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Endogenous Growth in the Development
Context: Assessing the Nucleus Approach in the
Bangladeshi Tannery Sector



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Abstract

This paper focuses on the concept of the Nucleus Approach and its – unsuccessful – implementation in the project “Re-Tie Bangladesh”. This project, funded by the European Union from 2009 to 2012, aimed at an increase of exportability of Bangladeshi leather products through the use of more environment-friendly production methods. The Nucleus Approach itself is a bottom-up approach within the framework of endogenous growth strategies that became popular in the 1970s. The main target of the approach is to unlock the self-help potential of local small and medium-sized enterprises in order for them to improve their own businesses, as well as the business environment in general.

The Nucleus Approach has been applied effectively in projects worldwide, and also the “Re-Tie Bangladesh” project itself has concluded successfully. However, the application of the approach in this particular project has to be considered unsuccessful. Based on qualitative interviews with various stakeholders of the project, the main part of this paper therefore investigates into the possible reasons for this and points out recommendations for future projects that apply the Nucleus Approach or are active in the field of endogenous regional growth.

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Endogenous Growth in the Development Context: Assessing the Nucleus Approach in the Bangladeshi Tannery Sector

1 Introduction

In the late 1970s a paradigm shift occurred in the field of regional development, from promoting less developed areas by external factors to emphasising endogenous forces such as qualified labour, or knowledge and technologies developed in the region. This so-called “bottom-up” approach aims at triggering processes of self-help and local initiatives in order to facilitate endogenous regional growth that improves economic performance and living conditions in a particular region.

This paper analyses the Nucleus Approach as one approach for endogenous regional development – in theory as well as with respect to one particular example of its implementation in Bangladesh, in the EU-funded project “Re-Tie Bangladesh” running from 2009 to 2012. Even though this example is set in the context of a developing country, its analysis can also give valuable insights into business cooperation and networks in other contexts, as well as into endogenous development theories in general. Briefly summarised, the Nucleus Approach is about unlocking the self-help potential of small-scale entrepreneurs to overcome their subjectively perceived problems, and about initiating organisational change in the entrepreneurs' chambers and associations, i.e. Business Membership Organisations (BMOs¹), in order to promote the local business environment. Whereas the approach has been successful in other projects, this was not the case in Bangladesh.

Therefore, the aim of this paper is twofold: to analyse the concept of the Nucleus Approach more closely, and to evaluate why it could not be successfully implemented in the project “Re-Tie Bangladesh”. It will be shown that there are weaknesses on both sides, theoretical aspects as well as concrete implementation. Whereas the Nucleus Approach builds on some unrealistic assumptions and generalisations regarding the entrepreneurs and BMOs, the project set-up of “Re-Tie Bangladesh” was not responsive enough to local circumstances and to the different expectations directed at the project. Furthermore, the aim and methods of the Nucleus Approach did not match those of the project, which resulted in an identification of problems in a top-down, rather than bottom-up, manner. The paper is structured as follows: first, the theoretical aspects of the Nucleus Approach will be discussed, i.e. its design and how it is supposed to operate. The subsequent part will focus on its implementation in the example project and will be based on a field survey consisting of interviews with various stakeholders. Ultimately, possible reasons for the approach's unsuccessful implementation will be analysed, and critical success factors will be outlined for future work with the approach.

1 The term BMO refers to “any organization in which companies or individual entrepreneurs are members. Thus, it refers to chambers of commerce, business associations, federations and apex bodies as well as employers' organizations or others” (Beck et al. 2008). BMOs usually have two main functions: to represent and lobby their members' interests, and to deliver a range of requested services to them (Beck et al. 2008; Meier 1997).

2 The Nucleus Approach in Theory

Nucleus Approach was developed in 1991 within a partnership project between the Chamber of Crafts and Small Industries for Munich and Upper Bavaria (Handwerkskammer für München und Oberbayern, HWK) and the chambers of commerce and industry of Joinville, Blumenau and Brusque in the federal state of Santa Catarina, Brazil² (Wahl et al. 2007; Müller-Glodde and Lehmann 2006).

A basic theory of the Nucleus Approach is *“that a local economy has more chances to prosper if the actors maintain a positive, constructive and mutually stimulating relationship”* (Müller-Glodde and Lehmann 2007: 150). It is therefore an integral part of the approach to improve the relationship between small-scale entrepreneurs³, i.e. to make them realise that they can cooperate and learn from each other in many fields (Müller-Glodde and Lehmann 2007). Additionally, the approach aims at stimulating organisational change processes⁴ in the SMEs' corresponding chambers and associations in order for them to be more supportive and apprehensive toward the needs of the small-scale entrepreneurs (Wahl et al. 2007; Müller-Glodde and Lehmann 2006; Müller-Glodde and Lehmann 2007).

The Nucleus Approach is based on the essential hypothesis that small-scale entrepreneurs all over the world share the same characteristics⁵ and basically behave in the same way. It is because of these characteristics that they do not demand business development services (BDS)⁶, neither from commercial BDS providers, nor from BMOs (Müller-Glodde and Lehmann 2006). Hence, the approach's proponents follow that the core problem of SMEs is not the supply of, but the demand for, business development services. Even though such services might be offered, the small-scale entrepreneurs only accept them or demand for them if they have perceived the need for particular solutions themselves in a subjective manner (Müller-Glodde and Lehmann 2007; Müller-Glodde and Lehmann 2006).

Therefore, the idea of the Nucleus Approach is that a good business counsellor is to assist the entrepreneur in identifying his⁷ problems as well as their causes and impacts in a more structured way. For this purpose, *Nu-*

2 The application of the approach was financially supported by the German Federal Ministry of Economic Cooperation and Development (BMZ) from 1991 to 2001. From 1991 to 1994, it was promoted by the German Technical Cooperation (gtz, since January 2011 GIZ), afterwards by sequa gGmbH (sequa gGmbH et al. 2006).

3 As small and medium-sized enterprises are a very heterogeneous group, there are variations in how they are defined by different countries and organisations. According to the European Union, for example, *“the category of micro, small and medium-sized enterprises [...] is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million”* (European Commission n.d.: 35).

4 Organisational Development (OD) aims at improving the performance of organisations through a planned change process, this way also positively influencing their economic environment (Müller-Glodde 1993). OD is a learning process within the organisation that is accompanied by a moderator and in which the members also participate in identifying problems and developing ideas for improvement. An awareness of problems and the will to learn and to change are usually regarded as prerequisites for starting an organisational change process (Nucleus International 2008c; Müller-Glodde 1993).

5 These assumed ubiquitous characteristics include above all the isolated and uncooperative working style of the entrepreneur, but also the lack of external impulses for innovation and the limited education and/or vocational training. Additionally, the entrepreneur is said to show a high level of distrust towards the government as well as customers, suppliers, colleagues etc., and tends to identify the roots of his problems outside of the own company, resulting in a demanding attitude towards external support instead of taking his own initiative (Müller-Glodde and Lehmann 2006).

