beginning stage, both organizations focused on the concept of diversification to establish as nonprofit organization and welcomed American and European perspectives equally. Later, they emphasized convergence of the nonprofit sectors and declared their nonprofit business as a non dividend business and profit will use for business expansion instead of using donor money. Eventually, in 2010 Yunus introduced this nonprofit business as SB through his “non loss, non dividend” theory which is recognized as an innovative form of SB not only in Bangladesh but in world.

#### **b) Research Organization and Methodology**

Chapter 2 focuses on research organization and methodology for this research. A mixed method - qualitative and quantitative analysis is used for data analysis and interpretation. By following qualitative method the study focused on many cases of SBEs to comprehend research

findings. Quantitative analysis also used to interpret research data in which tried to find out the level of frequency in each item. Percentages were then calculated. Finally, a quantitative inference was used to determine the nature and role of management practices in the sample SBEs.

The reason for using mixed method research is that SB is a new concept in the business area and is still in the formative stage. Therefore, research data is not sufficient to analyze by using either a purely qualitative or a purely quantitative method. It is evident that a mixed method is a combined method of qualitative and quantitative analysis and can provide more evidence to authenticate research arguments. Moreover, mixed method allows both words and numbers to analyze research findings which is an appeal point for the wider audience. However, critiques draw attention that mixed method consumes more time and cost because of the integration of two different kinds of data.

### **c) Literature review**

Literature review of this thesis is found in the chapter 3. The study focuses on the following chronicle to find out the origin of SB: (a) cooperatives (mid-1800), (b) fair trade (1940-1950), (c) community development cooperation (1970s), (d) social firms (1970s), (e) nonprofits (1980s) and (f) social business enterprise (1990s). Chapter 3 also focused on historical background of the five management practices, namely, corporate mission statement, CSR, CG, HRM, and PMI.

### **d) Examination of SBEs Management Practices in Bangladesh**

Chapter 4 put emphasis on examination of SBEs management practices in Bangladesh. This chapter is divided into five sections. The findings of this chapter are summarized as follows:

Section one addresses mission statement in SBEs. The objective of this section is to find out the various components which make up the mission statements of SBEs and identify their business performance. In order to achieve this objective a mixed research method is used. A questionnaire was developed and an unstructured interview was held on 44 selected SBEs.

It examined eight aspects of mission statement namely (a) topic of mission statement, (b) multiple goals of mission statement, (c) translate mission into action, (d) communication of mission, (e) major focuses, (f) review of mission, (g) activities to increase employee's morale and dedication, and (h) motivating employees through collective work. These eight aspects will answer the research question of what are the characteristics features of mission statement in SBEs.

The findings show that 95 percent SBEs emphasis on solving social problems (such as education, environment, health, unemployment, poverty to name a few) in their business mission, goals, objectives, and principles. They deal with multiple goals where 80 percent focuses on annual objectives action programs. All samples translate mission into action through long term goals in view of mission. Moreover, it is found that 100 percent SBEs concentrated on field activities for communication of mission. Furthermore, a highest number 68 percent, concentrated on motivating the employees and activists in goals and objectives. In addition, the entire samples change goals and objectives within the framework of mission in terms of review of missions. Apart from this, to increase employee's morale and dedication all samples arrange picnic or other recreational activities. It is also found that exchange of greetings and group discussion are highly emphasized (100 percent) for motivating employee's collective work. The main hypothesis and sub-hypothesis are authenticated by the research results. Mission statement provides a sense of purpose and direction in the enterprises and attempt to ensure the interest of the key stakeholders. In addition, mission statement sharpens business focus and enables control over employees. Above all, mission statement also promotes shared values and behavioral standards.

Section two addresses CSR in SBEs. The objective of this section is to examine the nature of CSR in the SBEs and how it functions in these enterprises. In order to achieve this objective a mixed research method is used. With a literary review of CSR principles, processes, and code of conducts, a questionnaire survey and an unstructured interview was conducted. This included fifteen aspects of CSR namely (a) awareness of CSR as a social business function, (b) understanding of the meaning of CSR, (c) components of CSR, (d) strategies for implementing CSR, (e) community investment initiatives, (f) resources given to promote CSR, (g) awards given for promoting CSR activities, (h) stakeholders to whom CSR report is given, (i) actions taken for raising awareness to CSR, (j) incentives given to encourage employees and volunteers for promoting CSR, (k) CSR practices focus on employee welfare and better work environment, (l) communication of CSR to various stakeholders, (m) adoption of CSR practices, (n) benefits of CSR, and (o) implementation of triple bottom line audit as part of CSR. These fifteen aspects will answer the research question of what are the major characteristics of CSR in SBEs.

The findings suggest that CSR in these enterprises emphasize profitable business practices and follows global standards. It is also found that although business profit is necessary, it is not the primary objective in SBs arena. Briefly, the findings are as follows: 68 percent of the SBEs are very actively aware of CSR as a SB terminology and 32 percent have no idea about CSR. 68 percent approve that the majority of SB prioritize awareness of CSR as a social business terminology. 23 percent have a clear understanding of the meaning of CSR, and 50 percent are somewhat clear regarding this issue. Study found that 91 percent SBEs stand for sustainable environment as component of CSR. 55 percent SBEs establish separate department as strategies for implementing CSR. There are many community investment initiatives in Bangladesh and 100 percent of samples have community development programs. It is also found that cash is the main resource of 57 percent samples for promoting CSR. Moreover, 80 percent SBEs give award for CSR activities and 100 percent report CSR issues to the government and board of directors. For raising awareness to CSR 100 percent emphasis on training and awareness program. The samples (100 percent) promoted support system for the benefit of the employment as part of the CSR. Investors got the highest priority (100 percent) for the communication of CSR among various stakeholders. In addition, all samples focused on promoting corporate awareness for adoption of CSR practices.

It was also found that there are substantial benefits of CSR in SBEs of Bangladesh. All (100 percent) samples focused on compliance with regulations, creation of employment, motivating of employee's morale, and implementation of triple bottom line audit as part of CSR. Apart from this, the study found that 100 percent SBEs give emphasis on people and 91 percent give emphasis on planet meaning environmental performance, and 80 percent gives emphasis on profit.

All these findings have authenticated the main hypothesis and sub-hypothesis of this section. The crucial understanding of this study is that the basic concept of CSR in SBEs is very similar to that in the conventional business. CSR promotes the ideology that SBs are responsible for the society by using profit. Moreover, CSR encourages doing best for the people and planet through businesses.

Section three addresses CG in SBEs. The objective of this section is to identify the distinctive feature of CG system in SBEs. Based on "*The Code of Corporate Governance for Bangladesh*,

2004”, “*The Societies Registration Act of 1860 Memorandum of Association of BRAC*” revised in 2013, “*The Grameen Bank Ordinance 1983*” and “*the Section 28 of The Companies Act 1994*” a questionnaire for the CG was developed. It was divided into twenty one items such as (a) members of the board, (b) tenure of office (No. of years), (c) committee as an adjunct to the board, (d) composition of the board, (e) mechanism for rotating board members, (f) method of replacement a member of the board, (g) members of audit committee, (h) Procedure for the internal and external audit, (i) audit committee report for internal audit functions, (j) mandatory preparation for internal audit plan, (k) remuneration policy for board members, (l) disclosure of remuneration of individual board members and senior management, (m) set of a quorum for meetings of the board, (n) duration of board and sub-committee meetings, (o) way of getting company information publicly, (p) information discloser policy, (q) type of information that disclosed to the public, (r) information that provided to the board of directors in advance of board meetings, (s) information is revealed to shareholders in advance of the Annual General Meeting (AGM) (t) recording minutes of meetings, (u) A review to ensure that actions decided at meetings have been implemented. These twenty one aspects will answer the research question of what are the distinctive features of CG in SBEs.

The study found that there is no direct law in Bangladesh to register and regulate SBs. However, there are existing laws, which in their broader scopes, allow entities to register, and thus regulate the same doing social business. For instance, someone can register an entity as (i) Trust under *The Trust Act 1882*, (ii) Society under *The Societies Registration Act 1860*, (iii) Private Limited Company (for-profit) under *The Companies Act 1994* and iv) Not for-profit company under Section 28 of *The Companies Act 1994*.

BRAC SBEs are registered under *The Societies Registration Act 1860*. This law enacted during the British India period when India, Pakistan, and Bangladesh was one country. However, currently the responsible authority for this act is the Registrar of Joint Stock Companies (RJSC) of Bangladesh, and Ministry of Home Affairs of Bangladesh for National Security Intelligence (NSI) clearance (details are given in section 3). A great majority of non-profit organizations in the country are formed and registered under this Act because of its wide scope and flexibility to permit a broad range of activities. This Act is silent whether foreigners can be a founding partner or not. Practically, the foreigners are prohibited from serving as founders in the society. On the

otherhand, most of the Grameen SBs are registered under *the Section 28 of The Companies Act 1994*. There are some Grameen companies which are also registered as “for-profit” companies. Foreigners are not allowed to become founder of the company.

