

Integrated Sustainable Business Model: A case of Bhutan Chamber of Commerce and Industry

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Abstract

For a not-for-profit organization such as chamber of commerce, revenue depends mostly on the quality of services rendered to its members. Sustainability of any organization depends on the amount of revenue it generates. This exploratory research aims to address the issue of financial resource constraint faced by Bhutan Chamber of Commerce and Industry (BCCI) and ultimately develop a revenue model for the organization. At present BCCI depends mostly on the grants from the government and membership fees. We develop and test a revenue model for BCCI which will help it in identifying the quality and quantity aspects of the existing services. This model named as Integrated Sustainable Business Model will help organization in crafting strategies for different services based on the category they fall into. Need, Content, Cost, Delivery and Evaluation (NCCDE) parameters are used to measure the quality index of the services. Analysis of data indicates in the prescription of a range of services which the organization should offer and charge in order to increase its revenue which will lead make it sustainable.

Keywords: Integrated Sustainability Business Model, Quality- Quantity Index, Quality-Quantity Table, Quality-Quantity Matrix

Introduction

Bhutan Chamber of Commerce and Industry (BCCI) is a not-for-profit making service oriented organization with business community members all over Bhutan. It was established in 1980 under the Royal Command of His Majesty, the fourth Druk Gyelpo Jigme Singye Wangchuk (Bhutan Chamber of Commerce & Industry, 2013). BCCI secretariat located in the capital city Thimphu is mainly supported by three departments namely - General Affairs Department, Business Support Department and Research and Policy Department. As of now it has six regional offices located across the country (Bhutan Chamber of Commerce & Industry, 2013).

The organization being the apex-body for private sector in Bhutan, it plays crucial role in economic development of the nation. It has a role in creating conducive environment for the growth and development of the private sector. So, BCCI also being the facilitator for business development in the nation acts as a bridge between the private sector and government. The organization also provides advocacy service and lobby facilities with effective business support services delivery system.

As recognized by business enterprises in different nations, BCCI also considers genuine need for a revenue model since long. According to Zott, Amit & Massa (2011) revenue model plays a central role in explaining firm performance and hence its profitability. Such model can also help in key decision making for both new as well as existing organizations. The authors mention that once the recourses are in place the effect of the

external environmental factors will be at lesser risk and can be helpful in the analysis and improvement of the model for better results.

BCCI aims to render effective services to the private sector enterprises. However, with the limited manpower and financial constraints, it is unable to render attractive business development services as expected. Further, it has not been able to diversify its services due to so many inherent constraints such as limited government grant, non-existence of pay for services attitude amongst Bhutanese private sector members and free services rendered to the government and other agencies.

In this backdrop we intend to develop a Revenue Model for BCCI. The model is expected to indicate the index of both quality and quantity of all the existing services of the organization. In addition, the model will help in categorizing the services in different group of matrices which can be used by BCCI to generate adequate revenue by providing quality services and satisfaction to its members.

Literature Review

In the following paragraph we present review of previous studies on revenue, quality, 3P's and chamber of commerce. The focus is on the quality concept of the services relating to satisfaction, profitability, revenue growth and cost reduction.

Review on Importance of Revenue for the Organization

Literature on revenue model is very limited. Yet, there are a few papers which has examined the determinants of the profits of various organizations. According to Shunlong,

Xiaodong&Lingying (2013) non-profit intermediary organizations' revenues were originally from membership dues, government funding, social donations, income from paid services and the operations of assets. Revenue to any business or organization is like air, food and water to mankind. Without revenue, a business is as lifeless as plant without water (Mullin and Komisar, 2009). In this line revenue means money that the organization receives from its customers in return for whatever it offers and revenue is life blood of any organizations.