6 A “Business Development Service” is defined as *“any type of non-financial service that aims at improving the performance of an enterprise, its access to markets and its ability to compete”* (Müller-Glodde and Lehmann, 2007: 60).

7 Whenever the male pronoun is used only, the female pronoun should be read as implicit.

clei, also referred to as *Sector Units* or *Focus Groups*, are created as an exchange platform for entrepreneurs. A Nucleus means a group of 12-30 entrepreneurs belonging to the same sector and/or the same geographical area (e.g. municipality, city, etc.)⁸; the formation of these units is the basic operation mode and therefore the most essential part of the approach. (Wahl et al. 2007; Müller-Glodde and Lehmann 2006; sequa gGmbH et al. 2006). The Nucleus members are supposed to meet about twice a month in order to share their experiences as well as know-how, ideas and problems with other entrepreneurs. Thus, the main task of its participants is to discuss and to identify concrete common problems, to determine their causes and to try to find solutions for them (Nucleus International 2006; Wahl et al. 2007), according to the motto “*entrepreneurs counsel entrepreneurs*” (Müller-Glodde and Lehmann, 2006: 3). In order to arrive at solutions, participating in self-organised activities like training courses or visits to suppliers is seen as a good starting point. In case of bigger problems that cannot be solved by the Nuclei on their own, the chambers are the first place to go to – commercial BDS providers might be contacted as a second step. Although also the BMOs do not provide their services for free, the counselling costs are already covered by the membership fee, so that there are less barriers for the entrepreneurs to draw from these resources (Müller-Glodde and Lehmann 2007).

Another important guideline of the Nucleus Approach is that considerable change in an enterprise does not necessarily require big investments, but is possible through small changes and variations in the way things are done. This is supposed to be especially advantageous for SMEs because they cannot afford expensive upgrading, but could be improved by being able to test the Nuclei without running financial risks (Müller-Glodde et al. 2005; Nucleus International 2008a; Nucleus International 2008b). Therefore, instead of trying to influence the development of the economy through the intense promotion of a small number of enterprises, the Nucleus Approach tries to reach as many enterprises as possible and wants to create a “Nucleus Movement”. This way, the individual enterprises may grow less, but all the individual small changes in the total amount of enterprises are supposed to have a great impact on the regional or national economy (Nucleus International 2008b).

As to the more concrete effects of the Nucleus Approach, it first of all aims to lay the foundations for an improved relationship between the small-scale entrepreneurs that will enhance their economic performance by sharing knowledge and working together in business networks. At the same time, SMEs are meant to learn how to articulate their needs and how to claim ownership of their BMOs in order to receive adequate services. The BMOs, in turn, increase their attractiveness by providing group counselling for its members, i.e. by changing into service providers for SMEs. Becoming thus stronger in members also means more revenues, which turns the BMOs into more effective lobbyists by operationalising Nuclei suggestions. Ultimately, in order to do justice to the enlarged membership basis with their demand for more and better services and more systematic lobbying, the BMOs require new staff, resulting in a gradual organisational change process from “business clubs” into a more efficient service organisations and lobby institutions (Müller-Glodde and Lehmann 2007; Müller-Glodde and Lehmann 2006; Nucleus International 2006; Nucleus International 2008b; Müller-Glodde 1993; sequa gGmbH et al. 2006). It is because of this “external force” of a strong, unified demand that the chambers and associations are continuously “forced” to change, thus accounting for a sustainable effect. Once the members have experienced a certain performance level, they will insist on this level to be maintained (Müller-Glodde and Lehmann 2006).

⁸ Besides these vertical/sector Nuclei (with members of the same sector, e.g. carpenters, tanners) and location Nuclei (with members of different sectors but sharing the same location), other types can be formed, e.g. Nuclei with members of different branches but with shared problems or interests (horizontal/topic Nuclei, e.g. exporting enterprises, female entrepreneurs). Also sub-Nuclei or temporary Nuclei can be created in order to address special problems (Nucleus International 2008a).

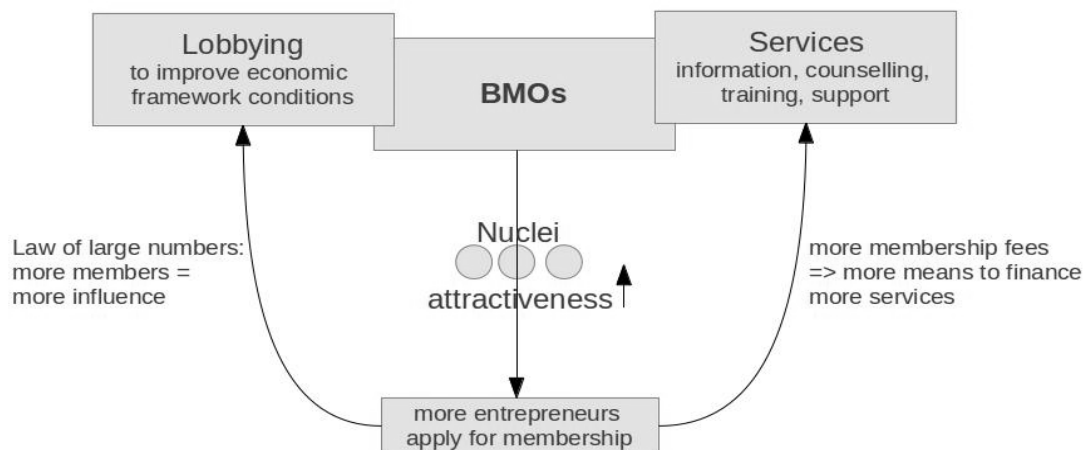


Figure 1: *The Nucleus Approach's Mode of Operation (Müller-Glodde and Lehmann 2006: 4, modified).*

2.1 Critical Discussion

It has to be acknowledged that the Nucleus Approach is well-motivated and rests on good ideas in general. Yet, on a closer look some of these ideas are not as straightforward as they might seem, or are based on assumptions that need to be scrutinised more thoroughly.

To begin with, mutual counselling seems like a reasonable idea because all of the Nucleus members are experienced and credible entrepreneurs and should be able to help each other. But are they really willing to give good advice to their competitors? The Nucleus Approach acknowledges this as a major hindrance in the beginning, but argues that this issue was solved by the fact that each entrepreneur would be happy to give away his business secret in exchange for those of all the other entrepreneurs. However, their situation can be seen as a kind of reversed case of the standard “prisoner's dilemma”⁹. Each Nucleus member has the choice between telling his business secret, hoping that the others will do so as well, or not telling his own. By not telling, the individual entrepreneur can win the secrets of others or gain nothing, but he also loses nothing. By telling his secret, on the other hand, there is the risk that the others will not, so he would only lose and not gain anything in return. Thus, each of the entrepreneurs will be better off in any case, independent from the behaviour of the others, if he chooses not to share any of his insights. Therefore, if everyone acts in this manner, no one will reveal any significant secrets for success and it might be more realistic to focus on cost-sharing cooperation in the production process, e.g. in the purchase of expensive machines, instead of laying open everything and counselling each other in a more general way.