The findings of this section show that all the samples (100 percent) prioritize committee as an adjunct to the board. Method of selection, appointment, rotation, and replacement of a board member (in case of any problem), 100 percent follow the rules and regulations of the enterprises. All samples put emphasis on internal and external audit and all (100 percent) have internal audit committee members, invite national and international Chartered Accountant firms for external audit and have audit report as their procedure for the internal and external audit. All samples (100 percent) strongly practice audit committee report for internal audit functions and focus on mandatory preparation of internal audit plan. Furthermore, it is found that all samples give emphasis on remuneration policy for board members, disclosure of remuneration of individual board members, and senior management. Similarly, 100 percent SBEs focus on quorum for meetings of the board.

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research. These ten aspects will answer the research question of what are the characteristic features of PMI in SBEs.

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The main hypothesis and sub-hypothesis were authenticated based on these findings. It is evident that SBEs attempt to run through the project plans which are considered as guidelines for project management and implementation. However, it is found that in terms of project cost, profit, and reinvestment SBEs faced difficulties until now. Therefore, this showed that the sub-hypotheses five was not valid. The following table shows a summary of validity of the hypotheses in this research.

## **II) Conclusion**

The main research question of this study is that what are the main characteristics of the management practices of SBEs in Bangladesh? In view of the above research questions this study aims: (a) to find out the various components which make up the mission statements and identify their business performance, (b) to examine the nature of CSR in the SBEs and how it functions in these enterprises, (c) to identify the distinctive feature of CG system in SBEs by

providing a detailed picture and updated information about this issue, (d) to explore the characteristic features of HRM in the SBEs, and (e) to analyze management strategies in the area of PMI in SBEs.

In the case of Bangladesh, the study has picked up Yunus definition where as he (2010) mentioned that SBs are non-loss, non-dividend companies dedicated entirely to achieving a social goal. Yunus introduced SB as a new form of capitalism through his non-loss, non-dividend theory which has been adopted by many leading world businesses such as BASF (BadischeAnilin- und Soda-Fabrik in German language, in English Baden Aniline and Soda Manufacturing), Intel, DANONE, Veolia, Adidas, Toyota, UNIQLO, and others, as well as many new entrepreneurs and social activists all over the world.

Yunus mention that capitalism brings great wealth, scientific and technological development, educational and social progress in the globe. However, people are not equally benefited through this capitalist system. Global income distribution has found that ninety-four percent of world income goes to forty percent of the people, while the other sixty percent must live on only six percent of world income. Half of the world lives on two dollars a day or less, while almost a billion people live on less than one dollar a day (Yunus, 2008).

Yunus welcome the idea of globalization and mention that to achieve win-win globalization the rule of “the strongest takes all” have to replace by rules that the poorest have a place as well. To establish this concept in 2006 at first Yunus set up a partnership SB with Groupe Danone, a France based multinational company. Grameen Danone Food Ltd identified the social problem of childhood malnutrition. In order to overcome this problem, Grameen Danone produces yogurt to bring health through nutrition at an affordable price. Grameen Danone sells its products in rural and urban areas by following different prices. Price is higher in urban markets than rural areas. This business strategy is an attempt to reach customers regardless of poor or rich.

Another example is Aarong (in English village fair), familiar as BRAC SBE established in 1978, currently became the largest fashion retail chain in Bangladesh. Initially it provides employment opportunities for a limited number of rural women through sericulture and silk production. Gradually BRAC extended its support to rural artisans (potters, brass workers, jewellers, jute workers, basket weavers, handloom and silk weavers, wood carvers, leather

workers, and other artisans from all over the country) by investing in their handicrafts for several years into its operations.

Aarong realized that rural artisans are professionally and financially insecure in the society of Bangladesh. Therefore, Aarong promotes hand crafted products through their business and today, a total of over 320,000 artisans are benefited by Aarong. It offers a wide variety of products and designs in its outlets including embroidery, block and screen prints, tie-dyes, vegetable dyes, batik, block cuttings, furniture, wall mats, toys, pottery, metal works, jewellery, leather products, candles, handmade paper and paper products to name a few. Currently, Aarong operates fourteen outlets in six metropolitan cities in Bangladesh. In 2001, it opened a branch in London. Briefly, it is found that BRAC and Grameen SBEs connected to lift up impoverished people's life in Bangladesh and maintain a business chain in order to get engaged in top to bottom level of people through their businesses (BRAC SBEs 2016).

#### **a) Characteristics of SB in Bangladesh**

In general, SB is a non-dividend business, encourages doing business with social objectives by solving social problems related to poverty, health, education, and climate change and among many others. (i) the unique characteristics of Yunus SB are that SB has owner not donor. Moreover, he added that SB is a profitable business and profit will be used for business expansion that means SB is a non-loss, non-dividend business which is distinctly different from SB concept in other parts of the world, (ii) BRAC established SBEs to generate financial support to its development programs and to decrease donor dependency from the organization. Likewise, Yunus promotes the concept SB has owner not donor which brought the concept non-loss non-dividend SB. It is evident that from the very beginning stage BRAC and Grameen family of companies aims to decrease donor dependency from the organization. All of these characteristics of SB in Bangladesh are distinctly different from the other parts of the world. The reason is that BRAC and Grameen enterprises started its operation just after the independent war of Bangladesh. During that period not only these two organizations were fully donor dependent but Bangladesh as well due to new born country. Therefore, initially they focused on how to become self-dependent organizations. BRAC and Grameen enterprises crossed many phases to run their businesses and eventually, declared that their SBs are free from donor money and it is business in every sense which means SB has owner and it is a profitable business, but profit will be used for business

expansion. (Details are given in chapter 3), iii) unlike conventional banks, Grameen Bank clients can borrow money without any collateral. There are different interest rates for different loans, and the customers and depositors are mostly women. The clients are the owner of the Grameen Bank, (iv) initially, Grameen Bank practices door to door services for the poor borrowers. Because majority of the people in Bangladesh are Muslim. Therefore, village women cannot go out easily. As most of the borrowers of the Grameen Bank are women, it was not necessary for the borrowers to go to the bank. Instead, bank went the borrower's house. However, gradually Grameen Bank gained borrower's confident and changed this scenario and finally elected nine women members from the borrower's shareholders as a member of the governing body in Grameen family of companies, (v) business owners can receive only invested money from SB like Grameen Veolia Water Limited or the owner can reinvested money like Grameen UNIQLO Limited, (vi) SB give emphasis on cross subsidy style to make profitable business, (vii) building social network through businesses strongly practices in SB. Grameen Veolia Water considers that access to clean water is not only a health issues but also an issue of women's right. It is found that most women, in particular village women in Bangladesh, take responsibility for fetching water for their family. When village women go for collecting water they can gather together in order to talk with many social issues and get opportunity to create strong social network, (viii) SB in Bangladesh promotes collaboration with foreign business partners. For example, Grameen Dannone, Grameen Veolia or Grameen UNIQLO. There are also home-grown SBs. One example is BRAC SBs.

#### **b) Diversification, convergence, and innovation of the SB in Bangladesh**

Diversification is the strategy in which a business enterprise steps in a market which is different from its core business. The fundamental issues for diversification in business included (i) increasing income sources in order to avoid risk of relying on only one or few financial sources, and (ii) achieving a higher growth rate. In the case of BRAC and Grameen SBs, it is found that initially both enterprises worked as a donor dependent development organization and initiated microfinance activities and started to help poor people who could not get access to the conventional banking system. Gradually, both organization started to earn profit from the microfinance activities and considered to extend their businesses by following European and American perspectives in terms of nonprofit businesses. At the beginning stage, BRAC and Grameen practices home-grown business. However, if necessary fund from the donor is also

used. BRAC Sericulture, Aarong, Grameen Krishi (Agriculture) Foundation, Grameen Shamogree (products) are the examples of this kind of nonprofit business.

At the second stage both organizations, BRAC and Grameen focused on the issue of the convergence of the nonprofit business and started to invest profit for business expansion instead of using donor money. Moreover, both organizations initiated to practice nonprofit business as a non dividend business. All of these issues give a new form which is considered as the convergence of the nonprofit business in Bangladesh. Eventually, in 2010 Yunus introduced theses nonprofit business as a SB through his “non-loss and non-dividend theory” which is recognized as the innovative form of the SB not only in Bangladesh but in world.