Review on Quality of Services and Customer Satisfaction

Many studies have found that the quality of products and services are the most important aspect of revenue. Similarly, costs were found to be detrimental factor to the amount of income firms generate (Shah, 2009). On the quality aspect of goods and services, Jacobson and Aaker (1987) found the quality to have positive influence on the market share. Similarly, Homburg, Koschate and Hoyer (2005) have stated that customers will pay more if they are satisfied with the quality of the services. In other words, customers who are satisfied with high quality have a higher perception of the value of firm's offerings and will be more loyal to the firm for the long period of time. This is also found to lead the spread of the word through word-of-mouth that helps the firm to advertise its quality of services offered. Alike, Rust, Moorman and Dickson, (2002) reaffirmed that quality improvements result in increased customer satisfaction, which will result in improved efficiency, dependability and reliability, which in turn will reduce costs through efficiencies in the process and also increase revenue. Moreover, Rosenfeld (2009) and Scheeres (2010) have found that effort to improve quality always results in reduced costs due to increased efficiencies, and therefore, increasing the prospects of revenue growth and profitability. Hence, offering quality services stems as the main role of the business organization. According to Shah (2009) Chambers can improve the quality of the services by listening to their members, competitors' members and their own employees. This allows management to identify the most important inputs that have the largest impact on perceptions of quality by the consumers and allocate resources accordingly.

In addition to the quality of services offered, Shah (2009) also highlighted the importance of costs in understanding and estimating the profits of an organization. He recommends alternatives of means to reduce the cost. Jhon (2013) also suggested various institutes to develop strategies to increase number of sources of revenue and cost saving measures.

However, Rust, Zeithaml and Lemon (2000) emphasized that if firm attempts to reduce costs through layoffs and reduction in other benefits, then it will reduce employee morale, which in turn result in lower customer service, customer loyalty and lower quantity of services.

But for service oriented organizations like chambers of commerce, the number of times the services are offered also have significant impact on the revenue it generates. As Nilson et al., (2001) stated, focus on the product and service attributes lead to higher sales and hence, the profitability of the firm.

Review on the Concept of 3 P's

The term 'triple bottom line' which is often called as 3P's was initially coined by Elkington in 1994 to be used as a framework for measuring and reporting performance against economic, social and environmental parameters (Onyali, 2014). The sustainability of any business in the era of contemporary world depends on the integration of three performance areas consist of economic, social and environmental parameter (Onyali, 2014). The researcher has found that the market share of corporations could be improved by implementing triple bottom line accounting methodologies, by providing management with information needed for preparing social and environmental reports useful for stakeholder communication. There is also a transformation in societal focus from mere profit to environmental focus as bigger picture to see the business impact on the world around the people (Onyali, 2014). So it is viewed as a necessary practice for the survival of the modern corporations.

Review on Chamber of Commerce

Chambers of Commerce have played major role in economic development in many countries. In particular, the Chamber as an intermediary service organization between government and business, its importance was genuinely felt in the more developed and integrated market economy. Likewise, the functions becoming more and more diverse and the market becoming ever complex it has increased the size of chambers of commerce in many countries around the globe (Shunlong et al., 2013). The authors have emphasized the importance of clear and concrete mission for the chambers. Those that do not have clear stated missions are found to lose their direction in the developmental processes.

On this front BCCI is considered to have clear mission of promoting private sectors of the nation, established under the Royal Command of His Majesty the Fourth Druk Gyalpo in 1980 (Bhutan Chamber of Commerce & Industry, 2013). One success factor of any organization is the existence and composition of

professional team. However, Shunlong et al., noted that many chambers of commerce lack innovative and creative management team. The authors further exerted the reasons of failure of some chambers to poor management personnel to execute the policies and systems. When it comes to BCCI, the chamber has good number of qualified managerial team and over the years has provided business trainings and conducted several related workshops to further enhance the professional development of its staff.

