

2008-12-01

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A Proposal to Introduce Value Based Management in NGOs of Bangladesh

Munima Siddika¹

Abstract: Presently the rapid growth and diversification of the gigantic NGO sector of Bangladesh has given rise to questions and concerns, about their trade-offs between sustainability and pro-poor orientation; the impact and quality of services; corporate governance; management and accountability. The paper is based on a proposal to introduce a modern management system viz. value based management (VBM) in the NGOs of Bangladesh. Value-based management can be defined as an integrated management control system that measures, encourages and supports the creation of net worth. The report of Transparency International Bangladesh 'Problems of Governance in the NGO Sector: The Way Out' (TIB) 2007 is used here as an information source of finding out the flaws of existing management techniques. Finally the paper recommended implementation techniques of VBM in order to regain the image of the NGOs as a pioneer of social welfare in Bangladesh.

Keywords: NGO, Transparency, Governance, Management, Strategies, Value Addition, Value Based Management etc.

1. Introduction

Bangladesh has largely failed to assist the poor or reduce poverty because of limited resources and faulty planning, while Non Government Organizations (NGOs) have grown dramatically and ostensibly to fill up this gap. There are more and bigger NGOs here than in any other country of equivalent size. Bangladesh's NGO sector is remarkable for the speed with which it grew to its present size and prominence (World Bank, 2005). It is difficult to find out the real number of NGOs operating in Bangladesh, because they are registered under different Government agencies as development partners. ADAB has a membership of 886 organizations of which 231 are central members and 655 are chapter members (as of December 1997). A survey held on 1997 shows the there are 206,142 non-profit organization of which 189,309 are religious are operating in Bangladesh. The NGO Affairs Bureau of the Government of Bangladesh (GOB), which has to approve all foreign grants to NGOs working in Bangladesh, released grants worth about \$564 million US dollars in FY 2006-07 to 2,156 NGOs, of which 1959 are local and 197 are foreign (NGO Affairs Bureau, April, 2007). NGOs have mainly functioned to service the needs of the landless, usually assisted by foreign donor funding as a counterpoint to the state's efforts (Lewis, 1993). NGOs in Bangladesh are engaged in diverse activities: Micro-credit (a legally authorized income generating activity), education, health, family planning, environment, human rights, women and children welfare, etc. but they have increasingly become subject to question and criticism from the government, political parties, intellectuals and the public in general for misuse of funds; gender discrimination; nepotism; lack of accountability, good governance and transparency. The recent Transparency International Bangladesh (TIB) report 2007 pointed out enormous problems of governance in NGO sector besides its robust growth and great contributions to public welfare. It creates a need and obligation to manage the NGOs by introduction of modern management system. This paper will demonstrate the guidelines for introducing value based management system (a modern management system) in NGOs of Bangladesh.

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2. Objectives of the study

The broad objective of the study is to explore the ways of implementing value based management in the NGO sector of Bangladesh. The specific objectives of the study include the following:

1. To highlight the importance of implementing modern management system in the non-profit sector.
2. To emphasize the magnitude of exploiting organizational resources by the NGOs in Bangladesh.
3. To make some recommendations to overcome the lack of good governance and accountability in the NGO Sector in Bangladesh.

3. Methodology of the study

This is a qualitative research mainly based on secondary data analysis. Secondary sources of information included review of research reports, relevant published documents including books, project documents, evaluation reports, audit reports, monitoring reports and websites. 'Problems of Governance in the NGO Sector: The Way Out' TIB 2007 and 'Economics and Governance of Nongovernmental Organizations in Bangladesh' World Bank 2006; are considered here as key-informants; to analyze problems of good governance, lack of transparency and flaws in decision making process in the NGOs. As the study is a proposal to introduce modern management technique, the target population is the NGOs (local and foreign) working in Bangladesh. VBM is a time consuming and costly management technique so it can't be introduced to every NGO in Bangladesh. It can be pioneered to large NGOs like Grameen Bank, BRAC, ASA and Proshika as they have more than one thousand employees and robust capital stock. The article explores the opportunity and scope of VBM implementation in the NGOs of Bangladesh.