### **c) Structure of the study**

The study examines five management practices namely, corporate mission, CSR, CG, HRM, and PMI in the SBEs of Bangladesh. The study is divided into five chapters such as introduction (chapter 1), research organization and methodology (chapter 2), literature review (chapter 3) examination of SBEs management practices (chapter 4) and conclusion (chapter 5). In order to comprehend the five selected management practices, chapter 4 is divided into five sections such as mission statement in SBEs (section 1), CSR in SBEs (section 2), CG in SBEs (section 3), HRM in SBEs (section 4) and PMI in SBEs (section 5). The findings of this research are summarized as follows:

Section one addresses mission statement in SBEs. The objective of this section is to find out the various components which make up the mission statements of SBEs and identify their business performance. In order to achieve this objective, a mixed research method is used. A questionnaire was developed and an unstructured interview was held on 44 selected SBEs.

It examined eight aspects of mission statement and found that among eight aspects the key findings are three. Firstly, as a topic of mission statement, it is interesting that Information and Communication Technology (ICT) and Information Technology (IT) are less prioritized in the SBEs of Bangladesh. Only 11 percent SB engaged in the ICT development activities and 9 percent SB focused on IT sectors. Currently, SB is initiated ICT and IT facilities to their stakeholders in order to promote infrastructure development, spread globalization, and bring ‘efficiency’ in the system. Secondly, all samples of the SBEs put emphasis on long-term goal in particular three to five years goals in order to translate mission into action. Thirdly, it is found

that 100 percent SBEs concentrated on field activities for communication of mission which is identified as different practice from traditional business. Basically, SB strongly connected to the grassroots people of the society. Therefore, field level activities are the most significant components of SBEs.

Section two addresses CSR in SBEs. The objective of this section is to examine the nature of CSR in the SBEs and how it functions in these enterprises. In order to achieve this objective a mixed research method is used. With a literary review of CSR principles, processes, and code of conducts, a questionnaire survey and an unstructured interview was conducted. This included fourteen aspects of CSR and it is found that among the fourteen aspects, significant findings are four.

Firstly, it is interesting that though SBEs are strongly practices CSR, it is found that the highest frequency 50 percent SBEs are somewhat clear related to the understanding of the meaning of CSR. The reason is that in Bangladesh CSR has evolved in different phases (details are given in section 2). Initially, CSR activities started as charity in this country. Gradually, the wave of liberalization, privatization, and globalization has led to grow up the concept of CSR. Therefore, the study found that half of the SBEs employees are somewhat clear about the meaning of CSR and they are confused about community development initiatives and CSR activities.

Secondly, as components of CSR highest priority (91 percent) goes to stand for sustainable environment rather than pay fair salaries to workers (45 percent). SBEs work for sustainable development goals (SDGs) aim to alleviate poverty, gender inequality, and empower women and girls by 2030. Therefore, it is found that most of the employees those who work at SBEs are not satisfied in terms of remuneration. Thirdly, it is found that though Bangladesh is famous for the microfinance activities, only 5 percent SBEs focus on this issue as community investment initiatives. However, a large number of people are benefited through Grameen Bank and BRAC microfinance activities. Fourthly, the findings showed that all the sample SBEs are prioritized people first as implementation of triple bottom line audit as part of CSR. Though it is said that SB is a profitable business and here, money consider as resources, but business first priority goes to people. To keep attention on people SB strongly practices cross-subsidy business style. One example is Grameen Veolia Water Ltd.



Section three addresses CG in SBEs. The objective of this section is to identify the distinctive feature of CG system in SBEs. Based on “*The Code of Corporate Governance for Bangladesh, 2004*”, “*The Societies Registration Act of 1860 Memorandum of Association of BRAC*” revised in 2013, “*The Grameen Bank Ordinance 1983*” and “*the Section 28 of The Companies Act 1994*” a questionnaire for the CG was developed. It was divided into twenty one items and the crucial findings are as follows: (i) members of the board, (ii) method of selection, appointment, rotation, and replacement of members of the governing body, (iii) Audit, (iv) quorum and meetings.

The study found that there is no direct law in Bangladesh to register and regulate SBs. However, there are existing laws, which in their broader scopes, allow entities to register, and thus regulate the same doing SB. For instance, someone can register an entity as (i) *Trust under The Trust Act 1882*, (ii) *Society under The Societies Registration Act 1860*, (iii) *Private Limited Company (for-profit) under The Companies Act 1994* and iv) *Not for-profit company under Section 28 of The Companies Act 1994*.

BRAC SBEs are registered under *The Societies Registration Act 1860*. A great majority of non-profit organizations in the country are formed and registered under this Act because of its wide scope and flexibility to permit a broad range of activities. This Act is silent whether foreigners can be a founding partner or not. Practically, the foreigners are prohibited from serving as founders in the society. On the other hand, most of the Grameen SBs are registered under *the Section 28 of The Companies Act 1994*. There are some Grameen companies which are also registered as “for-profit” companies. Foreigners are not allowed to become founder of the company.

It is found that Grameen and BRAC follows two different laws. Therefore, their governing structure is fully different from each other. One example is the members of the board. The findings showed that BRAC board members divided into two namely, (i) general body and (ii) governing body. General body consists of 33 members and governing body consists of 10 members. General body elects the governing body. However, governing body is more powerful and have full control on all the affairs and properties of the BRAC. In contrast, Grameen Bank consists of 13 members. Internal members are 10 and external members are three nominated by the government. As per the rules of *the Grameen Bank Ordinance 1983*, Yunus was the founder MD and nine other board members were elected from the borrower shareholders. However,

currently government brought some changes in terms of board issues of the Grameen Bank and it was found that the MD, and three members including the chairman nominated by the government. These two types of governing structure due to follow two different laws.

Not only members of the board, it is also found that Grameen and BRAC SBEs follow different method of selection, appointment, rotation, and replacement of members of the governing body, Audit, quorum and meetings because of two different laws (details are given in section 3). Moreover, the findings showed that Grameen and BRAC SBEs practice all the components of the CG system like traditional businesses. However, every country has own rules and regulations to govern company's CG system which make the differences in different countries CG system. SBEs are not out of this system. The distinctive legal structure makes the differences of the CG system of SB and CB.

Section four addresses HRM in SBEs. This section examines the characteristic features of HRM. As in other sections, an unstructured interview was conducted during the field survey in March 2017. A questionnaire survey consisting of seventeen aspects of HRM was undertaken. In order to analyze and interpret data a mix-method of qualitative and quantitative analysis is used. Among the seventeen aspects the four significant findings of this section are as follows: (i) processes of recruitment, (ii) methods of employee selection, (iii) training and education, (iv) components of employee compensation.

Firstly, the findings show that all samples (100 percent) were given advertisement in the news paper and notification in the office notice board as the process of recruitment. Moreover, 50 percent SBEs go through online recruitment process. There is also oral communication (23 percent) for recruitment. It is hoped that though SBEs in Bangladesh currently focus ICT and IT sectors, the findings showed that already half of the SBEs started to practice online recruitment process. Secondly, written exam and interview are popular as method of employee selection in Bangladesh. SBEs (100 percent) also follow these two methods to select their employees. It is interesting that references are used for selecting employee in the enterprises though percentage (34 percent) is low. Reference is accepted only for high profile job namely, director or consultant. Thirdly, All SBEs arrange orientation as their employees training session. Moreover, there is on-the-job and off-the-job training system. On-the-job training follows the principle "learning by doing" to perform a specific job within the work place. To understand grass root level activities

SBEs arrange off-the-job training. Grameen and BRAC both organizations has training centre outside of Dhaka city. Fourthly, it is evident that all the sample SBEs strongly give emphasis on the issues in terms of the basic salary, annual increment and provident fund, festival bonus, casual leave and earned leave, medical loan allowances, maternity leave, staff welfare loan and insurance, vehicle loan, pension and incentives, New Year bonus, job promotion at regular intervals, congratulate bonus and among others. However, during the interview, a majority of the employees expressed their dissatisfaction with remuneration and compensation and stated that remuneration is very low for those who works in the middle and lower levels in comparison with those who work in the higher level. Therefore, it is evident that compensation policy is not highly appreciable for all employees in these enterprises.

Section five addresses PMI in SBEs. The objective of this section is that to analyze management strategy in terms of the principles and practices of PMI in SBEs and a questionnaire was developed consisting of ten aspects and among the ten aspects four findings are important such as (i) strategy for managing projects and programs, (ii) criteria for collaborative projects with the government under Annual Development Plan or Five Year Plan, (iii) training place for the project development, and (iv) project monitoring system. A mixed method-qualitative and quantitative analysis is used for data analysis and interpretation in this research.