The absence of law also has been hindering the normal functioning of the chambers. For example, carrying out daily activities and dealing with the government, chamber of commerce and other social organizations were hindered without a proper law to refer (Shunlong et al., 2013). The author also observes that a close communication and co-operation between the chamber of commerce with the regional permanent joint offices plays an important role in developing the regional economic activities, and ultimately the development of national economy. In a similar line, BCCI established five regional offices across the country so that its services can be provided in a better and effective manner.

In addition, Noel and Luckett (2014) suggested that the customers in long-term relationship should experience three benefits besides its services, i.e. a) Confidence benefits, b) Social benefits and c) Special treatment benefits. These are some of the

important factors that directly affect the sustainability of the chamber of commerce.

Research Methodology

Review of literature indicates that there is no information available on how similar problems or research issues were solved in the past elsewhere and specially in Bhutan. This preliminary work has been done to gain familiarity with the phenomena in the situation and to develop a business sustainable integrated model for BCCI. So, this study is an explorative in nature. The main objective of the study is to develop a Revenue Model for BCCI. We aim to develop Integrated Sustainable Business Model to help the organization in identifying the quality and quantity aspects of the existing services. This will help the organization in crafting strategies for different services based on the category they fall. After development of the said model we test the model through the information gathered from mainly primary source of data as well as secondary source. Primary data are collected through interviews and structured questionnaire. The secondary data collected from website of BCCI, ministry of finance, RMA (the central bank of Bhutan) and various business reports and articles published by BCCI. Using purposive sampling method, a sample size of 33 respondents working in different regional offices of BCCI were given structured questionnaire. The sample distribution is indicated in the table below:

	Distribution of sample							Total
	Region I	Region II	Region III	Region IV	Region V	Region VI	Sector Association	
Population	7	2	4	2	2	6	10	33
%	21	6	12	6	6	18	30	100

The survey covers sector associations and all six regional offices of BCCI in Bhutan namely: Thimphu, Phuentsholing, Samdrup Jonkhar, Bumthang, Mongar and Gelephu. The size of the sample was taken based on the number of members of the organization.

The information related to the services provided by BCCI is analyzed by using Microsoft Excel Spreadsheet Applications to assess the relationship between the variables. The quality index and quantity index are calculated by using formula based on five parameters (NCCDE) along with the given rating scales. Further, the percentage analysis, graphical analysis and measure of center tendency analysis tools were used.

Data Analysis and Findings

In this section we first discuss the business model along with 3 P's model and Integrated Sustainable Business Model supported by Quality - Quantity Index.

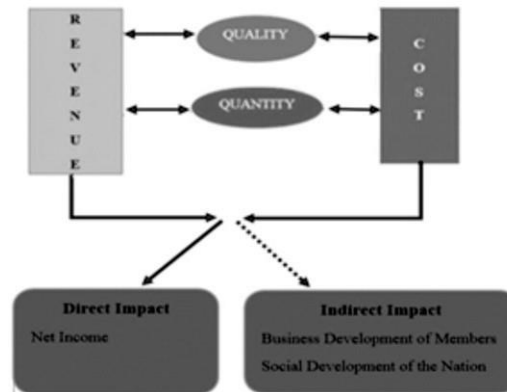
Business Model

In general, the net income of BCCI depends on the revenue from services offered to members and the costs incurred on rendering those services. The revenue from services depends on the quality and quantity of services offered by BCCI. On the other hand, the quality and number of times the services offered are the two main determinants of costs. Change in quality will change the net income and also change in quantity will have an impact on the net

income. Similarly the income generated from the services rendered will be used for the development of business. The social development will depend upon the growth of business

development. So, there is relationship between the revenue of BCCI and quality and quantity of the services.

