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USAID/BANGLADESH: SOCIAL MARKETING SUSTAINABILITY PROGRAM

PERFORMANCE REVIEW

JANUARY 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by Susan Rae Ross, Richard Pollack, and Jonathan Petko through the Global Health Technical Assistance Project.

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This document was submitted by The QED Group, LLC, with CAMRIS International and Social & Scientific Systems, Inc., to the United States Agency for International Development under USAID Contract No. GHS-I-00-05-00005-0

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ACRONYMS

APAS	Annual Performance Appraisal System
BCC	Behavior change communication
BSP	Blue Star Provider
CA	Cooperative agreement
CP	Compensation package
CYP	Couple years of protection
FP	Family planning
GAIN	Global Alliance for Improved Nutrition
GOB	Government of Bangladesh
HRD	Human resource development
IDA	Iron deficiency anemia
IPC	Interpersonal communication
IUD	Intrauterine device
LAPM	Long-acting and permanent method (of contraception)
IMIS	Integrated Management Information System
MAVP	Mobile audio-visual program
MBBS	Bachelor of medicine, bachelor of surgery graduate degree
M&E	Monitoring and evaluation
MIS	Management information system
MCH	Maternal and child health
MD	Managing director
MOHFW	Ministry of Health and Family Welfare
NGMP	Non-graduate medical practitioner
NGO	Non-governmental organization
OCP	Oral contraceptive pill
ORS	Oral rehydration solution
PI	Program income
RH	Reproductive health
RMP	Rural medical practitioner
SDK	Safe delivery kit
SHOPS	Strengthening Health Outcomes through the Private Sector Project
SMC	Social marketing company
SMSP	Social Marketing Sustainability Program

SSFP	Smiling Sun Franchise Program
TB	Tuberculosis
TBA	Traditional birth attendant
USAID	United States Agency for International Development

I. BACKGROUND

PURPOSE

United States Agency for International Development (USAID) support for social marketing in Bangladesh began soon after the country became independent. In 1974, at the request of the Government of Bangladesh (GOB), USAID initiated the Social Marketing Sustainability Program (SMSP) to distribute non-clinical contraceptives throughout the country. More than a dozen years later, in 1990, that successful experimental project was transformed into a not-for-profit private limited company: the Social Marketing Company (SMC), operating under a volunteer board of directors. Since that time, USAID has remained SMC's single largest supporter.

The current relationship between SMC and USAID is governed by a cooperative agreement (CA) (2007-2012) that emphasizes services for family planning (FP) and reproductive health (RH); maternal and child health (MCH), including nutrition; referral for tuberculosis (TB); and the development of new business and other sustainability strategies.

An external evaluation of the SMSP was conducted in 2006. In 2011, given the imminent conclusion of the current CA, USAID/Bangladesh requested a new, independent assessment of the program. The purpose of this scope of work (SOW) is two-fold: first, evaluate SMC performance, achievements, and progress toward expected results; and second, provide strategic recommendations to USAID about future funding for the SMSP.

The assessment scope of work is found in Annex A.

METHODOLOGY

A three-person team — Jonathan Petko, Richard Pollard, and Susan Rae Ross — assessed the SMSP in Bangladesh from April 4 to April 25, 2011; USAID/Regional Alliance Builder Michael Silberman joined the team from April 17 to April 25, 2011. To complement face-to-face meetings and interviews, the team reviewed relevant data and conducted a literature review of annual work plans and reports, communication tools, market surveys, previous evaluations, training materials, and other relevant publications (see Annex C).

While in Bangladesh, the team interviewed USAID directors and staff, such as staff from the Office of Population, Health, and Nutrition; the Office of Food, Disaster, and Humanitarian Assistance; the Office of Economic Growth; and the Program Office. Extensive meetings were held with the SMC Board of Directors, management, and factory and sales staff, as well as with Blue Star Providers (BSPs) and USAID implementing partners (e.g., Engender Health, Family Health International/FHI360, Save the Children, and the Smiling Sun Franchise Program/SSFP). The team also met with representatives of private businesses that manufacture SMC products (e.g., Renata Limited and Square Pharmaceuticals Limited).

Annex B provides a list of meetings and persons interviewed.

II. PERFORMANCE

The five-year, $100 million CA between SMC and USAID includes $3 million of federal cash funds, an SMC cost share of $79 million, and $18 million in program income (PI) funds to be generated from the sale of pills and injectables donated by USAID.

In 2010, SMC covered 81% of costs from its sales revenue and 88% of costs from the company's total revenue from all sources. An SMSP objective was to achieve 85% cost recovery while meeting its targets for FP/RH, MCH, and TB. This would be accomplished by achieving the following six key expected results.

- Increased sales of reproductive health products and a secured supply of commodities
- Increased sales of injectables and a strengthened social franchising network (for the delivery of the injectables as well as other priority health products)
- Increased oral rehydration solution (ORS) production and sales to generate more revenue for cross-subsidization
- Sustainable products for improving the nutritional status of children introduced
- Improved effectiveness in health communications to reach target groups
- Improved organizational management and strengthened linkages with other partners

The *goal* of SMSP is to reach sustainability while maintaining one pill, one condom, and one injectable that is affordable for the poor.

RESULT 1: INCREASED SALES OF RH PRODUCTS AND A SECURED SUPPLY OF COMMODITIES

This result includes two components: support for FP through the distribution of condoms and contraceptive pills, and support for improved maternal health through the supply of safe delivery kits (SDKs). Note that injectables and intrauterine devices (IUDs) are discussed under Result 2.

Distribution

SMC has a broad distribution system that supplies various health and nutrition products. SMC sales officers facilitate the distribution of product through a variety of outlets: 80,000 pharmacies, 140,000 non-pharmacy outlets (such as drug sellers and kiosks), an estimated 3,400 BSPs, 11,500 rural medical practitioners (RMPs), and 694 non-governmental organization (NGO) outlets. A sales promotion officer provides support and training to 4,800 graduate doctors, 3,000 RMPs, NGO outlets, and government officials.

Table 1 presents SMC coverage by outlet type.

Table 1. SMC Distribution System[1]			
Type of Outlet	**Total (est.)**	**SMC Supplies**	**SMC Coverage of the Market**
Pharmacy	100,000	80,000	80%
Non-pharmacy Outlets	2,000,000	140,000	Less than 10%
Graduate Providers (MBBSs)	30,000*	4,800	Less than 10%
Non-Graduate Providers	300,000*	3,400	Less than 10%
Rural Medical Practitioners		11,500	

*Estimate

Family Planning

The key outcome under this result was to increase sales of FP methods totaling 5.3 million couple years of protection (CYP) by year 2011. Because of a major shortage of pills in 2009/2010 and condoms in 2009, SMC will not achieve this outcome. It is currently estimated that sales of FP methods by year 2011 will total 4.12 million CYP. Pills and condoms are discussed in greater detail below.

Oral Contraceptive Pills

In 2006, USAID indicated that it would stop donating Duofem (an emergency contraceptive). To reduce dependency on USAID and shift clients from the highly subsidized oral contraceptive pill (OCP) to a self-sustaining product, a new low-priced pill brand (Femipil) was introduced in 2008. Box 1 presents the trade price of each pill brand.

A consumer retail audit in 2008 revealed that the majority of pharmacies had available the SMC OCP brands Femicon (82% of pharmacies), Nordette 28 (73%), and Femipil (56%). Likewise, BSP were also stocked with SMC pill brands: Femicon (82% of BSPs), Nordette 28 (74%), and Femipil (56%). SMC pill brands were not available at non-pharmacy outlets or NGOs. In 2008, Minicon was taken out of circulation but was reintroduced in 2010 and is now distributed through pharmacies and NGOs.

Box 1. Trade Price of Pills (in taka)	
Microgynon	34.00
Minicon	23.50
Femicon	21.35
Noret-28	19.85
Femipil	9.90
C-3	8.00

In 2007, 2008, and 2009, SMC sold approximately 44 million cycles of OCPs, 45% of which were Femicon, 41% were Femipil, 11% were Nordette, and 2% were Minicon. The aim of the pill strategy was to use the substantial profit from higher-priced pills to subsidize the cost of lower- priced ones. This has not occurred, however, because the profit margins and sales volumes for higher-priced pills were insufficient (see Section III, Cost Structure).

In 2009/2010, SMC suffered a major stock-out of OCPs due to the closure of Wyeth plants supplying Femicon and Nordette-28. As a result, SMC only sold 34.92 million cycles of pills (significantly less than the project's projection of 44 million cycles).

[1] Source: 2008 Consumer Retail Survey.

To address this shortage, SMC worked with USAID to obtain a new donated pill (C-3) and secure additional manufacturing agreements to sustain the pill market.

At the time of writing, the transition from previous suppliers and established brands was making 2011 likely to be a critical year. The supply gaps that have been created, along with the switch to new brands, is likely to result in some degree of attrition. To help mitigate this, SMC plans to use PI funds to procure 30 million cycles of Femicon (from Renata Limited) and Femipil (from Famy Care Limited). Furthermore, to recover the middle segment market of Nordette-28, SMC will launch Microgynon (from Bayer Schering) in FY 2011. SMC has also signed an agreement with Popular Pharmaceuticals to procure 5 million combined pills. This new pill will be launched under a new brand name and will be targeted to the lower-middle income segment. SMC will also receive a donated pill (C-3) from USAID to address the needs of lower income groups.

Condoms

From 2007 to 2010, total condom sales doubled (from 77 to 143 million condoms). Of these, Hero (27% of sales) and Raja (27%) were the most popular brands, followed by Panther (22%), Sensation (13%), Sensation Variant (6%), and U&ME (4%). Box 2 presents the trade price of each condom brand.

Box 2. Trade Price of Condoms (in taka)	
U&Me	14.66/pack
U&Me C	13.83/pack
U&Me A	10.75/pack
Sensation	10.75/pack
Panther	7.50/pack
Hero 3s	5.66/pack
Hero 30s	1.53/piece
Raja	0.75/per piece

The 2008 Consumer Retail Audit revealed that pharmacies had available several of the higher-priced SMC brands: Panther (72% of pharmacies), Sensation C (60%), Hero (39%), Sensation V (20%), and U&ME (24%). Raja is not available in pharmacies but is available in 14% of non-pharmacy outlets, as are Hero (32% of non-pharmacy outlets), Panther (28%), and Sensation (16%). BSPs offered Panther (73% of BSPs), Sensation (59%), and Hero (41%).

Safe Delivery Kit

Each year, millions of women give birth without the help of a skilled health provider, and with a high risk of infection. Disposable safe delivery kits (SDKs) can help women and newborns avoid infection during birth.

In 2008, SMC introduced an SDK to improve the safety of delivery at the household level in Barisal (one of Bangladesh's seven administrative divisions). Concurrently, 1,650 RMPs (including 250 BSPs in Barisal) were trained in safe motherhood to maximize the benefits of these kits. Local GOB officials participated in the training to facilitate improved coordination and collaboration and enhanced referral systems.

The total market for SDKs in Bangladesh is the nearly 1.9 million women who deliver at home each year. Moderate SDK sales in 2009 grew in 2010, when SMS began national distribution. In 2009, 16,616 SDKs were sold; in FY 2010, after SMC began national distribution, 60,000 SDKs were sold.

To maintain and expand use of the kits, SMC highly subsidizes the SDK trade price (currently at 40 taka) and provides support and training for BSPs, NGOs, rural non-graduate medical practitioners (NGMPs), and traditional birth attendants (TBAs).

It is expected that the number of outlets carrying SDKs will continue to increase (to 13,000) in 2011, as will sales (80,000 SDKs). SDK sales projections for 2011 are 80,000. It should be noted, however, that as more women begin to deliver with skilled providers, the market for SDKs will likely decline.

RESULT 2: INCREASED SALE OF INJECTABLES AND A STRENGTHENED SOCIAL FRANCHISING (BLUE STAR) NETWORK

Blue Star Providers

SMS initially recruited MBBSs for the Blue Star Program, but in 2001 expanded the network of BSPs by providing injectable contraceptives (i.e., SOMA-JECT) through NGMPs. In 2003 they over-branded SOMA-JECT. In 2005, SMC began to establish formal agreements with BSPs (largely NGMPs), followed by the launch in 2006 of a system to monitor the quality of BSP services and skills through a quality monitoring system (QMS).

SMC has continued to introduce new services through the Blue Star Program:

- In 2006, SMC began piloting IUDs through MBBSs in Dhaka.
- In 2008, SMC began piloting SDKs in Barisal.

In 2009, SMC introduced assessments and referrals for long-acting and permanent methods (LAPMs) of contraception. Tuberculosis (TB) advocacy and training for TB identification and referral were also introduced.

In 2010, there were approximately 3,400 BSPs, only 126 of which were MBBS (3.7%). Most BSPs were NGMPs, primarily RMPs (see Box 3).

Box 3. NGMPs Working as BSPs (2010)	
Diploma providers	126
Family welfare visitors	7
Health assistants	2
Medical assistants	20
Nurses	6
Palli chikitshawk	851
Paramedics	5
Sub-assistant community medical officers	7
RMPs	2,183

While the Blue Star Program has greatly expanded access to injectables, it only covers a small portion of the potential NGMPs. It also suffers from attrition: approximately 100 NGMPs (10%) drop out of the program every year. To respond to this, SMC plans to recruit and train 700 NGMPs in 2011 (largely from hard-to-reach areas where NGO/GOB services are inadequate), bringing the total number of BSPs to about 4,100.

Each BSP must sign a letter of agreement with SMC in which it agrees to certain conditions, including semi-annual monitoring by SMC. SMC provides basic training and certification of new BSPs, followed by technical assistance and refresher training in later years.

The assessment team noted that BSPs view this basic training and certification by the Ministry of Health and Family Welfare (MOHFW) as a symbol of honor and achievement, raising their status in the community. There are other perceived benefits. Although BSPs make little direct profit from the SMC products they sell, providing these products and services increases client confidence and loyalty to the BSP. As a result, clients are more likely to return if other family members are sick or need advice. It is highly unlikely that BSPs would pay for refresher training or pay a franchising fee.

Although the Blue Star Program is more a loosely associated network than an actual franchise, at the local level it appears to effectively facilitate information sharing and referral between BSPs, GOB services (such as TB services), SMC HIV centers, and SSFP clinics (where they exist).

Injectables

Prior to 2001, NMGPs were not allowed to provide injectables. The BSP program was designed to have the MOHFW train and certify these providers to provide injectables. The program started slowly to ensure that BSP would provide quality services (e.g., screening, counseling, recording and reporting, and waste management).

SOMA-JECT is donated by USAID and sold by BSPs at a highly subsidized price (28 taka). Sales have fluctuated from a low of 938,000 vials in 2009 to 1.25 million in 2010. It is expected that although the number of BSPs will increase in 2011, sales will remain the same at 1.25 million vials, and injectables will continue to be a loss for SMC.

SMC has six monitoring officers that carry out semi-annual tracking of the quality of BSP services and skills, particularly services/skills related to injectables. To date, there have been six rounds of monitoring.

As shown in Table 2, the percentage of providers that perform at an *outstanding* and *very good* level has steadily increased. The number of providers with *poor* and *very poor* performance who receive follow-up support through the area sales promotion officer has decreased and remains low. Providers rated *unacceptable* are dropped from the program.

Table 2. Results of BSP Monitoring Visits (2008-2011)

BSP Rating	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Outstanding	0.26%	1%	3%	4%	9%	9%
Very good	27%	29%	33%	32%	44%	48%
Good	52%	59%	51%	53%	40%	36%
Poor	13%	9%	8%	8%	4%	4%
Very Poor	3%	1%	1%	1%	1%	1%
Unacceptable	4%	1%	3%	2%	2%	2%

Long-acting and Permanent Methods of Contraception

SMC has implemented three strategies to promote LAPMs. The first strategy was to use mass media capacity to generate demand for LAPMs. A second strategy, to collaborate with Engender Health to train 12 female MBBSs in Dhaka on IUD insertion, was not particularly effective—in 2010, eight female doctors provided only 65 IUDs. A third strategy, also implemented in collaboration with Engender Health, was more successful: it conducted a one-day training for 300 BSPs on LAPM referral. To date, providers have made referrals for 200 implants, 220 IUDs, 27 male vasectomies, and 45 tubectomies. The Strengthening Health Outcomes through the Private Sector (SHOPS) project plans to conduct an assessment to identify the most viable strategies for providing and promoting LAPM in the private sector.

Tuberculosis

SMC conducts a one-day training for BSP providers to help them recognize the signs and symptoms of TB and understand how and where to refer their clients for diagnosis and

treatment. A total of 2,856 BSPs received this training in 2009 and 2010. As a result, there was a significant increase in BSP knowledge about a cough being an indicator of TB (from 69% to 98%) and where to refer patients (from 65% to 99%). Between October 2009 and September 2010, BSPs referred 10,082 suspected cases to service delivery points (an average of four clients per BSP).

In FY 2011, SMC is training approximately 300 BSPs (those rated *outstanding*) in TB and providing them an additional TB signboard for display. In the future, SMC plans to expand its TB program by training about 4,700 private health practitioners.