Firstly, the findings show that 100 percent SBEs depends on project management committee as strategy for managing projects and programs. Project management mainly works for functional experts, implementers, and also key developers of the project. SBEs also receive service from consultants (20 percent). It is also found that 11 percent follows the prescribed form of business partners. Moreover, SBEs (7 percent) also make project proposal by following guideline of the government. Secondly, criteria for collaborative projects with the government under Annual Development Plan or Five Year Plan. It is found that all the sample SBEs make request to government for giving project. Similarly, government invites to submit collaborative projects to all SBEs. It means these opportunities are open to all SBEs. There are also homegrown projects (64 percent). SBEs (20 percent) invite foreign partners as well to establish new projects. Thirdly, training place for the project development. It is found that 100 percent SBEs arrange internal training for the employees within the enterprises. SBEs (80 percent) are also sending their employees to national and international business organizations, government

institutions (50 percent), and international organization (34 percent). Fourthly, it is found that all the SBEs focus on project monitoring system through internal monitoring committee and produce completion report. Moreover, 77 SBEs develop phase wise progress report. In addition, business partners (20 percent) are also monitor periodically and government bodies (7 percent) monitor projects from time to time.

It is interesting that government agencies are the minor participants in the SB projects. However, Bangladesh government has strong participation with the NGOs activities in terms of social development issues, promoting universal primary education, raising education and nutrition levels, and improving family planning and population control. Bangladesh made great improvement to reach Millennium Development Goals (MDGs) regarding maternal and child health and a major part of this success is due to BRAC's Health, Nutrition and Population program where government leads collaboration work with it. It is found that government invites all SBEs through the Five Year Plan or Annual Development Plan to participate public arrangements.

Likewise, another government initiative is Annual Development Plan (ADP) and through this the government organizes list of projects in various sectors and allocations for a year out of a five-year plan for implementation of the government's development policies, programs and investments in the plan. The ADP is prepared on the basis of the year's development budget approved by the parliament.

To understand SB project management and implementation this research focuses on Gram Web model of Grameen Communications. Grameen Communications belong to Global Communications Center (GCC) which is a joint research initiative of Grameen Communications and Kyushu University in Japan in collaboration with many Japanese companies such as NTT, Toyota, OMRON, Grameen Yukiguni Maitake Ltd, and includes Japan International Cooperation Agency (JICA) Hitotsubashi University, and Institute of Innovation Research (details are given in section 5).

On the basis of the findings of this research it is authenticated that management practices of SBEs are similar to management practices of traditional business in Bangladesh. The case of Grameen Phone is one of the examples which mentioned in section 1. Yunus (2010) promotes that SB is a business in every sense and introduce SB as a “new form of capitalism”. The reason

is that SB earns profit but profit will use for top to bottom level of the people in particular disadvantaged group in one society in order to lift up their living standards.

However, the use of profit makes differences SB from traditional business. The cycle of SB shows that profit will use for business expansion and shareholders are not allowed to receive profit from the SB which is completely different from the traditional business. This concept bring the differences in the management strategy of SB. Briefly, the reasons are found to put emphasis on profit in SB includes (i) to reduce donor dependency, (ii) to upgrade impoverished people's life, and (iii) to make business sustainable.

#### **d) Implication to other countries**

SB has been adopted by many leading world businesses such as BASF (BadischeAnilin- und Soda-Fabrik in German language, in English Baden Aniline and Soda Manufacturing), Intel, Danone, Veolia, Adidas, Toyota, UNIQLO and among others. Many new entrepreneurs and social activists throughout the world namely Narada Foundation in China, Greenhill in Australia, Enactus in USA, International Rescue Committee in UK, Negros Women for Tomorrow Foundation (NWTF) in the Philippines, and Karl Kubel Foundation in Germany have adopted SBs.

In order to promote SB many academics have initiated collaborative programs with the Grameen social business namely Kyushu University (Japan), Korczak University (Poland), University of New South Wales (Australia), Asian Institute of Technology (Thailand), California State University (USA), Escola superior de propaganda e marketing (Brazil), Glasgow Caledonian University (Scotland), La Trobe University (Australia), National Central University (Taiwan), University of Salford (UK), The National University of Malaysia (Malaysia), North South University (Bangladesh), Yunus Center at Sen Yet-Sen University (Guangzhou, China), Social Business/Enterprise and Poverty Chair, HEC Paris, (France), Danone Endowed Chair of SB, European Business School, (Germany), Yunus SB center, University of Florence (Italy), Social Venture Lab at National University of Singapore (Singapore), Master in Design for SB at the Instituto Europeo di Design, (Barcelona, Spain), xviii) Okan University (Istanbul, Turkey), Yunus SB India center, Ashoka University (Haryana, India), The Muhammad Yunus Innovation Challenge, International Development Initiative, Massachusetts Institute of Technology, ( MIT, Massachusetts, USA) to name a few. (Yunus Center, 2015)

In Japan, Kyushu University has carried out collaborative projects with many Japanese companies namely NTT, Toyota, OMRON, and Grameen Yukiguni Maitake Ltd. In 2009, Kyushu University collaborates with Grameen family of companies to utilize its knowledge and strategic position.

Yunus and Shiki Social Business Research Center (SBRC) of this university envisions producing skilled SB architects, building partnership with related organizations NPOs/NGOs, universities and government sectors create replicable SB models to combat global issues such as poverty, health, environment, energy, education, natural disaster and so on. It arranges workshops regularly with the aim of creating facilities to run SB projects, and it is found that some of its SB projects have turned into SB companies.

Grameen Nippon is another enterprise in Japan launched in September 2018 by following Grameen Bank model of Bangladesh. Grameen Nippon confirms that the widening of economic gap has reached a serious level and it is necessary to introduce microfinance in Japan as a means to bring people out of poverty. According to a survey by the Ministry of Health, Labor and Welfare, the poverty rate in Japan stood at 15.6 percent in 2015. Initially, Grameen Nippon targets to lend money to those who lives within an hour distance from the bank headquarters which is located in Tokyo's Chuo ward. Borrowers are required to set up by themselves a group of five members, and the ability of repayment of two members in the group will make sure that the remaining three members can receive money from the bank. Preliminary, per person will get the amount of loan 200,000 yen with an annual 6 percent interest rate. This bank extends loan to those borrowers who are eligible for welfare benefits and are low income earners including single parent families (Kawakami, 2018).

BRAC also severs million of people in the globally through BRAC International, which has founded in the Netherlands in 2009 as a nonprofit foundation under the laws of Netherlands. It aims to govern and manage all BRAC entities outside Bangladesh. BRAC international works in Afghanistan, Myanmar, Nepal, Pakistan, Philippines, Liberia, Sierra Leone, South Sudan, Tanzania, and Uganda. Currently, BRAC SBEs are also engaged in innumerable international program. BRAC international is a profitable enterprise and encourages people to engage in financial activities and create employment opportunities for them.

## **e) Conclusion**

To comprehend strong and weak management practices in SBEs of Bangladesh, the study has divided these management practices into three phases: formative stage, take-off stage, and advance stage. The findings show that CG and PMI are in formative stage and are in weak position. Moreover, HRM and CSR can be put into take-off stage and mission statement is in advance stage.

BRAC established in 1972 and Grameen Bank 1983. Both have played tremendous roles in the development at the grassroots level. Their management practices matured over their long years of operation. SBEs appeared thereafter, the major concentration being from 2006 to 2015. SBEs in their different phases made effort to implement management practices that help them achieve their goals and objectives. These (SBEs) have goals and objectives (which is equivalent to mission statement in Bangladesh) right from the inception of their operations until today. Their success leads us to conclude that they had (have) solid mission statement and implementation, as was culminated in these goals and objectives, which brought their success in other management areas.

Secondly, to examine the characteristic features HRM this study surveyed seventeen aspects of HRM and found that all these are strong practices. One example is BRAC human resource department (HRD). BRAC HRD consisting of seven units look after its HRM practices in the development programs, enterprises, and investments. The seven units are i) recruitment, deployment, and appointment (RDA) unit, ii) transfer management unit, iii) compensation and benefit management unit, iv) performance management unit, v) grievance management unit, vi) staff separation management unit, and vii) HR field operations management unit.

All SBEs are give job title, and job description in ads in the newspaper, notification in the notice board and websites as process of recruitment. Moreover, written exam, interview, short listing and interview are done, and sometimes only references are used as methods of employee selection. Furthermore, the administration division of the Grameen family of Companies and HRD of BRAC work as authorities of the personal management section and examine applicants' academic qualification, certificate and evidence in the selection process. In addition, long-term or permanent employment ratio is higher in the SBEs. In general, similar job experience, general skill, computer skill and communication skill are important components of recruitment. Apart

from this, SBEs focus on training and education, employee compensation and incentives, recreational activities, employee placement, and opportunities to build up career and performance appraisal to improve employee's performance and job skill.

