

# Sustaining the ILO-Start and Improve Your Business (SIYB) Program in Sri Lanka

A case study to document the achievements and challenges in setting up and managing the SIYB Association between 2003 and 2007



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## 1. Introduction

The Start and Improve Your Business (SIYB) program of the International Labour Organization (ILO) is a business management training program with a worldwide outreach. Its overall goal is to contribute to economic growth and the creation of employment opportunities by building capacities of partner organizations in the field of enterprise development. Through these partners, (potential) entrepreneurs are reached. In Sri Lanka, the program was first piloted in two Southern districts in 2000. After this pilot phase, a 3 year national SIYB project started in 2002 to implement the program country wide. During that time, the SIYB program has been disseminated to 37 partner organizations (POs), BDS providers from either public or private sector island wide. Together, these partner organizations have trained more than 12,000 men and women in Generate Your Business (GYB), Start Your Business (SYB) and Improve Your Business (IYB).

From the start of the SIYB program in Sri Lanka, the project aimed at ensuring that SIYB training would continue after the ILO/Sida<sup>1</sup>-funding would end. To achieve this sustainability, a variety of options and experiences from other parts of the world were available to draw on. The preferred mechanism for Sri Lanka was to create an independent SIYB Association, aimed at taking over the SIYB program management without major external technical, financial or managerial support.

This case study describes in detail the process of setting up the SIYB Association, from the first conceptual stage to today. The study focuses on the SIYB program achievements, as well as on challenges which the Association has faced in its four-year existence.

To obtain different perspectives on the sustainability achievements of the SIYB Association, a wide range of interviews has been conducted, including staff and board members of the Association, current and former ILO staff members, active and inactive SIYB trainers and master trainers as well as other BDS providers in Sri Lanka.

Most interviews were conducted in person, while a small number was done by telephone and/or email. In addition, a number of key documents have been consulted to see what had been envisaged by the SIYB project when designing and implementing this sustainability mechanism.

To encourage respondents to speak freely, especially when challenges or problems were concerned, confidentiality was guaranteed. Therefore, the names of interviewed people are not mentioned in this case study. Obviously, some of the views collected seem to contradict each other. The author has attempted to capture these different perspectives by adding (anonymous) quotes of interviewees.

Finally, the case study presents an overview of the key lessons to be learned for the sustainability of other BDS programs.

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<sup>1</sup> Sida = Swedish International Development Cooperation Agency

## 2. From thinking about SIYB sustainability, to the idea of the SIYB Association

The ILO-SIYB program was introduced in Sri Lanka in the year 2000. At the time, another international business management training program, named CEFE, supported by GTZ<sup>2</sup> was active in Sri Lanka. A rapid market study had indicated that there was still room for SIYB to be introduced, as there was a clear demand from a wide range of public organizations as well as from private or community sector agencies, to deliver business management training and counselling. Traditionally most entrepreneurial training in Sri Lanka was taking place in a (donor and government) subsidized market, where international donors and public organizations for the most part covered the costs of training, notwithstanding minor contributions from entrepreneurs. The practice of providing subsidized training to poorer people has led to the firm belief that some BDS services in Sri Lanka are public goods and can therefore be paid for out of public funding.

It was in this context that the Sri Lanka SIYB program was piloted in two districts in the southern province, Matara and Hambantota. After a successful first phase, the Sida-funded program was extended to other districts in Sri Lanka, managed from the capital Colombo. The ILO-SIYB project officially ended in May 2005. The discussion about sustainability of the SIYB program in Sri Lanka already started from the very first beginnings in 2000. It was foreseen that a key partner organization, the Hambantota Chamber of Commerce, would take over the management of the SIYB program. Later this idea changed, as ILO project officers felt resistance from other partner organizations to the idea of having one single organization representing them.

By the end of 2002, the SIYB project made a more systematic attempt to design an exit strategy to sustain the program in Sri Lanka. The project engaged a consultant to conduct a review of experiences with ILO SIYB sustainability strategies elsewhere, to inform discussions about various options. The paper presented various options and models from the SIYB global program, summarized in box 1.

### Consultation workshops

Recognizing the need for the sustainability mechanism to suit the nature of the society in which it is established (e.g. role of the government, enterprise culture), the project invited various partner organizations to discuss the Sri Lankan context and propose tentative sustainability models. Through these consultation workshops, it became clear that there were mixed feelings and objections against any commercial or Focal Point structure. The idea of one partner organization obtaining the exclusive right to reproduce SIYB materials and manage the program was not well received in Sri Lanka. Some partner organizations expressed fear of one organization monopolizing the program, while others did not feel confident that their interests could be represented by another, existing partner organization. Moreover, many partner organizations also felt some antagonism to the concept of a group of master trainers taking over SIYB program responsibilities, for fear of losing technical control over the program. These kinds of suspicions, or lack of trust between different groups,

#### Box 1. Various SIYB program sustainability models

▶ Focal Points  
SIYB program embedded in and managed by a Focal Point organization (e.g. government, Chamber of Commerce or other)

▶ Master trainers  
SIYB program managed by group of master trainers, either employees or free-lancers

▶ Independent structure.  
An institution (either commercial or not-for-profit) created to manage SIYB

From Report: "Some Comments on SIYB Program Sustainability", by Tim Dyce, April 2002

<sup>2</sup> GTZ = German Technical Development Cooperation. CEFE = Competency-based Economies through Formation of Enterprises

clearly underlined the need for a structure which equally served all parties so that one group would not get ahead of another.

To collect the views of SIYB trainers, the project organized a separate consultation workshop. Both the trainers and the master trainers felt that the ILO project office had sufficient strength to retain control over the selection and training process. Yet like most partner organizations they were afraid that once the project is no longer there, one powerful organization could monopolize the program so that (master) trainers no longer had a say in its continuation. Moreover, most master trainers were actually employees of the partner organizations, hence forming an independent body was not an option to them.