Figure 1: Business Model



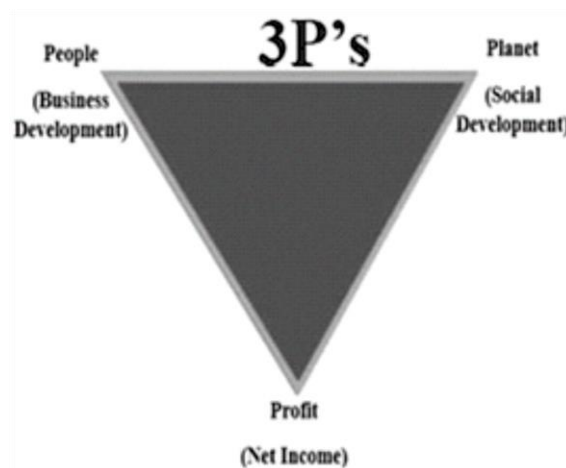
(Source: Author's analysis)

3P's Model

Presently societies are moving towards environmental longevity and businesses are looking beyond the picture of financial performance. There is a philosophy of business that addresses all the issues encompass the topic related to People, Planet and Profit (3P's). So, the conscious awareness has led to the concept of Sustainable Development with the help of 3P's. Similarly the BCCI being the apex body of all the business of the nation, it is

not the exception to this concept. For BCCI the term 'Profit' can be replaced by 'Net Income' and the income can be used for rendering services for members' Business Development (People). If there is business development through the services of BCCI, there will be Social Development (Planet) and this will ensure the sustainability of BCCI through the income generation from members.

Figure 2: 3 P's Model

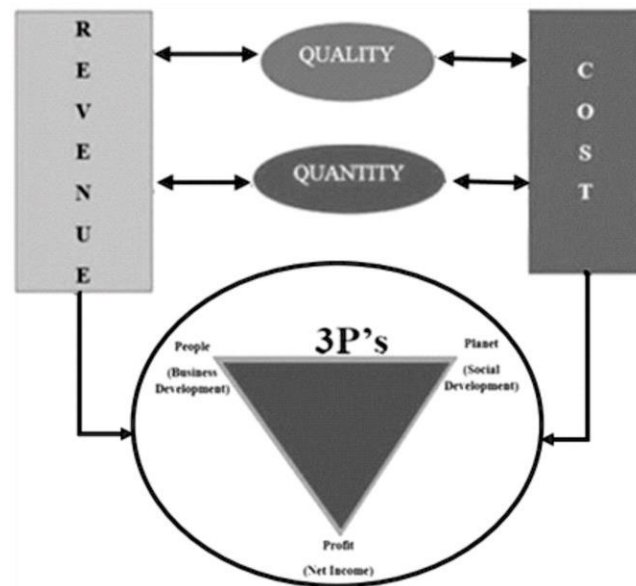


Integrated Sustainable Business Model

The business model and the 3P's model explained earlier can be integrated to develop Integrated Sustainable Business Model. This model depicts in a holistic view in generating net income from the members. It takes into account of revenue and cost on the basis of quality and quantity of services. Further, the diagram

shows that the revenue generated on the basis of quality and quantity of services will be going back to the members in the form of different services for the development of business. In turn the business development will ensure the development of society. So, the societal development will ensure the sustainability of BCCI in generating revenue.