4. Literature Review:

Value Based Management is a comprehensive approach, developed by the Center for Economic and Social Justice (CESJ) in Arlington, Virginia. It is a business philosophy and management system to grab the opportunities of global marketplace, based upon the inherent value, dignity and empowerment of each person particularly each employee, customer and supplier. As a customer-focused "service" philosophy, Value Based Management (VBM) is built upon a shared set of core values. As a management system, VBM offers a logical framework for designing a company's structures and processes to inspire an ownership culture that enables the organization to carry on its mission most effectively. VBM follows the market-oriented theory of economic justice first advanced by the ESOP (Employee Stock Ownership Plan) inventor Louis Kelso and Mortimer Adler (Miller, 1994). VBM marries the quality, educational and participation aspects of Total Quality Management and Open Book Management, with the equity and ownership concepts underlying employee stock ownership plans (ESOPs). In VBM there are three components of value and they are realized as:

1. A foundation of universal moral values: starting with the intrinsic value of each person each employee, customer and supplier.
2. Success in the marketplace based on delivering maximum value: higher quality at lower prices to the customer.
3. Rewards based on the value: Peoples' contribute to the company as individuals and as a team, as workers and as owners.

Within a VBM system, these aspects of value can be implemented in a business by:

1. Creating structures of corporate governance and management based on shared moral values, as expressed in a written set of company's core values and a code of ethics
2. Maximizing value for the customer, VBM expresses a simple formula for any business to follow for succeeding in the competitive marketplace:

“V = Q/P” where V=Value, Q=Quality, and P=Price

This states that, Value delivered to the customer increases as Quality of the good or service increases, and/or its Price decreases. Within a VBM culture, everyone in the company has self-interest in providing "service to the customer," because ultimately it is the customers who ensure profitability.

3. Structuring the company's compensation and reward system to enable every person in the company to be rewarded for the value of his/her contributions to the company. This is one of the fundamental aspects of ownership. It reflects the "correct" principle of distributive justice contained within the Kelso-Adler theory of economic justice, where a person's returns are based on performance and contribution, not charity.

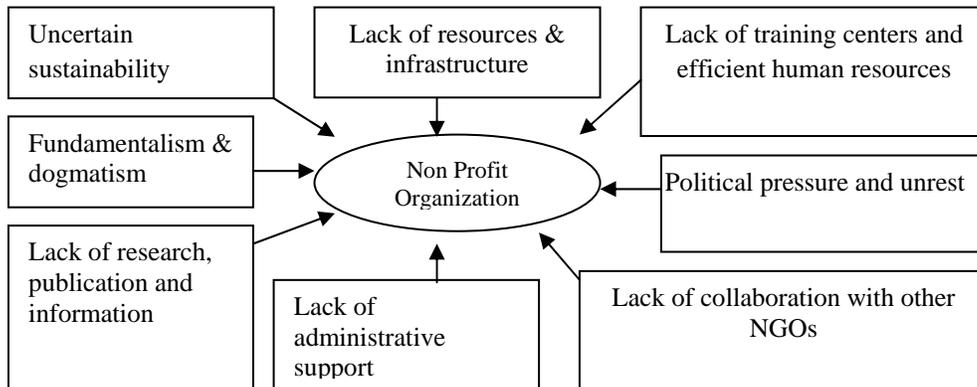
VBM is essentially a management approach whereby companies' driving philosophy is to maximize shareholder value by producing returns in excess of the cost of capital. (Simms, 2001). VBM is a framework for measuring and, more importantly, managing businesses to create superior long-term value for shareholders' that satisfies both the capital and product markets (Ronte, 1999). Institute of management accountants, 1997 says, 'An approach to management whereby the company's overall aspirations, analytical techniques and management processes are aligned to help the company maximize its value by focusing management decision making on the key drivers of shareholder value'. When VBM is implemented well, it brings tremendous benefit. It is like restructuring to achieve maximum value on a continuing basis. When it is working well; management processes provide decision makers at all levels with information and incentives to make value creating decisions. This paper will discuss about the implementation of VBM in NGOs. In order to ensure nonprofits function within this value based framework, NGOs can do many things, such as making it more entrepreneurial in how it manages social programs, recognizing and measuring social value in the delivery of services and products, using logic models for assessment and measurement, and making the connection between emotional intelligence and effective leadership. This paper will clarify how value based management could be introduced into four dimensions of non-profit management: (1). Strategic Planning (2) Organizational Resources (3) Leadership (4) Accountability and Performance Measurement