*“The process of setting up Association was very good, we all felt involved because it was participatory”*  
(Quote SIYB partner organization)

All in all, the majority of stakeholders was in favour of an institutional set-up which would not favour any particular stakeholder group. They were interested in having a not-for-profit and unbiased umbrella organization. Hence the concept of the SIYB Association was born, described in the consultant’s Sustainability Strategy Paper

(July 2002) as follows:

*“A national programme institution with a basic mandate of assuring the integrity and quality of the SIYB programme, though operating in a back stop role rather than a directional one”.*

Its functions would be:

- ◆ Ensuring that quality control processes are operating throughout the programme including international linkages and monitoring and evaluation activity.
- ◆ Owning the copyright of the SIYB Sri Lanka Materials
- ◆ Chairing General Meetings of constituents as necessary
- ◆ Mediating when necessary between constituent parties

Box 2. Global SIYB sustainability benchmarks. The SIYB sustainability mechanism should always bear:

- Credibility** From partners, trainers and other stakeholders
- Quality** Ensure quality of SIYB
- Accessibility** To all those who need SIYB
- Centrality** SIYB to take central place MSME economy
- Flexibility** SIYB to be responsive to all target groups

From Strategy Paper “Ensuring Sustainability of the SIYB Sri Lanka Program”, by Tim Dyce, July 2002

Following the consultation meetings, it was decided to develop a business plan for the SIYB Association to describe in detail how the institution would operate to render financial, technical and institutional sustainability to the SIYB program in Sri Lanka.

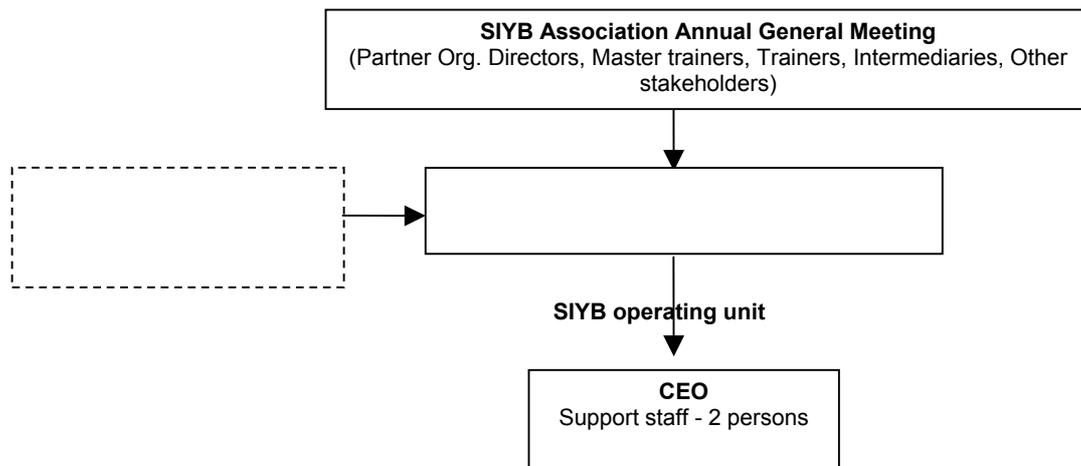
### 3. From concept to creation of the SIYB Association

Most actors agreed that creating a not-for-profit Association which would equally serve partner organizations, master trainers and trainers, was the preferred model for Sri Lanka. With its key function to maintain quality and flexibility of the SIYB program, two of the five key benchmarks for SIYB sustainability (see box 2) could be met. Yet, some other major issues remained to be tackled. While in *principle* the multi-stakeholder Association would ensure credibility and accessibility, it still needed to actually obtain the buy-in of *all* stakeholders, some of which had different, even conflicting interests as described above.

In spite of the consultation workshops, it became clear that quite a few partner organizations still did not understand the need for an independent Association. They had no objections to joining, but they questioned the benefits. For example, partner organizations were used to sending people for SIYB Training of Trainer (TOT) seminars at subsidized rates and were afraid that with the existence of the Association, they would have to pay much more. One of the challenging questions in designing the financial aspects of the Association was: “Can SIYB training of trainers seminars be delivered commercially?” In other words, can the direct costs be fully paid for by the participants? Usually, they were paid partly by donor funds, covering on average 70% of the total cost. With the ILO project no longer in existence, partners feared that subsidies might disappear. Moreover, stakeholders expressed serious doubts how the *indirect* or overhead costs (for example running the secretariat, research and development costs) could be covered in the long run.

The financial forecasts in the Association’s business plan however, showed that it would make an immediate profit, mainly generated through sales of SIYB materials and training seminars. Nevertheless, most stakeholders - including the ILO offices in Sri Lanka and Geneva, still needed to be convinced that the SIYB Association could really be financially sustainable.

In the first version of the SIYB Business Plan, drafted by the SIYB project officers, the Association’s structure was designed as follows:



The structure clearly reflects the multi-stakeholder set-up, with partner organizations as well as master trainers and trainers represented in the membership and in the board. The actual management of the SIYB program would be in hands of the SIYB support unit, also referred to as the secretariat. A new person, familiar with the SIYB program, would be recruited, as well as two support staff members, to run the secretariat.

The Association’s structure was actually set up as foreseen in the business plan, with the exception of the advisory group. This body has never been set up mainly because Sida, the Swedish agency that originally funded the program, did not consider this an appropriate role for itself. The body could of course still have been set up without Sida.

Yet, in addition to structure, the stakeholders needed to agree on more strategic and operational decisions such as the membership fees, the membership benefits, the role of the secretariat, who should be on the board, etc. These decisions were made during the first Annual General Meeting

(AGM) which was held in November 2003 (see below), when the Association was also registered under the Ministry of Social Welfare.

**How the concept was received by ILO Sri Lanka office and ILO Head Office**

*“It is true that we were not convinced that all the assumptions about profits underlying the Business Plan were realistic” (Quote from ILO Head Office)*

When the first version of the business plan of the SIYB Association was presented to ILO Head Office in Geneva in March 2003, the initial reactions were skeptical. The global SIYB coordinator expressed doubts about the idea of an independent Association. Based on the Africa experience, there were reservations as to whether master trainers would be willing to go through the Association for their activities. Moreover, the institutional set-up had failed twice in the past, in Kenya as well as in South Africa. In spite of these doubts, Geneva gave the green light and decided to issue the license enabling the association to print SIYB materials.