RESULT 3: INCREASED ORS PRODUCTION AND SALES

To combat diarrhea, a lethal threat for children under the age of 5, SMC supplies ORS accompanied by nationwide awareness and behavior change communication (BCC) campaigns.

SMC owns and operates an ORS factory, which manufactures regular and fruity flavors and has three production lines and the capacity in 2010 to manufacture 210 million ORS sachets. SMC sales in 2010 of 223 million sachets exceeded this manufacturing capacity, requiring the project to purchase an additional 13 million sachets from Renata Limited. At the time of writing, SMC planned to add two production lines in 2011, which was expected to increase its capacity to 310 million sachets. ORS is sold through all types of outlets.

It is fair to say that SMC has been a victim of its own success in increasing demand for ORS. With greater demand, the market has become more attractive for commercial firms. More than 20 firms now manufacture ORS; as a result, the SMC share of the ORS market has declined (from 70% of the market in 2000 to 55% in 2010) even as its sales have increased.

It was assumed that SMC could use the substantial profits realized from sale of ORS to subsidize the cost of other products. This has not been the case, primarily because the trade price of ORS is set by the GOB, limiting profits. There was an assumption that SMC would make the substantial profits needed to cross-subsidize other products, but this has not been the case. While the ORS factory recovers its operating costs, it still accounts for a significant contribution to SMC's overall indirect costs, resulting in ORS losing about $1 million a year. This issue is discussed in more detail in Section III, Cost Structure.

In 2008, SMC introduced zinc to its product catalogue because added zinc improves the efficacy of ORS and reduces the severity of diarrhea. The addition of zinc brought new challenges, however, such as complaints about its metallic taste, low awareness among consumers about its benefits, and restrictions on its availability (as a drug, it can only be sold in pharmacies). In the future, it will be crucial to raise awareness and promote zinc to create demand and increase the number of outlets selling it. The number of outlets carrying zinc was expected to increase from 32,000 to 35,000 in FY 2011.

RESULT 4: SUSTAINABLE PRODUCTS FOR IMPROVING THE NUTRITIONAL STATUS OF CHILDREN INTRODUCED

SMC promotes awareness about iron deficiency anemia (IDA) in children and supplies a micronutrient powder (MoniMix) for in-home fortification of food.

SMC has been working to create awareness about IDA in children and promote the usage of MoniMix for the last two and a half years. Home fortification is a new concept to parents and the overall mass market; given the introduction of a first-of-its-kind product, SMC needs to

strengthen its primary demand-generation activities. Between 2007 and 2009, SMC received a small grant ($125,000) from GAIN to do some basic research on MoniMix. SMC purchases MoniMix from a manufacturer (Renata Limited) and sells it for 2 to 2.25 taka per packet. SMC sold 10.9 million packets of MoniMix in 2010, primarily through NGOs (approximately 5 million sachets from 2009-2010). Sales are expected to increase slightly in 2011 (to 11 million packets), as is the number of pharmacy outlets (rising from 25,000 in 2010 to 30,000 in 2011) supplying MoniMix. Issues remain with the product, including the following:

- Because in-home fortification is a new concept to most, SMC must strengthen its efforts to increase demand.
- There are color changes if it is not eaten soon after mixing it with food.
- To achieve maximum benefit, a child must consume MoniMix for 60 days.

The marketing of MoniMix has been hampered by an inability to promote the product using the preferred medium: television commercials. Although the Drug Administration of Bangladesh has approved the use of television advertising to raise awareness about IDA, it has not approved such advertising for MoniMix.

SMC is continuing to seek this approval. In parallel to mass media campaigns, SMC is seeking to generate demand for MoniMix through interpersonal communication (IPC), such as individual and group detailing of MBBSs and NGMPs and seminars and other training for health providers. Greater engagement with trade channel members and product visibility at the outlet level is being emphasized.

RESULT 5: IMPROVED EFFECTIVENESS IN HEALTH COMMUNICATIONS TO REACH TARGET GROUPS

The assessment reviewed SMC's approaches to the development and implementation of advertising and promotional material as well as its approaches to BCC.

In general, SMC manages an impressive commercial advertising approach to developing mass media materials. Effective *knowledge, attitude, and practice* studies are conducted when budgets allow, which are used to develop effective briefs for advertising agencies that bid on the work. As a result, the quality of SMC mass media materials is on a par with the work of the commercial market.

Media budgets are, however, relatively modest. In 2010, budgets were cut in order to meet cost targets (primarily owing to the disruptions in OCP supply). For example, the media budget for four OCP brands was only $48,000, the budget for eight condom brands was $131,000, and the ORS budget was $191,000.

In 2011, budgets are expected to return to more normal levels: $429,000 for six OCP pill brands and $518,000 for eight condom brands. The ORS budget will increase to $357,000. Still, considering that ORS sales are expected to total over $11 million in 2011, these budgets are extremely modest.

SMC produces a wide range of materials. Promotional materials are distributed for display at outlets. SMC communication tools help providers (e.g., pharmacists and practitioners) counsel clients on family planning choices and the correct use of FP products. Films on reproductive health and TB are broadcast through a Mobile Audio Visual Program (MAVP). In general, the review team felt that this material was technically well produced and covered the primary issues that need to be addressed.

Behavior Change Communication

The assessment considered two key aspects of SMC BCC efforts:

- The use of formative research to identify the social and behavioral constraints that inhibit the use of certain products, and the extent to which the results were used to develop effective BCC messages
- The use of mass media and IPC to reinforce these messages and effectively change behaviors

Both SMC and the assessment concluded that neither aspect has been adequately addressed.

The type of formative research being undertaken by SMC was more typically that of consumer research in the commercial sector; there is also the question of whether SMC has used adequate levels of such research to allow for the identification of the social and behavioral constraints that inhibit the use of certain products. Some aspects of consumer attitudes and practices were discovered and considered, but deep-seated familial and social behavioral factors (more typical of BCC approaches) were not adequately studied. On the delivery side, SMC made only a limited effort to match its mass media efforts, including its MAVP initiative, with direct IPC elements and thereby establish the essential ingredients of a BCC program backed up by mass media.

While attempts to expand IPC through pharmacies are laudable, their effectiveness in the busy pharmacy environment is limited. Efforts to extend IPC to other private sector providers has been restricted to a few geographic areas, such as the Shukh Pakhi program (in Sylhet and Chittagong) and the Jatone Raton Safe Delivery Kit and Maternal Health initiative (in Barisal), as well as to the extensive but still limited network of BSPs.

Mobile Audio Visual Program

SMC broadcasts short films about family planning and reproductive health, interspersed with advertisements for SMC products (such as zinc and MoniMax), through its MAVP.

MAVP coverage (over 2 million people) has been impressive, with as many as 2,000 people attending a single showing. As described above, MAVP provides information on a range of FP and other health-related topics, from TB to nutritional products such as MoniMix and zinc. However, MAVP is more a form of mass media than IPC, and is most successful when it reinforces (or is reinforced by) IPC.

The initial MAVP strategy was to present within a short distance (within 3 kilometers) from a BSP to increase its business. Not all attempts to do this appear to have had the desired effect.

There are several ways that SMC could increase the impact and effectiveness of MAVP shows.

- SMC should consider presenting shows in more isolated environments that are not reached by radio or television. In this way, it can use the MAVP approach to deepen and expand its mass media coverage.
- SMC should ensure that shows reinforce the IPC messages of community-based workers. SMC has attempted this in some cases, but not across all its MAVP efforts. Although SMC could not develop a national IPC program at the community level, it could, for example, work with NGOs to develop BCC messages and work with community groups to develop community-based sales teams, thereby linking IPC with sales.

It is clear that an effective national BCC effort would require significant collaboration between SMC and those engaged in IPC activities in the country. This would include, ideally, the public

sector as well as NGOs and other forms of community groups that exist. Such an effort would best be led by the national BCC initiatives being developed at the Ministry of Health (MOH), collaborating with SMC to integrate MAVP messages and to plan MAVP shows for communities that most need this form of media reinforcement. The role of SMC would be to provide mass-media approaches to support messages conveyed at the community level, particularly those provided via media vans. SMC would also integrate BCC messaging into its own mass media and into the communications messages developed in programs for pharmacists and providers.

RESULT 6: IMPROVED ORGANIZATIONAL MANAGEMENTAND STRENGTHENED LINKAGES WITH OTHER PARTNERS

As described above, SMC was incorporated as a non-profit company in 1990. SMC's Articles of Association list corporate objectives and emphasize the company's commitment to social objectives, use of social marketing techniques, and utilization of local resources. They require that income from activities be used to further the company's social objectives.

Management Structure

The Articles of Association allow up to 50 general members of SMC and a board of directors (the "board") composed of five to nine members drawn from the general membership.

The board is elected from the general membership. The current SMC board has six members (three female and two male), including two former high-ranking civil servants and three prominent commercial business leaders; in addition, the managing director (MD) of SMC is an ex officio member of the board. The deputy managing director of SMC recently became the board secretary.

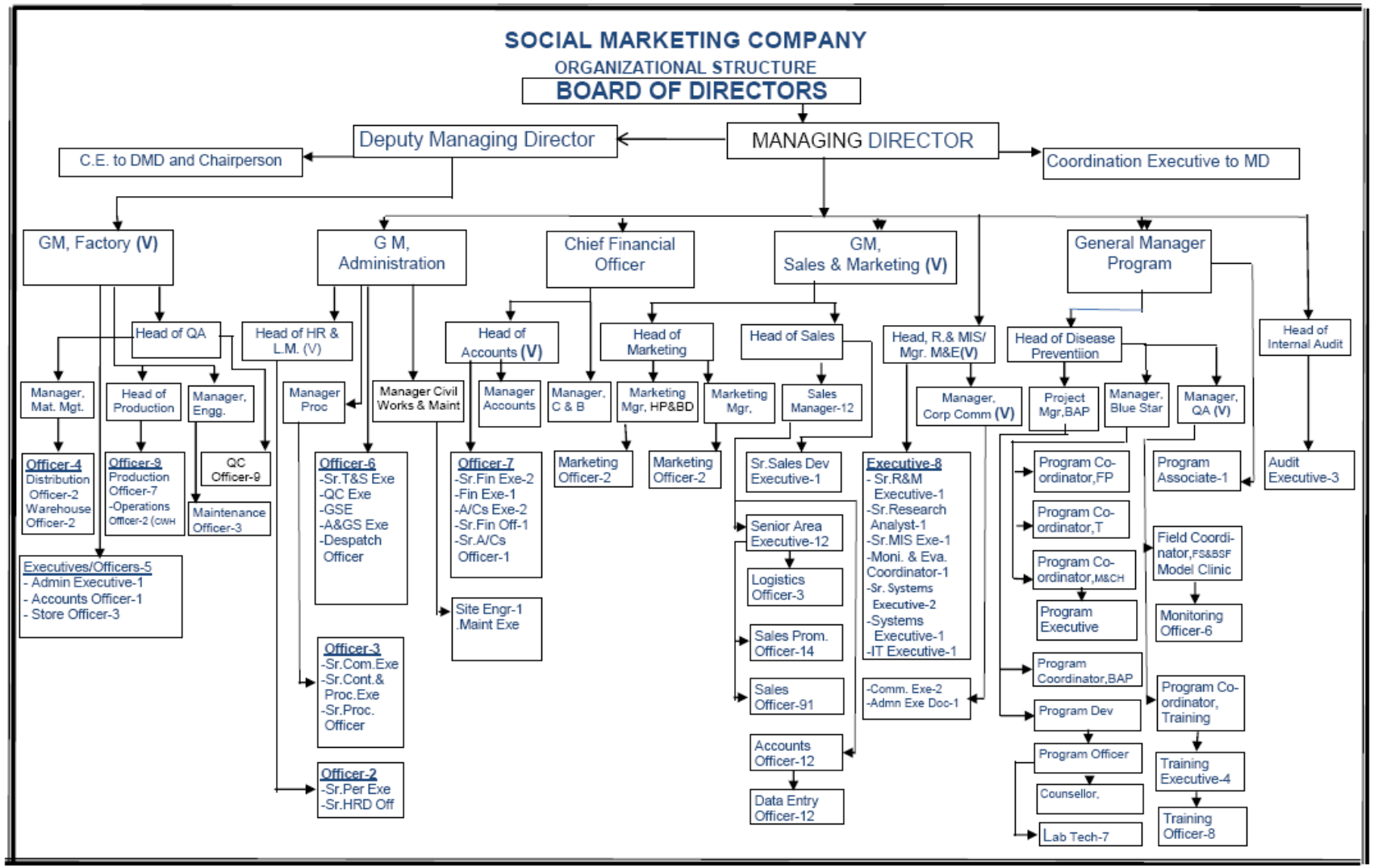
In addition, the board includes the director of the USAID Office of Population, Health, and Nutrition as an observer. For many years, the director actively participated on the SMC board. In the past five years, however, USAID has been absent from the board.

The chairperson of the board, a retired civil servant, has held two consecutive terms of office.

Figure 1, a detailed SMC organizational chart, appears on the following page. Directly under the board of directors is the Office of the Managing Director, which includes the head of research and MIS and the internal audit manager. SMC has five divisions — Sales and Marketing, Administration, Finance, Program, and Production/Factory. These divisions support strategic management capabilities, facilitate coordination of operations within and across divisional boundaries, and enable delegation of authority and responsibilities.

The Production/Factory Division consists of the ORS factory, located in Bhaluka, which has its own management structure. The division is led by the factory general manager (GM), who reports directly to the MD. The ORS factory has 64 staff members and the warehouse has 17 staff members. Staffing of the factory packaging division has been outsourced to an NGO, which manages about 100 employees.

Figure 1. SMC Organizational Chart



Governance Challenges

Although SMC has grown dramatically since its founding, there has not been any review of its Articles of Association. As a result, many of the conditions that were appropriate for SMC at an earlier stage of development do not lend themselves to its existing structure or operations. In fact, many of these practices limit SMC's effectiveness in today's dynamic environment.

From 2008 to 2010, the relationship between the board and the former MD deteriorated as a result of financial inconsistency and a lack of transparency. The previous MD filed charges against the current chairman of the board. The resulting litigation prevented the board from meeting or approving any actions from August 17, 2009, to January 25, 2010, greatly hampering SMCs ability to operate. Further investigation into the practices of the former MD revealed a number of financial and procurement irregularities and the MD was asked to resign on January 23, 2010, and the ORS factory GM was appointed as the interim MD. In March 2011, a new MD was hired with USAID approval, and the Supreme Court of Bangladesh named an advocate of the court to oversee the election of a new board. The Supreme Court has provided verbal approval; SMC is waiting for written approval to proceed.

This conflict raises critical questions about the relationship between the Board and senior SMC management, the capacity of the board to properly execute its core governance mandate in a timely manner, and the effectiveness of existing policies.

SMC is taking steps to enhance its effectiveness and reduce future risks. Although governance challenges negatively affected the organization, they also catalyzed a review of board procedures and efforts to strengthen its governance practices. SMC has clearly learned from this situation and is taking steps to enhance its effectiveness and reduce future governance-related risks. Since February 2011, the board, with the support of the new MD, has undertaken the following actions:

- Initiated a full review process of the Articles of Association to develop a clearer separation of board and management functions and to refine the powers and duties of directors
- Created a special committee to fast track a review and revision of the procurement policy to better reflect SMC operations, increasing the company's ability to effectively operate with the appropriate governance controls and Board oversight
- Started a review of the SMC Administration and Accounts Manual, including compensation packages, to enhance the company's efficiency and competitiveness

These efforts are key to raising the standards of financial transparency and accountability within the company and a necessary precursor to the development of more robust systems that will prevent and mitigate future conflict.

They also help nurture a culture of trust, confidence, and open communication between the new board and SMC senior management. The board must allow the new MD to be able to make the necessary decisions while ensuring that the board is fully updated on the quarterly basis. The assessment team believes that SMC can make great strides with a new board and MD in place.

Developing a Sustainable SMC

By becoming a more results-oriented organization, SMC hopes to increase the sustainability of its business. This focus has led the organization to focus on six key strategic activities:

1. Reviewing and aligning its management with its objectives to increase management efficiency

2. Choosing a culture of management by objectives to increase staff accountability
3. Promoting open communication at all levels of the organization
4. Strengthening its capacity for sounder financial management and planning
5. Improving staff satisfaction to make SMC a fulfilling and valued workplace
6. Building high-caliber skills and competence within SMC by retaining highly qualified staff

Each of those strategic activities is described in more detail below.

1. Reviewing and aligning the SMC management structure with its objectives to increase management efficiency

The key objective of SMC's Strategic Plan (FY 2007-2011) is to move closer to full sustainability, in part by filling managerial skills gaps and shifting cost recovery from 65% to 85%. In 2010, SMC recovered 81% of its costs from sales and 88% from all revenues.

The strategic plan includes four key area strategies for achieving the cost-recovery objective: 1) move core activities to recover a greater portion of their direct costs (see Section III, Cost Structure); 2) introduce a range of new business activities that can cross-subsidize other products (see Section III, Cost Structure); 3) build a core social marketing activity in micronutrients (see Result 4); and 4) secure SMC managerial capability.