Secondly, the Nucleus Approach starts from the idea that BMOs are closed for SMEs. Yet, the whole idea of demanding services with a unified voice can only take place if SMEs are members of the chambers and associations they are demanding services from. Otherwise, BMOs would not have any incentive to give way to the demands of non-members. Therefore, BMOs that are open for, or at least willing to, accept SMEs as new members are a basic prerequisite for the approach to work.

On the positive side, participating BMOs can improve their service provision and could therefore expect an increase of publicity as well as of members. The Nuclei can also be a means of finding out about the needs of

⁹ The prisoner's dilemma describes a situation in which, when all participants cooperate, total welfare is maximised. Yet, due to strategic behaviour of the agents, this outcome is not achieved. In this situation, game theory suggests that the only rational solution is a so-called “Nash equilibrium” without any cooperation (see e.g. Varian 2006).

the already existing members, so that the BMOs can become more target-oriented suppliers. On the other hand, running Nuclei is costly and also requires changes in the organisation and in the power structures of chambers and associations. As most BMOs do not want to change in any way, this can be a major hindrance for the approach. To solve this issue, Nucleus proponents recommend not mentioning the word “change” at all when introducing the work with the Nuclei to the BMOs (Müller-Glodde 1993; Nucleus expert, personal interview from January 9, 2013). That way, in line with the saying “the end justifies the means”, the BMOs would follow the approach, not knowing what this will ultimately mean for them. Yet, by simply hiding the real intentions of a development project, its attractiveness and acceptance may increase, but the manner of doing so is at least questionable. But what is more, by doing so, this bottom-up approach contradicts itself: it is continuously emphasised that the SMEs are to define their needs themselves and should not be told to change or how to run their businesses by anyone else who thinks to know better. Yet, this is exactly what is done on another level with the BMOs, only without even openly telling them. The project team, knowing better what a BMO should be like, wants the chamber or association to change. But as they also know that the BMO would not understand the benefits of this change, they choose not to tell them the real motive of the project at all.

Another problematic fact about the approach is the usage of several generalisations. BMOs in developing countries, for example, do not generally neglect service provision¹⁰ as it is claimed by the Nucleus Approach. Similarly, all small-scale entrepreneurs are lumped together by attributing some ubiquitous characteristics to them. But “although entrepreneurs worldwide possess some common values and beliefs independent of national background, culture remains a powerful determinant of attitudes and explains key differences across entrepreneurs” (Steensma et al., 2000: 592). In this respect, it is also claimed that the Nucleus Approach can function in every country worldwide (Nucleus expert, personal interview from January 9, 2013). However, just because the approach was successful in one country does not mean that the same approach or a similar implementation is due to work or fail in any country, neither of the same greater region or worldwide. As was pointed out by Meier (1997), these kind of indirect approaches for SME promotion need to be flexible and adaptable to the varying conditions prevailing in each country. To assume all Asian countries (or African, European, South American, etc.) to be the same, ignores all economic, cultural and social peculiarities, not to mention regional varieties.

Ultimately, the Nucleus Approach can have advantages for technical development projects because fast, visible and accountable results can be delivered with relatively low costs and efforts. But sustainability is a weak point here: Even though the demand-led approach makes the course of a BMO less dependent from the capability or goodwill of individuals, it all depends on the interest and commitment of the BMO to run Nuclei in the first place. In Sri Lanka, for example, the Nuclei were given up after the project (and the subsidies) had ended. As only very few SMEs were members in chambers, the Nucleus Approach did not contribute to the improvement of SMEs through the BMOs (Nucleus expert, personal interview from October 17, 2012). Furthermore, the Nucleus Approach is not seen as a successful tool for OD, but is now used to organise Sri Lankan SMEs – or any kind of groups¹¹ – and to deliver services to them. This, however, means there is not much left of the original idea of the approach, neither BMOs and organisational development, nor necessarily SMEs and their improvement.

To conclude, interested and open BMOs as well as entrepreneurs are prerequisites for the approach to work successfully. The Nucleus Approach is a tool to create outreach, i.e. to mobilise a great number of SMEs in a

¹⁰ Cf. the ESSP project in Sri Lanka, where the BMOs had already been providing services to their members, but the functions of interest representation and lobbying were unknown instead (Müller-Glodde and Lehmann 2007).

¹¹ It has been used, for example, for organising and supplying services to war widows and former combatants (Nucleus expert, personal interview from October 17, 2012).

relatively short time and with relatively little money. Additionally, by participating in BMO-initiated Nuclei, SMEs might gain easier access to services, as well as to interest representation, because the entry barriers and costs are cheaper than if they would buy these services from commercial BDS providers such as NGOs, universities, banks, consulting companies, or governmental organisations. With respect to these BDS providers, however, there is the more general problem that BMOs would take over their functions. Although Nucleus proponents argue that BMOs would only deliver those services that are not offered by BDS providers, an overlapping of tasks becomes obvious when taking a look at the services these institutions are offering¹².

For a comparing overview of the approach's strengths and weaknesses, see table 1.

Table 1: *Advantages and Disadvantages of the Nucleus Approach.*

	Advantages	Disadvantages
BMOs	<ul style="list-style-type: none"> - Identification of members' needs - Increase in publicity 	<ul style="list-style-type: none"> - Changes in organisational and power structure - Additional costs
SMEs	<ul style="list-style-type: none"> - Easier access to service and interest representation - Access to new ideas and best practice 	<ul style="list-style-type: none"> - Additional fees - Disclosure of business secrets
donors	<ul style="list-style-type: none"> - Fast and visible results - Easy and cheap implementation 	<ul style="list-style-type: none"> - Missing sustainability - Choice of right partners

3 The Nucleus Approach in Practice: "Re-Tie Bangladesh"

As the title suggests, the project "Reduction of Environmental Threats and Increase of Exportability of Bangladeshi Leather Products" (Re-Tie Bangladesh¹³) aims at preparing small and medium-sized enterprises of the leather sector to "work economically and ecologically more successful and more sustainable with the use of aligned technologies and practices" (gGmbH 2008: 3).

With these goals the project is part of the SWITCH-Asia programme of the European Union (EU), which is designed to promote sustainable consumption and production of SMEs, especially in least developed countries in Asia¹⁴ (SWITCH-Asia Network Facility and Copenhagen Resource Institute 2010). More specifically, its aim is to help SMEs getting access to knowledge, training and technologies in order to minimise the polluting effects of their production cycle (European Commission 2008).

"Re-Tie Bangladesh" is seen as a very successful project with regard to opening up possibilities to switch to sustainable cleaner production methods as almost all numerical targets were achieved or even exceeded¹⁵ (in-

¹² They offer consultancy services, technical information, trainings and workshops on different subjects, as well as services in finance, telecommunications and website design (Gibson and Bear 2000). Thus, there are not many services left for the BMOs to take over.