Similarly, to examine nature of CSR this research emphasized fifteen aspects and found that all samples SBEs strongly focused on these. SBEs aware of CSR as a social business terminology and care about the meaning of CSR. In fact, SBEs stand for sustainable environment, contribute profit to the community welfare, and maintain a safe work environment as the component of CSR. They establish separate departments or line departments as the strategy for implementing CSR. There are huge community investment initiatives in these organizations.

It is found that most of the SBEs concentrate on cash as resource given to promote CSR, give award for CSR activities, give reports to stakeholders namely board of directors and government, actions take such as training and awareness programs for raising awareness to CSR, and give incentives namely paid time-off, seminar, workshop, monetary or non-monetary incentives to encourage employees and volunteers for CSR. Moreover, it is evident that CSR practices emphasize employees welfare and labor relations. Apart from this, SBEs strongly concentrate on triple bottom line issues and adopt CSR practices in order to promote corporate awareness, competitive market advantage, and increase financial efficiency. These facts help to put HRM and CSR in take-off stage.

Finally, the weak aspects found in this study are as follows: in the case of Bangladesh, many business enterprises and organizations currently practice CG in a formative way. However, there is no direct law to register and run SB. The existing laws do not allow doing business through charity organization. The existing laws are (i) Trust under *The Trust Act 1882*, (ii) Society under *The Societies Registration Act 1860*, (iii) Private Limited Company (for-profit) under *The Companies Act 1994*, and (iv) Not for profit company under *the Section 28 of The Companies Act 1994*. The findings of this study are that BRAC's development programs, SBEs, and investments are registered under *The Societies Registration Act 1860* and Grameen SBs are registered under *the Section 28 of The Companies Act 1994*.

On the other hand, The governance structure of SBEs a bit ambiguous. It is found that the first corporate governance code of Bangladesh are published in 2004 by Bangladesh Enterprise Institute (BEI) due to lack of presence of CG in the businesses and authenticity in the regulatory



body. On the basis of “*The Societies registration Act of 1860 Memorandum of Association of BRAC*” revised in 2013, “*The Grameen Bank Ordinance 1983*”, “*the Section 28 of The Companies Act 1994*” and “*The Code of Corporate Governance for Bangladesh, 2004*” the study focuses on twenty one aspects of CG in SBEs of Bangladesh and found that some common issues of CG equally practices in BRAC and Grameen SBEs namely audit committee, quorum, board meeting, information disclosure policy and among others. In contrast, the study is also found that BRAC and Grameen SBEs follows different practice in terms of board issues. Currently, Grameen CG system faces some challenges due to government interferences through the new law *Grameen Bank Act 2013* and basically, CG of Grameen family of companies collaboratively works with governing body of Grameen Bank, Grameen administration division, and Yunus center. The understanding of this study is that members of the governing body is very crucial part for practicing CG in an organization and still board issues is in the unstructured form in the Grameen family of companies.

BRAC follows “*The Societies Registration Act of 1860 Memorandum of Association of BRAC revised in 2013*” for its development programs, SBEs, and investments. It is evident that development programs of NGOs and SBEs are different from each other. However, BRAC runs through the same governing system for different programs. This study suggest that it would be better in the case of Bangladesh to establish a separate law to run SBEs and such a law can give an organizational structure for the SBEs. The absence of legal entity puts the CG in a weaker stage.

This study finds that PMI is also a weak aspect in the SBEs. In order to analyze management strategy in terms of principles and practices of PMI this study focuses on ten aspects related to PMI and found that though SB addresses all issues, it is difficult to maintain project life cycle in many cases.

In order to run a project three important components are “money, material, and manpower” including time, cost, quality, personnel, risk, communication, procurement, inauguration, monitoring, evaluation, analysis and regulation, and project extension. It is found that most of the projects of SBEs are not able to go through properly within the project framework. It is evident that SBEs address strategy for managing projects and programs, follows criteria for collaborative projects, share projects with the government and international businesses, focuses on capital

budget and budgetary control technique, put emphasis on performance evaluation, find out areas of collaborative projects, and concentrates on project monitoring, employee training, and financial source of the enterprises. However, in terms of SBEs plan and scope, project cost, profit, and reinvestment, duration and extension of the project, and analysis and evaluation practices are still very weak.

However, the study found that most of the SBEs in Bangladesh struggle to follow project framework including time, cost, quality, personnel, risk, communication, procurement, inauguration, monitoring, evaluation, analysis and regulation, and project extension. In spite of addressing strategy to manage projects and programs, criteria for collaborative projects with the government and international businesses, SBEs are still struggle to maintain project plan in terms of cost, profit and reinvestment.

In a nutshell, PMI in SBEs is still in the formative stage. Most of the SBEs structure their project by following their own way. However, it is common to SBEs to give priority on a business ideas based on social needs and social impacts. To progress business ideas SBEs have started making plan for the business project, gradually adopting the term project execution, inauguration, and project monitoring and evaluation.

#### **f) Future research area**

This study focuses on five management practices namely corporate mission, CSR, CG, HRM, and PMI. These practices are considered as fundamental aspects of business management in SBEs. However, there are also some immensely vital issues which are needed to be studied namely industrial relations in SBEs, organizational structure and management in SBEs, nature of government control and managerial autonomy, financial management, collaboration between social business and conventional business, foreign entry strategy for social business, and management of foreign collaborative enterprise.

Industrial relation emphasizes good and positive relations between the employees and employers. It promotes industrial peace and democracy and improves productivity. Moreover, workers and management are benefited through industrial relations. Organizational structure and management is a very significant issue for the business enterprises. It helps in achieving group goals, developing employee skills, managing human resource issues, and maintaining operational function in the business enterprises. It seems that without organizational structure and

management it is difficult for employees to know who they officially report in different situations in the work place. Government control and managerial autonomy is a crucial issue in the business enterprises in any country. In many cases government direction and control is inevitable while delegation of authority through managerial autonomy is widely practiced. It is also necessary to find out the government control and managerial autonomy in SBEs.

Today, social business works in collaboration with conventional business and multinational companies. Therefore, it is essential to know foreign entry strategy in the management of foreign collaborative businesses in SBEs. All these issues are important to increase knowledge in the field of management practices in SBEs.

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## Appendix-Part A: Questionnaire

Dear Respondent,

March 2017

Thank you very much for your cooperation to this questionnaire survey. The present study is an endeavor to identify the various management practices of Social Business Enterprises (SBEs) in Bangladesh. In particular, the study focuses on five management practices, namely: Corporate Mission, Corporate Social Responsibility (CSR), Corporate Governance (CG), Human Resource Management (HRM), and Project Management and Implementation (PMI). Please express how far these practices and their outcomes are prevailing in your enterprise. Your accurate and frank response is the key to this research. Please give the tick mark  $\otimes$  in the appropriate box or put in dates, numbers, amounts or texts as requested.

The result of this survey will be used only for the research purposes and be presented in aggregate manner without revealing the identity of any individual enterprise/respondent.

My heartiest gratitude to you and your enterprise. Thank you again.

### General information:

Name of the enterprise:

Year established:

Yearly sales/ revenue:

Number of employees:

Full time	
Part time	
Seasonal	
Volunteer	

Location of the head office:

Number of branch offices:

Business areas:.....

Capital:

Self-fund	
Contribution	
Grant	
Donation	
Loan	
Others (please specify).....	

### Section 1: Corporate Mission

**Here, I request you to answer the following questions on Corporate Mission of your enterprise. Please give tick mark or write the answer as necessary.**

1. Do you have written mission statement for your enterprise? If you have, please mention the topic of mission statement of your enterprise.

Yes	
No	

2. Do you have any of the followings in your enterprise?

Long-term goal in view of mission	
Operational principles in view of goals	
Intermediate term goals and objectives in view of goals	
Annual objectives action programs	
Day-to-day action plans	

3. How do you communicate your mission to the employees, volunteers and other activists?

Through corporate booklets	
Through propaganda	
Through training	
Through formal indoctrination	
Through actual field level activities	
Others(please specify).....	