A major challenge faced by SMC management is the lack of a strategy for decision-making that would enable SMC to continue thriving even as it evolves. While SMC has been a company for over 20 years, in some ways it continues to function like a project. Senior managers report that the organization suffers from an identity crisis. At the heart of the crisis is the following question: What is the appropriate balance between SMC revenue-generating and non-revenue-generating activities, and how does each contribute to the company's overall vision?

It is critical that SMC respond to this crisis, as it has far-reaching implications for SMC management (e.g., implications for SMC financing, human resources, organizational structure, and product development and marketing). One approach, discussed with SMC senior management, would be to create separate business units for each aspect of SMC work: one unit (funded by revenue from sales) to focus on commercial ventures, and a second unit (funded by donor contributions) to focus on development work. Each division would require different approaches to staffing, management, and rewards systems.

SMC could recover all of its costs if it made such hard choices. However, the lack of a clearly defined vision for the company (beyond 100% cost recovery) limits its ability to make some of these decisions because there is no overall guiding framework to evaluate different options. In the coming months, SMC will undertake a strategic planning exercise to address these issues and potentially restructure its operations to achieve the new refined vision.

A second major management challenge is the use of data for decision-making. The Research Management Information System and Monitoring and Evaluation (MIS/M&E) Unit reports directly to the MD. While the unit has begun to develop computer-based systems, it could improve its data management capacity if it had more clearly defined functions. A de-motivator in the unit is the lack of opportunities for promotion. This important human resource development (HRD) issue needs to be addressed during the transition process.

In 2008, SMC began to develop an integrated management information system (IMIS), which is an integral part of the monitoring plan for SMC program operations. The IMIS gathers data from 14 data locations across the country, including SMC's12 sales offices, the central warehouse, and the SMC head office.

The objectives of the IMIS are to 1) provide individuals with complete and updated information relevant to their roles; and 2) provide management with the information necessary to track critical business functions, such as finance and accounting, human resources, inventory, and sales and distribution. The ultimate goal of SMC is to establish a full-fledged decision support system to run operations with strong information support at each level of business function. The IMIS is expected to make it possible for management to visualize and relate data graphically on a wide variety of dimensions, which in turn would greatly enhance monitoring and decision-making. Currently, SMC is using a new, multilevel access defined software.

A positive development from the MIS/M&E unit, as described in Result 2, is a system to track the service quality and skills of BSPs. In addition, the IMIS has been applied to sales and marketing activities. SMC recently put in place a tracking system capturing information on improved cost-effectiveness and efficiency in revenues at the 12 area offices. The system captures inventory data to monitor the sales and product supply side. Area managers are being trained to use this data more effectively to both monitor sales staff and to make decisions toward improving the performance of sales officers. At the same time, the IMIS is providing national sales data for senior management to understand progress and shortfalls across the 12 area offices. This indicates that the IMIS is providing a useful service for improving decision-making capacity at both the area offices and at headquarters. One of the key challenges is to strengthen area office capacity to more effectively use data to increase product sales and staff performance.

SMC should consider strengthening its M&E capacity for new commercial and program activities. A robust M&E system with strong feedback loops and incentives for ongoing and new commercial versus program opportunities, including a learning platform from the M&E results, would provide more timely and accurate information for decision-making.

The research team effectively establishes the research agenda for SMC, oversees this research, develops terms of reference, and oversees documentation of the results (such as sales/marketing information and the results of feasibility studies). This data is used to guide the strategic business units (SBUs) in decision-making and resource allocations.

Apart from the ORS Production Factory and the Sales and Marketing Division at the head office, there is need to develop an M&E system at the head office to assist the senior management in determining if the other divisions, such as Administration and Finance, contribute toward increased efficiency and effectiveness within the larger organization. Currently, steps are being taken to include both factory production and warehouse inventory in the IMIS.

2. Adopting a culture of management by objectives to increase accountability of the staff

SMC's Annual Performance Appraisal System (APAS) allows each employee to set annual goals and targets with his or her supervisor (see Strategic Activity 5). In addition to individual targets, each of the business units has targets it is working toward. Thus, SMC has made achievements in this area. The review of the administrative policy should also help increase the accountability of staff.

3. Promoting open communication at all levels of the organization

In 2005, SMC's structure was highly centralized, with most decisions made by the board and the MD. Currently there are eight board sub-committees, including committees on personal policy and staff compensation; finance and budget; technical assistance; new business; SMC communications and Resource Center programs; procurement and HIV/AIDS; land matters; and facility development.

More recently, decision-making has become increasingly decentralized. For example, several senior management sub-committees have been established and there has been greater delegation of authorities to Strategic Business Unit managers.

There was little communication or delegation of responsibilities under the former MD, but over time there have been visible improvements in decentralizing decision-making. This is a challenge that the new MD must address. To do this, he has recently started weekly senior management meetings and is facilitating a new team-building process.

4. Strengthening capacity for sounder financial management and planning

During the previous MD's tenure, there was a lack of regular, accurate disclosure and discussion of financial information with the board and other senior managers. Such information was highly guarded by the previous MD, inhibiting a culture of transparency and accountability within the organization and its senior management team and fostering a climate of mistrust between the board and the MD. The review of the administrative and procurement policies should provide future support for enhancing financial management, accountability, and transparency within the organization. This is a key challenge for the board and the new MD.

5. Improving staff satisfaction with SMC as a workplace

From 2007 to 2011, SMC increased its overall staff size by 40 employees, largely as a result of the construction and launching of the new ORS factory. In addition, the company outsourced its packaging operations to a private company, which provides approximately 300 contract employees.

During the assessment, senior SMC managers indicated that they are reinforcing to staff the need to think about and conduct business differently to increase organizational efficiency. A major challenge managers face is how to motivate staff to put these ideas into practice. A recent SWOT analysis of a key business unit found poor motivational levels and decreasing staff performance levels, in large part due to their compensation package (CP) (see Strategic Activity 6). The analysis also revealed that the business unit is not sufficiently staffed to achieve its objectives.

While SMC has many elements of a HRD plan, it lacks an overall strategy that would provide greater focus on aligning its hiring, incentive package, and professional development efforts.

A comprehensive HRD plan should be based upon a carefully executed skills/competencies gap analysis for staff within the organization. Such baseline data is necessary for developing a strategic plan to address core gaps. Likewise, an HRD plan must also include post-training evaluations to determine if training has had the expected impact on performance. Unfortunately, SMC HRD plans are missing both baseline data and post-training evaluations.

SMC senior management understand the importance of developing a comprehensive HRD plan and have expedited recruitment of a human resources director (the position is currently vacant) as a first step toward developing it.

Another positive development has been the establishment of an APAS, as well as a personnel policy that includes job descriptions and performance evaluation criteria. The APAS is built on a participatory personnel evaluation process, whereby individuals develop their professional goals and targets for the year and set performance evaluation criteria in agreement with their supervisors. An employee's performance is reviewed with their supervisors every six months to assess progress and identify any bottlenecks that need to be addressed.

SMC offers an incentive package that is applied annually, based on an employee's APAS achievement. While this system seems to be working, the incentive package does not effectively reward performance. For example, more than 90% of SMC staff achieved an outstanding ranking, entitling them to receive the performance bonus.

SMC has a policy in place to ensure that staff can report harassment, safety issues, and other grievances. A sub-committee reviews these grievances and recommends how senior management should address them.

An important aspect of staff satisfaction is having adequate skills to successfully perform assigned duties. SMC's current approach to developing human capacity is through local and international training courses, conferences, and study tours. From 2008 to 2010, SMC spent 23.75 million taka ($339,300) on staff training and development. Of these, about half (115) of employees received training locally; the rest (110) received training in business and technical institutes in India, Malaysia, and Singapore. Most of these courses took place at an international training institute for a short duration (two to three days).

However, since SMC lacks a comprehensive HRD policy, these trainings were not implemented as part of a broader framework. Trainee selection criteria appear to be arbitrary and ad hoc and without good representation across units; it was not always clear how training would contribute to employee performance or help meet overarching corporate objectives. In addition, there was no plan or requirement for the employee to share the information gained with other SMC colleagues or incorporate the learning into his or her existing work upon return.

The new MD has frozen all trainings until the HR manager is hired and a comprehensive HRD plan is established.

6. Building high-caliber competence of SMC by retaining highly qualified staff

SMC faces stiff competition in attracting and retaining high-caliber staff. With the opening of the ORS factory and the need for experienced marketing professionals, SMC often has to directly compete with commercial businesses and the better compensation packages they offer.

SMC is currently seeking to fill several key management vacancies:

- Director of Human Resources
- General Manager of the ORS Factory
- General Manager of Sales and Marketing
- Head of Accounts
- Head of Research, MIS, and M&E Unit
- Director of Corporate Communications
- Director of the Quality Assurance Department

The SMC Strategic Plan recommended the addition of a position to focus on new business development, but SMC has not yet created this position.

SMC faces high staff turnover, especially among its sales force (40% turnover). Sales staff are typically recent graduates looking for opportunities to begin their careers. During the assessment, senior managers indicated that the primary reason that they cannot attract or retain high-quality staff is due to the low CP offered by SMC. Although the Administrative Manual allows for the pay scale to be revised every two years, it had not been reviewed since 2002. The 2008 review process found that "*SMC's compensation package is the lowest in the market and it will never attract and retain the right kind of people in a short supply market like Bangladesh. Even if it can*

attract the right people, because of the unemployment situation prevailing in the country, they will never be able to retain them for more than a few months. Therefore, there is urgent need for SMC is to have a compensation package which is market competitive."

In 2010, SMC introduced a systematic pay scale in which compensation for all staff was fixed within a graded, management-ranked system. This new CP did not adequately adjust for cost-of-living increases or allow non-competitive pay packages. It provided a modest increase in base salary (20% for senior managers and 25% for other staff). While SMC staff welcomed this adjustment, interviews with key managers and staff indicated that it did not lead to significant improvements in their overall income. Further comments from senior management highlighted the fact that this modest increase has done virtually nothing to improve staff motivation and performance levels.

SMC is in the process of hiring a consultant to review the CP and make recommendations that will enable SMC to be a competitive employer. The review aims to develop a creative combination of monetary and non-monetary incentives that will motivate existing staff and attract potential employees.

III. COST STRUCTURE

OPERATIONAL PROFITS AND LOSSES

SMC reports operational profits/losses by including a notional cost for donated commodities and allocates general overhead costs to each of its products and brands by a percentage of its sales income. Non-business income (such as rent from property or bank interest earned) is excluded.

In 2010, SMC recovered 81% of its costs from its sales revenue and 88% of its costs from the company's total revenues. It reported a deficit of $5.54 million, recovering 81% of costs from sales income.

In 2011, the projected deficit is expected to increase to $7.66 million, while cost recovery from sales revenue is expected to decrease to 77%. The anticipated weakening of cost recovery in 2011 is primarily due to:

- Increased expenditure on the promotion of MCH products and OCPs, which rose from $556,000 in 2010 to $2 million in 2011. Note that funding for promotional activities for these products was too little in 2010; the increase in 2011 reflects more appropriate financing.
- Reduced provision of donated commodities from about $7.5 million in 2010 to $4.2 million in 2011, from which additional income accrues through retention of sales revenues.

Table 3 provides an overview of sales volumes and operational deficits between 2010 and 2011.

Table 3. Product Sales Volume and Operational Deficit (2009-2011)

	Sales Volumes (Millions Sold)			Deficits (Millions of US$)		
Product	2009	2010	2011 (est.)	2009	2010	2011 (est.)
OCPs	41.91	34.92	43.40	04.24	02.45	04.19
Condoms	122.36	147.32	142.00	00.35	00.29	00.50
ORS	233.26	235.84	255.00	01.23	01.15	01.09
Injectables	00.94	01.27	01.25	00.54	00.96	00.98
Other (MoniMix, SDK, Zinc)	N/A	N/A	N/A	00.15	00.69	00.90
			Cumulative Loss	- 06.51	- 05.54	- 07.66
			USAID Donated Product	+ 08.18	+ 07.50	+ 04.16
			Total	**+ 01.60**	**+ 01.96**	**- 03.50**

As previously noted, the primary driver of anticipated 2011 deficits are losses on OCPs related to the launch of the new C-3 pill along with a general increase in promotional spending across all brands. As the new C-3 pill is a low-priced brand, increased expenditures on the promotion of all OCPs (particularly higher-priced brands) appears to be essential.

Condom deficits have been relatively small but will also increase in 2011 due to advertising and promotional budget increases—considered necessary to return sales to pre-2010 levels. The condom market appears to offer the best opportunities for increasing revenues from higher-

priced brands and thus improve cross-subsidization. This approach may require additional financing to promote profitable brands and expand sales beyond pharmacies.

Injectables are expected to suffer a small increase in deficits in 2011 associated with the launch of new products (most notably the injectable contraceptive, which accounts for some 50% of losses). The mass market development of this product is somewhat constrained by the process of training a provider network and a focus on the small number of BSPs.

ORS continues to accrue losses of more than $1 million due to several factors: fixed retail pricing by the GOB, a factory running at near-maximum capacity, and the relatively high contribution these products make to indirect costs. Losses on other MCH products, still in the development phase, also continue to climb.

It should be noted that deficits in 2010 and 2011, combined, will not be entirely recoverable from retention of sales income from donated commodities.

THE EFFECTIVENESS OF CROSS-SUBSIDIZATION STRATEGIES

At the outset of the current CA, there were three key assumptions:

1. Higher-priced OCPs would be able to cross-subsidize a lower-priced pill.
2. Higher-priced condoms would be able to cross-subsidize a lower-priced pill.
3. ORS would make sufficient profit to subsidize lower-priced products.

As discussed below, assumptions about OCPs and ORS have not proven to be true. Assumptions about condoms are more realistic, although high-priced condoms are still not able to completely subsidize low-priced products.

Oral Contraceptive Pills

After inclusion of indirect costs, the OCP portfolio for 2010 was in deficit by $2.37 million. At the time of writing, it was projected that this deficit would climb to $4.2 million in 2011.

Of the OCPs supplied by SMC in 2009/2010, only Minicon earned a surplus (see Table 4)[2] and this trend was expected to continue in 2011. Although Femicon is in the middle-price market and has high sales volumes, it continues to operate at a deficit.

Table 4. Pill Sales and Revenue by Brand (2009-2011)

	2009		2010		2011 (est.)	
Brand	**Millions Sold**	**Revenue (+/- $)**	**Millions Sold**	**Revenue (+/- $)**	**Millions Sold**	**Revenue (+/- $)**
C-3	N/A	N/A	N/A	N/A	07.50	- 1,578,429
Femicon	30.06	- 3,749,429	15.83	- 1,921,000	22.00	- 1,345,000
Femipil	06.62	- 266,286	14.57	- 428,429	09.00	- 400,143
Microgyn	N/A	N/A	N/A	N/A	02.00	- 119,714
Minicon/Minipill	N/A	N/A	0.79	+ 36,714	01.00	- 21,429
Noret-28 / Nordette 28	05.21	- 221,286	3.73	- 52,428	03.00	- 734,143
Total	**41.89**	**- 4,237,001**	**34.92**	**- 2,365,143**	**44.50**	**- 4,198,858**

[2] Data in tables 4 and 5 taken from SMC reports of income before contributions to indirect costs and before allocations for distribution costs.

The primary factors contributing to the loss on OCPs are the launch of the new C-3 pill that incurred a loss of $1.5 million (although this was offset by a donated cost of $2.1 million for commodities), a loss of $582,000 on the mid-priced Nordette-28 pill, and higher spending on advertising and promotional costs.

Cross-subsidization within the OCP portfolio is modest, at best, and suggests that profit margins for the mid- and high-priced brands need to be reconsidered for all brands, but particularly for the Nordette-28 brand or its replacement.

The OCP sector is the primary loss driver for SMC. This suggests that the entire OCP portfolio needs to be re-assessed and possibly restructured.

Condoms

Cash flows before allocation of indirect costs/fixed overheads. In 2010, seven condom brands earned surpluses as a contribution to indirect costs of about $1.1 million as against one low-priced brand (Raja) that lost $514,000, giving a total product-line surplus of $586,000. In 2011, it was projected that both the very low-priced brand (Raja) and the low-priced brand (Hero) would require subsidized support of $514,000 from six higher-priced brands that are expected to earn a surplus – a total product-line surplus of $518,000.

Cash flows after allocation of fixed overheads. As seen in Table 5, cross-subsidization within the condom portfolio appears to be relatively efficient, although it must be pointed out that after allocations of indirect costs (as above) the condom portfolio reported losses of $286,000 in 2010 and was expected to lose $503,000 in 2011, primarily because of a return to traditional levels of spending on advertising and promotion.