¹³ The project started in February 2009 with an initial duration of 36 months, but was extended for another nine months until November 2012 (Weber 2011a). Re-Tie Bangladesh was funded by the European Union and implemented by sequa gGmbH as lead, together with the Professional Training Centres of the Bavarian Employers' Associations (bfz gGmbH, International Division Hof) and the United Nations Industrial Development Organization (UNIDO). The local partners consisted of the Dhaka Chamber of Commerce and Industry (DCCI), Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association (BFLFEA) as well as Bangladesh Tanners Association (BTA) as associate partner (sequa gGmbH 2010).

¹⁴ There are EUR 152 Mio. committed as EU-contribution from 2007-2013 for projects with a duration of 24-48 months and grant amounts per project of min. EUR 500,000, max. EUR 2 mio. (Wiley 2012).

¹⁵ For example, water consumption could be reduced by 30%, the chromium load in wastewater by 15% and the chemical oxygen demand in wastewater by 15% (Internal Evaluation Report 2012).

ternal evaluation report, 2012¹⁶). According to Weber (2012), a much higher awareness regarding sustainable production and waste management is also evident. The implementation of the Nucleus Approach, however, has to be considered as having failed: The BMOs did not show any interest in taking on the approach, i.e. to employ the counsellors and to continue with the running of Nuclei towards the end of the project. Additionally, there were no regular Nucleus meetings, not enough Nucleus activities, and also with respect to organisational development only little could be achieved. Therefore, the Nucleus approach was given up after the regular end of the project in February 2012. In the following, possible reasons for this will be identified.

3.1 Research Design

This section is based on information collected during twelve weeks of field research in Bangladesh between June and August 2010. In the course of this research, talks were held with relevant stakeholders and beneficiaries of the project. In total 35 semi-structured interviews were conducted individually with members of the Nuclei of the three BMOs and local project staff¹⁷. As the project was already running for 16 months when the survey took place, it was thought of as a kind of “mid-term evaluation” of what had been achieved so far. The aim was to find out about what had changed in a positive or negative way and how the Nucleus Approach was being applied and accepted. In order to do justice to this aim, the central parts of the questionnaire focused on the work of the Nuclei, the development of SMEs and their relationship with each other as well as with the BMOs regarding service delivery. However, most of the Nuclei were only running for approximately six, some even only for three months. After such a short period of time of working with Nuclei, it was still early to measure significant impacts on SMEs' business or on their relationship with the BMOs. Yet, with hindsight, it is possible to detect some of the later causes for the approach's bad success in the project from the interviews.

Among other difficulties, one of the greatest hindrances was the fear of industrial espionage and the mutual distrust prevailing between all actors, among entrepreneurs, BMOs and counsellors, as well as towards the interviewer. Furthermore, because of language restrictions on both sides (no knowledge of Bangla on the interviewer's side and no or little knowledge of English on part of the tanners), most of the interviews were conducted with the help of a translator. This role was taken over by the counsellors, each counsellor translating the interviews in his own Nuclei – which diminishes the chances for independent and truthful answers on part of the Nuclei members. And indeed, some answers seem suspicious and modified, because they were equally worded or over-positive, as if trying to give socially desirable, “correct” answers.

3.2 Findings

First of all, the interviews gave indications as to when the operation of Nuclei really began. Although the project officially started in February 2009, the first Nuclei were started in October the same year by DCCI, but more Nuclei had been created much later, the last ones only in July 2010¹⁸. Furthermore, the Nuclei seemed to be made up of very heterogeneous members. Although most of the interviewees were the owners of tanneries,

¹⁶ This and the following documents referred to as “internal” are documents circulated among the project's stakeholders. Having been part of the project for the duration of the field survey, the author has had access to these documents. The information given here rests on her own understanding of these documents.

¹⁷ Whereas recording the interviews would have rendered them more accurate for analysis, it was refrained from doing so as this would have made it more difficult to gain the stakeholders' trust and permission to talk to the Nucleus participants. Notes were taken instead, as well as memory minutes.

¹⁸ Because of problems with their counsellor, BFLLEA could only start the first Nuclei in March 2010.

there had been differences with respect to their professional training, especially when broken down by BMOs. All of DCCI's Nuclei members, for example, had had some sort of training, while none of BTA's had.

Regarding the reasons for joining the Nuclei, most of the tanners said that they were encountering problems in their day-to-day work and were looking for solutions. The second most important reason for joining were apparently environmental reasons, followed by the wish to improve one's business. Some of the interviewees also named their interest in new technology, followed by the improvement of the leather sector in general, as one of their motivating factors. Additionally, a general interest in the project, as well as in Occupational Health and Safety (OHS) measures in particular, were named, as well as an interest in sharing technology, policy help, and a feeling of isolation in the own company.

As a response to tackle these problems, there seem to have been a different amount of activities within the Nuclei of the three BMOs, ranging from none to ten for different participants, because apparently not all activities were offered to all members. Interestingly, the BTA Nuclei had done fewer activities in general, but more people also attended them.

With respect to the kinds of activities that were offered, workshops and trainings take the lead, followed by meetings, seminars and an international study tour. With four exceptions, all of the interviewees stated that they had learned something in the activities they participated in, mostly with regard to unity of group, learning about solar technology, chemical mixing and environment-friendly production methods. On the other hand, those who felt that they had not learned anything new emphasised that the actual implementation of solutions was the important part, not the theoretical analysis of possibilities.

Everyone seemed to be content with the BMOs' work and all Nuclei members rated the performance of their Nuclei as "good" or "great", without any suggestions for improvement. Equivalently, everyone stated that the counsellors were doing a great job, although this data cannot really be considered because – even if they disagreed – they could not have given their real opinion with their own counsellors present.

The issuance of certificates seems to be by far the most prominent service the BMOs provide for the Nucleus members, followed by negotiations with the government and training. The organisation of trade fairs, help with policy matters and the provision of information also seem to be well-known services. Help with banking matters and other kinds of advice were mentioned, as well as the BMOs' role in unity maintaining, assistance with shipment, business promotion, and help in organisational matters. When asked about services they needed, but which were currently not offered, the interviewees mentioned training most frequently, followed by the wish for more advice and guidance in general, as well as more trade fairs and more information about markets and buyers, especially with an international scope.

Interestingly, all but one of the members of each BTA and BFLLEA said that they had been receiving services by their chamber or association before the start of the project, whereas the majority of DCCI's Nuclei members had not. Therefore, most of the interviewees could not detect any changes in service provision, except for those of DCCI who thought it had improved. This might have to do with the fact that all of the interviewees of DCCI's Nuclei said that they were paying membership fee since January 2010, so only shortly after they had become part of the Nuclei. By contrast, the Nuclei members of BTA and BFLLEA had been paying membership fee already well before the start of the project, to a great extent even for several decades. Regarding the membership fee, the Nuclei members as well as the respective counsellors of both BTA and BFLLEA considered the amount appropriate, whereas those of DCCI were of the opinion that it was too high for SMEs. This suggests that DCCI's members include smaller enterprises than BTA and BFLLEA, which was also confirmed by the counsellors. Interestingly though, DCCI has the highest membership fee.