Figure 3: Integrated Sustainable Business Model



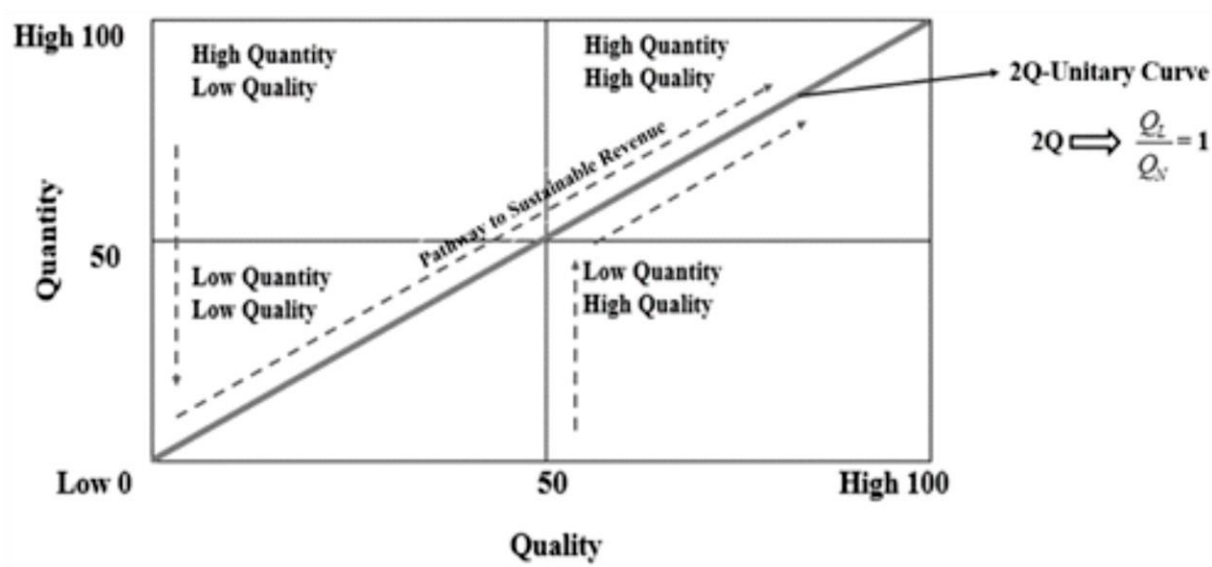
(Source: Author's Analysis)

Pathway towards Sustainable Revenue Model (Quality - Quantity Matrix)

This model will be used to determine the quantity and quality of existing services of BCCI. It will help the organization in categorizing its services under the four categories: Low Quality - Low Quantity, Low Quality - High Quantity, High Quality - Low Quantity and High Quality - High Quantity.

The services of BCCI that fall in the category other than the quadrant High Quality - High Quantity will need some strategies to improve either in quality or quantity or both parameters. The positively slope line known as 2Q – Unitary Curve shows that the services fall on the line are in equal index of quality and Quantity. The services that fall above the line indicate

Figure 4: Quality - Quantity Matrix



(Source: Author's Analysis)

that those services that will have greater quality than quantity and the quotient of the index will be always greater than one. On the contrary, the services that fall below the line will have the lower quality index as compared to quantity index and will have always negative quotient. The ultimate aim of the organization is that the services those fall away from the 2Q-Unitary Curve should move closer either increasing the shortfall in quality or quantity index and should move towards the higher level through the line that shows the pathways toward the sustainable development.

Decomposition of 2Q index

where, Q_L is the Quality Index and Q_N is the Quantity Index.

The Solution can be of any three different cases:

Case I: $2Q > 1$, if $Q_L > Q_N$,

Case II: $2Q < 1$, if $Q_L < Q_N$,

Case III: $2Q = 1$, if $Q_L = Q_N$.

For example, let a service fall on different cases;

In Case I: $Q_L > Q_N$, So let $Q_L = 25$ and $Q_N = 20$, which gives $2Q = 1.25$ (lies below the 2Q-Unitary curve),

In Case II: $Q_L < Q_N$, let $Q_L = 20$ and $Q_N = 25$, which gives $2Q = 0.80$ (lies above the 2Q-Unitary curve),

In Case III: $Q_L = Q_N$, Where $Q_L = 25$ and $Q_N = 25$, which gives $2Q = 1$ (lies on Unitary Value).

Therefore, the result should be:

Case I: need to increase the quantity to reach at unitary curve,

Case II: need to increase the quality to reach at unitary curve,

Case III: for sustainability there should be an upward drift of Q_L and Q_N at same proportion, remaining along 2Q-Unitary curve but to higher levels.

Quality Index (Q_L)

The quality index is measured for every service of BCCI with the help parameters like Need (N), Content (C_N), Cost (CS), Delivery (D), and Evaluation (E). It is calculated by summation of all the parameters for every service individually.