4. What is the major focus of your mission statement?

Motivating the employees and activists in goals and objectives	
Making our people philanthropic	
Making our people patriotic	
Gaining confidence of the partners	
Gaining confidence of general people	

5. How do you review your mission?

We do not change our mission	
We change our mission every five-year	
We revise mission after every major project is implemented	
We change our mission with change in the top management	
We change our mission after changes in our supporting groups	
We change mission with changes of the target group's financial conditions	
We change goals and objectives within the framework of mission	

6. How do you translate your mission into action?

We make long-term goal in view of mission	
We make operational principles in view of goals	
We make intermediate term (3years) goals and objectives in view of goals	
We make annual objectives action programs	
We make day-to-day action plans	

7. Does your enterprise arrange any activities to increase employee`s morale and dedication?

Picnic or other recreational activities	
Celebrating New Year Party	
Arrange yoga or religious prayers	
Celebrating birthday party	
Arrange annual sports	

8. How does your enterprise motivate employee to work collectively towards achieving mission and common goals?

Focus on group discussion	
Through exchange greetings	
Giving importance of collective identity	
Giving priority of morning meetings	
Encouraging the raise of social capital	

THANK YOU

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## Section 2: Corporate Social Responsibility (CSR)

**In this section, please give the answer on Corporate Social Responsibility (CSR) in your enterprise. Please give tick mark or write the answer as necessary.**

9. Is your enterprise aware of CSR as a Social Business terminology?

Yes	
No	

10. How clear is its meaning to your enterprise?

Very clear	
Somewhat clear	
Indifferent	
Not clear	

11. Please rank the following components of CSR according to you. ( “1” for the highest rank and “7” for the lowest rank)

Components of CSR	Rank
We pay fair salaries to workers	
We ensure tolerable working hours	
We maintain a safe work environment	
We stand for sustainable environmental practices	
We contribute profit to the community welfare	

12. Please tick (whichever applicable) the strategy you have for implementing CSR in your enterprise.

A separate Department	
Line Department	
Foundation Trust	
Others (please specify).....	

13. Have your enterprise invested in any of the following areas as part of its community investment initiatives? (please tick mark whichever is applicable)

Community investment initiatives	Yes	No
Agriculture and food security		
Community development program		
Disaster, Environment, and Climate Change		
Education		
Gender, Justice, and Diversity		
Health, Nutrition, and Population		
Human Rights and Legal Aid Services		
Integrated development program		
Microfinance		
Migration		
Water, Sanitation, and Hygiene		

14. What type of resources do your enterprise provide? (please tick)

Cash	
Goods	
Loans	
Others(please specify).....	

15. Does your enterprise award for CSRactivities?

Yes	
No	

16. To which stakeholders do your enterprise report CSR information?

Stakeholders	Yes	No
Board of Directors		
Employees		
Investors		
Clients		
Government		

17. Does your enterprise raise awareness in relation to the above CSR issues through:

Actions	Yes	No
Training and Awareness Programs		
Internal Communication (e.g. Bulletins, Intranet etc.)		
Management Briefings		

Others (please specify).....		
------------------------------	--	--

18. To encourage employees and volunteers what kind of incentives do you provide?

Items	Never	Sometimes	Always
Paid time-off			
Monetary Incentives			
Non-Monetary Incentives			
Seminars, Workshops, etc.			

19. To improve employee welfare and better work environment, does your enterprise practice the following issues?

Items	Never	Sometimes	Always
Work place safety			
Promote support system for the benefit of the employee			
Prevent Discrimination			
Reasonable work load			

20. Does your enterprise communicate CSR to various stakeholders?

Stakeholders	Never	Sometimes	Always
Customers			
Suppliers			
Employees			
Investors			

Community			
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21. Rate your opinion about the following items for adoption of CSR practices by your enterprise.

Please tick the statement of your agreement or disagreement with the following statements by choosing the corresponding assertions from strongly agrees (5) to strongly disagree (1).

Items	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Promote corporate awareness					
Increase financial efficiency					
Competitive market advantage					
Pressure from stakeholders					

22. Rate your opinion about the benefits of CSR to the following stakeholders of an enterprise (please tick):

Variables	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Build strong relationship with customers					
Customer satisfaction and awareness					
Motivate employees morale					
Corporate donors and volunteerism					
Support social integration					
Creating employment opportunity					
Environmental					

friendly products and services					
Compliance with regulations and standards					
Protection of natural resources					

23. Does your enterprise implement triple bottom line audit as part of CSR through the following issues?

We put emphasis on people	
We put emphasis on planet	
We put emphasis on profit	

**THANK YOU**

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### Section 3: Corporate Governance

**In this Section, please give the answer on Corporate Governance (CG) in your enterprise. Please give the tick mark or write the answer as requested.**

24. How many members do you have in your Board of Directors?

Internal members	
External members	
Full-time members	
Part-time members	

25. Tenure of office (No. of years):

26. What method of selection and appointment do you apply?

Selected by the president	
Selected by the shareholders	
Nominated by donors	
Nominated by the beneficiaries	
Deputed by the government	
Others (please specify).....	

27. What is the composition (number of members) of the board?

Executive directors	
Non-executive directors	
Independent directors	

Other directors	
-----------------	--

28. Please tick, if your enterprise has any mechanism for rotating board members?

Yes	
No	

29. How do you replace a member of the board in case of any problem?

As per rules of the enterprise	
By the Board members	
By the shareholders	

30. If you have audit committee, how many members do you have in that committee?

Internal members		
External members		

31. Are there any provisions in the Company's Articles of Association mandating rotation of external auditors?

Yes	
No	

32. Does the audit committee produce a report on the internal audit function?

Yes	
No	



33. Is it mandatory to prepare an internal audit plan and reviewed on an annual basis?

Yes	
No	

34. Does your enterprise have any committee as adjunct to the board?

Yes	
No	

35. Is there any remuneration policy for board members in your enterprise?

Yes	
No	

36. Does the company disclose remuneration of individual board members and senior management?

Yes	
No	

37. Is there a set of quorum for meetings of the board?

Yes	
No	

38. How often do the board and sub-committees conduct meetings?

Once in a month	
Once in a quarter	

Twice in a year	
Others (please specify).....	

39. How does your enterprise inform company information publicly?

News bulletin	
Daily newspapers	
Website	
Email	
Others (please specify).....	

40. If your enterprise has information disclosure policy, what type of information can be disclosed to the public in pursuant to that policy?

Company's success stories	
Contracts change in key management position	
Others (please specify).....	

41. What information is provided to the board of directors in advance of board meetings?

Agenda	
Board papers	
Minutes of previous meetings	
Others (please specify).....	

42. What information is revealed to shareholders in advance of the Annual General Meeting (AGM)?

Agendas of the AGM	
Annual report	
Financial statements	
Audit report	

43. Who is responsible for recording minutes of meetings?

Managing Director	
Company Secretary	
Clerk	
Others (please specify)-----	

44. Does your enterprise undertake a review to ensure that actions decided at meetings have been implemented?

Yes	
No	

**THANK YOU**

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#### Section 4: Human Resource Management

**In this Section, please give the answer on Human Resource Management (HRM) in your enterprise. Please give the tick or write the answer as requested.**

45. When you give advertisement for any employment at your enterprise, do you give job title?

Job title is given	
Job title is not given	

46. Do you give job description in your advertisement?

Job description is given	
Job description is not given	

47. Who is the personnel management authority in your enterprise?

Human resource department	
Administration division	
Others (please specify)-----	

48. What are the processes of recruitment in your enterprise?

Ads in the newspaper	
Notification in the website	
Notification in the notice board outside our office	
Oral communication	
Others (please specify).....	

49. How does your enterprise select employees?

Written exam	
Short listing and interview	
Interview	
References	
Others (please specify)-----	

50. What importance do you give to applicants` academic qualification in your selection process?

We mention specific major subject	
We mention specific education level	
We mention specific training and certificate	

51. What types of certificate and evidence do you need in the selection process?

Curriculum vitae	
Academic qualification certificates	
Experience certificate	
Photograph	
National identity card	

52. What types of employment do you offer to your people?

Long-term/permanent	
Contractual and extendable	
For the duration of a project	

53. What type of importance do you attach to job experience?

Experience in similar jobs	
Experience of jobs in NGOs	
Experience of jobs in government organizations	
Experience of jobs in private sector organizations	

54. What types of skill do you need from your job applicants?

Mental readiness	
Job specific skill	
General skill	
Computer skill	
Communication skill	
Language skill	
Others (please specify)	

55. What kind of training and education do you provide to your employees?

Orientation	
Training on grassroots level activities	
Given on the job as needed	
Staff/employees go for own training	

56. What are the components of employee compensation at your enterprise?

Basic salary, annul increment etc.	
------------------------------------	--

Casual leave and earn leave	
Medical loan and allowances	
Festival bonus	
Maternity leave	
Gratuity/pension	
Staff welfare loan and insurance	
Vehicle loan	
Others (please specify)-----	

57. How do you decide placement location of employees at your enterprise?

Fixed place and clearly mentioned	
Frequently transferable job	

58. What kind of career opportunity do you offer to your employees?

Promotion facilities until retirement	
Job term finishes if a project ends	
New contract is available at the end of tenure	

59. What do you think about the role of performance appraisal in your enterprise?

Always improve employee's performance and job skill	
Sometimes improve employee's performance and job skill	
Never improve employee's performance and job skill	

60. What types of incentive schemes do you offer to your employees?

Happy New Year bonus	
Congratulate bonus	
We have job promotion at regular intervals	
Others (please specify)-----	

61. Does your enterprise arrange recreational activities and occasional celebrations in order to let employees enjoy their lives?