Almost all of the Nuclei members found their situation as having improved compared to before their participation in the project, naming more awareness about the environment and a faster pace with how things happen as the major improvements. On the other hand, it was also stated twice that the improvements were restricted to knowledge and some small equipment, but that the project was “not any good monetary”.

The project seems to have had a positive impact on the relationship between the individual tanners, as most of them were referring to themselves as colleagues now, whereas their relationship was considered “neutral” before. They ascribed this change to the increased cooperation because of the regular meetings and frequent interaction.

4 Analysis: Possible Reasons for Bad Success

Having looked at both the theoretical aspects of the Nucleus Approach as well as at its concrete implementation in Bangladesh, we will now try to extract possible reasons for the approach's bad success in this project.

4.1 External Influences

Macroeconomic Factors: LDC vs. Emerging Economy

First of all, it is striking that, with the exception of Mozambique¹⁹, the Nucleus Approach has not been applied in other so-called Least Developed Countries (LDCs²⁰) like Bangladesh, where GDP per capita still remains low and great parts of the country are still stricken by extreme poverty²¹. In case of economic pressures, people may be forced to take short-term actions even though long-term adverse consequences might be attached to them (Abdullah et al. 2010; Smith n.d.). Transferred to the leather sector, the tanners might accept the long-term pollution they are causing in order to increase their short-term income. Among Nucleus proponents, a considerably bad economic situation can also be seen rather favourable to the success of the Nucleus Approach because then people are more willing to try new approaches – because they want to improve their situation no matter how (Nucleus expert, personal interview from January 9, 2013). On the other hand, Bangladesh is a country on the rise and has made some considerable progress in the last years: poverty levels have declined and since the end of the 1990s Bangladesh has achieved a consistent GDP growth rate of lately six percent annually (Lewis 2011). Thus, in this booming tendency, BMOs as well as entrepreneurs might not feel the need to change their mode of operation.

¹⁹ In Mozambique, however, the approach is said to have been applied successfully. The direct know-how transfer by Brazilian short-term experts speaking the same language might have contributed to this, as well as the fact that the goal of the project was much more in line with those of the Nucleus Approach, i.e. strengthening the institutional capacities of BMOs in order to improve the competitiveness of SMEs (Wahl et al. 2007).

²⁰ The term “least developed countries”, coined by the United Nations, goes back to the 1960s and represents “the poorest and weakest segment of the international community”. This group currently consists of 49 countries that are identified based on the three criteria of low income, human assets and economic vulnerability to external shocks (UN-OHRLLS 2013).

²¹ With a GDP per capita of 590 USD, 53 percent of the rural and 37 percent of the urban population remains poor (Lewis 2011).

Cultural Misunderstandings: A Bangladeshi Face needs a Bangladeshi Pace

Secondly, the specific cultural²² idiosyncrasies of Bangladesh seem not to have been taken care of enough, with the result that some of the measures taken provoked exactly the opposite results of what had been intended. For motivational reasons, for example, the counsellors' contracts were limited to one year and would only be prolonged in case of delivering good work. But instead of encouraging them to continuously delivering satisfying results, this measure demotivated the counsellors as they felt unappreciated and continuously insecure about their salary (Nucleus expert, personal interview from October 17, 2012). Additionally, even though the international project team was unsatisfied with the counsellors' work, because they were not as active as they should have been, the contracts were prolonged each time, but a performance-based payment system was introduced towards the end of the project instead (project manager, personal interview from October 10, 2012). According to that, the counsellors' salaries would be cut down by 20 percent if they did not arrange for at least two Nucleus meetings and two real activities per month (internal document 2012). Since this would have been an extreme increase²³ and the counsellors could not deliver this, their salaries were cut, which made performance even worse and created indignation on part of the counsellors as they did not consider their job to be performance-based.

This shows that even though performance-based compensation is often positively linked to employees' performance, culture can significantly influence this (Abdullah et al. 2010; Grammling 2006). Monetary incentives, for example, do satisfy the needs of extrinsic motivation (i.e. to earn money), but can actually suppress the intrinsic one, i.e. getting satisfaction through work, if the employees perceive this as a control mechanism. Incentive systems have to be perceived as fair in order to be effective (Grammling 2006). Additionally, instead of "punishing" by diminishing the salaries, it would have been possible to "reward" good performance with a bonus, i.e. by giving money on top of the fixed salary (Sprenger 1992). As it might be even better to promote intrinsic instead of extrinsic motivation, non-financial rewards could be given for recognising good performance, like awards, public recognition or training opportunities (McKim and Hughart 2005). Especially in a collectivist and uncertainty-avoiding culture like Bangladesh, in which losing a job is considered a discredit, job security is considered as *"one of the most important elements for employee motivation"* (Abdullah et al. 2010: 11).

The Leather Sector: A Tough Nut?

A third reason for the bad success of the Nucleus Approach in this project might be found in the choice of sector. The leather sector was chosen for this project because it perfectly suited the demands of the SWITCH-Asia programme (project manager, personal interview from October 10, 2012), i.e. it is a heavily polluting sector²⁴, to the largest part made up of SMEs and forms a substantial share of the Bangladeshi economy²⁵ (European Commission 2008; Wiley 2012). Yet, quite different requirements have to be met for a successful implementation of the Nucleus Approach. In this respect, a suitable sector is said to be one in which know-how

²² According to Hofstede (1980: 12), culture *"is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience. When we speak of the culture of a group [...], culture refers to the collective mental programming that is different from that of other groups"*.

²³ For example, in DCCI's Nuclei only 12 activities and five to nine meetings were held in the different Nuclei over the whole project period (internal document 2012).

²⁴ In the peak season, around the festival of Eid-al-Adha, the Hazaribagh tanneries release about 170 tons of solid waste and 21,000 cubic metres of untreated effluent per day into one of Dhaka's main rivers, the Buriganga, thereby surpassing the permitted limits by many thousands of times (Human Rights Watch 2012).

²⁵ It is currently the fourth largest export-revenue earning sector, contributing an estimated 700 million USD (Maleque 2012: 3).

sources exist and a great number of SMEs within a given catchment area are given (Müller-Glodde et al. 2005). With the leather college and some 150 tanneries present in Hazaribagh, these criteria seem to have been met (Watch 2012). However, the tanners in Hazaribagh were too different from each other to be able to work together and counsel each other (internal document 2012). Furthermore, the literature suggests that the Nucleus Approach should best be implemented in weak and unorganised sectors (Wahl et al. 2007; Beck et al. 2008; Müller-Glodde 1993). Judging from the abundance of associations and NGOs active in the leather sector, and from the fact that most of the interviewed tanners had already been members of BMOs for several years, it might be the case that this sector is already well taken care of, and consequently, the acceptance of, and need for, the Nucleus Approach is rather low. Equivalently, as became evident during the survey, the BMOs seem to be rather well organised already and most of the members were already paying membership fees as well as additional fees for individual services.