5. NGOs in Bangladesh: Structure and Challenges

In a poverty and calamity stricken country like Bangladesh, NGOs are making philanthropic support to economic development through their programs and activities. NGOs in Bangladesh have not originated from Grass Roots Organizations (GROs) in civil society. Rather, it is NGO workers who set up groups, which clients then join to get micro credit and other services. These NGOs are typically dependent upon foreign funds. The volume of foreign funds to NGOs in Bangladesh has been increasing over the years and stood at just under 34.1 % of all foreign aid to the country in FY 2003-04 (ADB, 2004). Up to January 2006 (Financial year 2005-2006), Government of Bangladesh approved 554 projects, for 1997 NGOs, the cumulative amount

approved for NGOs is 243,155,204,289.59 taka or \$4,265,880,777.01 (NGO Affairs Bureau, 2006). The nonprofit sector is the fastest growing sector of the Bangladesh economy and the challenges confronting the nonprofit sector are increasing, ranging from new regulatory pressures for certifications to new competition from faith based organizations collaboration.

Figure 1: Challenges faced by NGOs in Bangladesh



TIB in their report “Problems of Governance in the NGO Sector: The Way Out” (October, 2007) pointed out some major problems in this sector, like: ineffective governing body, discretion of the executive head in decision making process, lack of transparency in finance, institutional anomalies, procurement-related anomalies, usurping employees’ salary, bribes to the bureau and other government offices, avoiding tax by NGO officials, institutional management, employee harassment, complain system, and grievance procedure, corruption in recruitment & promotion, corruption in Government projects, etc. The world Bank Report (2005) also point out some irregularities (i) perceived weaknesses in the regulatory framework and in the financial accountability of NGOs; (ii) the scope, impact and cost-effectiveness of NGO activities including the trade-offs between service delivery and advocacy; (iii) the implications of shifts in NGO financing that has resulted in greater financing through commercial activities and micro-finance revenues (iv) the nature of Government-NGO partnerships, their respective roles and contracting arrangements. NGOs are also establishing commercial enterprises such as Grameen Phone and playing an innovative role as ‘social venture capitalists, whose profit stream is assigned to development programs. In order to introduce modern management system and good governance within the business like nonprofit sector, they need a common framework. This common framework can be Value Based Management, making decisions that recognize value and benefits within a broader context, continuously seeking out performance standard commonly referred to as best practices and ensuring high levels of accountability into all major activities of the nonprofit organization.

6. Introducing Value Based Management in the NGOs of Bangladesh

6.1 Strategic Planning

In order to develop a strategic planning an NGO has to understand the basic reason of its existence and need to identify who is going to constitute the organization. It is very difficult to escort an organization unless there is some sort of directives. A good starting point for NGOs to implement VBM is to have an ingenious strategic plan that is precisely developed. Most of the NGOs in Bangladesh have idealistic strategies, which could misguide the beneficiaries. By having a reality based strategy, the NGOs could stage the ground for value based management.

The NGOs can do several things to ensure that their strategic plan is fact based and grounded in reality. Firstly they can ensure independent source of information and can substantiate their planning efforts with surveys, research, and by using other sources of knowledge. Secondly, the NGOs could ensure broad involvement of stakeholders group: beneficiaries of the service provided, professionals, consultants and managements. Thirdly, the NGOs must be capable of successfully implementing the strategic plans. They should have the expertise, funding and other critical resources to efficiently implement the plans and use the scarce resources.

6.1.1 The Logic Model

A typical first step to building a strategic plan for the NGO is to assess the organization in terms of its strength, weaknesses, opportunities, and threats; the SWOT analysis. Many NGOs in USA use Logical Model. Logic models depict the conversion of inputs (resources such as funding, volunteers, and facilities) through activities into outputs (end product of the social program). Logical models can be used in Bangladesh also.

Table 1: Basic Structure of Logical model

Program Out Come Model			
INPUTS →	ACTIVITIES →	OUTPUTS →	OUTCOMES
Resources directed or consumed by the program	What program does with the inputs to fulfill its mission	The direct service of program activities	Benefits received by the beneficiaries during and after the program activities
Fund	Improve the education infrastructure	Number of school constructed	Increase number of children going to school
Enrollment	Materials and curriculum development	Number of educational manual developed	Increased research to develop materials on national competency standards
Consultants	Training, professional development and skill development of teachers	Number of workshops and seminars organized	Increased quality of teaching and learning materials.
Facilities	Education for adolescents	Creating employment and livelihood for adolescent	Retention of adolescents' literacy, numeric and life skills and prevention of dropouts.
Equipment	Computer aided training program	Number of schools providing computer facilities	Increased conceptual clarity of the different lessons.