*“The ILO’s initial concern was whether we will be able to carry their program forward. We have proven it for the last four years” (Quote Board Member)*

The ILO Sri Lanka office was also slightly skeptical towards the idea of an independent Association. They questioned the minor role of the ILO in the Association, which was limited to being an advisor to the board. They also expressed worries about the visibility of the ILO, and were unsure how the ILO’s reputation could be ensured by an independent Association that would use its products. A Memorandum of Understanding was therefore drawn up to clarify the roles and responsibilities of the Association vis à vis the ILO office.

**4. The first AGM and its achievements**

The first Annual General Meeting of the SIYB Association was held in November 2003, soon after its registration became a fact. During the meeting, the membership fees were established at, 1000 Rs (approximately 10 USD) for a life time membership of individual trainers and 15,000 Rs (150 USD) for organizations and companies.

At the time, there were 37 official SIYB partner organizations, 16 of which became member of the Association during the first AGM (43%). In the year following the AGM, another 6 decided to join, increasing the total to 22. At the moment, 65% of the organizations which were served by the ILO-SIYB project are currently member of the SIYB Association, 24 in total. This is 50% of the current total of 49 partner organizations.

*“There were no strategies or policies in place for private sector SIYB providers. We did not feel that joining this Association was going to be beneficial for us” (Non-Member)*

The question remains why the other 13 partner organizations did not join the Association? According to the staff of the SIYB project and the Association’s CEO, some partners are still providing SIYB training without being a member, yet the majority of

**Box 3. Reasons for not joining Association**

- ▶ Absence of SIYB trainers, SIYB trainers have left the PO
- ▶ Change of partner organisation director, some new director did not have an interest in SIYB
- ▶ Some partner organisations only wanted ILO-SIYB support, did not agree with concept of Association
- ▶ Some private trainers distanced themselves from the Association, they feel it is not the Association role to market the program
- ▶ With 2 partner organisation the relations became cool, mainly because some directors wanted to participate in SIYB TOT, which was against SIYB policy

Source: Interviews for this SIYB Case study (October 2007)

organisations that did not join had other reasons, which are summarized in box 3.

The following member benefits for (master) trainers were agreed upon:

- ▶ Priority in refresher training and workshops
- ▶ Discounted price for materials and seminar fees
- ▶ Access to trainer development programs locally and abroad
- ▶ Training of BDS managers in various management topics
- ▶ Maintenance of national quality control systems and central database services
- ▶ Information on best practices and management training through newsletter and website

Out of the total of 140 SIYB trainers trained by the SIYB project, 92 became a member in the first year (65%).

All in all, the first AGM was perceived by most of the new members as a success.

### 5. The incubation period

It was foreseen that the SIYB Association would, for a period of one year, be incubated in the ILO-SIYB project office. The business plan described this incubation process as follows: *‘During this time all product offerings will be developed in order to reach full capacity and market coverage in late 2004.... The Association shall actively seek areas of cooperation with other facilitators in the market where clear synergy effects can be identified and where the product offering and market coverage is complementary. After that, the Association will operate without further incubation support from a third party and will have to generate sufficient revenue streams to meet its operational costs and any future investment’*. In fact, the actual process, illustrated in the time line below, followed more or less the plan as it was conceptualized in the Business Plan, although the incubation period was longer and continued under a new ILO project in Sri Lanka, Enterprise for Pro-poor Growth (Enter-Growth for short).

Figure 1. Time line of the process to set up the SIYB Association



*“At the time, we knew that for that salary we would not be able to attract a top-notch manager with marketing experience”*  
(former SIYB project staff)

While the SIYB Association was incubated in the ILO project office, it used its infrastructure (office, equipment, car, telephone lines etc.) and initially some of its support staff. There were regular meetings with the ILO project management. SIYB training seminars were organized by the Association, yet still with ILO funding. The Association received a 10% commission on all trainer development programs they organized for the SIYB and later Enter-Growth projects. By the first quarter of 2005 all management and administrative tasks had been handed over to the Association.

Approximately five months after its registration, in May 2004, the CEO of the Association was recruited. At the time, she was senior Manager Enterprise Development at SEED, a national NGO and SIYB partner organization. Although she was not an SIYB trainer herself, she had been involved in SIYB implementation. She was selected based on her SIYB knowledge and good relations with many of the partner organizations. Also, she was able and willing to take on the post for the salary offered at the time, which had been lowered upon recommendation of the board, since it felt that was the maximum the Association could afford in the beginning.

Most interviewed people agree that the incubation period has been crucial to the effective establishment of the Association, for a variety of reasons:

- The new staff of the Association had easy access to the SIYB project officers to get to know the SIYB program and tasks.
- The Association did not immediately have to deal with installing itself as an organization (find premises, equip office, set-up internet connections etc. etc.), hence there was more time to become familiar with SIYB.
- Sharing resources (secretary, finance) and step by step take over of management tasks and responsibilities allowed for a gradual and orderly transfer of program management, with the ILO projects providing advice and support as required.

While the advantages of the incubation period are clear, there were also disadvantages:

- To the stakeholders it may not always have been clear from the beginning that the Association was an independent, non-ILO body. It was still linked to the ILO, which may have created high expectations and delayed/reduced the sense of real ownership of the members
- The Association was not stimulated to overcome 'children's diseases'. Dealing with start-up problems can be a healthy learning process which can be of benefit when problems occur later
- Sharing resources and mixing management styles may have slowed down the process of cultivating proper, independent management systems, culture and style.

All in all, both the ILO-SIYB staff and the Association staff agreed that the advantages of incubation outweigh the disadvantages, on condition that the period is not too long (a year seems fair) and that in the communication with the members, the independence of the Association from the ILO is continuously stressed.

## 6. The departure of the ILO-SIYB project

In May 2005, the ILO-SIYB project in Sri Lanka officially ended. The Association received a trust fund from the project of 90,000 USD. This amount had been generated by the project over time, approximately 50,000 USD through sales of SIYB materials and trainings and 40,000 USD as a result of exchange rates gains. The fund was to be used by the Association as a buffer and to generate interest revenues. Other start-up investments provided by the ILO included the telephone lines, the website and two ILO cars. There were also a number of SIYB training seminars and other assignments to be conducted, funded by the Enter-Growth project, on which the Association could charge a 10% commission.