Table 5. Condom Sales and Revenue by Brand (2009-2011)

	2009		2010		2011 (est.)	
Brand	**Millions Sold**	**Revenue (+/- $)**	**Millions Sold**	**Revenue (+/- $)**	**Millions Sold**	**Revenue (+/- $)**
Hero	28.70	- 301,571	38.22	- 159,000	38.50	- 320,286
Panther	30.92	+ 95,286	29.45	+ 55,143	31.00	- 25,571
Raja	29.97	- 387,300	47.00	- 540,000	38.00	- 496,571
Sensation C	19.92	+ 126,657	17.21	+ 132,429	19.00	+ 187,571
Sensation V	07.12	+ 43,000	08.48	+ 113,986	09.00	+ 41,857
U&ME-A	02.36	+ 61,857	03.20	+ 45,429	03.00	+ 37,571
U&ME-C	00.22	- 17,571	00.78	+ 15,857	01.00	+ 28,857
U&ME LL	03.15	+ 35,714	02.98	+ 50,143	03.00	+ 43,857
Surplus	N/A	+ 362,514	N/A	+ 412,986	N/A	+ 339,714
Deficit	N/A	- 706,443	N/A	- 699,000	N/A	- 842,429
Balance	**N/A**	**- 343,929**	**N/A**	**- 286,014**	**N/A**	**- 502,715**

CREATING PROFIT CENTERS

As discussed under Result 6, SMC needs to better identify how each of its efforts contributes to specific goals, such as to commercial endeavors and programmatic objectives. SMC needs to create more robust cost centers if it is to improve its cost recovery strategies as a sustainable basis for the company's long-term operations.

There are three potential profit centers from the products described below.

- OCP positioning and pricing needs to be restructured. The Nordette-28 mid-priced OCP replacement needs to become a profit center rather than a loss center through increasing prices and/or investment in increased sales. USAID will need to make a long-term commitment to supporting the C-3 brand if this brand is to be sustained.
- Investments are needed to improve and expand profitable SMC condom brands (i.e., Sensation and U&ME) as well as to broaden distribution coverage.
- While revenue from sales of ORS covers direct product costs, it has not performed as an effective profit center as expected: only 34% of its indirect costs were covered in 2010 and it was expected to cover only 43% of indirect costs in 2011. SMC can increase its revenue from ORS by lobbying the GOB to allow an increase in the ORS trade price and/or by allocating indirect costs to the product more in line with actual costs. Until such strategies are in place, increased investment in ORS production should be deferred.

The remaining SMC products will be loss centers for several years to come.

- Since injectables are highly subsidized and only sold through BSPs, these products function at a significant loss. In order to achieve efficiencies of scale and sales volumes, USAID will need to make a long-term commitment to supplying subsidized injectables, combined with expanding the number of providers to include trained, private-sector providers as well as BSPs.
- MoniMix, SDK, and zinc will continue to be loss centers for some time, so clear, long-term strategies are required to ensure they do not overburden SMC's cost structure. There are still issues with MoniMix — along with its metallic taste, it turns blue if left in food for 30 minutes, as previously noted, making it less desirable to consumers and thus difficult to sell. Even when these issues are addressed, it will take time to develop a substantial market owing to the nature of the product as an additive to weaning and child foods, rather than a compelling infant food itself. As a result, this product will likely require extensive promotion at the community level. Zinc may be better developed as an additive to existing ORS packets. Sale of SDKs may be more successful through NGOs and community-based distribution networks; it is unlikely that it will accrue adequate income to recover all costs.

TRAINING

SMC engages in a range of training activities. Training costs were reported at $230,000 in 2010 and almost $600,000 in 2011. In 2010, about 30,000 private providers were trained, most of them pharmacists and pharmacy staff.

Training costs are reported under indirect costs. Even so, most training is directly related to product sales, such as training BSPs in family planning and the provision of injectable contraceptives; training pharmacy staff in better consumer advisory roles as contraceptive providers; and training NGO and community-based councilors in the use of products (such as

MoniMix). These are, essentially, promotional costs and should be recorded within the costs for each product or product line.

At the same time, some training does not directly relate to a product or potential income for SMC, such as promotion/training for LAPM (in Chittagong and Sylhet) and for TB. These training efforts are a "loss" and are recorded within indirect costs. They need to be recorded as a separate line item and tracked accordingly. Some of their costs may be recoverable from specific donor income. In such cases, an allocation of indirect costs needs to be made so that their cost effectiveness can be tracked. Other costs are not recoverable and should be monitored to ensure they do not overly burden SMC's bottom line.

DISTRIBUTION COSTS AND COST EFFECTIVENESS

SMC operates its own sales and distribution services through 12 area offices and 90 sales offices, including support for warehousing and logistics management.

SMC reports that it covers approximately 80,000 pharmacies and 120,000 non-pharmacy outlets nationwide, as well as 650 NGOs/institutions and 3,400 BSPs at the village level. SMC estimates that, in total, it supports approximately100,000 pharmacies and as many as 2 million non-pharmacy outlets.

The most recent review of SMC sales coverage was conducted in 2009 by Research and Computing Services (RCS) Limited. RCS's report acknowledges that SMC has strong coverage at the retail level for almost all its products and brands. The general recommendations for improvements stated by outlet owners was that they would prefer sales visits to be increased, ideally to once a week, as they had stock on hand for an average of 10-15 days, whereas sales visits occur an average of once a month.

The report also noted the following:

- SMC is facing increased competition from new commercial brands (particularly competition for its condom, OCP, ORS, and zinc markets).
- MoniMix and zinc tablets, in particular, are not in great demand from consumers.
- Too few outlets have point-of-sale materials.
- SMC needs to expand coverage of outlets to compete in the non-pharmacy market.

SMC reports its total distribution costs at about $2.4 million; this equates to 9.36% of its total sales income and 39% of its total indirect costs. The assessment compared these costs with the typical distribution costs for pharmaceutical companies in Bangladesh. Larger companies distribute their own products at a cost of about 5% of the trade price. This efficiency is created by the distribution of a relatively large volume of products (300 or more) and relatively large annual sales revenues ($200 million or more). Smaller companies are finding new opportunities to distribute commodities through contract distributors (such as Zuellig Pharma Bangladesh Limited) at a typical market-up of about 12%.

SMC has established a satisfactory national distribution system for pharmaceutical products at a lower cost than contracting out, although the level and weight of its sales effort could be improved. At the same time, SMC's sales force is capable of defining and targeting low-end pharmacies (such as those operated by BSPs) that would not be easily accessible by the typical commercial market. At the same time, its distribution system to non-pharmacy outlets is still relatively modest.

One option for SMC to consider is a dual approach to distribution. Specifically, it could contract out the bulk of its distribution within the non-pharmacy market, while using its sales infrastructure to push sales of low-priced commodities more down-market, where the formal distribution system is weakest. This would include working more closely with NGOs and other village-based distribution systems (similar to the approach taken by Unilever). At the same time, its pharmacy distribution system could consider filling the role of a contract agent to smaller pharmaceutical manufacturers as well as to importers.

IV. EFFECTIVE TARGETING

The assessment team reviewed inputs on the purchasing of low-cost OCPs and condom brands by low-income consumers. The most recent research available is a 2008 study by A. C. Nielsen.

ORAL CONTRACEPTIVE PILLS

The study reported that the lowest-priced OCP was almost equally purchased across all five quintiles (see Table 6). The mid-priced and higher-priced pills were more likely to be purchased by those in the fourth and fifth (the highest) wealth quintiles; still, 10% of the lowest quintile purchased the mid-priced brand and 13% purchased the higher-priced brand. In the second lowest quintile, 17% purchased the mid-price brand and 15% the highest-price brand. Of those in the highest quintile, 21% of users purchased the lowest-price brand; 33% the mid-priced brand; and 23% the highest-priced brand. Of all users, 16% were in the lowest quintile and 24% in the highest quintile.

Table 6. Oral Contraceptive Pill Use by Quintiles (2008)

		Quintiles					
Brand	**Price**	**Lowest**	**Second**	**Middle**	**Fourth**	**Highest**	**Total**
Femicon	Low	19%	22%	20%	18%	21%	100%
Minicon	High	13%	15%	19%	30%	23%	100%
Nordette	Mid	10%	17%	18%	22%	33%	100%
Total	**N/A**	**16%**	**21%**	**19%**	**20%**	**24%**	**100%**

In general, while low prices are more likely to lead to low-income user purchase, the effort to target low-income groups with very low-priced brands is only partially successful, according to the 2008 study. Distribution coverage of different brands may also be an issue and brand preference may be a significant motivation in respect to OCPs, rather than price alone. Further studies should be conducted to clarify these issue; such studies should also help SMC determine the extent to which it should strengthen its down-market distribution channels for lower-priced brands, and the extent to which price is a factor.

CONDOMS

Five brands were reported in the condom market: one at a very low price; one at a low price; two at medium prices; and one high-priced condom. In general, the top wealth quintile of users was the highest consumers of all brands, irrespective of price. Unlike the OCP market, however, very few of the lowest quintile users bought any brands except for the two lowest-priced brands. These users purchased the very low and low-priced brands in almost equal numbers, as shown in Table 7.

It is reasonable to assume that the existence of low-priced brands have given low-income consumers access to condoms that they would not otherwise be able to afford. At the same time, as subsidized commodities are clearly significantly purchased by higher-income groups (39% in the very top quintile purchase the very low-priced brand and 38% purchase the low-priced brand), ways should be found to target messages concerning low-priced condoms more

exclusively toward lower income groups and, if possible, to target distribution in a similar fashion.

Table 7. Condom Use by Quintiles (2008)							
		Quintiles					
Brand	**Price**	**Lowest**	**Second**	**Middle**	**Fourth**	**Highest**	**Total**
Hero	Low	14%	8%	8%	33%	38%	100%
Panther	Medium	4%	5%	23%	16%	53%	100%
Raja	V. Low	15%	6%	11%	28%	39%	100%
Sensation	Medium	0%	10%	10%	9%	70%	100%
U&ME	High	0%	0%	50%	0%	50%	100%
Total	N/A	8%	6%	16%	27%	48%	100%

V. RECOMMENDATIONS FOR TRANSITION PHASE (2011-2012)

SMC has been moving steadily toward significant achievements in cost recovery. However, it is apparent that SMC has reached a strategic position that indicates a need for more stringent processes in decision-making to guide future strategies. The strengths of SMC are in the commercial market. These strengths are being well employed but employment is at some risk of being diluted by the introduction of products and services that do not make the best use of its skills, core talents, and capacity to engage in national, mass-market activities to scale.

MANAGEMENT TRANSITION: USAID

1. USAID should resume its participation in an observer status on the SMC board. It should actively help define the role and function of the board and ensure that the board, as a whole, has the capacity to lead the company into profitable commercial ventures.
2. SMC has already retained the services of several consultants to help it develop a strategic plan and review its articles of incorporation, procurement manual, and administrative/compensation manual. One key issue for SMC is how to effectively balance activities that are more commercial in nature with those that are more programmatic. USAID should consult with SMC, if it desires, while it moves forward with this process.
3. USAID should continue to provide donated C-3 and injectables.
4. USAID funds from commodity sales should be directed toward restructuring OCPs and condom brands to meet cost-recovery targets of 100% after contributions to indirect costs by 2012 (or as soon as possible thereafter).
5. USAID funds from injectable contraceptive sales should be employed to support the expansion of the number of private-sector providers and NGO-based providers to meet 2012 goals (and to support ongoing expansion beyond 2012).
6. USAID should support a longer-range business plan to restructure sales of MoniMix, SDKs, and zinc toward sustainability, temporarily supported by income earned from injectable contraceptive sales.
7. USAID should ensure that no funds from USAID commodity sales are employed for capital investments without USAID approval.
8. USAID should support a new business plan for ORS that reduces its contribution to indirect costs to more realistic, actual costs; and consider separating the ORS activity into a separate cost center, supporting an application to increase ORS prices, and supporting a plan to market dual brands at dual prices.
9. Assess USAID's most strategic contraceptive (donation) mix to achieve GHI objectives.
10. USAID should support the recruitment of SMC's HR Director and encourage the recruitment of new business development staff.
11. An assessment of SMC's refined pill strategy should be undertaken.

Support National Family Planning Commodities Sustainability Strategies

Although this is a long-term strategy, it would be beneficial if USAID began this process during the transition period. For example, USAID could: 1) assist the GOB in developing strategies to better target commodity subsidies to the poor and those most in need; and 2) support a total market approach that would allow the commercial sector to provide low- and mid-priced

brands aimed at those who can afford to pay, while accessing low-income markets through rural and community-based distribution systems; through supplying of commodities to provider systems in the private sector; and through NGOs that sell commodities and services.

MANAGEMENT TRANSITION: SMC

1. SMC should consider an operational model that separates the mass market/for-profit products and brands from "development" products and brands, as well as from activities that incur more modest income (such as training). In essence, SMC should separate and manage separately its core competencies in the mass/commercial marketplace from its other activities. Whether these entities should be legally separated into a non-profit entity and a for-profit entity, or managed under the existing non-profit model, is a central key issue for its new strategic plan.
2. SMC's expectations appear to be that it will be able to continue operations through 2012, according to current plans, without any additional inputs from USAID. SMC is conducting a thorough analysis of its operations and is developing a new business plan; however, implementing this new plan may require additional inputs, which cannot be defined at this point. USAID commodity sales inputs should target the sectors that generate them:
    - OC pill sales program income should be employed to re-design SMC's OCP strategy, notably to achieve the following: restructure product lines, ensure that mid- and higher-priced commodities are being properly promoted to expand sales and are profitable, better target promotional expenses, and focus distribution of low-priced commodities down-market.
    - Condom income (from the GOB) should be similarly focused on better targeting of promotional and distribution of spending to both up-market and down-market brands, and the distribution system should be expanded for all brands.
    - Injectable sales income should be used to expand the provider base (making sure commodities are available close to each provider) and to conduct general promotional activities within the context of a long-range business plan.

PRODUCT TRANSITION

SMC needs to immediately concentrate on the condom, OCP, and ORS markets, which are successfully mass-marketed commodities and are promoted and sold across all socio-economic groups in the country. For example, SMC should carry out the following steps:

1. Restructure its OCP and condom markets so that it has winning and popular brands in its up-market pricing brackets. While this is being accomplished, continued donor contributions to support both low-priced condoms and OCPs will be necessary, with a clearly defined, future exit plan. To support the development of these two product lines, target the income earned from these donated products more directly.
2. Obtain permission to raise ORS prices and/or consider removing the brand from the present SMC operation to a more streamlined, typical commercial operation with low overheads, and possibly, a sub-contract for a major proportion of its distribution.
3. USAID will need to make a long-term commitment to providing injectables, as it will not be able to recover costs unless the price is increased. SMC should consider developing a longer-range plan to convert the current injectables program into a more mass market national campaign over time, supported by a new business plan and by income from the sale of donated injectables.

4. MoniMix, SDKs, and zinc will require substantial support to develop general awareness and product demand for many years to come. Long-term strategies are required to develop the market, including long-term investments.
5. USAID is planning to donate IUDs to SMC. SMC's strength is providing product to existing private sector providers, rather than supporting the training of providers. SMC also has a key role to play in using its mass-market promotion to generate demand. The significant costs and development of the service infrastructure for IUD insertions are not, in the view of the assessment, an appropriate technical direction for SMC to take, as its approach should be based on institutions with a broader base of clinical training expertise.

NEW PRODUCTS UNDER CONSIDERATION

- **Water Treatment.** SMC has undertaken a test market and other studies on the potential for launching water treatment products, with mixed results. The product was well received but some issues surfaced, such as the belief that most tube-well water did not require treatment. In addition, there are issues related to government regulation and pricing that are still under review. A final decision is to be made on the potential for this product.
- **Sanitary Napkins.** This product holds some potential. Further studies are required to ensure low-priced, quality products and analysis of the competitive market, notably the BRAC product.

STRATEGIES FOR DEVELOPING A MANUFACTURING MODEL

SMC has developed a successful manufacturing facility for ORS and is planning an OCP factory. The review team suggests that further review and analysis needs to be undertaken.

1. The ORS factory, within the context of the overall profit and loss of SMC operations and its ORS product line, contributes some $2.6 million to indirect costs. This is a significant contribution, and when included the ORS portfolio, "loses" over $1 million. This suggests that a review of the ORS cost structure needs to be undertaken and costs allocated to ORS more in accordance to its actual expenditures. The ORS operation should be separated from the overall operations of SMC (either internally or as a separate business with its own dedicated marketing team). This exercise will lead to a better analysis of overall costs centers; it would also allocate indirect costs more efficiently and possibly lead to a re-evaluation of the effectiveness of cost centers for the other product lines.
2. Plans to expand into an OCP factory need to be thoroughly re-analyzed. At the time, constraints to the SMC supply network for OCPs leads to the logical conclusion that SMC should produce its own. However, since then, a number of domestic pharmaceutical companies have entered this sector. For example, Renata Limited is expecting to open its OCP factory this year with a capacity of about 1.4 billion cycles a year, aimed primarily at the bulk international market. SMC should revisit its strategy; review all opportunities for procurement from elsewhere; and compare quality, formulation, and pricing issues before making a final decision.
3. Investments in expansion of the ORS factory and any investment in an OCP factory should be financed without using income from donated product sales; it may be better to accomplish this by leveraging other assets or developing joint ventures.

DISTRIBUTION SERVICES

Within its primary portfolio of condoms and OCPs, SMC has demonstrated its capacity to manage down-market commodity distribution through its sales network on a national scale.