Quantity Index (Q_N)

The quantity index can be calculated with the help of Service Coverage Ratio (SCR) and Service Frequency Ratio (SFR).

Further, the SCR can be calculated on the basis of members, sector specific and general (irrespective of members). The SCR on the basis of member can be calculated by number of members availing services divided by total number of members. Similarly, SCR on the sector specific can be calculated by sector specific members availing services divided by total number of members in the specific sectors. However, on the basis of the relevancy and convenient of information, 'need' for the service by the member is taken in place of SCR.

$$SCR = \frac{\text{No. of member availing services}}{\text{Total no. members}}$$

Similarly, SFR can be calculated on the basis of number of times services delivered divided by target frequency to be provided. As SCR has been taken base on the relevancy, 'delivery' of the different services is taken as SFR.

$$SFR = \frac{\text{No. of times services delivered}}{\text{Target frequency of services to be delivered}}$$

The quantity index can be calculated by SCR multiplied by SFR. Therefore, quantity index for particular service is the product of need and delivery of the particular services.

$$Q_N = SCR \times SFR$$

In sum, Quality – Quantity of the services will be supported by Quality – Quantity Index for different services. The Quality – Quantity Table for different services will be also shown. Finally the existing services will be categorized under the given matrix based on the score of Quality - Quantity Index along with Quality – Quantity Index Table.

We now analyze the data collected from the respondents and present those on the model discussed above. First the quality index of the services is discussed of the services provided by BCCI such as business facilitation services network and linkages, training service, providing arbitration and mediation services on request, advocacy services and support to CSMEs services. Need, Content, Cost, Delivery and Evaluation (NCCDE) parameters are used to measure the quality index of these services. Quantity index is presented next for all these services followed by quality-quantity table, where we present the scores calculated from the responses obtained. Finally we present quality - quantity matrix of these services and its analysis in the last paragraph.

1. Quality Index of the Services Business Facilitation Services

Figure 5: Quality Index for Business Facilitations Services



Business facilitations services includes the services related to the promotion of trade and investment mission, business referrals/ matchmaking, information collection and decimation of business information and opportunity and issuance of recommendation letter, token, certificate to the members. The overall quality index (calculated as explained in the first section) for the services is 52.62%. Figure 5 above shows that the need of the service for members is quite significance. It is followed by the content of the service with 12.22. This indicates that there is relevacy, adequacy and completeness of the material in the

service. However, in terms of evaluation, the parameter of quality index scores the least, indicates that the organization is poor in taking feedback for their services.

Network and Linkages

Network and linkages service includes networking amongst business and institutional networking. Figure 6 indicates the service is highly required by the business members with of 16.03. However, the overall quality index is 52.24. This is due to low score in other parameters like cost, delivery and evaluation of the service.

Figure 6: Network and Linkages



Training (in & ex-country) Service

Figure 7: Training (In & Ex-Country) Service



Training Services includes training for the members both within the country and abroad. This service is mostly a free or gratis service for the members and for the training outside countries are charged at very minimal cost. Figure 7 above indicates that the service is highly required by the business members with the score of 15.52. However, the overall quality index is lowered to 55.94 due low score in other parameters like cost, delivery and

evaluation of the service.

Providing Arbitration and Mediation Services on Request

This service is an on-request service and provides services to the members like mediation or intervention on tax issues, dispute settlement between the business members, intervention between local business and business counterparts abroad.