*"The SIYB project had generated big sum of money through material sales. We did not really know what to do with it within the ILO. (ILO specialist regional office)"*

In September 2006, the Association moved out of the Enter-Growth office to start operating from its own rented premises. From then on, overhead costs such as office rental, electricity and transportation costs had to be borne by the Association. The SIYB Association was then truly independent from the ILO.

## 7. Credibility crisis

About a year after the Association's establishment, some problems began to emerge. Partner organizations as well as some master trainers expressed a lack of faith in the capabilities of the

*"When the association started, they created a lot of expectations. We get information as trainers, but very short notice. I have had situation where I was asked to market the program, and the final assignment went to someone else" (Quote master trainer)*

SIYB Association's board and secretariat, and interest in the Association seemed to wane. This seemed to be partly due to communication issues. For example, when the Association managed to win two large-size training contracts which needed to be distributed among various partner organizations and trainers, some partner organizations were not informed, or only at the very last moment. As a result, they felt there was lack of transparency of bidding procedures. Obviously, partner organizations had high expectations, but there were still unclarities about the role and function of the Association. Some expected the Association to totally take over the marketing role, solely depending on the Association for training jobs, while it was the secretariat's understanding that the partners still had their own responsibilities to also market the SIYB program.

Moreover, during the second AGM the board was accused of not being aware of its role. Rather than giving strategic guidance, board members were actually involved in the daily operations of the Association. The board was indeed struggling to monitor the Association as it felt that the CEO lacked certain capacities to manage the secretariat. Moreover, there was insufficient communication and information sharing between the CEO and the board, between the secretariat and the members, as well as lack of clarity on the decision making structure.

The board had from the start decided to take a hands-on approach to support the secretariat and build its capacity. The president of the board, having many years of management experience, coached the CEO, for example, in preparing board papers, writing letters to inform partners, making progress reports, making minutes of meetings and how to communicate with members. Support was also provided in financial management. This continued after the second AGM, as the board realised further improvement was required. Although this did result in a more effective secretariat, it also led to the board partly losing sight of its strategic role.

The Enter-Growth project responded to the concerns expressed by members by making a consultant available to conduct an association building workshop with board members, the secretariat and some prominent members. Participants looked into the causes of the problems and designed an action plan to address them. Progress was reviewed at a similar workshop a year later. Issues of communication and lack of confidence were among those identified. In addition it was found that the members perceived the Association as a service provider to them rather than a member-driven organisation. They expected the Association to do things for them, but did not consider the need to do things for their Association.

Enter-Growth also supported a workshop in which various stakeholders were invited to clarify, re-discuss and adapt the business plan of the Association.

All these measures have contributed to the faith of most partners and trainers in the Association being restored. In addition, we will see below, the secretariat proved effective at marketing the program, from which members benefited. However, during the interviews conducted for this case study, it became clear that quite a few trainers and master trainers, although they are still members on paper, are not active SIYB trainers. In addition, some trainers explicitly mentioned that they feel

the Association does not represent them. The fact that there is a lifetime membership, as opposed to an annually renewable membership, also contributes to a rather large number of inactive members. The lack of commitment of some members to contribute to what is after all their Association also seems to have persisted.

## 8. Sustainability Achievements of the SIYB Association

The SIYB Association was set up in an attempt to continue the SIYB program in Sri Lanka without major financial, technical and managerial inputs from donors. This three-pronged sustainability concept, which includes institutional, financial and technical sustainability, is the backbone of all SIYB sustainability models worldwide. Box 4 gives a brief overview of what each type of sustainability means for the SIYB Association in Sri Lanka, as envisaged in the business plan.

Box 4: Sustainability indicators SIYB Association

### Technical sustainability

- ▶ Product development
- ▶ Quality control of SIYB program
- ▶ Competence enhancing activities

### Institutional sustainability

- ▶ Internal and external management capacity

### Financial sustainability

- ▶ Cost recovery
- ▶ Financial incentives for all

From: SIYB Association Business Plan 2003

### 8.1 Technical sustainability achievements

*“Through the association it was easy to manage the quality of our post-tsunami training program. They combined figures from 8 training providers into 1 report, the quality was good”*  
(Quote from client)

#### Product Development

In terms of product development, the SIYB Association has managed to maintain the SIYB product portfolio in Sri Lanka. It has also embarked on the Know Your Business and Expand Your Business products (other business management training packages developed by the ILO) through contracts funded

by the Enter-Growth project. Know About Business is doing well. It has been introduced in a wide range of vocational training institutions. The Association has so far been less successful at marketing Expand Your Business. It has also not developed or marketed any other than these SIYB-related products, but has undertaken non-SIYB related consultancy assignments (see box 5).

Box 5. Overview of large SIYB training (bulk)-contracts

- ▶ World Vision funded SIYB training for 2000 tsunami-affected entrepreneurs
- ▶ Federation of Chambers of Commerce and Industry in Sri Lanka: SIYB training in the resettlement packages of tsunami affected small-scale entrepreneurs
- ▶ UNDP funded-Ceylon Chamber of Commerce Sustainable 800 tsunami affected businesses

Other BDS consultancies:

- ▶ Provide services to ILO India to market SIYB in India and adapt materials
- ▶ Be Focal Point in Sri Lanka for Winrock, a US-based organization which sends short-term technical consultants to Sri Lanka to advise businesses in agro-processing sector.
- ▶ Field testing of USAID’s Poverty Assessment Tools

Source: SIYB Association’s Annual Reports 2004 -2007

Looking at the Association’s achievements which go beyond training support, for example services to develop or diversify the small business sector (policy reform, business counselling lobbying and

advocacy for better business environment), it must be concluded that the Association has not yet gone down this road.