Furthermore, the tannery sector seems to be a particular “tough nut” with respect to cooperation among entrepreneurs. Keeping in mind that the “right” sector is seen the most crucial factor for the approach's success (Nucleus expert, personal interview from October 17, 2012), it did not come as a surprise for industry experts that the Nuclei did not work as expected in Hazaribagh (internal document 2012). Tanners are generally very conservative and do not adopt anything unless they are fully convinced and see the value of it. The fact that the Nuclei started off poorly in the Re-Tie project could just have been proof against it. This holds true also for the author's own experiences during the field survey; although referring to each other as colleagues during the interviews, there was a prevalence of a deep mistrust between all the actors; and especially the pronounced fear of industrial espionage renders it unlikely that the entrepreneurs would have agreed to exchange their business secrets. Another reason why the tannery sector might be unsuitable for the application of the Nucleus Approach could be that it is not possible to realise major improvements with only little input. Research shows that the Nucleus Approach has not been applied to the tannery sector before, and even though the Re-Tie project has proven that a lot can be achieved without major investments (cf. the reduction of hazardous chemicals), more investments might be needed in order to fundamentally change the way of production and to comply with international quality standards²⁶.

Wahl et al. (2007) also suggest taking into account the “history” of a sector, i.e. if it had already participated in a development project before and possibly has made negative experiences. According to BTA's counsellor, many tanners are quite set against NGOs and development projects, as well as suspicious towards strangers in general. Therefore, the tanners' motivation to engage themselves in the project might have been low from the start. Furthermore, Nucleus experts are of the opinion that the Nucleus Approach should only be applied if more sectors are involved – restricted to one sector, there will never be enough participants paying fees to make it self-sustainable and the success is wholly dependent on the constellation of people in one sector at a given point in time (Nucleus experts, personal interviews from October 17, 2012 and January 9, 2013).

4.2 Operational Problems

Project Set-Up: Going Down a Ski Slope with a Car

Regarding the project set-up, it first of all leaps to the eye that the method used in this project was not appropriate for the goals that were to be achieved. Whereas the Nucleus Approach aims at empowering small-scale entrepreneurs to solve business problems they have identified themselves and to make BMOs more favourable towards SMEs, the Re-Tie project was introducing new production techniques in a top-down manner.

²⁶ This becomes clear in comparison with other sectors the Nucleus Approach has been applied in. Whereas it is relatively easy to introduce more professional ways in a photographer's direct contact with customers, or a new kind of seed to plant breeders, it is not so easy to improve leather quality or reduce pollution without investments in new machinery.

Nuclei in this project were used as a tool to more easily disseminate new production methods to a greater number of SMEs (sequa gmbH 2008) – not for the subjective identification of problems. Therefore, it seems that there was actually no need for the running of Nuclei. For the project's aim, it would have sufficed to establish groups of workers or owners in which these new techniques would have been demonstrated to them, i.e. trainings or workshops. Still, the Nucleus Approach was supposed to be applied by the book, resulting in the fact that the Nucleus members were encouraged to identify activities that fit the agenda of the project, i.e. cleaner production and Occupational Health and Safety (Nucleus expert, personal interview from October 17, 2012).

From an objective point of view, environmental pollution is a tremendous problem in Hazaribagh, and entrepreneurs should be interested in production methods that are less polluting. Thus, it would have been reasonable for the tanners to identify this as a problem, making it identical with the project agenda. The problem was that they did not do this. Taking into account the motivation of the tanners to join the project (see above), reducing environmental pollution was named as the second most important reason, following the wish to generally improve one's business. However, looking at the kinds of problems which were identified in DCCI's Nuclei reveals that out of 103 identified problems, only very few were related to the project agenda (internal document 2012). Most frequently the lack of skilled workers was mentioned, as well as a lack of modern technology, a chemical laboratory and of proper slaughtering facilities because of the inferior quality of the raw material. With regard to the activities that were realised, it becomes obvious that instead of addressing these identified problems, they dealt with the topic of cleaner production. In total, 12 activities were realised, of which only three were in any way responsive to the identified problems: training on management and accounting, on receiving credits from banks, and on leather finishing. The other nine activities were technical workshops on OHS, benchmarking, preventive maintenance and cleaner technology (internal document 2012). Therefore, it has to be concluded that the wrong method was used here. The Nucleus Approach was imposed on a project which was not concerned with the aim of the approach. It was tried to go down a ski slope by a car – which does not work properly because the car was not made for that (Nucleus expert, personal interview from January 9, 2013). As a result, the approach was used to promote the project agenda instead of allowing the entrepreneurs to decide on their needs and wants themselves. However, entrepreneurs are only open to new ideas and willing to pay for services if these are what they themselves have identified as their needs and possibilities to bring profit to their businesses (Nucleus International 2006).

It has to be positively acknowledged that an exit strategy was thought of and included in the set-up, i.e. to run the project with only technical support for a certain duration of the project and to gradually decrease the subsidies towards the end, thereby accompanying the BMOs in the transition period (Nucleus expert, personal interview from October 17, 2012). It was planned that after 18 months, 50% of the counsellors' salary would be covered by the BMOs, until they would finally take over all of it towards the end of the project (internal document, 2012). This sounds like a good exit strategy, but unfortunately it did not work because the BMOs refused to pay their share. The project team was left with two choices, either to carry on covering the salary themselves until the end of the project, or to stop the project immediately (internal document 2012). It is, however, interesting to note that during the field survey in 2010, the local project manager already stated that the BMOs will never pay these salaries. As it was therefore foreseeable that the exit strategy would not work, an alternative should have been outlined before the end of the project. The BMOs' refusal, in turn, might have to do with the amount of the counsellors' salary. Compared with the annual average income in Bangladesh, the counsellors' income corresponds to that of software engineers, i.e. it was much higher than the income of the other BMO employees and too high for the BMOs to cover. Additionally, this led to the BMO project staff feeling threatened by the counsellors, and to the counsellors themselves showing more loyalty towards the project than to the BMOs (Nucleus expert, personal interview from October 17, 2012).

“Wrong” Staff on the Ground?

Another important factor for the success of a development project is to have committed and motivated people working for it, on the side of the donors as well as on the side of the partners. In the Re-Tie project, success was especially dependent on the work of the on-site personnel, i.e. the local project director and the counsellors. Yet, there have been some misjudgments concerning the employment of some of the local project staff. The first local coordinator, for example, had to be replaced after one year because of faking reports and trying to get subsidies without actually doing something. His successor was doing a better job at first, but probably became frustrated after a short time because of the non-responding BMOs. Ultimately, he also had to leave towards the end of the project because of financial dishonesty (project manager, personal interview from October 10, 2012). Additionally, BFLFEA's first counsellor had to leave after ten months due to personal reasons: being a son of one of the tanners of Hazaribagh, the other tanners were suspicious and feared that he was trying to gain some advantages for his father.