Source: Measuring Program Outcomes: A Practical Approach, United Way of America and BRAC Education Program

The logical model could help the NGOs to create cause-effect relationship between combination of resources and actions and desired outcomes over the life of the program. All of the NGOs maneuver projects and projects have life cycles with different levels of impact over time. Outcomes of these projects could be divided like this: short term or initial, medium or intermediate and long-term or end.

Table 2 : Chain of Outcome

Program timeline		
Immediate Outcomes Short Term Learning	Intermediate Outcomes Medium Term Action	Final Outcomes Long Term Impact
(Usually related to learning, such as awareness, attitudes, knowledge, or motivation)	(Usually related to changes in action, such as changes in behavior or decision-making)	(Usually related conditional changes – economic, human, environmental, or civic)
Examples :		
Parents know they should send adolescents to schools	Parents send adolescents to post-primary schools	Parents ensure adolescents formal education.
Community become more aware about adolescents marriage	Residents discuss options and formulate joint plan to prevent adolescents marriage	adolescents marriages are stopped
Community leaders become more conscious about women empowerment	Conscious attempts to reduce gender inequality	Decision making power of women is established

Source: University of Wisconsin-Extension Cooperative Service and BRAC Education program.

In order to build a logic model, NGOs have to have a concrete understanding of the program. For existing programs, the starting point can be program activities. Activities act as drivers for producing outcomes. If NGOs have numerous activities, they can group related activities together into components. If the program is new, NGOs need to work backwards from the long-term outcomes; i.e. what social impact are they trying to accomplish. If NGOs have too many outcomes, they have to focus on the most important outcomes, those that have the biggest benefit to the target. When outcomes have immediate impact on the entire target, the program will have more influence in achieving its overall mission. Likewise, the longer it takes the program to impact the target, the less social value the program has since outside forces tend to work against the target, making it hard for the program to have lasting impact. Logic models are used in strategic planning for evaluation and feedback. Evaluation takes place by using indicators or measurements of the outcomes. Logical models provide concrete feedback on the effectiveness of social programs the NGOs operate.

6.1.2 Making a Strategic Plan:

In order to develop a strategic plan, the NGOs need to assess the whole organization. This assessment could be made by ‘Self-Assessment Tool’ from the Peter Drucker Foundation for Nonprofit Management (Managing the Non-Profit Organization: Practices and Principles, 1990). The self-assessment process is a method for assessing what the organizations are doing, why they are doing it, and what they must do to improve their performance. It asks the five essential questions: What is the entity’s mission? Who is its customer? What does the customer value? What are its results? And what is its plan? Self-assessment leads to action and lacks meaning without it. To meet growing needs and succeed in a turbulent and exacting environment, social sector organizations must focus on mission, demonstrate accountability, and achieve results. (www.pfdf.org). From this appraisal, NGOs can build a complete strategic plan for the organization, consisting of:

1. Mission – Defines the purpose of the nonprofit organization.

2. Goals – Establishes long-term direction.
3. Objectives – Specific achievements required for meeting goals.
4. Action Steps – Detailed plans for meeting objectives.
5. Budgets – Allocation of resources for action steps.

6.2 Organizational Resources:

Once the NGOs have strategic plans in place, they need organizational resources to execute the plan. Organizational resources go beyond money and people and rooted in organizational capabilities. Organizational capability may include: visible board members; highly skilled professionals; formation of new partnerships; building a reputation; sharing the organization's mission and vision and maintaining reliable systems of accountability. By focusing on the capability, the NGOs could identify resource needs and develop an action plan for acquiring the resources. They can turn to their logical models for identifying resource needs:

1. What activities are required for the program?
2. Estimate resource needs for the activities.
3. Prepare a Program Budget.
4. Compare the Program Budget to existing resources, identifying resource gaps.
5. Create a plan to close the resource gap.

Budgets outline the resource requirements of the organization and its programs. NGOs could use bottom-up budgeting, starting with programs and logical models. They can also use top-down budgeting, starting with the strategic plan and working their way down to operating Plans that describe the major activities of the nonprofit organization. For organizational needs master budget could be used but they may need to include a capital expenditure budget to cover major purchases (such as computer equipment). But budgets need to be inclusive; involving staff, board members, prospective contributors, and other key players. Additionally, planning is a pre-requisite to budgeting. Therefore, budgets should be linked to operating plans, action plans, and other resource dependent type plan.