### Quality Control

In terms of quality control of the SIYB program, the Association adheres to the SIYB process for selection of trainers by assessing the potential trainers' academic qualifications, training skills as well as their business experience. Master trainers are conducting individual interviews with potential trainers. If it appears that their business knowledge is not sufficient, the Association proposes crash courses on business management. The Association is also serious about adhering to the SIYB trainer certification criteria. Certification takes place once a year, during an annual ceremony. Trainers will be certified after they have conducted at least one GYB, one SYB and one IYB seminar according to set standards. Only those seminars that meet the SIYB quality criteria are entered in the central database maintained by the Association. At the time of the case study, the database could not be accessed due to server problems. While it is believed that the quality assurance system is indeed in place, the quote in the left box shows that some issues related to communication and licensing remain to be addressed.

*"I am still waiting for my license, I have heard nothing since my TOT. I am not sure if their data base is up-dated. But I continue giving SYB training anyway".*  
(SIYB trainer)

When it comes to quality assurance of the SIYB product through impact assessments, there have not been any since the previous exercise conducted end 2005, just before the SIYB-ILO project was completed. The CEO of the Association: *"It is still a little early for a new impact assessment. When the time is ripe, we will find money and conduct another assessment"*.

### Trainer competency enhancing

In terms of upgrading of skills of SIYB trainers and master trainers, there have been some efforts, yet the achievements are less convincing. A total of 8 trainers have been given the opportunity of international exposure to upgrade their skills. Two refresher training seminars have been conducted to upgrade skills of those who were trained some years ago. In addition, trainers could participate in a series of short workshops to enhance their competence on e-commerce, conflict management, the impact of HIV/AIDS on small businesses, mind mapping and some other ad-hoc topics. The Association has attempted to conduct a systematic training needs analysis of SIYB trainers, yet the response was rather low and this has so far not resulted in a competency enhancement plan. The Association's efforts may need to increase, yet at the same time, trainers have not clearly made a case for a need for upgrading of certain skills or competences.

*"Sometimes I read in their Newsletter that trainer so and so has been sent abroad. But I don't believe there a systematic effort to upgrade our skills.*  
(Quote SIYB trainer)

## 8.2 Institutional sustainability achievements

Throughout the four years of existence of the Association, a few changes in the set-up have been made in the composition of the board and the size of the SIYB operating unit. Initially, the Board of Directors, also referred to as the Executive Council, comprises of 5 PO directors, 2 master trainers, 2 SIYB trainers and an ILO representative. During a previous AGM it was decided to increase the number of trainers and master trainers from a total of 2 to 4 to have a more equal representation. Instead of having an advisory group (see chart in paragraph 3), there is an ILO project representative in the board.

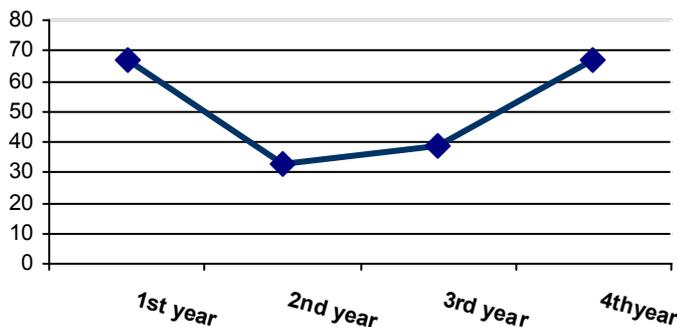
In 2006 and 2007, in the first two years after tsunami, the demand from international NGOs and donors for the SIYB program has been boosted. Many businesses had to be re-established and livelihoods recovered. Large amounts of funds became available for this purpose. The Association's secretariat needed to grow to be able to keep up with the program demands. The staff increased from two to five persons

While the Association's multi-stakeholder structure with partner organizations, trainers and master trainers, has proven to be sustainable over time, the case study also reveals that some private sector BDS providers do not feel the Association represents their interests. Moreover, one of the Chambers of Commerce also commented that it would be beneficial for the Association and the diversity of the SIYB program to increase involvement of private sector representatives

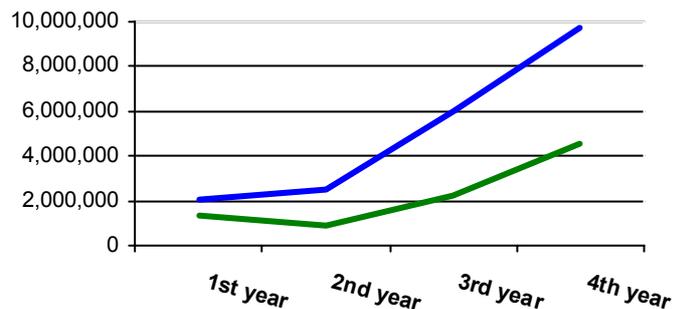
### 8.3 Financial sustainability achievements

The SIYB Association has been financially sustainable from the very beginning. The first financial report produced after one year, showed a surplus of approximately 1.8 million Rs, and a profit margin of 67%. This high profit margin is due to the fact that during this first year incubation period, many of the Association's costs were borne by the ILO-SIYB project. In the second year, when the Association became independent and running costs were borne by it, the profit margin decreased drastically to 33%, yet there was still a surplus of 882,000 Rs. It was estimated (in 2003) that by the year 2007 there would be a turnover of around 6.8 million Rs. The latest financial report available shows a figure of 9.7 million Rs (45% higher than anticipated at the start).