Annual picnic	
Annual sports	
Festival dinner	
Monthly get together	
Others(please specify) .....	

**THANK YOU**

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## Section 5: Project Management and Implementation

**In this section, please give the answer on Project Management and Implementation (PMI) in your enterprise. Please give the tick or write the answer as requested.**

62. How do you manage your business projects and programs? Please tick the appropriate boxes in the following questions.

We have project management committee	
We receive service from consultants	
We make propose projects in the prescribed form of donors or collaborators	
We make project proposal under guideline of the government	

63. How do you develop collaborative projects with the government under Annual Development Plan or Five Year Plan?

Government invites us to submit collaborative projects	
We request government to give us projects	
Invite partners for establishing new projects	
Homegrown projects	

64. How do you implement your projects?

As per our project proposal	
As per guidance of the business partners	
As per guidance of the government	

65. If you focus on capital budgeting in your enterprise, what budgetary control techniques do you use?

Capitalization	
Fund cost	
Liquidity	
Profitability and efficiency	
Risk management	
Payback period	
Others (please specify) .....	

66. How is your performance in project implementation evaluated?

We evaluate our performance	
Government evaluates performance in collaborative project	
Business partners evaluate our performance	
Independent committee evaluates our performance	

67. In which of the following areas do you make your collaborative projects?

Health	
Education	
Women empowerment	
Environment	
Employment generation	
Nontraditional agriculture and farming	
Others (please specify)-----	

68. How are your projects monitored during the course of implementation?

We have internal monitoring committee	
Our business partners monitor periodically	
We develop phase wise progress report	
We produce project completion report	
Government bodies monitor projects from time to time	

69. Where do you or your enterprise receive project development and implementation training?

From the government	
From business organization (national and international )	
From international organizations	
From internal training in the SBEs	
Others (please specify)-----	

70. How do you share projects with the government? Please tick.

We share projects under Annual Development Plan (ADP)	
We share projects under Five Year Plan	
We share projects under technical assistance programs from international organizations	
We share ad hoc development programs of the government ministries	

71. What are the financial sources of your enterprise? Please check all that apply.

Home grown	
Government	

Business partners	
Others, please specify: .....	

**THANK YOU VERY MUCH FOR YOUR COOPERATION**

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## Appendix-Part B: Findings of the five management practices

**Table 10: Findings of mission statement in SBEs (N=44)**

Components	No. of SBEs	%
<b>1. Topic of Mission statement in SBEs</b>		
i. Solving social problems (education, health, environment, poverty, unemployment, woman empowerment etc) through business	42	95.45
ii. Promoting women in particular poorest women	35	79.54
iii. Transforming lives of individuals, families, villages and communities for national development	30	68.18
iv. Creating ICT facilities in the rural areas	5	11.36
v. Increasing Information Technology (IT) users at affordable price	4	9.09
<b>2. Multiple goals of mission statement in SBEs</b>		
i. Annual objectives action programs	35	79.54
ii. Day to day action plans	30	68.18
iii. Long-term goal in view of mission	28	63.63
iv. Intermediate term goals and objectives in view of goals	25	56.81
v. Operational principles in view of goal	22	50
<b>3. Translate mission into action</b>		
i. Long-term goal in view of mission	44	100
ii. Operational principles in view of goals	35	79.54
iii. Day to day action plans	30	68.18
iv. Intermediate term goals and objectives in view of goals	25	56.81
v. Annual objectives action programs	22	50
<b>4. Communication of mission</b>		
i. Through actual field level activities	44	100

ii. Through formal indoctrination	34	77.27
iii. Through corporate booklets	24	54.54
iv. Through training	20	45.45
v. Through propaganda	15	34.09
<b>5. Major focuses of mission statement</b>		
i. Motivating the employees and activists in goals and objectives	30	68.18
ii. Gaining confidence of general people	28	63.63
iii. Gaining confidence of the partners	25	56.81
iv. Making people patriotic	20	45.45
v. Making people philanthropic	10	22.72
<b>6. Review of mission</b>		
i. Change goals and objectives within the framework of mission	44	100
ii. Revise mission after every major projects is implemented	35	79.54
iii. Change mission every five-year	22	50
iv. Change mission with changes of the target group's financial conditions	15	34.09
v. Do not change mission	14	31.81
vi. Change mission with change in the top management	10	22.72
vii. Change mission after changes in the supporting groups	8	18.18
<b>7. Activities to increase employee's morale and dedication</b>		
i. Arrange picnic or other recreational activities	44	100
ii. Celebrating New Year party	35	79.54
iii. Through religious prayers	30	68.18

iv. Celebrating birthday party	22	50
v. Through annual sports	15	34.09
<b>8. Motivating employees through collective work</b>	44	100
i. Emphasis on group discussion		
ii. Through exchange greetings	44	100
iii. Giving importance of collective identity “WE” not “I”	35	79.54
iv. Giving priority of morning meetings	25	56.81
v. Encouraging the raise of social capital (bonds, bridges, linkages or networks, norm and trust)	20	45.45

**Table 11: Findings of Corporate Social Responsibility (CSR) in SBEs (N=44)**

<b>Components</b>	<b>No. of SBEs</b>	<b>%</b>
<b>1)Awareness of CSR as a social business terminology</b>	30	68.18
i. Yes		
ii. No		
<b>2)Understanding of the meaning of CSR</b>	22	50
i. Somewhat clear		
ii. Very clear		
iii. Indifferent		
iv. Not clear		
<b>3) Components of CSR</b>	40	90.90
i. Stand for sustainable environment		
ii. Contribute profit to the community welfare		
iii. Maintain a safe work environment		
iv. Ensure tolerable working hours	22	50

v. Pay fair salaries to workers	20	45.45
<b>4) Strategies for implementing CSR</b>		
i. A separate department	24	54.54
ii. Line department	15	34.09
iii. Foundation trust	5	11.36
<b>5) Community investment initiatives</b>		
i. Community development program	44	100
ii. Disaster, environment, and climate change	38	86.36
iii. Integrated development program	37	84.09
iv. Water, sanitation, and hygiene	32	72.72
v. Gender, justice, and diversity	30	68.18
vi. Human rights and legal aid services	27	61.36
vii. Agriculture	11	25
viii. Health, nutrition, and population	10	22.72
ix. Education	5	11.36
x. Microfinance	2	4.54
xi. Migration	1	2.27
<b>6) Resources given to promote CSR</b>		
i. Cash	25	56.81
ii. Goods and services	15	34.09
iii. Loans	4	9.09
<b>7) Award given for CSR activities</b>		
i. Yes	35	79.54
ii. No	14	31.81



<b>8) Stakeholders to whom CSR report is given</b>		
i. Board of directors	44	100
ii. Government	44	100
iii. Employees	22	50
iv. Clients	15	34.09
v. Investors	10	22.72
<b>9) Actions taken for raising awareness to CSR</b>		
i. Training and awareness programs	44	100
ii. Management briefings	10	22.72
iii. Internal communication (i.e. bulletins, intranet, etc.)	5	11.36
<b>10) Incentive given to encourage employees and volunteers for CSR</b>		
i. Paid time-off	44	100
ii Seminars, workshop	35	79.54
iii. Monetary incentives	30	68.18
iv. Non-monetary incentives	15	34.09
<b>11) CSR practices focus on employee welfare and better work environment</b>		
i. Promote support system for the benefit of the employee	44	100
ii. Work place safety	40	90.90
iii. Reasonable work load	35	79.54
iv. Prevent discrimination	32	72.72
<b>12) Communication of CSR to various stakeholders</b>		

i. Investors	44	100
ii. Community	35	79.54
ii. Employees	30	68.18
iv. Suppliers	25	56.81
v. Customers	20	45.45
<b>13) Adoption of CSR practices</b>		
i. Promote corporate awareness	44	100
ii. Competitive market advantage	40	90.90
iii. Increase financial efficiency	30	68.18
iv. Pressure from stakeholders	5	11.36
<b>14) Benefits of CSR</b>		
i. Motivate employees	44	100
ii. Creation of employment	44	100
iii. Compliance with regulations and standards	44	100
iv. Customer's satisfaction and awareness	42	95.45
v. Support social integration	40	90.90
vi. Protection of natural resources	40	90.90
vii. Build strong relationship with customers	36	81.81
viii. Corporate donors and volunteerism	35	79.54
ix. Environmental friendly products and services	33	75
<b>15) Implementation of triple bottom line audit as part of CSR</b>		
i. Emphasis on people	44	100
ii. Emphasis on planet	40	90.90

iii. Emphasis on profit	35	79.54
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**Table 12: Findings of the Corporate Governance (CG) system in SBEs (N=44)**