SMC has reasonable strength in its in-house distribution system, notably in the pharmaceutical sector. It has weaknesses as well, such as the lack of a fully fledged pharmaceutical distributor. Because of this it cannot offer adequate "detailing" services that cover sufficient numbers of medical practitioners, as would be required of a pharmaceutical manufacturer or importer. However, there are a number of products sold through pharmacies that do not require a prescription from a medical practitioner to ensure a sale. SMC should seek potential manufacturers or importers of such products and test the viability of becoming a distributor for them.

In the non-pharmacy sector, the SMC distribution system cannot compete with major distributors. However, SMC is developing certain strengths in both the pharmaceutical and non-pharmacy sectors down-market and in promoting products where mass-consumer distributors are weak, such as through its MAVP and direct contact with village-based medical practitioners. It also has some contact with potential community-based distributors through NGOs and others.

SMC should strengthen these linkages by taking steps that include working with partners to establish village-based distribution systems. SMC could sell these services to other distributors that have mass-market products. It could both add products to its sales teams as a sub-distributer as well as earn fees for sales; in addition, it could earn fees for promotional activities (notably pharmacy visits as well as visits to medical practitioners).

BCC AND PROMOTIONAL MODELS

As noted under Result 5, SMC has limited expertise in undertaking formative research of sufficient depth to develop strategies to support more complex BCC messaging (as against the broader imperative to develop mass media messages, which it successfully implements). Moreover, it has a limited network to implement such activities through IPC.

SMC needs to serve as a partner within a much more broadly established BCC program, such as the one USAID supports at the ministries of health and family planning. SMC should support BCC efforts at the community level by integrating its messages with those developed by others and transmit them through mass media, media vans, and other promotional efforts.

Training to Develop and Improve Provider Services in the Private Sector

SMC manages its own programs to provide counseling and training for those who supply its commodities (most notably BSPs and pharmacy staff). SMC also engages in significant training of other providers—in TB, for example, where no sales benefit accrues to the service. Training activities that are directed at increasing product sales clearly fall within SMC's core remit. Other training programs do not do this, and at present offer only limited potential for recovering total costs.

As a core imperative of its operational model, SMC needs to strengthen its capacity to help providers better understand its products and counsel consumers on their uses. SMC should limit its expansion into other forms of training, which are generally conducted to relatively limited numbers of providers. The SMC model should concentrate on acting within the mass market and achieving scale and national impact. Other efforts are better undertaken by institutions that specialize in such training.

ANNEXES

ANNEX A: ASSESSMENT SCOPE OF WORK

Global Health Technical Assistance Project
GH Tech

Contract No. GHS-I-00-05-00005-00
SCOPE OF WORK

I. TITLE

Activity: Bangladesh: Social Marketing Sustainability Program (SMSP) Performance Assessment

Contract: Global Health Technical Assistance Project (GH Tech), Task Order No. 01

II. PERFORMANCE PERIOD

It is anticipated that the period of performance of this assessment will be o/a March 28 to May 30, 2011, depending upon consultant availability, with in-country work taking place from o/a April 4-o/a April 25. Total approximate time will be four weeks. All in-country work for the assessment must be completed by April 25, including presentation of the assessment findings and submission of the draft report.

III. FUNDING SOURCE

Mission will use field support funds through GH Tech.

IV. OBJECTIVES AND PURPOSE OF THE ASSIGNMENT

USAID/Bangladesh is considering an assessment of its current agreement with the Social Marketing Company for the period January 2008 through September 2011. The last external evaluation of the program was conducted in 2006 which emphasized on how to improve operations as well as sustainability of the program.

In light of the fact that social marketing has received USAID assistance for over 30 years and also contributes significantly to the health and well being of Bangladeshi citizens, particularly those in the lower wealth quintiles, USAID/Bangladesh would like to conduct a four - dimensional assessment of social marketing activities in Bangladesh:

1. The first component will be to evaluate the Social Marketing Company's (SMC) performance achievements under the current agreement and constraints of the organization in developing a sustainable business model. The evaluation will look at the performance of the organization in implementing the social marketing program since 2008, with a special emphasis on contributions to contraceptive prevalence, ORS use, other products and family planning, maternal and child health, TB, health and hygiene programs. The evaluation will also focus on the organizational achievements towards improved management and sustainability.
2. The second component will look into the potentials for growth of social marketing of health and family planning programs through the fast-growing private sector and opportunities for

developing sustainable approaches in promoting healthy behaviors and use of health products and messages. In particular, possibility of offering long acting and permanent methods by the private health practitioners under SMC program needs to be explored.

3. The third component will focus on best possible future strategies for social marketing in the Bangladesh context. How can USAID/Bangladesh continue its Social Marketing Sustainability Program in order to sustain and increase its current achievements on adoption of health products and messages? What are some of the alternative or additional strategies that should be considered in order to achieve these goals? What will be possible future strategy of the existing family planning, maternal health and child health as well as TB program of SMC?
4. The fourth component will focus on new program areas where social marketing can be expanded to contribute more in addressing public health needs. What are the different program components which may be included in the future program of SMC? Review the possibility of introduction of social marketing program for water, sanitation and hygiene. Introduction of water purifying tablets, sanitary napkin and micronutrient products for the adolescents, treated bed net to prevent malaria may be some of the options for future program.

Critical to all components is the need to focus on **strategic recommendations for future funding.**

V. BACKGROUND

USAID assistance to social marketing began in 1974, soon after Bangladesh achieved independence. SMC began as an experiment in private sector distribution of subsidized contraceptive methods using commercial marketing techniques to motivate people to practice socially beneficial behaviors and purchase socially beneficial products and services at an affordable price. In 1980, SMC added Oral Rehydration Solution (ORS) to its line of public health products. It is now one of the world's largest social marketing companies.

In 1990, SMC transformed into a not-for-profit private limited company operating under a voluntary Board of Directors. Although supporters have included DFID, CIDA, the Government of Bangladesh, EU, UNFPA and others, USAID has remained SMC's single largest supporter. SMC reports now show that the company covers all of its operating costs and 88% of its total costs (including commodities).

The current relationship between USAID and SMC is governed by a Cooperative Agreement that commenced in January 2008 and will end in September 2011. The Cooperative Agreement emphasizes services in family planning and reproductive health, maternal and child health including nutrition, Tuberculosis, and the development of new business as well as other sustainability strategies.

The $100.00 Million Cooperative Agreement includes $3.0 million federal cash funds, $79.00 Million Cost Share, and $18.0 Million Program Income funds which will be generated from USAID's contraceptive commodity donations and other income. In the earlier Cooperative Agreement, USAID had provided SMC with Technical Assistance to focus on strategic planning, organizational development, cross-subsidization issues, and financial feasibility forecasting.

With USAID's supports through donated commodities, technical assistance and cash grants, SMC is a major source of contraceptive products, SMC contributes to 35% of Bangladesh's total yearly modern contraceptive prevalence of 48%. Per the BDHS 2007, SMC/Private Sector provide 63% of condoms with about 57% attributable to SMC, 48% of oral pills with about 45%

attributable to SMC and 21% of injectables with about 13% attributable to SMC. NGOs and the public sector provide the remaining percentages of contraceptives for a total of 100% per commodity. SMC has implemented a pilot program offering IUD services through its female medical graduate private sector providers who are affiliated with Blue Star Program.

SMC has an ORS factory, which manufactures – regular and fruity flavors. SMC's market share in ORS distribution is over 55% with over 200 million of sachets of ORS produced per year in its own factory. The factory is self-sustaining. SMC also markets zinc tablets, micronutrient sprinkles, and safe delivery kit packets. In order to diversify its product base and increase its revenue, SMC is exploring the possibility of marketing other health products.

In addition to the USAID-funded ORS factory, SMC has been benefited from the construction of a building for office space and rental space to others. Foundation of the building was 20 storied and SMC could complete only up to nine floors and is now planning to construct the remaining floors.

SMC distributes its products through commercial outlets throughout the country. Additionally, SMC supports the Blue Star network of 3600 "non-graduate medical practitioners" throughout the country who sell SMC products, provide injectables and, limited MNH services, disseminate messages on tuberculosis and refer the suspected TB cases to the nearest facilities, refer clients for long acting and permanent methods to the nearest GOB and NGO facilities. SMC also conducts community and media outreach programs on family planning, maternal and newborn health, and tuberculosis control. SMC TV spots broadcast quality messages on promotion of health and use of SMC products.

SMC has recovered 100% of its operating costs from sales revenue since 2002, and at this time, it recovers 81% of its total costs through its sales revenue and 88% of its total cost through its sales and non-sales revenue. By the end of the current agreement in 2011, SMC planned to recover more than 85% of its total cost. This program is one of USAID's greatest success stories of sustainability and sustainable development.

Social Marketing Sustainability Program

The overall objective of the current USAID-supported project, Social Marketing Sustainability Program (SMSP), is that at the end of the four-year funding period SMC will attain 85 percent cost recovery while continuing to support and meet its targets under USAID three program elements of USAID's Operational Plan - Family Planning and Reproductive Health, Maternal and Child Health and Tuberculosis. The goal of the project is to reach this level of sustainability while maintaining one pill, one condom and one injectable within the affordability of the poor segment of society.

This SMC follow-on program will respond to the following six results:

1. Increased sales of reproductive health products and a secured supply of commodities.
2. Increased sales of injectables and a strengthened social franchising network (for the delivery of the injectables as well as other priority health products).
3. Increased ORS production and sales to generate more revenue for cross-subsidization.
4. Sustainable products for improving the nutritional status of children introduced.
5. Improved effectiveness in health communications to reach target groups
6. Improved organizational management and strengthened linkages with other partners

Result 1: Increased sales of reproductive health products and a secured supply of commodities

The outcomes under this result will be increased sales of all SMC supplied methods with an increase in CYP up to 5.3 million by year 2011. There will be equity in the use of modern methods; measuring modern method use in the low economic quintile relative to modern method use in the highest quintile. Particular focus will be on reaching under served, low performing and rural areas of the country. SMC's marketing and promotions skills will be used to realize these strategies. In addition to a range of cost recovery brands and choices for consumers there will be one pill and one condom that are affordable by the low economic segment of society.

Result 2: Increased sale of injectables and a strengthened social franchising network (for the delivery of the injectables as well as other priority health products)

One major outcome under this result will be the increase in the use of injectables from 0.95 million in 2008 to 1.35 million in 2011, by increasing the price of *SOMA-JECT* while introducing a new injectable that maintains this method option for a lower income segment. The other major outcome of this result will be the opportunity to realize the Blue Star Network's potential for wider health impact by transforming the network into a true franchise and upgrading training for a wide range of public health services and products. The success of the Blue Star franchising will be assured through strengthening of SMC's quality monitoring framework.

Result 3: Increased ORS production and sales to generate more revenue for cross-subsidization

The most important outcome of this result will be the institutionalization of the SMC ORS line as a commercially viable product that continue to reach its public health goals in reducing mortality and morbidity from childhood diarrheal disease while generating sufficient income to subsidize other products in the SMC line. SMC owns an active ORS factory that will be upgraded to increase production. SMC will complete the construction of a state-of-the-art warehouse facility, which will ensure that strategies to boost the production, market share and distribution of ORS and other products are successful.

Result 4: Sustainable products for improving the nutritional status of children introduced

The outcomes under this result will be focused on improving the health and nutritional status of children under five years of age. SMC will complete the development of *Sprinkles*, study the feasibility of production, and be equipped for procurement, advertising, marketing, sales and distribution of this product, which addresses anemia in children. SMC will develop zinc tablets for control of diarrhea and a micronutrient drink to improve nutritional status, especially in older children. There will be public campaigns and training of health providers to generate brand awareness and use.

Result 5: Improved effectiveness in health communications to reach target groups

The outcomes under this result will focus on increasing the reach of SMC's highly successful media campaigns, health providers training, and behavior change communications. Vulnerable groups of youth and women will be targeted under this result to ensure their access to high quality information and services. Successful outcomes under this result will accomplish an increase in the use of SMC products including but not limited to family planning methods. Underserved, low performing and rural areas will be reached.

Result 6: Improved organizational management and strengthened linkages with other partners

The outcomes of this result are of considerable importance to the sustainability of the systems, institutions, programs and services of SMC. Outcomes will include the achievement of improved management, planning, human resource management, information systems and logistics systems. Integral to achieving this result will be the enhanced partnerships between SMC and government and non-governmental actors with similar mandates.

VI. SCOPE OF WORK

The assessment should examine several key issues, including the following:

1. SMC evaluation
    - Assess the organizational structure of SMC. This includes, but is not limited to, the evolution of the organization in staffing patterns, the effectiveness of the structure, the growth potential for local employees, turnover rate, and the vibrancy of the Board of Directors.
    - Describe SMC's corporate status in the context of public health goals in Bangladesh. Does SMC adequately coordinate with the GOB national plans and priorities in the development of its strategic direction? How does the level of coordination affect SMC's impact on public health goals in Bangladesh?
    - Describe the maturity of the management information system of the organization – technical assistance received and achievements made as well as what still needs to be done to improve the system(s).
    - Describe the extent of the distribution network that SMC has established in Bangladesh, and assess the effectiveness of the distribution in reaching rural, urban and low-income populations. Is SMC exercising its full potential? Is SMC appropriately leveraging its capacity?
    - Assess the pricing, positioning, distribution, scope and promotion of socially marketed products.
    - Describe SMC's collaboration and relationships with the private commercial and NGO sectors as well as the GOB.
    - Describe the ongoing TB Program of SMC and assess feasibility of its expansion and also possibility to introduce DOTS through Blue Star network.
    - Describe the effectiveness of community level family planning demand creation program of SMC in Sylhet and Chittagong division and the possibility of its replication.
    - Describe SMC's MCH program and opportunity of its nationwide scale up.
    - Explore the effectiveness of the marketing and BCC techniques used to create consumer demand.
    - Has the use of program income been supportive of SMC's overall goals? What more could be done either by SMC and/or USAID to maximize the use of program income? Is SMC's idea to add manufacturing line for micronutrient powder (MoniMix) and Oral Contraceptive Pill (OCP) production viable?
    - Assess SMC's achievements towards sustainability and its contribution to health in Bangladesh. What would be the impact if SMC did not continue to exist in its current state?

- Make recommendations for continued advancement of SMC given the realities of its position as a social marketing company, which although having relatively high demand for its products also serves a low-income population.
- How realistic is it to assume that SMC will be able to sustain its contribution to contraceptive prevalence and serving the poor with declining commodity donations from USAID? Please list possible recommendations for how to mitigate the impact of these declining donations.
- Is SMC well positioned to further meet the public health needs of Bangladeshis? Does SMC understand those needs? Is SMC well positioned to grow/sustain itself and still increase or maintain its impact?
- Does SMC understand what changes (if any) they would need to make to better meet these needs? Does it behoove SMC to further strive to follow the USAID agenda for increased public health impact?

2. Minimum Management Evaluation Required

   At a minimum, the evaluation should comment on best practices within the Company as applied to the SMSP program. This could include, but not be limited to, consideration of:

   - The Board of Directors
     - Does the Board conform to best practices and do the governance processes result in timely and effective decision making?
     - Does the Board adequately supervise the Fund Administrator (SMSP Program Director)?
     - Are functions and authorities clearly defined, delegated and/or implemented throughout the organizations (e.g. Board, Committees, and Program Director)?
     - Does the Board adequately oversee asset management?
   - Fund Administrator (SMSP Program Director)
     - Does SMC's organizational structure contribute to efficiency and effectiveness of its programs?
     - Is reporting timely and of high quality?
     - Are SMC communications planned and effective?
     - Are necessary controls in place for addressing all fiduciary responsibilities?
     - Grant making:
     - Are adequate grant-making procedures in place (e.g. proposal selection, fund disbursements, periodic grantee reporting)?
     - Does the SMC monitoring and evaluation system ensure that grants achieve the results intended?
     - Is the utilization of Program Income consistent with program goals?
     - Are SMC services to retail outlets effective (e.g. technical assistance)?
   - Alternatives or additions to USAID's continued investment in SMC in order to sustain social marketing's contributions to contraceptive prevalence, ORS distribution, and new health products and programs to the benefit of Bangladeshis.
     - What role could SMC play in public health in Bangladesh, in family planning and in general health? Does SMC have a clear vision of itself in the next 5-10 years of its possible role in public health in Bangladesh?

- Assess SMC's future plans towards sustainability? Are they viable? Should USAID continue to invest in SMC given the company's tremendous contribution to contraceptive prevalence, ORS distribution and apparent viability as a distributor of new health products beneficial to the Bangladeshi population, particularly the poor? In the context of USAID's declining population funds, is this a good investment and if yes, why? Would USAID benefit from weaning SMC off financial support?
- Are there viable alternatives to SMC to sustain 35% contribution to overall contraceptive prevalence now provided by SMC and 50% distribution of ORS? If so, what are they?
- What would it take for the private commercial sector to take a greater interest in/play a greater role in supplying the Bangladeshi population with contraceptives at an affordable price? Is this a viable option? How long would it take?
- Are there additional activities that USAID/Bangladesh should undertake to sustain the 35% of total contraceptive prevalence due to SMC or even to increase it? In social marketing? In other areas? If so, please describe them.
- How can SMC maximize its work through private sector to achieve more public health results and thus contribute to the US Government's Global Health Initiative (GHI)?
- Assess the possibility of inclusion of Integrated Management of Childhood Illness, maternal nutrition, drowning, adolescent health programs in future to contribute in line with Government's HNSSP (2011-2016). Is it a good idea for SMC to expand to non-social marketing areas (such as BCC for handwashing and TB, additional manufacturing, etc.)?
- Overall recommendation for a way forward.
- USAID/Bangladesh anticipates the consultant team will need a period of four weeks in Bangladesh. Concurrent with the evaluation, USAID/B will be developing new activity on health systems strengthening in alignment with the GHI strategy in Bangladesh. The findings of this evaluation will contribute to the new activity design.