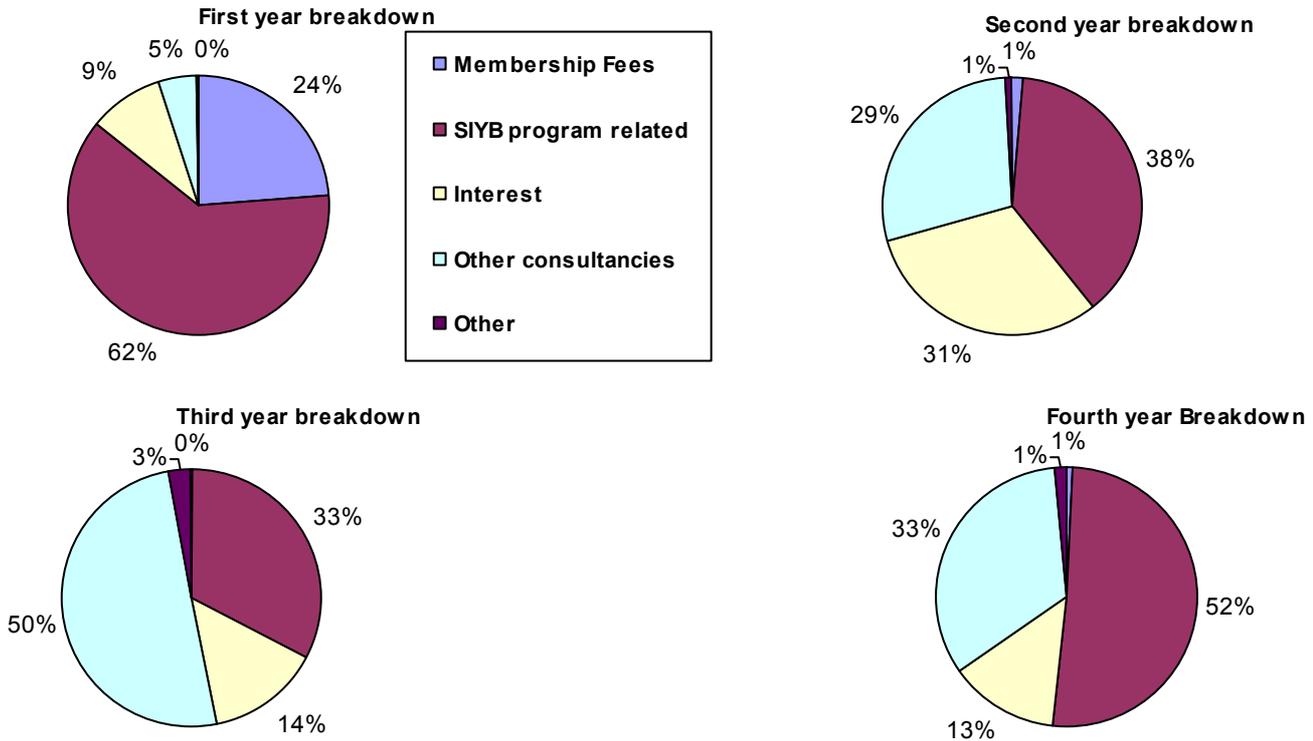
**SIYB Association Profit Margins in %**



**SIYB Association Turnover and Profits**



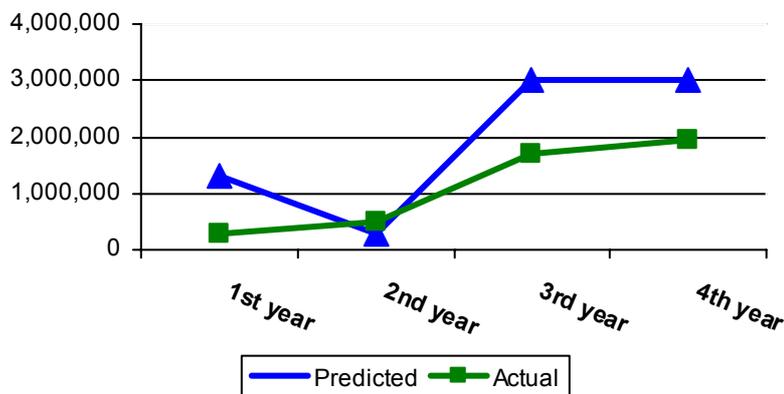
Below are the breakdowns of different kinds of revenues for the first four years. Clearly, the SIYB-program related revenues (including SIYB material sales and SIYB Training of Trainers) have been the main income-earners in the beginning, yet by the third year, non-SIYB related revenues were overtaking SIYB revenues, as a result of a number of consultancies undertaken by the Association (see box 5). In the most recent year (March 2006 to March 2007), 52% of the total revenue was generated by SIYB-related income, mainly from material sales and large SIYB training assignments. Most of these large training contracts are financed through tsunami-recovery money from various donors.



Financial reports of 2006 and 2007 also show that the profits generated have mainly been banked on fixed deposit accounts which has resulted in an increase of the endowment fund by 60% to 15,000,000 Rs (150, 000 USD).

Looking at the SIYB materials sales only, it becomes clear that income from material sales has been lower than expected, yet overall, turnover has been higher as a result of the large training assignments (bulk contracts) and other consultancies.

Net income from sale of SIYB training manuals



All things considered, the SIYB association has performed very well in financial terms. Compared to what was envisaged in the beginning, the Association has in its fourth year made 45% more turnover than was foreseen and 6 times more profit. However, instead of investing part of its profits in expanding its scope, through new product development and upgrading trainers, it has opted for a conservative approach by placing profits in fixed-deposit accounts. This has changed recently at

least with regard to capacity building, when the board approved a system where 30% of profits will be used to provide training incentives to the membership, 20% for incentives and training of the SIYB Association's staff while the remaining 50% will be kept as investment reserve.

## **9. Conclusion, lessons and issues**

### **9.1 Conclusion**

On the whole, the SIYB Association's institutional set-up has proven to be sustainable in Sri Lanka. The SIYB program is very much alive in 2007 and it is managed by the Association without major external financial, technical or managerial inputs. Not only has the Association been financially sustainable from the beginning, its revenues and profit figures have turned out to be higher than expected. The Association has seized the opportunities which came along with the post-tsunami induced demand for SIYB training. This has resulted in a determined continuation of the SIYB program island wide, training and licensing SIYB trainers according to established criteria, as well printing and distributing SIYB materials. The Association has also generated profits through a number of non-SIYB related consultancies. This case study shows that a donor-initiated BDS program, embedded in a government and donor-lead BDS market, can indeed become independent and sustainable.

In retrospect, what are the factors that have contributed to the success of the SIYB Association and what can be learned from this case for the sustainability of ongoing or future SIYB and other BDS programs?