6.2.1 Human Resource

The most important determinant of the success of the leading nonprofits is their human resources: their leaders and professional staffs and their quality and commitment. The example of Grameen Bank can be given here, which is led by Professor Muhammad Yunus. Human resource management (HRM) is a major driver behind value-based management within the nonprofit sector. HRM can cover several important functions: recruitment, retention, compensation, and managing employees. Recruiting the right people for a nonprofit is not easy where the values of the employees and the values of the organization needed to be essentially the same. Here people needed to be involved, self-motivated, flexible, and open to co-operate with the rural poor. In order to ensure this, nonprofits need to have hierarchies, encourage collaboration and the sharing of information and empower their employees.

6.2.2 Managerial Resources

Nonprofits need highly skilled management talent at the top for running the organization. Management can be broken down into two segments: Executive Management and Board of Directors. Executive Management and Board of Directors require a broad set of skills to ensure well organized value based management: interpersonal skills, ability to manage change, strategic decision making power, creative, ethical, effective communication skills, ability to resolve conflicts. Boards must also possess several intangible qualities: visible and accessible to various stakeholders, opportunistic and visionary about the future, informal management style that inclusive and compelled to serve the organization.

6.2.3 Financial Resources

Financial resources of NGOs are usually protected through fund raising activities and fund raising is one of the most dominant type activities for nonprofits. If the NGOs follow a “value based” approach to fund rising, then they need to do a lot of up-front work. Like:

1. Properly identifying funding sources through research and communication
2. They have to build relationships with prospects before the NGOs solicit the support of donors.
3. Develop and test fund raising materials and methods before submitting proposal for funds.

If the NGOs are fully dependent on the donors they should inform the donors about the organization’s mission, of the way the organization intends to use donated resources, and of its capacity to use donations, Boards ability to exercise prudent judgment in its stewardship responsibilities, organization’s most recent financial statements and assurance of confidentiality. In Bangladesh NGOs’ financial solvency and rising of funds is really a critical issue. That is why most of the NGOs are engaged in income generating project: like microfinance. They are also engaged in some other business activities like: BRAC is currently running successful businesses like cold storage, press, a marketing organization named "Aarong", a real estate company, a bank and a restaurant. Proshika has also established a press and a garment industry and is investing 5 million Taka in a video library. Recently it has started an Internet and software business (Ahmed, 2005). Overall, fund raising and financing activities requires substantial commitment of time and resources from key participants (board members, volunteers, staff, and others). Fund raising and collection of finance must involve objectives and targets, and also the results of efforts to determine how best to use organizational capabilities.

6.2.4 Social Entrepreneur

The term Social entrepreneurs are different from business entrepreneurs; the key difference is that social entrepreneurs set out with an explicit social mission in mind. To implement value based management the NGOs must introduce the social entrepreneurship as their main objective is to make the world a better place. This vision affects how they measure their success and how they structure their enterprises (Dees, Economy, and Emerson p. 2). In absence of funds NGOs need to leverage the social capital, like: turning to generate things like knowledge, expertise, access to community leaders, and other intangibles that have little to do with physical assets.

6.3 Leadership quality

The future of a nonprofit is in the hands of its leaders. Therefore, nonprofits in Bangladesh should understand the importance of leadership and the personal attributes, as well as the high levels of emotional intelligence, that are required for building quality leadership within the organization. Leaders seem to naturally find the right direction for an organization, clearing the

way so people can reach strategic objectives. Kouzes and Posner (1995) outline five important elements of exemplary leadership and NGO leaders need to follow them:

1. Challenge the Process – Leaders go outside the normal fence line of the organization, they tend to be pioneering and innovative to the organizations they serve.
2. Inspire and Share the Vision – Leaders rally the troops around the cause, building enthusiasm around a vision of the future. Since leaders are not controlling, they must inspire people around their value systems, enlisting them and garnishing their commitment.
3. Getting People to Act – Leaders are able to build trust through their open and honest communication; they speak from the heart and not in terms of cold, hard numbers. This builds teamwork and cooperation within the organization. Everyone who is responsible for providing outcomes is part of the decision making process.
4. Leading by Example – Leaders often kick off a process by first doing it themselves, thereby demonstrating to others how things are suppose to work. This makes people feel capable and competent in knowing what it is they are suppose to do.
5. Leading from the Heart – Leaders have a genuine compassion for the people they serve, encouraging and helping them succeed. Leaders recognize that their success is highly dependent on the success of others.