VII. METHODOLOGY

The Assessment Team will use a mixture of quantitative and qualitative approaches to gain insight on the impact of SMSP activities (mostly from quantitative) and the processes (mostly qualitative) that lead to those impacts. Sequential and iterative approaches will be used to integrate the mixture of methods and will seek varying degrees of dialogue between quantitative and qualitative traditions at all phases of the evaluation.

Background Materials Review

Prior to conducting field work, the Team will review background materials such as Annual and Quarterly Reports, Indicators, SMSP Program Description, past program evaluations and other public documents related to the project. The mission will provide these to the team as soon as possible.

Team Planning Meeting

The team will conduct a 2-day team planning meeting (TPM) upon arrival in Bangladesh and before starting the in-country portion of the assessment. The TPM will review and clarify any questions on the assessment SOW, draft an initial work plan, develop a data collection plan, finalize the assessment questions, develop the assessment report table of contents, clarify team

members' roles, and assign drafting responsibilities for the assessment report. The TPM outcomes will be shared with USAID/Bangladesh and the health team will participate in sections of the TPM.

Key Assessment Steps

- Review program documents, including the technical proposal, annual work plans and annual reports, technical and training materials, and the evaluation reports (list and documents to be provided by the Mission).
- Engage in a two-day Team Planning Meeting (TPM) to discuss the assessment scope of work; agree on team member roles and responsibilities; clarify the assessment expectations of USAID; draft an assessment work plan; decide on methodology; develop tools/interview guides that will be used by the team for key informant interviews and FGDs; and draft a report outline.
- Conduct field visits to service outlets and to see the activities of non-formal health providers including the Blue Star providers.
- Conduct interviews with key informants from USAID implementing partners, USAID, MOHFW counterparts, UN agencies, donor organizations, and other private sector providers/entrepreneurs.
- Conduct FGDs with SMC Sales Officers and non-formal health providers including the Blue Star providers.
- Prepare a presentation and debrief for USAID/Bangladesh with main findings and recommendations.
- Prepare a draft report for the Mission before departure from country.
- Prepare a final report with an executive summary that includes main findings, conclusions, and recommendations for program improvements.

VIII. TEAM COMPOSITION, SKILLS, AND LEVEL OF EFFORT

Table 8. An Illustrative Table of Level of Effort (LOE)

Activity	Person Days per Person						Total Person Days
	TL	C-1	C-2	NC-1	NC-2	AA	
Preparations and review documents (to be provided by USAID), to occur out of country and prior to beginning the assessment	3	3	3	2	2	0	10
Travel to Bangladesh	3	3	3	0	0	0	6
TPM; develop an assessment work plan and timeline; develop interview/ FGD questions, including list of people to be interviewed; develop report outline	2	2	2	2	2	2	10
Conduct key informant interviews and meetings	5	5	8	5	5	5	25

Activity	Person Days per Person						Total Person Days
	TL	C-1	C-2	NC-1	NC-2	AA	
Field visit for interviews/FGDs	3	3		3	3	3	15
Finalize outline for the report, complete team analysis of findings/consensus on conclusions and recommendations, prepare draft report and presentation	4	4	4	4	4	2	18
Conduct debriefings for USAID	1	1	1	1	1	1	5
Submit first draft prior to team departing country (incorporate comments from briefings)	3	3	3	3	3	0	12
Depart Bangladesh	3	3	3	0	0	0	6
USAID comments on draft (10 days)							
Report finalization (based on Mission's comments) - to take place out of country	7	7	7	4	4	0	22
Total LOE in person days	**34**	**34**	**34**	**24**	**24**	**13**	**163**

TL: Team Leader; C-1: Consultant 1; C-2: Consultant 2 (management review expert); NC 1: National Consultant-1; NC-2: National Consultant-2; AA: Administrative Assistant
**A six-day work week is approved while the team is working in country.*

Please note that actual travel time will depend upon the consultant's home location.

The Assessment Team will consist of up to 5 members including a Team Leader. The team members should represent a balance of several types of knowledge related to MCH-FP service delivery in Bangladesh, health services planning and programming as well as private sector entrepreneurship and commercial marketing. In addition to technical members, the team will have a host country national to provide administrative and logistics support.

The technical team members must all have significant international health program experience. They should have some Bangladesh country or Asian regional experience, along with comparative experience in social marketing, and MCH-FP service delivery in other countries or regions of the world. At least one member of the team must have Bangladesh experience and be familiar with the MCH-FP service delivery structure in urban and rural areas. An experienced organizational development expert will also be included to take the lead on the minimum management review activity. This consultant undertaking the management review will maintain a close collaborative dialogue with the rest of the team.

Some experience in conducting evaluations or assessments is expected of all members, and experience in developing strategies would be useful. Substantial experience in international health is required. Ability to conduct interviews and discussions in Bangladesh and provide accurate translations into English for at least one team member is essential. The logistic/support person should have basic knowledge about interview techniques and be able to provide

translation services to other team members. All team members must have professional-level English speaking and writing skills.

A general idea of the responsibilities and necessary skills/experience of the team leader is described below. The contractor will propose additional team members to complement the skills of the Team Leader. It is assumed that at least two team members will be host country nationals.

Team Leader

The Team Leader will be responsible for overall management of the evaluation, including coordinating and packaging the deliverables in consultation with the other members of the tem. The team leader will develop tools for the assessment and a design plan and share it with USAID/Bangladesh. The team leader will develop the outline for the draft report, present the report and after incorporating USAID/Bangladesh staff comments if necessary, submit the final report to USAID/Bangladesh within the prescribed timeline.

Skills/Experience

The Team Leader should have:

1. Advanced degree in health management, health finance, public health or related field
2. At least 10 years working experience in the field of international health;
3. Knowledge of health systems and health issues in Bangladesh;
4. A good understanding of USAID project administration;
5. Program planning, assessment/evaluation, and design experience;
6. Experience leading a team for international health program evaluations or related assignments; and
7. Excellent writing, communication, and presentation skills

The Team Leader will be responsible for overall management of the assessment; including coordinating and packaging the deliverables in consultation with the other team members. In addition to the technical responsibilities outlined in the scope of work for the assignment, team leader responsibilities include:

Preparations

1. Finalize and negotiate with client for the team work plan for the assignment
2. Establish assignment roles, responsibilities, and tasks for each team member
3. Ensure that the logistics arrangements in the field are complete

Management

1. Facilitate the Team Planning Meeting or work with a facilitator to set the agenda and other elements of the TPM
2. Take the lead on preparing, coordinating team member input, submitting, revising and finalizing the assignment report
3. Manage the process of report writing
4. Manage team coordination meetings in the field
5. Coordinate the workflow and tasks and ensure that team members are working to schedule
6. Ensure that team field logistics are arranged (e.g., administrative/clerical support is engaged, ensuring that payment is made for services, car/driver hire or other travel and transport is arranged, etc.)

Communications

1. Handle conflict within the team
2. Serve as primary interface with the client and serve as the spokesperson for the team, as required.
3. Debrief the client as the assignment progresses, and organize a final debriefing
4. Keep the GH Tech HQ staff apprised of progress challenges, work changes, team travel plans in the field, and report preparation via phone conversation or email at least once a week
5. Serve as primary interface with GH Tech in submission of draft and final reports/deliverables to GH Tech.
6. Make decisions about the safety and security of the team in consultation with the client and GH Tech HQ.

Direction

Assume technical direction lead as required in order to ensure quality and appropriateness of assignment and report content.

The expected in-country timeframe for this task is approximately April 4-April 25. Specific start and end dates, travel dates, and due dates for deliverables will be determined in collaboration with USAID and based on the availability of the consultants, and a detailed timeline will be produced during the team planning meeting.

IX. LOGISTICS

A six-day work week is authorized for the assessment team while in Bangladesh. USAID/Bangladesh will provide overall direction to the team, provide key documents and background materials for reading and help arrange the in-briefing and debriefing.

GH Tech will provide technical and administrative support including identification and fielding appropriate consultants. In addition, GH Tech will provide all logistical arrangements such as flight reservations, country cable clearance, in-country travel, airport pick-up, lodging and interpreters, as necessary. For business class travel, GH Tech will follow prior agreements with USAID/Washington.

The administrative/logistics assistant will be hired to arrange field visits, key informant interviews and meetings, local travel, hotel and appointments with stakeholders.

X. DELIVERABLES AND PRODUCTS

1. An assessment work plan and timeline.
2. A detailed report outline.
3. Questionnaire/guideline for conducting key informant interview and FGD.
4. Debriefings: The full team will debrief USAID/B on their findings, conclusions and recommendations, before leaving Bangladesh. A power-point presentation for debriefing summarizing findings, conclusions and recommendations will be prepared and distributed during debriefing. USAID will provide feedback during the briefing meeting, and debriefing(s).
5. Draft Assessment Report: A synthesized draft report will include, at a minimum, the following: scope and methodology used; important findings (empirical facts collected by evaluators); conclusions (evaluators' interpretations and judgments based on the findings);

recommendations (proposed actions for management based on the conclusions); and lessons learned (implications for future designs and for others to incorporate into similar programs).

6. The assessment team will provide USAID/Bangladesh with a draft report that includes all the components of the final assessment report prior to their departure from Bangladesh. USAID/Bangladesh will provide comments on the draft report to the assessment team within 10 working days of receiving the draft report.
7. Final assessment and internal strategy recommendation memo: The final report will address the comments provided by USAID/Bangladesh on the draft report. The team leader will revise the draft report and deliver an electronic copy of the final revised version to USAID/Bangladesh within three weeks of receiving USAID feedback. This report will be an internal document within USAID.
8. Any procurement sensitive pieces and future recommendations will be separated from the final report and be included in an internal strategy recommendation memo. This document will be internal to USAID/Bangladesh.
9. Discussions and recommendations related to SOW 1 can be made publicly available, matters related to SOW 2 can be shared with USAID and SMC, but matters related to SOW 3 can be shared with USAID only.

GH Tech will provide the edited and formatted final document approximately 30 days after USAID/Bangladesh provides final approval of the report. The report will not be longer than 40 pages total, excluding Annexure. GH Tech will provide five printed and an electronic file. GH Tech will make the results of the evaluations public on the Development Experience Clearinghouse and on its project website.

PROPOSED OUTLINE FOR ASSESSMENT REPORT

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ACKNOWLEDGEMENTS

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- Annotated List of Documents Collected and Reviewed
- Persons Contacted

XI. RELATIONSHIPS AND RESPONSIBILITIES

The assessment team will work under the technical direction of USAID/Bangladesh.

USAID/Bangladesh will:

- Approve country clearances for travel
- Provide the team with a general list of suggested organizations and contact information,
- Arrange for initial communication with appropriate government and other organizations at the outset of the process.

The assessment team will be responsible for expanding the list of organizations and persons, and for arranging meetings and appointments.

GH Tech will be responsible for all assignment related expenses for their consultants incurred in carrying out this review including travel, transportation, lodging, and communication costs, etc.

XII. MISSION AND/OR WASHINGTON CONTACT PEOPLE/PERSON

Dr. Sukumar Sarker
Agreement Officer's Technical Representative, Social Marketing Sustainability Program, USAID Bangladesh Office of Population, Health, Nutrition, and Education.

ANNEX B: LIST OF DOCUMENTS

GENERAL DOCUMENTS

- Bangladesh Demographic and Health Survey, 2007.
- Bangladesh Maternal Mortality and Health Care Survey, 2010.
- Strategic Plan for Health and Population Sector Development (HPSDP), 2011-2016.
- Utilization of Essential Services Delivery (UESD) Survey, NIPORT, 2010.

USAID DOCUMENTS

- USAID Forward, Partnership, Innovation, Results, 2011.
- USAID Evaluation Policy, January 2011.
- USAID Global Development Alliance Assessment, February, 2010.
- USAID/Bangladesh Population and Family Planning Program Assessment Report, 2010.
- USAID/Bangladesh, Terms of reference for Enabling the Private Sector to provide Longer Acting and Permanent Family Planning Methods and Services, 2011.

SOCIAL MARKETING COMPANY REPORTS

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- RFP (Brief) to Advertising Agencies for ORS Campaign, SMC, 2008.
- SMC No Cost Extension document.
- SMC Final Project Closure Report (revised).
- Study on Brand Awareness Trial Usage of ORS, Nielson, 2008.
- Study on Mobile Film Program, MRC-MODE, 2007.
- Training Manual for Private Sector Health Providers.
- Training Manual of Blue Star Family Planning Program.
- Training Manual for Pharmacist on MNH.
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- UBHPP Annual Work Plan SMSP (Sept 2010) FY 2011.
- UBHPP Annual Work Plan SMSP (Sept 2009) FY 2010.

- UBHPP Annual Work Plan SMSP (November 2009) FY 2009.
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- USAID PowerPoint Presentation on Social Marketing Company April 6, 2011.
- USAID Assessment of the SMC and Recommendations on USAID's Strategy for Future Support to SMC in Bangladesh June 2006.
- SMC Situation Analysis on SBU1: Family Planning Program, January 2011.
- SMC Procurement Policy Manual, June 2005.
- SMC Procurement Policy Manual, March 2011.
- SMC Administrative Manual, February 2007.
- SMC Accounts Manual, January 2011.
- Memorandum and Articles of Association of SMC, January 1999.
- To the Brink of Full Sustainability, Strategic Plan FY 2007-2011, Volume 1– Summary & Text July, 2006.
- Minutes of the Weekly Senior Management Meeting, April 2011.
- Annual Performance Appraisal System Form A1: Individual Target Evaluation Form.
- Draft Report of Realignment of the Organizational Structure of SMC March 2008.
- SMC Management Salary Review 2008.
- Report on Salary & Benefits Survey for SMC, March 2008.
- SWOT Analysis of the SMC Department of Finance and Accounts, 2008.
- SMC Corporate and Working Committee for the Strategic Planning for 2011 and Beyond.
- SMC Brief Scope of Work for Strategic Plan on Utilization of Technical Assistance, April 2011.

ANNEX C: LIST OF PEOPLE MET

Name	Organization	Title	Location
USAID			
Denise Rollin	USAID	Mission Director	
Khadijat Mojidi	USAID	OPHNE	
Joe Lesser-Oltheten	USAID	OFHDA	
Marcos Arevalo	USAID	FP Advisor	
Sukumar Sarker	USAID	AOTR for SMC	
Aniruddha Hom Roy	USAID	Private Sector Specialist, EG	
David Horton III	USAID	OFDHA, USAID	
Farheen L. Khurrum	USAID	Program Office, M&E	
Marunga Manda	USAID	Program Office, M&E	
Dr. Khahidur Rahman Bhuiyan	USAID	Economic Growth	
Social Marketing Company			
Mr. Ashfaq Rahman	SMC	Managing Director	
Mr. Md. Ali Reza Khan	SMC	Deputy Managing Director	
Mr. Toslim Uddin Khan	SMC	General Manager, Program	
Mr. Shafi Uddin Ahmed	SMC	Chief Financial Officer	
Mr. Sekander Hayat Khan	SMC	General Manger	
Mr. Mahbubur Rahman	SMC	Marketing Director	
Dr. SZM Zahidur Rahman	SMC	Head, Disease Prevention	
Pranab Majumdar	SMC	Factory In-Charge	Bhaukla
KM Hasibul Hasan	SMC		Mymensingh
Mr. Md. Aktauzzaman Bhuyain	SMC	Head of Production	Mymensingh
Shafi Uddin Ahmed	SMC	01713-008193	
Mr. Khandaker Shamim Rahaman	SMC	Marketing Manager	
Mr. Sayedur Rahman	SMC	Head of Sales	
Dr. Salah Uddin Ahmed	SMC	Manager, Blue Star Program	
Mr. Sekander Hayat Khan	SMC	General Manager, Administration	
Mr. Md. Bashir Ahmed	SMC	Marketing manager, HP & BD	
Dr. Sanjib Kumar Chakraverthy	SMC	Program Coordinator [Training]	
Dr. A.S.M. Habibullah Choudhury	SMC	Program Coordinator, AIDS	
SMC Board			
Jalaluddin Ahmed	SMC Board	Board Chairperson	