### **9.2 Lessons and issues**

#### **A sustainability mechanism needs to fit the national context in which it is embedded**

Through consultation workshops with various groups of stakeholders all parties agreed that an institutional set-up, in the form of a not-for-profit, member-based Association was the best choice for Sri Lanka. The case demonstrates that these stakeholder groups had different (sometimes even conflicting) interests and that there was a certain degree of mistrust between them. The structure therefore had to ensure that all different interests could be met, without favouring one group. The institutional, non-profit set-up also fits in the current Sri Lankan context where BDS are often seen as public goods for which donor or government money is available.

#### **Include sustainability strategies from the beginning**

The Sri Lanka case reveals that the process from conceptualizing to setting up an independent unit to manage a project-initiated BDS program after donor support ceases, is lengthy. The sooner the consultations with stakeholders can start the better. In the Sri Lanka case, the first consultation rounds started 3 years before the end of the project. One other key factor in preparing for sustainability is to build sufficient local delivery capacity to meet demand over time. Taking into account that there is a natural turnover of staff (e.g. because trainers move country or change jobs or careers), this takes time to build and requires continued capacity building, both during the project and after.

### **Include flexibility to accommodate adaptations in the structure**

The Sri Lanka case also illustrates that although there may be agreement about the set-up of the sustainability mechanism in the beginning this is no guarantee for a smooth continuation of a project-initiated BDS program. The sustainability mechanism needs to prove that it can indeed serve all stakeholder groups equally and continuously. It should be flexible enough to accommodate changes when these prove needed. When it became clear that trainers felt under-represented in the board, the number of master trainers and trainers was increased from a total of 2 to 4. Also, the role of the board initially needed to change from purely strategic to more operational guidance. The sustainability structure proved to be sufficiently adjustable as a result of a regular meeting and feedback structure.

### **The importance of continuous – behind the scenes – support**

Even though the SIYB project in Sri Lanka had ended in 2005, the ILO continued to be linked to the Association, in particular through the enterprise development project Enter-Growth. The presence of an ILO officer on the board of the Association, who was intimately familiar with the SIYB program, has ensured a close link with between the Association and the ILO. This has proven to be valuable especially in times of trouble, to make technical support available.

### **Smooth administration versus building ownership from the start**

The SIYB project went through a range of consultations with stakeholders to come to a design of an institution that would take over the program. The experience of the Association indicates, however, that consultations are insufficient to build ownership. The Business Plan for the Association was made by the ILO project officers and not by the association members or staff, who never felt that they were the owners/designers of the Association. The period during which the Association was incubated in the ILO project offices was useful from a management point of view, but led to members still being under the impression that the ILO was directing the SIYB program. Many stakeholders (partners, trainers) considered the Association still part of the ILO, which created wrong expectations. This may have contributed to members not feeling responsible for their Association and even now not expecting to “give” to it but only “take”, notable exceptions notwithstanding. A stronger sense of ownership would probably have resulted from the project doing less, demanding more from members, making clear to members that apart from rights they had responsibilities too, and from an immediate physical separation. The risk of failure would have been greater, but in the long term it might have been worth taking.

### **Involvement of the private sector is essential**

The success of the SIYB Association can be attributed to its institutional set-up (representation of partner organization, trainers and master trainers) as well as the government and donor-funded market for BDS in Sri Lanka. The down-side of this however, is the fact that private sector providers have been much less involved in the Association. To them the Association seems to favour the often cheaper public sector providers. Moreover, because of the lack of representation of the private sector end-users of SIYB (e.g. Chambers of Commerce, enterprises) in the Association's structure, there is no feedback mechanism by which the Association can learn about the usefulness of its services and the need for other products. This may have contributed to a conservative

approach to expanding the scope of the Association. BDS programmes require a strong institutional link with the private sector in order to remain outward looking and play a dynamic role in the BDS market.

### **Strategy versus management**

The case study reveals that the actual role of the board of the Association has been one of micro-management rather than strategic guidance. However, while initial hands-on support and intense capacity building may be justified in the beginning when a secretariat has insufficient capacity, it should be reduced gradually to allow a secretariat to 'grow up'. Not doing so reduces the trust members have in their Association. It also detracts from the board's strategic role, which may lead, as in the case of the SIYB Association, to a lack of strategy overall.

### **Entrepreneurial spirit versus security**

The SIYB stakeholders in Sri Lanka have opted for an institutional, not-for-profit set up, yet in reality a lot of profit has been realized over the past years. Most of these profits are 'sitting' in a fixed deposit account. What should a non-profit organization do with its profits? There seems to be a contradiction. The profits realized by the Association actually belong to the members, yet a clear vision on how these profits should be reinvested in the organization and its members is lacking. The no-risk approach the Association has followed from the start may be justifiable for a starting organization, but has contributed to its lack of dynamism in the BDS market and reduced its attraction to (new) members. BDS providers and facilitators such as the SIYB Association need to move relatively soon to a more entrepreneurial role, investing their profits in new product development and capacity building to open up new markets. This will enhance the contribution they make to enterprise development and strengthen their long-term sustainability.