Great organizations with great people create great leaders. Therefore, the underlying layers of leadership reside in the organization's people. Leaders are only as good as the people they serve. NGOs in Bangladesh need leaders to serve the beneficiaries.

6.4 Accountability and performance measure

6.4.1 Accountability:

Accountability is the acknowledgement and assumption of responsibility for actions, products, decisions, and policies including the administration, governance and implementation within the scope of the role or employment position and encompassing the obligation to report explain and be answerable for resulting consequences (<http://en.wikipedia.org/wiki/Accountability>). Accountability is a process. A crucial part of identifying the right kind of accountability is recognizing the operating context of an organization. At its best, modern NGO accountability embraces failures for future learning, and celebrates success (Slim 2004). Importantly, it “involves the provision of clear, timely information about what the organization has been doing and what it plans to do, and crucially, it requires real engagement with the organization's stakeholders.” (CIPA, 2004). Nonprofits must be accountable to multiple stakeholders, including private and institutional donors; local, state, and federal agencies; volunteers; program recipients; and the public at large. Scandals at Enron, WorldCom, and Arthur Andersen shake the corporate world. There have been some high-profile cases of fraud and financial mismanagement at nonprofit sector in the United States. These consequences stimulated public attention on how organizations are run and what safeguards might be needed to avoid similar financial fraud in the future. U.S. Senate is looking at legislative options to strengthen nonprofit accountability. Bangladesh Government should also consider legislative step regarding these issues. There are three components to accountability — financial and regulatory compliance, stewardship, and donor trust. Thomas McLaughlin, a consultant at Grant Thornton, a leading financial and business advisory firm, (<http://www.blackbaud.com>) suggest four principles of accountability which is known as ‘SOCK’. (1) Systems (procedures and technologies, including internal controls and smart software that produce predictable results). (2) Oversight (including financial reporting and solid governance structures). (3) Culture (an intangible quality that reflects the values of the

organization). (4) Knowledge (professional financial expertise, along with a well-trained board and staff)

The NGOs of Bangladesh can consider these principles of accountability and explore it into actionable items: (1) Establishing an audit committee made up of several board members: should be responsible for monitoring financial reporting, internal controls, and business risks. (2) Ensuring auditor communications with the board: the auditor should have direct connection with the Audit committee and ability to communicate information without any filtering through the CEO, chief financial officer, or other key staff members. (3) Defining organizational policies and monitoring compliance: Nonprofit boards need to make sure that the organization has written policies, procedures, Code of ethics and that they're being followed at all levels of the organization. (4) Reporting finances: Nonprofits' CEOs and CFOs should provide consistent, timely reports to their boards. Types of reports include a balance sheet, revenues and expenses, pledged receivables, cash flow and other information. (5) Establishing internal controls: Internal controls must be in place to provide assurances that a nonprofit's transactions are properly authorized, recorded, and reported, and that the organization's assets are safeguarded. (6) Providing Safeguard for whistle blowers: it is also important that nonprofits encourage people with concerns to come forward. Nonprofit directors and officers should let staff members, volunteers, and other stakeholders know how they can raise concerns. If an organization listens to its whistle blowers early on, it can save itself a lot of trouble in the long run. (7) Public disclosure: nonprofits must disclose financial and governance information on a regular basis to both donors and the public at large.

6.4.2 Performance Measure:

Ebrahim (2003) demonstrates how NGOs and donors depend on each other: NGOs gain funds by providing information on “successful” projects, thereby conveying a positive reputation on their donors. NGOs have incentives not to write anything negative in their reports, because it may damage the flow of funds. Donors have incentives not to press for further information, because it may damage their reputation. Edwards and Hulme (1995) in the book “Non-Governmental Organizations – Performance and Accountability” recognize the complexity of what NGOs are trying to achieve, and how difficult it is to measure their performance, which is almost always a matter of judgment and interpretation. But, written largely by NGO insiders, it is also highly critical of NGOs. It points out that there is increasing evidence that NGOs do not perform as effectively as had been assumed – or as effectively as they claim. So, we need a comprehensive performance measure for managing our pursuit of excellence. Over the last several years, private companies have embraced the Balanced Scorecard as the framework for comprehensive performance measurement for the entire organization. However, balanced scorecards are designed specifically for businesses and not for nonprofits. Since nonprofits have very long-term outcomes that are very difficult to quantify, and some NGOs are engaged in business like activities, Bangladesh need a much simpler framework that easily fits with the actual strategy of the nonprofit. Most nonprofits in the advance world have opted for a Three Tiered Framework for Comprehensive Performance Measurement. This three-layered model places the mission at the top with activities fulfilling the mission and organizational capabilities driving the activities.