In general, the task of the counsellor is important as *“a chamber's successful implementation of the Nucleus Approach is inevitably and directly linked to the quality and competence of the counsellor”* (Müller-Glodde and Lehmann 2007: 148). If he performs well, a Nucleus has more chances for success. Yet, this task is a difficult one. In case of problems, for example, he is the contact person for all of the stakeholders with their different wishes, targets and interests. Thus, the counsellor is caught in the middle of conflicting interests and above all, he has very limited opportunities for action – especially as it was not clear to the counsellors in this project what they were meant to do. One of the counsellors, for instance, said that it would have been good to have some sort of guideline showing which tasks he was supposed to attend to and which kinds he was meant to leave.

Even though the counsellors did not seem to be over-motivated, the author was under the impression that in general all three counsellors were qualified and capable of fulfilling their tasks. Moreover, they seem to have won the trust and acceptance of the entrepreneurs (Nucleus expert, personal interview from October 17, 2012). According to the counsellors' own statements, the most positive parts of being a counsellor are the better career prospects in the future, which might derive from the current posting in an international project (internal report 2011). This is not condemnable, but rather unlinked to the success of this particular project. However, the negative aspects are directly linked to it; most importantly, that they cannot force anything on the tanners (internal document 2012). The latter point seems to especially reveal a major problem of the approach and points to the big dilemma the counsellors find themselves in: they cannot make the entrepreneurs participate in a project-defined number of meetings and activities if they do not want to – even though it might be advantageous for them. It might have been especially difficult for the counsellors to convince long-established tanners of something new because Bangladeshi people are said to only listen to the advice of older people (project manager, personal interview from October 10, 2012) – and the counsellors, all in their thirties, were quite young.

Different Expectations, Frustrations and Tensions

The problems that occurred in the project may also be ascribed to different expectations of each of the stakeholders and, partly resulting from that, to miscommunication between them. Judging from their answers regarding their reasons for joining, the majority of the Nuclei members was looking for solutions to business problems. Also environmental aspects ranked prominently, but so did their interest in modern technology and in the promotion of their enterprises and of the leather sector in general. Taking into account the statement that the project has improved things, but was *“not any good monetary”*, some of them were certainly expecting subsidies. The counsellors wanted to boost their careers in the first place, and also they thought that *“some small equipment”*, i.e. subsidies, would be appropriate. Apparently, the BMOs were not interested in the

project altogether (project manager, personal interview from October 10, 2012). Yet, they did express the wish that the project might give some technical support in the shifting of the tanneries to the new production site in Savar (Weber 2011b), and furthermore also expected “something visible” like new machinery. The project team, ultimately, expected a certain number of meetings and the regular realisation of Nucleus activities – which there were not.

At this point, misunderstandings come into play because the term “Nucleus/focus group activity” did not mean the same thing to everyone. To be counted as a “real” Nucleus activity, the Nuclei members had to play an active part in initiating, preparing and organising it; the activity was supposed to be realised without the support of the project team or funds (internal document 2012). According to bfz, however, things were quite different in the Re-Tie project. The members requested an activity but they were not involved in its preparation and realisation. The counsellors, who were only supposed to support these activities, were actually organising them together with project staff from the BMOs or UNIDO. Furthermore, meetings are not to be counted as activities, because they are the very basis of the approach and do not require extra effort. Equivalently, the international study tour does not count as it was organised by the project. Recalling the answers given in the field survey, it can be seen that neither the Nuclei participants nor the counsellors made any distinction between meetings and activities, which proves that the concept was not fully understood.

4.3 Stakeholders

Unmotivated Members or Wrong Incentives?

The participation in the Nuclei meetings was very low, and it was rather the employees who participated instead of the owners, which is why they also wanted to talk about issues affecting them rather than the industry as a whole. This can also be seen as an indication that the owners did not attach much importance to these meetings; otherwise they would have attended themselves. Therefore, it seems that the main beneficiaries of the project were rather unmotivated. On the other hand, and despite low participation, long discussions and active participation could be observed in the meetings, indicating a high level of motivation (internal document 2012).

Considering the results of the field survey, we have seen that BTA had realised less meetings and activities than the others, but could register a higher number of participants. This might suggest that it is better to offer fewer activities and not to overburden the entrepreneurs instead of offering more with a lower number of participants. Additionally, participation was generally higher in the training activities, in which also the factory owners themselves participated and seemed to be supportive of the Nuclei (internal document 2012).

The Nucleus Approach builds on the assumption that the entrepreneurs “*are in principle ready to shoulder expenses if they are convinced that a service is valuable for their enterprise*” (Beck et al., 2008: 59). While this might be a true assumption, this was apparently not the case in this project, because, as the counsellors had pointed out, the entrepreneurs did not think the activities to be of such high value. According to them, the tanners would be most likely to pay for activities involving leather fairs and contacts to leather buyers, but not for activities like management or marketing training.

Uninterested BMOs: No Sense of Ownership

BMOs are the “decisive point concerning the continuation of Nuclei” (Müller-Glodde and Lehmann 2007: 176). However, the BMOs involved in this project seem not to have been interested in the project at all (internal document 2012). As a result of this disinterest, hardly any OD processes could be realised (project manager, personal interview from October 10, 2012). Most importantly, however, this disinterest prevented them from

taking any ownership²⁷ of the Nuclei. Although it was tried to enlist their support, the BMOs remained distant from the Nucleus groups and were unaware of the activities which were all organised and implemented by the project²⁸ (Nucleus expert, personal interview from October 17, 2012). Because of the apparent disinterest in the project, the question arises if the partner organisations were well selected. As a project in the leather sector was planned that would use a BMO-integrating approach, the available BMOs in the Bangladeshi leather branch had to be chosen (project manager, personal interview from October 10, 2012). However, there would have been other possibilities than BTA, BFLFEA and DCCI²⁹. As an alternative, or in addition to these, it would have been possible to include organisations not particularly involved in the leather sector, but with SMEs in general, offering services as well interest representation to them³⁰. Moreover, at the suggestion of the tanners interviewed in the survey, Bangladesh's Leather Technologist Society should have been included so that the opinion of leather technologists could be heard, as well as to improve their knowledge about production methods. In this respect, and because the project wanted to spread new production techniques, it would probably also have been beneficial to involve research and teaching institutions such as the local leather college of Dhaka University.

The Project Team and Preventable Drawbacks

Finally, as it was the project team that was shaping and implementing the project, their work has to be examined more closely. Apart from selecting the BMOs, they also chose the counsellors, but no information could be obtained as to the selection criteria. Even though the counsellors could have done better, bfz can be criticised for not having provided them with an appropriate preparation for their job. Especially taking into account the adverse conditions at the beginning of the project, a three-days workshop³¹ was not enough to provide them with the necessary skills to be a good counsellor (project manager, personal interview from October 10, 2012). Because of dissatisfaction with their work, two more training sessions were held in September and December 2011 with the objective to counsel and train the counsellors "on the job" and to refresh the basic concepts of the Nucleus Approach (internal document 2012). However, such a kind of training should have been done much earlier instead of three months before the official end of the project. Another, rather confusing fact is that the counsellors were called group consultants during the whole of the project, even though their tasks were those of a counsellor³². This may explain the remark of one of the counsellors that they would have needed a proper job description and some guidelines as to what their job is actually about.