## ANNEX

### National Association fact sheet

#### Comparing SIYB actual versus planned achievement

Planned	Current
<p><b>Vision statement:</b> The vision of SIYB Sri Lanka is to contribute to the development of a vibrant, private-sector led market for business development services in Sri Lanka that offers a wide array of quality products to Micro, Small and Medium-Scale Enterprises (MSME).</p>	<p>Creative competitive market for BDS</p>
<p><b>Mission statement:</b> To facilitate the development of, and compliance with, a regulatory framework of quality standards for MSME business management training in the local service industry.</p>	<p>To facilitate the establishment of a dynamic network of BDS supplies that provide a wide range of high quality SIYB and other products and services to MSMEs of different levels</p>
<p><b>Financial objectives:</b> To be financially self-sustainable, e.g. to break even in operational profit within 2 years, achieve a 20% increase in turnover per annum and to create a surplus of 5% per annum after 24 months</p>	<p>The Association's excess of income over expenses has been positive from the start. The increase in turnover has been 25% in 2<sup>nd</sup> t year, 137% in 3<sup>rd</sup> year, 61% in past year and surplus increase has been 29% in 2004, 42% in 2005, 155% in 2006</p>
<p><b>Institutional objectives:</b> To be the hub of the local institutional network of BDS organizations in the MSME training service industry, e.g. to build up a membership of at least 100 BDS providers within five years</p>	<p>Currently, within four years, there are currently 24 institutional members (38% private sector, others are govt or semi-gvt.) and 168 individual members (67% from employed by BDS providers, 34% fee-lancers). Membership increased over the last year with 3 institutional and 36 individuals</p>
<p><b>Technical processes and human resource development objectives:</b> To facilitate access of at least 100 trainers per year to recognized trainer development programs locally and abroad</p>	<p>Refreshers / trainer development</p> <ul style="list-style-type: none"> <li>• 17 Trainers in 2-day training on including e-commerce, value chain development in enterprise development</li> <li>• 15 master trainers in 2-day workshop on e-commerce and conflict management facilitated by Enter-Growth</li> <li>• 3 trainers to ILO BDS seminar in Turin</li> <li>• 1 trainer to Sweden SME training</li> <li>• 1 to Washington</li> <li>• 22 master trainers and 15 trainers 1-day Mind-mapping workshop</li> <li>• Workshop 1 day- advanced presentation skills (same group as above)</li> <li>• Team building workshop (1-day) for 32 trainers and 2 PO directors.</li> </ul>
<p>To facilitate access of at least 30 training managers per year to advisory services in service marketing and program management</p>	<p>2006-2007: 32 professionals from BDS organizations in 1-day professional development seminar 'Formula for Success'</p>
<p>To market SIYB compliant training services of its members and to link them up to end-users and, where applicable, potential sponsors</p>	<p>Done</p>
<p>To print and distribute the SIYB training materials under license from ILO</p>	<p>2005 -2006 Total material sales Rs 5,300,000 2006- 2007 Total material sales Rs 5,000,000 (up to March)</p>
<p>To operate a national quality control system and register SIYB related training activities carried out by member organizations in a central database</p>	<p>SIYB seminar standards adhered to: 2 SIYB trainers per program, use manual, (no photocopy), max. 20 participants, 1 set for each participant, 40 hours during 5 days. Codes of conduct for all stakeholders (master trainers, SIYB</p>

Planned	Current
	<p>Trainers, PO Directors and Governing Counsel members and for staff of Association), explaining SIYB standards, have been developed during last Master Training meeting. For example: only sell bulk-materials to POs and free-lance SIYB trained trainers.</p> <p>Members of counsel have to attend meetings regularly. Confidentiality of decisions, etc</p> <p>Standards are verified through spot-checks, or through information from trainers.</p> <p>Licensing is done annually only at annual convention. Certification criteria conduct one 1 GYB, 1 SYB and 1 IYB seminar.</p>
To periodically evaluate the impact of these training services	Last time impact end 2005, just ILO-SIYB ended. Since then not yet impact assessments...too early
To act as the Sri Lanka chapter of the global SIYB program and represent interests of local SIYB trainers, SIYB master trainers and training organizations vis-à-vis the Sri Lankan Government and ILO	Done
To widely disseminate information on international best practice in MSME management training by way of publications, conferences and workshops, a quarterly newsletter and a website.	The Voice, Newsletter of the SIYB Association, has been circulated 3 times per year (2005 to 2007) to 500 recipients. Newsletters inform members and stakeholders on activities of the SIYB Association. The <a href="http://www.siyblanka.lk">www.siyblanka.lk</a> Website is currently off line for technical / legal reasons. Over the years, SIYB association has organized various workshops other than SIYB TOTs, for example on business counselling,
<b>Main markets:</b>	
Market 1: BDS providers with target group focus on MSME	Currently, 24 BDS providers mostly NGOs and (semi)government providers
Market 2: Donor agencies with a mandate and funds to develop BDS markets	Donor-agencies who have funded SIYB seminars organized by the Association include ILO, UNDP, World Vision, FORUT, Royal Netherlands Embassy.
<b>Portfolio</b>	
Trainer development courses (for SIYB and other programs)	<p>Over its period, SIYB Association has organized 6 Training of Trainers, increasing the total number of SIYB trainers to 266 (78% men, 22% women). Of all trainers trained since the beginning, an estimated 62% is still active in the SIYB program in Sri Lanka.</p> <p>In addition, 1 training of master trainers for 6 trainers has been initiated by the Association, increasing total to 28 (all but 2 are members of the association), 67% are men, 33% are women (75% are Sinhalese speaking, 25% Tamil speaking)</p>
Program management advisory services	▪
Training materials production and distribution	SIYB Association has continuously printed and distributed SIYB manuals.
Quality assurance.	<p>Trainer selection criteria:</p> <p>Trainer certification criteria: the Association maintains the following licensing standards: SYB/IYB seminars have a minimum duration of 5-day (40 hours) SYB or IYB, a maximum number of 20 (potential) entrepreneurs and always 2 trainers.</p> <p>Quality assurance in terms of measuring the impact of the SIYB program on entrepreneurs has not been undertaken by</p>

Planned	Current
<p>The National Association has an open product platform, meaning that the SIYB program will be a main asset, but not the sole asset, in the product portfolio.</p>	<p>the Association as yet.</p> <p>Currently, an estimated 52% of the income is directly related to the SIYB program and Association (membership fees, SIYB materials, commission on SIYB TOTs, and commission on bulk contracts). KAB and EYB are also being marketed by the Association. There are no other than SIYB products in the current portfolio. However, SIYB Association is the focal point for US-based Winrock program Farmer-to-Farmer (FtF) program, identifying small enterprises in need of agricultural extension and consultancy services. They are involved on other than SIYB consulting services</p>
<p><b>Operation plan: SIYB Sri Lanka</b> will operate as a brokerage firm, commissioning selected local resource persons (e.g. master trainers) to supply facilitator services to BDS providers and donor agencies, and charging a brokerage fee in the process</p>	<p>SIYB Association is indeed bidding on bulk training contracts, so far they have achieved 3 large assignments. The brokerage fee they charge is 10%.</p>
<p><b>Legal form of business: SIYB Sri Lanka</b> will be registered as a National Association with corporate and individual membership.</p>	<p>The SIYB Association is registered as a not-for-profit organization under the Ministry of Social Welfare in November 2003, registration number L80803</p>