Table 3: Frame Work for Comprehensive Performance Measurement at the NGO

Comprehensive Performance Measurement – Three Tiers	
Tier 1 – Impact	Assess Mission Impact
Tier 2 – Outcomes	Measure outcomes of activities
Tier 3 – Drivers	Measure organizational capabilities

Source: www.exinfm.com/training

The Three Tiered Measurement Model follows the same logic as the Balanced Scorecard, providing a fully integrated approach to measuring the performance of the organization. And since the Three Tiered Model is aligned with the strategic plan, it provides valuable feedback for making adjustments to short-term and long-term goals – similar to the Balanced Scorecard. For those nonprofits that have evolved into businesses, balanced scorecards may provide the appropriate framework for performance measurement.

Table 4 Example of Balance Scorecard

Financial	Expanding the sources of fund and introduce variety of income generating projects		
	Ensure maximum utilization of organizational resources.		
	Improve value to members to ensure renewal of membership	Grow revenue 	New sources of revenue generating projects
			Increase the beneficiaries facilities
	Operating improvements 	High utilization of assets	
		Cost efficiency	
Customer/ Beneficiaries	Ensure maximum benefit to the beneficiaries to retain them		
	Ensure that interactions and relationship with customers are personal and professional		
	Ensure that projects and benefits are conveniently accessible beneficiaries		
Internal	Improve operational efficiency 	Cost Reduction	
		Knowledge based system	
		Reduce non core activities	
Learning & Growth	Training based practices in cost management		
	Data based network on operational performance		
	Re-align organization with core competencies		

Source: www.exinfm.com/training

Comprehensive performance measure and balanced scorecard can only provide frame works for performance measure. But the NGOs need to accumulate information and data required for this task. The performance measurement should fit with the goals and objectives of the organization. Most common type of data collection method could be used here as: survey, research, internal data collection techniques, substantial investigation techniques and so on. Lots of NGOs in Bangladesh don't have computer oriented data base, but they need to maintain historical information for monitoring trends. The example of BRAC and Grameen Bank could be given here; their accounting information is maintained through computer supportive software.

6.4.2.1 Financial Performance Measure:

When the NGOs become more business like they need one obvious area of performance measure: Financial Performance. In Bangladesh NGOs needs to prepare and maintain some books and accounts according to The Societies Registration Act. 1861, the Trust ACT, 1882, Co-operative Societies Act, 1952 and the Companies Act of 1994. And the following information

needed be incorporated in this regard: (1) each project should be shown separately in the annual report. (2) A full list of permanent or liquid assets with vehicles of the organization (3) Sources of organizations own income & expenditure (4) Details of organization's foreign travels by its officers & employees. (5) Details of organizations' revolving loan fund investment described by sector. (6) Details of fund for projects implemented with fund generated through agreement with Government's different ministries and directors and other sources. (6) Details of persons employed by the organization. The Bangladeshi NGOs have to maintain Statement of Income and Expenditure, Statement of changes in Net Assets Statement of Cash Flows and Balance sheet. To measure financial performance they could analyze trends of fund generation, sources of fund (non traditional and foreign sources), cash reserve and other ratios.

6.4.2.2. Social performance Measure:

The social performance measure for NGOs is becoming very important. In 2003, the foundation Argidus, the CERISE and several European researchers developed Social Performance Indicators (SPI) (http://www.cerise-microfinance.org/pdf/En/spi_quest.pdf). It is conceived like an instrument of analysis, which can stimulate the internal reflection on the Microfinance Institution (MFI) or between its managers and their stakeholders as for the social objectives and the realizations and perspectives of the institution. It's become an obligation for MFI to prove that they are financially sound and they bring real social benefits to the community wherever they are. SPI responds to this need by assessing the principles, actions and corrective measures implemented by an MFI to achieve its social aims. The SPI are developed in a questionnaire configuration and MFIs have to answer this questionnaire by making declarations, basing their affirmations on their Management and Information System (MIS). The MFI answer questions in three aspects: (1) The context and the social strategy of the institution; (2) The indicators of social performance; (3) The elements of financial performance.