²⁷ According to the Paris Declaration of 2005, ownership means that "*partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions*" (OECD, 2010: 3).

²⁸ By contrast, in Sri Lanka as well as in Brazil, the "project", i.e. the donor part of it, had a mere facilitating role, whereas the main responsibility was with the chambers. They were kept informed about all Nuclei activities, and it was the BMOs that organized them (Nucleus expert, personal interview from October 17, 2012).

²⁹ DCCI is composed of about 4,000 enterprises of different sizes and branches, BFLFEA reportedly consists of about 80 fairly large member enterprises, whereas BTA is said to have 150 members of which most are of small and medium size (Maleque 2012; FBCCI n.d.). Thus, only BTA seems to be the optimal partner for the project as it has SMEs as members and also focuses on the leather sector in particular.

³⁰ For example, the Bangladesh Small and Cottage Industries Corporation (BSCIC), the National Association of Small and Cottage Industries of Bangladesh (NASCIB), or SME Foundation (SMEF).

³¹ The counsellors received three days of training in April 2009, and another three days six months later (internal document 2012).

³² The tasks of the counsellor range from initiating reflection processes, challenging traditional ways and opening up new ways of thinking, thereby aiming at identifying problems. Thus, his job is only supportive, emphasising the ownership and responsibilities of the Nuclei members. The consultant, by contrast, starts out from a given problem, actively develops solutions to it and possibly also implements those (Müller-Glodde et al. 2005).

This carelessness regarding the preparation of the counsellors might arise from the Nucleus literature stating that the tasks of a counsellor can be easily learned in a few days, by giving them courses in moderation and visualisation techniques (Nucleus International 2008b). But whereas this is needed for the technical realisation of Nucleus meetings, this cannot be enough to enable them to fully understand the idea of the approach, nor to respond to problems in an appropriate way. The counsellors would have needed guidance from the start, as well as some on-the-job coaching on how to initiate meetings and to organise activities. Such accompaniment could have been provided to them by an experienced SME development specialist working on-site full-time. Instead, the local project manager was only working part-time, and the counsellors were managed from Germany (Nucleus expert, personal interview from October 17, 2012). Another drawback for the approach's success might have been that the entrepreneurs could not be convinced of the project right from the start because of several – preventable – organisational problems. For example, the first Nucleus activities were supposed to take place during Ramadan, which is why nothing could be realised. Additionally, the problems with the first local project manager caused further delay so that the first Nucleus meetings were realised not before January 2010, and the first activities as late as July 2011 (internal document 2012). The fact that the first local project office was situated in the Dhaka district of Gulshan instead of in Hazaribagh probably also played a part in the low participation rate. Even though a distance of about ten kilometres seems acceptable, it was simply too far away and therefore had a negative effect on the tanners' willingness to attend meetings. Even more so as the offices of both BTA and BFLLEA are situated right in the middle of the tannery district. Not only might these have offered much easier accessible places, but it would also have increased the BMOs' sense of ownership. Therefore, some fast results are needed in the beginning, e.g. short information-gathering trips or a visit to a fair, in order to show that it is worth participating (Wahl et al. 2007).

5 Discussion and Conclusion

In this paper, we have scrutinised the theoretical aspects of the Nucleus Approach, as well as looked at them in practice. Responding to the introductory question if the approach's bad success in the “Re-Tie” project was more due to general flaws of the approach, or to this particular implementation, we conclude that both aspects have influenced this outcome.

The Nucleus Approach itself certainly has its restrictions. With respect to the approach's theory, for example, it was found that it is partially based on untenable hypotheses and generalisations, for example that all small-scale entrepreneurs and BMOs worldwide behave in the same, predictable way. Although basically providing a good idea, the approach rests on assumptions that seem to be at odds with the economic thinking of entrepreneurs. They might consider strategic alliances, i.e. cooperation on a technical level, such as the sharing of costs for new machinery or subcontracting each other in order to divide their work more efficiently. But they would probably not want to counsel their rivals, no matter if they are perceived as enemies or colleagues, especially if they are in direct competition with each other. Furthermore, the approach does not ascribe enough importance to the most basic requirement for a successful implementation: the willingness of BMOs to change. If BMOs do not see the need to open up for SMEs, or to improve their support to them in any way, the approach has no chances of sustainable success.

Despite these weaknesses in the approach in general, however, the chances for a successful implementation of the approach would probably have been higher had there been less additional problems in the project set-up of the Re-Tie project. For example, if the entrepreneurs could have seen some successful examples of what the approach can do in the beginning, they may have been more interested. Additionally, as the participating BMOs did not show enough interest in the project, one could have thought of directly working with those institutions focusing on SME promotion, i.e. BDS providers such as NGOs, or with BMOs already specialised on SME development. According to Meier (1997), these kinds of BMOs are usually small and without lobbying power. But as service provision is the major goal of the Nucleus Approach, they might be the more appropriate

partner organisations to promote. Other project-related factors contributing to the bad success of the approach in the project include the choice of “wrong” actors, e.g. some of the local project staff, the fact that the Nuclei members were already quite satisfied with the work of their BMOs and therefore were not in “need” of improvement of the kind the Nucleus Approach offers, and that each stakeholder held different expectations to the project. Most importantly, however, the application of the Nucleus Approach did not fit the agenda of the project. The Nucleus Approach was chosen because it is an instrument to organise people and to create outreach. This is also what it was meant to do in the Re-Tie project. Yet, that is not all there is to it. To implement the Nucleus Approach – or any kind of bottom-up approach – means to leave the shaping of the project to its participants, i.e. to empower them to identify their needs themselves, and to act accordingly. The Re-Tie project, on the other hand, wanted the Nuclei members to identify problems according to its own agenda and to make the approach fit in.

With respect to future projects applying the Nucleus Approach, several recommendations can therefore be given. Apart from the congruence of project aim and method, cultural and local specificities have to be taken into account because there is no one-size-fits-all implementation of the approach. Secondly, it should be ensured that all stakeholders are working towards a common goal and have the same expectations to the project. On the part of both partner organisations and entrepreneurs an openness for new ways of doing and a willingness to change are crucial. The Nucleus Approach should only be applied if all stakeholders, especially BMOs, are fully aware of its goals and methods, and if all of them agree on those. Additionally, a clear project structure should be given in which every participant knows his position and tasks within the project. Generally, the Nucleus Approach seems to be more easily applicable in sectors in which entrepreneurs are not direct competitors in a limited market, but produce more diversified goods for a greater market. Then, the entrepreneurs might be more willing to cooperate and to counsel each other. It remains undecided if they would give away their business secrets under these circumstances; however, it seems unlikely, and this might be the most obstructive element regarding the approach's success. In order to contribute to the sustainable endogenous development of a region, other already existing agents and sources of growth need to be included as well, for example local know-how institutions and regional governments. That way, local resources and synergies can be made better use of, and changes can be multiplied more easily.

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