

# Good Practice Note

## Developing business membership organisations (BMOs)

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# DEVELOPING BUSINESS MEMBERSHIP ORGANISATIONS (BMOs)

## What and why?

‘How to’ rules on understanding and working effectively with BMOs to enhance their role within market systems.

This note builds on two facts. First, as organisations of and representing business, with an apparently natural market development objective and (at their best) bringing business skills to the wider market development task, BMOs would seem to be an obvious ally for M4P. Second, experience over many years in working with BMOs has been mixed and appropriate lessons must be drawn from this experience.

## How does it work?

Working with BMOs requires two broad steps:

- Understand the potential roles a BMO could play in a market system. This involves assessing the current position of the market and the constraints impinging on it.
- Follow key principles emerging from on-the-ground experience.

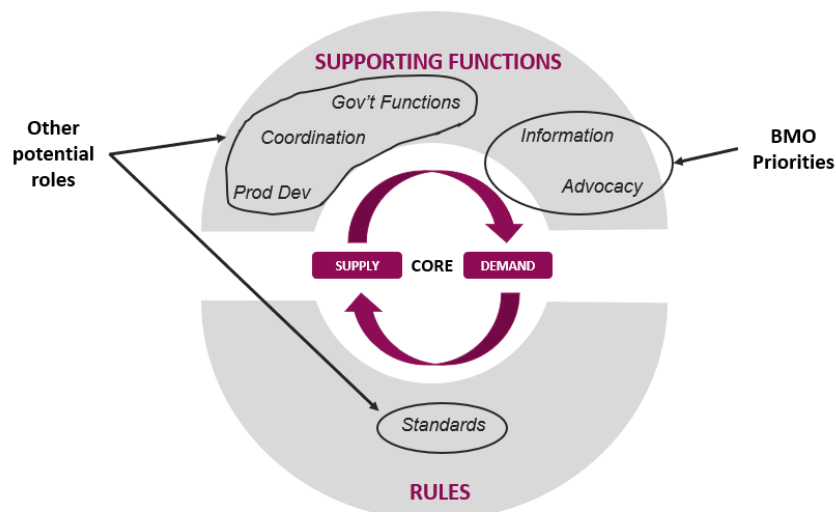
## Key factors for successful use

### Understand potential BMO roles

From an M4P perspective, BMOs’ value lies in how they can serve market development (not the other way around). Therefore:

- Identify the key constraints in the market system: Any engagement with a BMO must be based on a detailed knowledge of a market – not a superficial sketch.
- Identify potential areas where BMOs may be able to play a role: Although there is no blueprint, typically BMO roles are related to their core competence in:
  - Advocacy: representing members and communicating with stakeholders.
  - Information: on trends, linkages, new ideas and opportunities.

**Figure: Potential roles for BMOs in markets**



Other roles might

- Coordination: a strategic role requiring oversight and linkage of key players.
- Standards setting and enforcement (e.g. industry codes of conduct).
- New technology/product development: sponsoring new ideas in practice.
- Delegated government functions (e.g. export certification).

A key consideration is to allow BMOs to play appropriate roles – to encourage their development but not to lure them into inappropriate roles beyond their competence.

### **Follow the rules of engagement with BMOs**

- *Ensure that the BMO represents a genuine shared interest:* Is the BMO concerned with bringing more people into the market or has it been captured and is protecting narrow vested interests?
- *Check that the balance between private and public interest is acceptable:* Understanding incentives is critical to BMO development. BMO leadership is usually driven by both self-interest and wider (public) goals – a workable overlap between these two goals is the basis for development.
- *Build around key people:* As with small businesses, the potential of BMOs is often shaped by the competence and motivations of key leaders. Conversely, if leadership is weak, there may be little basis for collaboration.
- *Use workshops to influence the BMO vision:* Collective vision building workshops are useful in providing an open and transparent platform to explore the BMO's view of the market development challenges ahead and the BMO's role within this.
- *Find an initial focus:* Build support around a logical area where collective action (rather than by individual firms) is the only feasible approach.
- *Allow the facilitator offer to emerge:* Rather than approaching BMOs with a fixed offering, let this emerge in a context of a process of assessing the strategic challenges in a market and the potential role of the BMO within this.
- *Balance ambition with pragmatism:* While the wider experience has been for external support to extend BMOs beyond their realistic limits (with failure the result), given the right people, incentives and encouragement, BMOs' role can be more strategic and influential.
- *Engage over a period of time:* Rather than investing significant amounts of support, intervene in small, iterative ways so that the level and nature of intervention is appropriate to the level of BMO development. Let intervention support grow with the organisation.
- *A 'tough' line in intervention negotiation:* The facilitator's stance shapes the incentives framework for the BMO. Make support conditional, don't give too much and focus on technical (non-cash) inputs. Establish interventions' value-added as knowledge and skill based – not finance.
- *Accept a degree of financial opaqueness:* Changing BMOs into models of financial probity is often an impractical aim, requiring a degree of external support that would change their nature (and increase their overheads). Small, specific interventions may increase transaction costs but have a better chance of maintaining the integrity of the relationship.
- *Cost-share to increase BMO ownership:* Although there is no formula, more of the cost burden should be met by the BMO over time.
- *Remember that BMOs are not always necessary!* BMOs are a means to an end; their value extends only as far as the roles that they can play. Don't set out to work with them as a matter of principle; only do so if they have the potential to be useful.