The first part 'The context and the social strategy of the institution' is based on management discussions and declarations and will allow a better understanding of the MFI's strategy, logic and evolution in terms of social objective. The second section concerns the four dimensions of questionnaire on social performance. The third and fourth dimension focus on clients' satisfaction and social responsibility. Each of these 4 dimensions is scored in a scale of 25 points, for a total of 100 points.

Table 5: Four Dimensions of Social Performance

Dimensions	Social Performance analysis	Points
Dimension 1	Outreach to the poor and the excluded	25 points
Dimension 2	Adaptation of services and products to target clients	25 points
Dimension 3	Improving clients' social and political capital	25 points
Dimension 4	Social Responsibility of the institution	25 points
	Total	100 Points

Source: CERISE

To measure the social performance, these questionnaires are answered by microfinance institutions' boards of directors. The obtained marks on SPI performance indicate the stipulation of their social value addition. In Bangladesh 45026 registered NGOs are operating under social welfare ministry (2005) and 90% of these NGOs grants micro credit. To ensure good governance and transparency NGOs need to introduce social performance measure and they could use the SIP of CERISE.

7. Some Other Critical Points:

The NGOs could adjoin some other points to improve its value. Like:

1. Making customer segmentation to maximize the use of social capital and resources.
2. Every activities of the NGO is related to marketing: looking for new beneficiaries, trying to spread out social capital, recruiting employees, promoting social projects, and enhancing the organization's reputation with the public. They need to introduce marketing techniques to test their social programs in the marketplace before devoting scarce resources.
3. Knowledge management could be made a key part of strategy for growing the social capital of the organization. After all, knowledge is a major driver behind efficiency and performance in every organization.
4. NGOs should point out their core competitive advantages and it often take the form of attributes that distinguish a nonprofit's social program:
 - Outstanding high quality of the program to the beneficiaries
 - Accessibility of the program is trouble-free to the beneficiaries
 - Diversity of offering – NGOs should provide a wide range of social projects.
 - Reputation- NGOs should highly regard and recommended by donors, Government and public.

8. Conclusion:

The NGOs of Bangladesh are badly in need of a systematic organizational structure and internal control to congest the lack of good governance. It is proved that NGOs' poverty perception and poverty reduction programmes do not match with the real causes of poverty of their beneficiaries. The unrealistic programmes of the NGOs in Bangladesh are not really contributing to poverty reduction. The entry of NGOs into profitable ventures in the name of social entrepreneurship is resisted by the commercial private sector on the grounds of unfair competition and questions are asked whether, the tax exempt status of NGOs provides a hidden subsidy to their commercial operations. The growth of micro-credit and its reported surplus creates doubt about level of interest rates. These issues are related to larger questions about whether the guarantee of financial sustainability diverts attention away from serving the poor. However, by the year 2000, more than 90 per cent of rural communities had some NGO presence and around 13 million mainly poor women are now reached through micro-finance programs. The VBM can be used as a tool for facing these upcoming battles of adverse environment.

9. Recommendations:

TIB report (October 4, 2007) point out some set of recommendations to ensure transparency, good governance and accountability in the NGO sector like: introduction of an autonomous NGO commission, laws that regulate the NGO sector, a system of social audits to monitor NGO activity, reschedule the role of the governing body, implement participative decision making process, ensure financial transparency, human resource development, accountability to

stakeholders, government and donor, program implementation, monitoring and evaluation and access to information. The value based management could ensure the inter-organizational matters that are pointed by Transparency International Bangladesh. Recommendations for introduction of value based management are as follows:

1. VBM implementation is a complex and time consuming process and it needs a strong resource support. So in order to introduce it, the NGOs need to generate resource, develop strategic plan and divide the process into short term and long term aspects.
2. The World Bank (2005) says that big NGOs – BRAC, ASA and Proshika – have nationwide programs, with tens of thousands of employees and multi-million dollar budgets. These NGOs could take the initiatives to implement VBM.
3. The NGOs need to hire expertise and skilled managers to make the process come into action
4. Measurement basis of the NGOs should be developed in relation to its strategies.
5. A well-founded training and education plan is not considered to be the only critical factor in a successful value-based management implementation. Visible sponsorship of the program by top management and the installation of a formal implementation team is needed here.
6. Finally Value-based management is not without pitfalls. It can become a staff-captured exercise that has no effect on operating managers at the front line or on the decisions that they make. So the management must be very conscious about this.

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