<b>Components</b>	<b>No.of SBE</b>	<b>%</b>
<b>1) Committee as an adjunct to the board</b>	44	100
i. Yes		
ii) No		
<b>2) Method of selection, appointment, rotation, and replacement of a board member (in case of any problem)</b>	44	100
i) As per rules of the enterprise		
ii) By the board members		
iii) By the shareholders		
<b>3) Arrangements of audit</b>	44	100
i) Internal audit		
ii) External audit		
<b>4) Procedure for the internal and external audit</b>	44	100
i) Have an internal audit committee members		
ii) Invite national and international Chartered Accountant (CA) firm for external audit in the enterprises		
iii) Having audit report		
<b>5) Audit committee report for internal audit functions</b>	44	100
i) Yes		
ii) No		
<b>6) Mandatory preparation of internal audit plan</b>		

i)Yes	44	100
ii)No	0	0
<b>7) Remuneration policy for board members</b>	44	100
i)Yes		
ii)No	0	0
<b>8) Disclosure of remuneration of individual board members and senior management</b>	44	100
i)Yes		
ii)No		
<b>9) System of quorum for meetings of the board</b>	44	100
i)Yes		
ii) No		
<b>10) Frequency of Board and sub-committee meetings</b>	44	100
i) Once in a month		
ii) Once in a quarter		
iii) Twice in a year		
<b>11)Way of getting company information publicly</b>	44	100
i) Website		
ii) Daily newspaper		
iii) Newsletter		
iv) Verbal communication		
<b>12) Information disclosure policy</b>	44	100
i) Annual report		

ii) Newspaper announcement	44	100
iii) Chairman's message	44	100
iv) Report publication	44	100
v) Press release	44	100
<b>13)Type of information disclosed to the public</b>		
i) Background of directors	44	100
ii) Governance structure and policy	44	100
iii) Policies on risk management	44	100
iv) Significant changes in ownership	44	100
v) Remuneration of directors	29	65.90
<b>14) Information that are provided to the board of directors in advance of board meetings</b>		
i) Agenda	44	100
ii) Board papers	44	100
iii) Minutes of the previous meeting	44	100
<b>15)Information revealed to shareholders in advance of the Annual General Meeting (AGM)</b>		
i) Agendas of the AGM	44	100
ii) Annual report	44	100
iii) Financial statements	44	100
iv) Audit reports	44	100
<b>16) The person who is responsible for recording minutes of meetings</b>		

i) Managing directors	0	0
ii) Company Secretarys	44	100
iii) Clerks	0	0
<b>17) Review to ensure that actions decided at meetings have been implemented</b>	44	100
i) yes		
ii) No	0	0

**Table 13: Findings of Human Resource Management (HRM) in SBEs (N=44)**

<b>Components</b>	<b>No. of SBE</b>	<b>%</b>
<b>1. Job title</b>	44	100
i. Job title is given		
ii. Job title is not given		
<b>2. Job description</b>	44	100
i. Job description is given		
ii. Job description is not given		
<b>3. Authority of the personal management section</b>	29	65.90
i. Administration division		
ii. Human resource department		
<b>4. Processes of recruitment</b>	44	100
i. Ads in the newspaper		
ii. Notification in the office noticeboard		
iii. Notification in the website		
iv. Oral communication	10	22.72

<b>5. Methods of employee selection</b>		
i. Written exam	44	100
ii. Interview	44	100
iii. Short listing and interview	22	50
iv. References	15	34.09
<b>6. Applicants' academic qualification</b>		
i. Specific education level	44	100
ii. Specific major (subject)	44	100
iii. Specific training and certificate	22	50
<b>7. Certificate and evidence in the selection process</b>		
i. Curriculum Vitae	44	100
ii. Academic qualification certificates	44	100
iii. Photograph	44	100
iv. National ID card	44	100
v. Experience certificate	20	45.45
<b>8. Employment types</b>		
i. Long-term/ permanent	30	68.18
ii. Contractual and extendable	15	34.09
iii. For the duration of a project	4	9.09
<b>9. Importance of job experience</b>		
i. Experience in similar jobs	44	100
ii. Experience of jobs in NGOs	40	90.90
iii. Experience of jobs in government organizations	31	70.45

iv. Experience of jobs in private sector organizations	20	45.45
<b>10. Required skills</b>		
i. General skill	44	100
ii. Computer skill	44	100
iii. Communication skill	40	90.90
iv. Language skill	35	79.54
iii. Mental readiness	30	68.18
vi. Job specific skill	15	34.09
<b>11. Training and education</b>		
i. Orientation	44	100
ii. Given on the job as needed	40	90.90
iii. Training on grassroots level activities	38	86.36
iv. staff/ employees go for own training	35	79.54
<b>12. Components of employee compensation</b>		
i) Basic salary, annual increment and provident fund	44	100
ii) Festival bonus	44	100
ii) Casual leave and earn leave	44	100
iv) Medical loan and allowances	44	100
v) Maternity leave	44	100
v) Staff welfare loan and insurance	44	100
vi) Vehicle loan	44	100
vii) Pension/Gratuity/ Final payment BRAC	44	100
<b>13. Process of employee placement</b>		



i. Frequently transferable job	35	79.54
ii. Fixed place and clearly mentioned	9	20.45
<b>14. Opportunities to build up a career</b>	44	100
i. Promotion facilities		
ii. New contract is available at the end of tenure		
iii. Job term finishes if a project ends		
<b>15.Role of employees' performance appraisal</b>	40	90.90
i. Always improve employee's performance and job skill		
ii. Sometimes improve employee's performance and job skill		
iii. Never improve employee's performance and job skill		
<b>16. Incentives offered in the enterprises</b>	44	100
i. Happy New Year bonus		
ii. Job promotion at regular intervals		
iii. Congratulate bonus		
<b>17. Recreational activities</b>	44	100
i. Annual picnic		
ii. Festival dinner		
iii. Annual sports		
iv. Monthly get together		

**Table 14: Findings of project management and implementation (PMI) in SBEs (N=44 )**

Components	No of SBEs	%
<b>1. Strategy for managing projects and programs</b>	44	100
i. Project management committee		

ii. By receiving service from consultants	9	20.45
iii. By following the prescribed form of business partners	5	11.36
iv. Making project proposal under guideline of the government	3	6.81
<b>2. Criteria for collaborative projects with the government under Annual Development Plan or Five Year Plan</b>		
i. SBEs make request to government for giving project	44	100
ii. Government invites to submit collaborative projects	44	100
iii. Homegrown projects	28	63.63
iv. Invite partners for establishing new projects	9	20.45
<b>3. Steps for implementing the new projects</b>		
i. As per project proposal	44	100
ii. As per guidance of the government	44	100
iii. As per guidance of the business partners	5	11.36
<b>4. Capital budget and budgetary control technique in the enterprise</b>	44	100
i. Capitalization (Total assets in terms of cash and bank balance)		
ii. Fund cost (average cost of deposit and borrowing)	44	100
iii. Liquidity	44	100
iv. Risk management related to strategic, operational, financial, political, legal, external, and environmental)	40	90.90
v. Profitability and efficiency	38	86.36
vi. Payback period	30	68.18
<b>5. Performance evaluation system in the collaborative projects</b>		
i. SBEs evaluate own performance	44	100

ii. Independent committee evaluates business performance in each enterprise	44	100
iii. Business partners evaluate the SBEs performance	9	20.45
iv. Government evaluates performance in the collaborative project	3	6.81
<b>6. Areas of the collaborative projects with the government and international business partners</b>		
i. Women empowerment	12	27.27
ii. Employment generation	12	27.27
iii. Environment protection	10	22.72
iv. Health	6	13.63
v. Promotion of education	4	9.09
vi. Nontraditional agriculture and farming	2	4.54
<b>7. Project monitoring system</b>		
i. Internal monitoring committee	44	100
ii. Produce project terminal or completion report	44	100
iii. Develop phase wise progress report	34	77.27
iv. Business partners monitor periodically	9	20.45
v. Government bodies monitor projects from time to time	3	6.81
<b>8. Training place for the project development</b>		
i. Internal training in the SBEs	44	100
ii. Business organization (national and international)	35	79.54
iii. Government	22	50
iv. International organizations	15	34.09
<b>9. The way of sharing projects with the government</b>		

i. Projects under Five Year Plan	44	100
ii. Projects under ADP (Annual Development Plan)	15	34.09
iii. Projects under technical assistance programs from international organizations	10	22.72
iv. Ad hoc development programs of government ministries	3	6.81
<b>10. The financial source of the enterprises</b>		
i. Homegrown	28	63.63
ii. Business partners	9	20.45
iii. Government	3	6.81