Name	Organization	Title	Location
Rokeya Quader	SMC Board	Desk Chairman	
Muhammed Ali	SMC Board		
Samson Chodhury	SMC Member	Square Group Chairman	
Government of Bangladesh			
M.M. Neazuddin	DG, FP	Additional Secretary	Dhaka
Dr. A.B.M. Jahangir Alam	DGH,	Director of PHC	Dhaka
Mr. N M Niaz Uddin	DGFP	Directorate General	Mymensingh
Mr. Ganesh Chandra Sarker	DGFP	Director, IEM	Mymensingh
Dr. A.K.M Mahbubur Rahman	DGFP	Line Director-CCSDP	
Dr. K C Matiul Alam		Assistant Director (QA)	
Dr. Mujibul Haque	DGFP	Regional Supervisor, FPCST-QAT	Mymensingh
Dr. Birag A. Nath	DG FP	Deputy Director	Mymensingh
Field Visit			
Dr. Latifur Rahman		BSP, Narandhahar Bazar	Purbadhala, Netrokona
Fazlul Haq Fazal	AO, SMC		Mymensingh
Other Development Partners			
Kimberly Rook	JHU/CCP		Baridhara
Misty McDowell	FHI	Country Director	
Dr. Sanjib Kumar Chakravorty	FHI	Training	
KSM Tariq	FHI	Sr. Program Officer	
Dr. Shamin Jahan	FHI	Technical Director	Gulshan
Juan Charlos Negrette	Chemonics	SSFP COP	Gulshan, Dhanmondi
Faisel	EngenderHealth	Country Director	
Other Private Sector Partners			
Mr. Kaiser Kabir	Ranata Ltd	CEO	
Muhammad Haque	Square	Executive Director, Marketing	
Ahmed Kamrul Alam	Square	Assistant General Manager	
Bimal Chandra Saha	Square	Senior Manager	
Sara Zaker	Asiatic	Deputy Managing Director	

ANNEX D: SOCIAL MARKETING COMPANY ORGANIZATIONAL AND INSTITUTIONAL ASSESSMENT

I. OVERVIEW

In the SMC Report, "To the Brink of Full Sustainability-Strategic Plan FY2007 – 2011" [Volume 1], under the Vision and Strategies for 2011 Section, SMC highlights its overriding strategic objective for the period 2007-2011 to be moving sustainability closer to full sustainability. The Vision and Strategy section further clarifies that **full sustainability means filling in any remaining managerial skills gaps** and shifting cost recovery from 65% to 80-85%. To achieve full sustainability, four main thrusts were identified:

- Move the core activities to recovery of their direct costs
- Introduce a range of new business activities that can cross-subsidize others
- Build one new core social marketing activity in micronutrients
- **Secure our managerial capability**

To develop appropriate strategies and action plans to support the four main thrusts that would accelerate the transition process to full sustainability, SMC set up a Planning Committee that brainstormed the development of four individual strategies aligned with the four thrusts. **Under the Securing our Managerial Capability Thrust,** SMC's strategy included the following three-stage approach:

1. Relocate the central warehouse to Bhaluka/conduct Management Review – Phase 1
2. Conduct management review – Phase 2
3. Implement/institutionalize improvements from management reviews

The Planning Committee provided a three-step roadmap, with a budget of 11,500 taka, for this transition, which included the following:

1. Develop a comprehensive approach to strategic thinking, which will become the process that underpins future planning efforts for SMC; define the size, skills, and structure components of the management development challenge
2. Conduct a root-and-branch assessment of the main organizational units and management functions across the organization, focusing on the following: accounting and finance, Blue Star Network, contracting and procurement, human resources, information systems, manufacturing, marketing research, sales organization, HIV/AIDS, micronutrients, OR therapy, RH, and warehousing and packaging
3. Perform an analysis of the results in steps 1 and 2 and identify any cross-cutting policies and processes, which could include training, contingent compensation, use of information for decision making, and finalization of new organizational structure

This process also identified additional staffing requirements related to the strategic plan, which are presented in Table 9.

Table 9. Additional Staffing Needs

Analysis by Department	2007	2008	2009	2010
Bhalaku ORS Factory Operations	56	78		
Bhalaku Warehouse Operations		2		
Sanitary Napkins Factory		10		
Sales Force		20	25	19
Distribution		2	1	
HO Sales		1		
HO Marketing		3		
HO Finances	1			
HO Program			1	
HO Procurement	1	1		
Total	**58**	**116**	**27**	**19**

II. ORGANIZATIONAL STRUCTURE

A. Overview

The Board of Directors is the highest executive authority in the organization. Board directors can number up to nine directors but not less than five directors. Board directors are elected from SMC general members who may number up to 50 members. The board also includes the Managing Director (MD), who is classified as an ex-officio director. The board is governed by the Articles of Association of SMC. According to the current articles, the board includes the USAID/Bangladesh Director of the Office of Population and Health with non-voting status. Directly under the Board of Directors is the Office of the Managing Director. This office includes two key staff functions, led by the head of Research & MIS and the Manager of Internal Audit.

The current board is made up of five members: two former high-ranking civil servants and three prominent commercial business leaders. The board includes three females and two male members. The Chairman, a former high-ranking civil servant, has held two consecutive terms of office from 2006-2010. The chair position can only run for two terms. As a result, a new chairman must now be elected.

The SMC organizational structure is further structured around five divisions – sales and marketing, administration, finance, program, and production. The five divisions support strategic management capabilities, facilitate co-ordination of operations within and across divisional boundaries, and create sustained pressures for downward delegation of authority and responsibility. SMC has a total of 443 staff on payroll—headquarters (96); area offices (269), and the factory and warehouse (78).

The Sales and Marketing (S&M) Division consists of an area sales organization and key strategic marketing functions and has two departments – marketing and sales. The General Manager of Sales and Marketing reports directly to the MD and heads this division. There are 12 area sales offices, each led its area office sales manager (AOSM). Under the AOSM are the sales officers (SOs) and sales promotion officers (SPOs). Currently, SMC employs a combined total of 104

SOs and SPOs. The SO's sell FP products to stockists and retailers on a cash-on-delivery basis. The SPOs are responsible for the Blue Star Network and for support to NGOs and private medical providers.

The Administrative Division consists of three departments covering human resources, procurement, and civil works and maintenance. The GM of Administration reports directly to the MD and leads the division.

The Finance Division consists of the accounts department. The chief financial officer (CFO), who reports directly to the MD, leads the division. Under the CFO are two managers – one for accounts and one for cost and budget. These two managers are supported by two senior executives, two executive officers, and two senior officers.

The Program Division consists of the disease prevention unit that has three managers, one for BAP, one for the Blue Star Network (BSN), and one for quality assurance.

The Production Division consists of the ORS factory, located in Bhaluka. It has its own management structure, which is lead by the factory GM, who reports directly to the MD. The other members of the factory management team include the factory-in-charge manager, Head of Production, QA Executive, Production Executive, and Maintenance Executive. Currently, the ORS factory has 64 payroll staff as well as 17 full-time payroll staff in the warehouse. The packaging division within the factory has been outsourced to an NGO and includes a staffing size of 100 plus.

B. Organizational Weakness and Challenges

There are three key weaknesses: 1) centralized decision-making; 2) sharing of financial information; and 3) selection process of board members.

1. The Articles of Association and organizational structure created a centralized system, where decision-making requires significant Board involvement. This has gradually changed over the last year with some visible improvements in decentralizing decision-making, as evidenced by the establishment of senior management committees and operational strategic business units (SBUs). Another visible improvement has been recent, with the new MD institutionalizing weekly senior management meetings and facilitating a new team-building process. Participants in these meetings include the MD, DMD, GM of Administration, GM of Programs, CFO, and the heads of sales, marketing, disease prevention, and internal audit.
2. Financial information was not routinely shared among senior managers. This trend was created and supported by the previous MD, reversing SMC's culture built on transparency and accountability. The new MD has started to re-build SMC's commitment to transparency and accountability within the senior management team, sharing such financial information in the newly created weekly management meetings. Transparency and accountability need to be further branded within the organization at all levels as part of SMC's core company values.
3. There are no specific guidelines or criteria for assisting the SMC general members in selecting board members. The Board of Directors are selected and nominated by the membership of SMC. This practice should be reviewed and revised and a set of board member selection criteria developed. This is strongly needed, as the upcoming selection of new board directors will need a special mix of professionals drawn primarily from the commercial sector who can genuinely support and facilitate a smooth transition process of the company to a for-profit organization. These criteria can be included as an addendum to the Memorandum of Articles of Association of SMC. To become more effective, the board

should continue to strengthen its sub-committees structure in line with international standards. An audit sub-committee is mandatory. Sub-committees for procurement and HRD are also recommended.

4. A key disadvantage with a voluntary Board of Directors is that the board members attend these meetings in addition to their primary responsibilities elsewhere. It is to be appreciated that a board member drawn from a high-level corporate company will have limited time to be an active member of the board due to an extremely busy corporate agenda. Given these limitations, the roles and responsibilities of the board directors will have to be examined and redefined in light of the new vision, mission, and company reorganization. The new roles/responsibilities/functions may require the board to be more involved and results-driven for improved organizational performance. This will involve more time and information, a new way of thinking, exerting influence, and new demands on major strategic decisions and operational activities.
5. During the previous MD's tenure there was a confrontational relationship between the MD and the board.. Due to growing tensions and conflicts between the previous MD and current board Chairman between 2008 to 2010, a major litigation case was launched by the MD against the existing board, alleging that the Chairman had exceeded his term limits and was not able to complete her tenure. The litigation case prevented the board from holding meetings between August 17, 2009, and January 25, 2010. Further investigations into the transparency and accountability practices of the previous MD revealed a number of potential cases of financial and procurement related irregularities. Prior to the launching of the litigation against the board, the previous MD in collaboration with other senior management officers put pressure on the current CFO to resign. This course of events was dictated by the fact that the CFO had flagged a number of financial and procurement related irregularities that he reported to the previous MD, who advised him to ignore them. After being forced to resign, the CFO reported the financial irregularities to the board Chairman. The board investigated these incidents and found irregularities of great concern. During the litigation process, investigations into the financial and procurement irregularities cast suspicion upon the previous MD as perpetrator. The board then called a general meeting on January 23, 2011, and during this meeting requested the resignation of the MD. The MD submitted his resignation voluntarily to the board which approved it. At the same time, the CFO was reinstated. Given the absence of a company MD, the board nominated the then acting GM of the ORS Factory as interim MD until a new candidate was appointed. The board launched an appeal to the Supreme Court to challenge the charges being brought against it. A recent decision by the Supreme Court in March 2011 has named an advocate of the Supreme Court as the neutral interim SMC Board Chairman. The primary task of this interim chairman is to conduct the 20th annual general meeting as well as chair the meeting for the election of a new board chairman. Of note, the new MD of SMC was recruited in March 2011 and has been in the position for just over one month at the time of writing.

Part of the genesis of the conflict between the board and the previous MD was based on the perception by SMC senior management that the board was being overly involved in SMC operational management, diverting attention from its far more important strategic governance role of holding SMC management accountable for the overall financial management of the company. Equally vital to the core governance role of the board was ensuring that SMC operations and implementation activities achieved a higher level of efficiency, transparency, and accountability. Equally important, the previous MD had sought to make an allegation against the board chairman that an undisclosed amount of donor funding had been diverted to personal accounts. Discussions with current and past board members highlighted the fact that the conflict developed partly due to a breakdown in communications, whereby the MD was not keeping the

board properly and regularly informed of the company's financial management and operations. The mechanism for facilitating an open communication bridge between the board and senior management is built into the existing Articles of Association.

Given this scenario of events leading to the serious rift and subsequent litigation case between the board and the MD, it is critical for the future growth and development of SMC to put in place preventive mechanisms that will minimize the risk of such conflict recurring in the future as well as ensuring higher levels of financial transparency and accountability at all levels within the company.

On a positive note, the new MD, in consultation with the current board, has initiated a full review process of the Articles of Association, the administrative manual, the accounts manual, and the procurement policy. Both the procurement policy and accounts manual have gone through a first revision and are being circulated for comments**.** This process should be strongly encouraged in order to support revisions that will genuinely allow for senior management and the board to develop a more robust systems approach within the company that will both prevent and mitigate future conflicts. The policy revision will also ensure that the procurement operations of SMC are not jeopardized due to any future board and senior management disputes impacting negatively on its future commercial and program operations.

A second positive step has been the inclusion of the Deputy MD and two SMC executive directors as participating members of the board. The inclusion of these managers as active members of the board can play a dynamic role in contributing to the setting of strategies and being party to their approval, thereby consolidating managerial ownership of what the company is committed to achieve. Their participation will ensure that strategy and policy decisions are firmly grounded in the practicalities of what needs to be done, and what can reasonably be achieved, as the company moves forward with its new vision, mission, and mandate.

SMC has clearly learned from the previous conflict, faced its challenges head on, and is now taking proactive steps to reduce future risks. The Special Review Committee has been set up to review gaps in the administration manual. Such proactive steps by the board and the MD are key to raising the standards, quality, and levels of financial transparency and accountability within the company. Revisions and amendments to the Articles of Association are significant in ensuring a clearer separation of the functions of the board versus senior management, as well as achieving a clearer definition of the powers and duties of directors. The review process must also ensure that the memorandum is revised in such a manner to strengthen the core corporate governance role of the board as well as to clearly articulate the core functions between the board and senior management. Equally important will be the development and nurturing of a culture of trust, confidence, and open communication between the new board and senior management.

Given this ongoing review and revision process, the next key challenge for SMC will be for the MD to ensure a process of building a new culture of transparency and accountability within the new company as it transitions to its new status as a for-profit company. Another key challenge will be to ensure that the new MD is given the latitude and scope to make key executive decisions without having to turn to the board for every decision. The board must allow the new MD to exercise a wider discretionary and decision-making capacity while at the same time guaranteeing that the board is fully and properly updated at the quarterly general management meetings.

If these two major challenges are not tackled head-on and given priority consideration, SMC will not be in a position to grow the company and its operations.

The current conflict has raised critical questions regarding the functional relationship between the board and senior management, the capacity of the current board to properly execute its core governance mandate in a timely manner, and its ability to put in place new systems that prevent such conflicts from undermining the operations and growth of the company**. Two key positive results have resulted from this conflict:**

1. It has refocused the board and senior management's commitment to work toward achieving higher levels of governance.
2. It has stimulated the board and senior management to work more collaboratively to fast-track key revisions in the procurement policy, administration manual, and accounts manual as well as in the Articles of Association.

After the key revisions are completed, the board and senior management will face key challenges as it puts in place a new system that will improve SMC's capacity to build a stronger internal culture of higher commitment to financial transparency, accountability, performance for results, and staff professional development.

Senior managers indicated that the company needs to set new targets to achieve higher organizational efficiency. The process toward achieving this requires a new way of thinking, a new way of doing business, and most important, the development of a new strategic plan to improve staff moral, commitment, and sense of ownership. The strategic plan will need to focus on: 1) a revision of the current Annual Staff Performance Appraisal System (ASPAS); 2) development of a creative combination of a monetary and non-monetary staff incentive package; 3) design of a new monitoring and evaluation system to track staff performance for results; and 4) development of a separate M&E system that will focus on senior and mid-level managers and S&M staff performance for results.

C. Human Resource Developments and Challenges

Between 2007 and 2011 SMC increased its overall staff size by 40 employees largely due to the construction and launching of the new ORS factory in Bhalaku. A key achievement was establishing a new organizational structure within the factory and warehouse and building a managerial team to run the operations. SMC outsources its packaging operations to a private company. There are 300 employees are currently involved in the packaging operations. Overall, the management team is maintaining high levels of ORS production and not compromising on product quality. The engineering staff conducts preventive maintenance for the four product lines.

Product line down times ranged from 24 hours to seven days, the latter being the exception. Thus the preventive maintenance schedule was saving the company revenue as well as building greater confidence and morale within staff to operate and maintain the production lines. Plans are currently being developed to add two additional production lines within the factory as well as to introduce a flavored beverage product line as a new income-generating source. The management team also highlighted that there was a staff grievance system in place. Factory staff can report any incidents of harassment, safety-related matters, etc. Grievances are reviewed by a special sub-committee.

Between 2006 and 2010, three key senior management positions were created and subsequently filled: the CFO, ISO Manager and Supply Chain Manager. The CFO creation was recommended in the 2006 USAID Performance Assessment of SMC. The ISO Manager ensures the ORS factory meets ISO guidelines and the Supply Chain Manager is responsible for the preparation of production plans, raw and packaging materials budget, procurement of raw and packaging materials, distribution of finished goods, central warehouse management, and logistics.

1. Compensation Package

Although there was provision in SMC's administrative manual to conduct a pay structure review every two years, the pay scale introduced in 2002 had not been reviewed until 2008, when senior management felt it was necessary to undertake an independent review. This six-year gap in addressing the compensation package according to administrative guidelines gave rise to non-competitive pay packages as well as a lack of adjustment of the cost- of-living index. Some of the challenges SMC faced included attracting new employees to work in a more competitive arena, which necessitated bringing professionals with direct work experience in the commercial for-profit sector. The commencement of a new ORS production facility also required SMC to attract highly competent staff from the manufacturing sector. As SMC rolled out its new ORS production, with its new vision for growth, it began to experience turnover of new employees and the need to fill the vacant positions with commercially experienced staff, but SMC could not offer a competitive compensation package.

In 2008, SMC contracted an external consultant to complete a review of its compensation package (CP) and make recommendations for adjustments across all job categories. The CP focused on three core outcomes:

1. Match compensation and benefits with the cost-of-living index within the capability of the company
2. Retain efficient, good employees
3. Recruit more highly qualified candidates by offering a more competitive compensation package

The review committee analyzed the CP under four components:

1. Salary, including basic pay, house rent, conveyance, allowance, medical allowances, and festival bonus
2. Benefits, including performance, sales incentive, leave encashment (with limits), and transport allowance (with limits)
3. Deferred benefits, including Provident Fund (10 % of basic) and gratuity (one month basic pay for each year of service)
4. Non-cash, including group life insurance

The result was a modest base salary increase of 20% for senior management staff and a 25% increase for all other SMC-graded payroll employees. The new CP was retroactive from October 1, 2010. While the compensation adjustment was welcomed by all employees, managers told SMC that the adjustment did not lead to any significant improvement in their overall CP. Some managers reported that the salary scale is still non-competitive even with the increase. In fact, it was highlighted that the 20% increase for senior managers placed them at the 25% quintile level in relation to comparable companies, while the increase placed graded staff at a 75% level. Further comments from senior managers highlighted the fact that this modest increase will do virtually nothing to improve staff motivation and performance levels. There have been mixed perceptions regarding the salary increase. Further comments suggest that if the current salary and CP continues, this will impact negatively on staff motivation and performance, which in two divisions is at a low level.

A SWOT analysis was recently completed in one of the key functional divisions. The analysis highlighted poor motivational levels as well as decreasing performance levels among staff. It also highlighted the fact that the division was too understaffed to fulfill its operational mandate effectively and efficiently. Further interviews with other divisional GMs indicated that

motivational and performance levels were gradually decreasing. One GM was adamant about that fact that if the CP is not further adjusted to become competitive, senior managers will begin to move to other companies and organizations. Thus, one of the key challenges that senior management currently face is to build higher motivation and commitment by staff that will reflect in individual performance levels and make an overall contribution to organizational efficiency and effectiveness.

It is recommended that a SWOT analysis be applied across all six SMC functional divisions to properly gauge staff motivational and future performance levels. Such an analysis will provide critical decision-making information and data for senior management as it transitions and builds a new organizational structure and performance-based system. Senior management made it clear that unless performance is improved overall within the organization, the company will remain in a situation in which employees do not meeting their performance targets at the upper end of the performance rating scale. One senior manager emphasized that steps had to be taken to improve staff motivation, performance, commitment, and a sense of ownership.

2. Staff Recruitment

Currently, SMC is in the process of filling three key senior management positions: GM of the factory in Bhaluka, GM of Sales and Marketing, and head of Human Resources. SMC is also recruiting for a head of Accounts; head of Research, MIS, and M&E; and a QA manager. SMC is fast-tracking the recruitment of the HR and M&E directors as well as the factory GM. The deputy MD position, which reports directly to the MD, was recently filled internally by appointing the previous factory GM, who is also the secretary of the board.

3. Staff Retention

At the senior management level, previous external performance assessments highlighted the fact that SMC faced a major challenge in retaining highly qualified and competent staff for senior manager positions. The Report on Salary and Benefits Survey, conducted in March 2008, highlighted the following CP gaps:

> "SMC's compensation packages are the lowest in the market. This compensation package can never attract and retain the right kind of people in a short supply market like Bangladesh. Even if it can attract the right people, because of the unemployment situation prevailing in the country, the organization will never be able to retain them for more than a few months. This situation will turn the organization into a training ground for other organizations to lure SMC's trained employees....The urgent need, therefore, for SMC is to have a compensation package which is market competitive."

SMC's S&M division is facing serious challenges at present. The highest turnover in staff is at sales officer level — more than 40% staff turnover. The staff turnover rate at SNR and middle management positions is not significant. However, a major challenge for the company will be to figure out how to attract top talent to fill the vacant senior manager positions, given a relatively unattractive CP. SMC will be well advised to recruit professionals who have had substantial experience in both the commercial and public sectors, with an emphasis on attracting individuals with greater professional experience in the commercial sector. SMC must realize that the current HRD manager position has an important strategic role, as the company will go through a change in management process. This individual should be drawn from the commercial sector, having worked with either a major pharmaceutical firm or company that has itself managed an organizational restructuring initiative.

Meetings with the SMC area GM in Myemsingh highlighted the high level of staff turnover and the challenges to motivate and retain staff and improve staff performance levels. The SOs are primarily recruited from the pool of fresh graduates — young people who are looking for new opportunities to advance their careers. Due to the very low pay scale for SOs and low incentive package, motivational levels remain poor even though the area managers are doing their very best to find ways to improve and sustain motivational levels. Given that SMC is a "sales-driven company," as one senior manager highlighted, SMC will need to invest more in this component as it transitions from a not-for-profit to a commercial for-profit company. Such turnover must be addressed in the new strategic plan to ensure that a strong sales force is both sustained and operating to achieve maximum commercial returns on SMC's future investments in new products and services. Currently, there is a 40% turnover rate in the SMC sales force.

4. Staff Annual Performance Appraisal System (APAS)

One of SMC's past achievements has been to develop and institutionalize an APAS for each employee. SMC developed a personnel policy that includes written job descriptions and performance evaluation criteria for different ranks in the company, and institutionalized a participatory personnel evaluation process, where individuals develop their professional goals and targets for a specified time frame, and set performance evaluation criteria in agreement with their supervisors. The company offers an incentive package to employees that is applied annually and is based on an annual performance appraisal of each employee. The APAS includes three components: 1) employee and supervisor set performance targets; 2) a mid-term review, in which the supervisor and the employee discuss challenges and bottlenecks to achieving performance targets; and 3) the annual performance review .The APAS rating outcome determines the type of incentive package awarded to the employee. This APAS system has been institutionalized and is being managed by the GM of Administration.

A key issue with the APAS is that the scoring system is not rigorous. All of the senior managers receive 100% ratings and 90% of the payroll staff get a 100%. This means that everyone gets the performance bonus. This leads to the following question: is this fact a reflection of actual employee job performance, or is it tied to the wish to access the incentive package due to the general dissatisfaction with the low salary pay scale? It is recommended that the APAS be revised to measure actual performance and goals be set in a more objective manner. The current APAS is not adding any real value to the overall efficiency and effectiveness of the organization.

5. Human Resource Development

The current HR Director position is vacant; the previous employee resigned at the same time as the previous MD. SMC has never developed a comprehensive HRD plan to guide the development of the organization.

It is recommended that SMC fill this position as quickly as possible. Senior management has also highlighted the importance of capacity building within the organization and understands the value added in developing a comprehensive HRD plan.

In the past, SMC's approach to professional development was through local or international training courses, conferences, and study tours, with total of 334, as outlined in Table 10. Between 2006 and 2010, SMC spent a total of 30 million taka on staff capacity building—2006 (1.1million); 2007 (5.78 1million); 2008 (11million); 2009 (11million), and 2010 (1.79 1million).

Table 10. Numbers of Staff Trained by Type of Course 2006-2010

	2006	2007	2008	2009	2010	Total
Location of Training						
International	53	55	46	56	13	223
In-country			35	51	15	101
Business excursion			08		02	10
Type of Training						
Workshop	53	48	45	54	12	212
Conference		02	01	02	01	6
Study tour		05				5
Location of International Training						
India	11	25		04		40
Singapore	18	08	36	45		107
Malaysia	19				02	21
Nepal	05	12				17
Thailand			09	01	01	11
Other				04	10	14
Name of the Training Institute						
Singapore Institute of Management	18	09	36	46	05	114
Malaysia Institute of Management	18			01	02	21
Indian Institute of Management	04	13		02		19
TACK Training International	05	12				17
Administrative Staff College of India		07				7
Center For Public Management			08		04	12

A closer look at the actual training breakdown by duration, location of training, and type of training provides the following two trends: The majority of trainings took place in an international training institute and the duration was extremely short — two to three days of actual onsite training. The selection of who was allowed to go on training courses was done on an arbitrary and ad hoc basis. Certain employees participated in a number of training programs while other employees were excluded from participating in any training. The selection was not based on any actual systematic HRD plan within the company nor did it include a job-specific skills, knowledge, and competency baseline analysis of the individual employee. This brings up three related questions: 1) What value-add could such short-term training contribute to improving staff performance and the overall efficiency of the organization? 2) Wow can two to three days of training actually contribute to upgrading staff skills, competencies, and attitudes? 3) what follow-up was carried out by SMC to ensure there was an application of the training to the employees' work environment and job specific performance targets? Interviews with senior management staff indicated that trainees were only required to evaluate the training institute itself. Senior management did not put in place any formal post-training evaluation system to

monitor if such capacity-building investments actually contributed to improving the skills, knowledge, and competency levels of the employees.

There is currently a clear opportunity within SMC to make major changes to HR investments and development within the organization at all levels. The MD has frozen all current training placements and tasked the GM of Administration with fast-tracking the recruitment of a highly experienced HRD manager, preferably from the private sector. This is a step in the right direction, as SMC will have an opportunity to develop a comprehensive HRD plan once it has recruited a senior-level HR manager. Until this is done, SMC will not be using its training budget effectively nor will its investment in capacity building add any real value to improving the performance levels of staff.

D. Research, MIS, M&E Challenges

SMC has also made steady progress in developing specific computer-based information functions, which include a research and marketing component, management information systems, and M&E functions. The research team oversees documentation of research results, including feasibility studies and market and sales data. The team is quite strong in setting a research agenda, developing terms of reference, and overseeing the research process. The data guides the SBUs in decision making and resource allocation. Apart from the ORS factory and the S&M Division, there is a need to develop an M&E system at the head office, which assists senior management in determining if the other divisions such as administration and finance contribute toward increased efficiency and effectiveness within the overall organization. Currently, steps are being taken to include both factory production and warehouse inventory in the IMIS.

One key management capacity issue is the appropriate use of data for decision making. There has been progress made in developing these computer-based systems. Another key management capacity issue is the appropriate use of data for decision-making. The Research, Management Information System (MIS) and Monitoring & Evaluation (M&E) Unit reports directly to the MD. While there has been progress in developing these computer-based systems, this unit does not really have clearly defined functions and could improve its data management capacity**.** In 2008 SMC began to develop its Integrated Management Information System (IMIS, which is used as an integral part of the monitoring plan for SMC program operations. The overall objectives of the IMIS are to: 1) provide individuals with complete and updated information relevant to their roles; and 2) provide management with the information necessary to track critical business functions, such as sales and distribution, programs, finance and accounts, human resources, and inventory. The ultimate goal of the IMIS is to establish a full-fledged decision support system to run operations with strong information support at each level of business function. It will enhance the capacity to "visualize" and relate data graphically on a wide variety of dimensions, which in turn will greatly enhance monitoring and decision making.

Currently, SMC is using a new, multilevel access defined software. The IMIS gathers data from 14 data locations across the country, which includes the 12 sales offices, the central warehouse, and SMC head office. One of the key demotivators for this department is the fact that there is no career path opportunity. This needs to be addressed as a key HRD issue during the transition process.

The MIS/M&E team, as described in Result 2, has developed a quality system to track the progress of BSP, which is a very positive development. In addition, the MIS has been applied to sales and marketing activities. SMC recently put in place a tracking system to capture information on improved cost-effectiveness and efficiency in revenues at the 12 area offices. The system captures inventory data to monitor the sales and product supply side. The area managers

are being trained to use this data more effectively to both monitor sales staff and take decisions toward improving the performance of sales officers. At the same time, the IMIS is providing national sales data for senior management to understand progress and shortfalls across the 12 area offices. This indicates that the MIS is providing a useful service for improving decision-making capacity at both the area office and head office levels. One of the key challenges is to strengthen area office capacity to more effectively use data to increase product sales and improve staff performance.

SMC can also consider strengthening its M&E capacity, which can be applied to both new commercial and program activities. A robust M&E system with strong feedback loops and incentives for ongoing and new commercial versus program opportunities, including a learning platform from the M&E results, can provide more timely/accurate information for senior management decision making.

It is important that the new MD and senior management team begin to make better use of the MIS and M&E functions in building the operational efficiency and effectiveness of the company as it transitions to a commercial for-profit organization. The MIS and M&E system has been applied to the sales and marketing activities of the company across the area offices network. However, it has not as yet developed a system for capturing baseline data on improved cost effectiveness and efficiency in revenues generated per staff member. Such a system will be needed and must be integrated into the current MIS as the transition process is implemented. Lack of such a system makes it virtually impossible for senior managers to utilize reliable and real-time data to make key management decisions to improve cost effectiveness and efficiency in revenue generation across the organization. In addition, the data would also be used to allow management to make more strategic investment decisions to address bottlenecks in proposed new revenue-generating products and services as these are rolled out. Most importantly, the current MIS system is not providing management, at either the departmental or the executive level, with the necessary information needed to run the organization efficiently.

III. KEY RECOMMENDATIONS

1. There needs to be a separation of functions between the board and company management. The board should retain its governance, policy formulation, and guidance functions. The election of a new board presents an excellent opportunity for SMC to review and revise board and management functions and secure buy-in for this new functional arrangement.

   Management should have decision-making powers that are commensurate with the operations of the company, particularly in terms of procurement and administrative policies. SMC needs to establish new performance standards and measurable targets for monitoring company performance. The board has a key proactive role to play in encouraging and supporting SMC in the entire transitioning process. Board members cannot retain the same thinking and the attitudes of the previous five years. A new mindset and way of carrying out commercial business and oversight must be created. If the board continues to micro-manage the decision-making process during transition, there is a good probability that both the momentum and the strong leadership required to make the transition successful will be jeopardized. SMC will not develop the new vision, organizational structure, and strategic direction that will allow the company to go beyond cost recovery into a new era of higher profitability for its products and services.

   Membership in the new board must include greater private sector representation; ideally, the new chairperson would be drawn from the private sector, not the public sector, and have a proven track record as a successful entrepreneur. Strong entrepreneurial leadership

within the board is going to offer greater support to the company as it transitions and builds a larger investment portfolio outside the donor community. The new MD is not drawn from the commercial sector and has no substantial experience in building a for-profit making venture. It is not surprising that the past board, being chaired by a high-ranking former civil servant, did not provide the type of leadership, guidance, and influence that would create a more commercial mindset and entrepreneurial culture within the company. This has to change. USAID will be well advised to encourage the new board to include a healthy mix of commercial and public sector members that are able to offer a new level of entrepreneurial spirit leadership guidance and risk taking. Table 11 provides some criteria for general members to consider in selecting board members.

Table 11. Board of Directors Selection Criteria

Board Director Criteria	Yes	No
1. Has the time available to invest in attending meetings and representing SMC		
2. Believes in SMC's vision, mission, and goals and is available to support its staff and programs, and otherwise serve as its goodwill ambassador on all occasions		
3. Understands and agrees to accept legal liability for the actions and activities of the company		
4. Possesses a set of entrepreneurial skills, competencies, talent, or access to resources that can be of benefit to the growth of the company		
5. Knows, understands, and is enthusiastically committed to meeting the needs of the people the company intends to serve		
6. Likes to work on teams and avoids opportunities to control others or to create personal agendas		
7. Works on behalf of the company without expectations of any reward except the satisfaction of having performed a valuable service to Bangladesh society		
8. Has a genuine commitment to maintaining high standards of transparency, financial accountability, and performance for results within the company		

2. As SMC needs to fill vacant senior manager positions, it may be useful to employ a recruitment professional with substantial experience in both the commercial and public sectors.
3. Review compensation policy to help retain key senior managers will also require a major revision of the current compensation package, making it more market competitive.
4. Fast-track the recruitment of the HR manager, who will play a key strategic role as the company will go through a major change management process. This individual should be drawn from the commercial sector, having worked with either a major pharmaceutical firm or company that has itself managed a major organizational restructuring initiative. SMC currently has only one senior manager that has change management experience and training.
5. Continue to decentralize decision making, with increased accountability and decision-making capacity at the department levels.
6. Develop a platform where financial performance information can be readily provided on a routine basis to department directors and staff at new weekly senior management meetings as well as be utilized for strategic thinking, planning, and performance-based evaluations of divisions and units—versus only focusing on the performance of individual staff members.

7. Engage an external/local consultant(s) to review the CP and the administrative manual.
8. Conduct a strategy and organizational restructuring review. This will be a very important activity in developing a vision of how SMC will move forward in the future. The review should cover the following:
    - Clarify/affirm of the vision and mandate of SMC
    - Develop of new statements of vision, mission, objectives, and core values
    - Review of organizational strengths and weaknesses
    - Conduct functional analysis to determine the core and non-core functions of SMC and its divisions and units in relation to its new organizational structure
    - Streamline of overlapping functions and elimination of unnecessary ones
    - Determine appropriate organizational structure
    - Conduct a HRD plan to determine human resources requirements, including numbers, requisite skills, competencies, and experience
9. Revise/refine the APAS to effectively utilize the data and information from the research, MIS, and M&E units. The new APAS should have the capacity to evaluate performance across divisions, departments and units, while the current APAS for individual employees will be revised and improved to better align with organizational efficiency and effectiveness targets.
10. Create a human resource development unit, which will serve the new organizational structure for the current proposed core business and program divisions. The HRD Unit will report directly to the MD Director rather than the General Manager of Administration.

For more information, please visit
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