Figure 8: Providing Arbitration and Mediation Services on Request

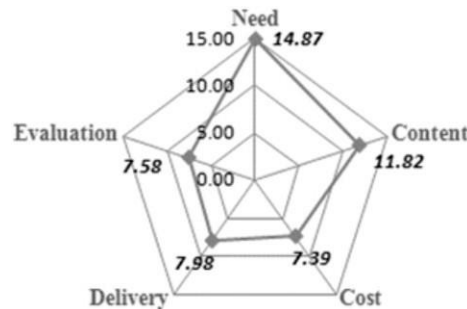
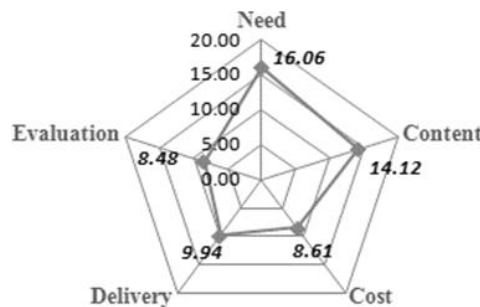


Figure 8 above indicates that these services are highly required by the business members with a score of 14.87. The overall

quality index is 49.64. Like other services it is a free or gratis service for the members.

Figure 9: Quality Index for Advocacy Services



Advocacy Services

The advocacy service is generally provided to the members and the figure 9 depicts that the service is highly required by the

business members with a score of 16.06. However, the overall quality index is 57.21. The score in other parameters like cost, delivery and evaluation of the service are quite low.

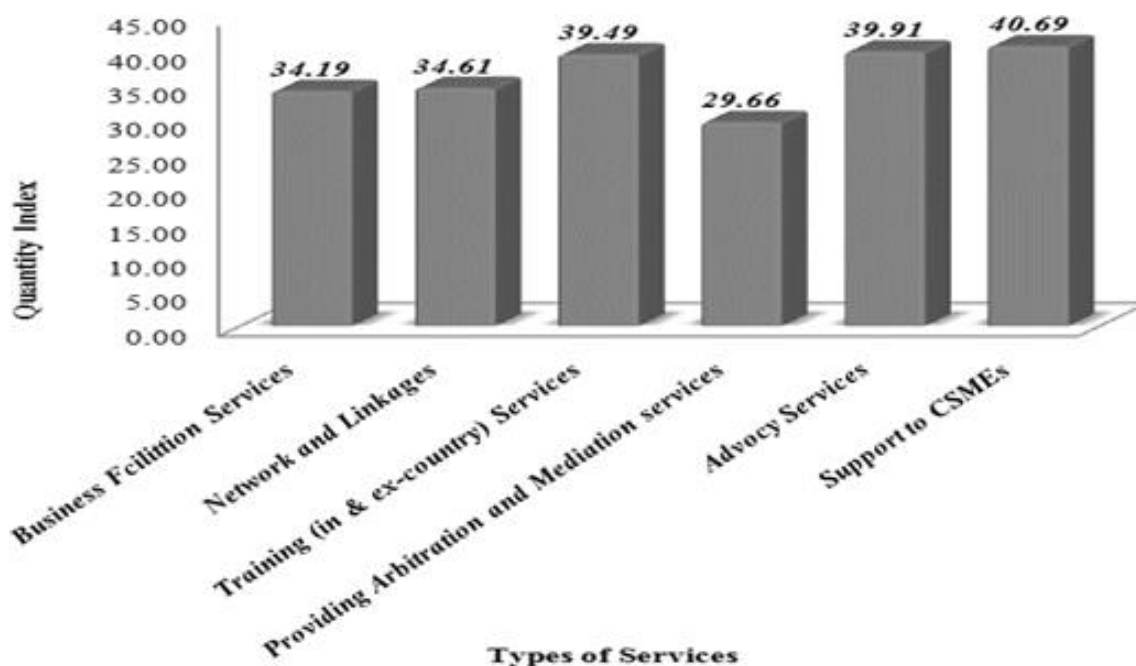
Figure 10: Quality Index for Support to CSMEs Services



Support to CSMEs Services

Support to Cottage, Small and Medium Enterprises (CSMEs)

Figure 11: Quantity Index for Six Major Services



4. Quality – Quantity Index Table

Table 1: Quality - Quantity Table of Services

<i>Services</i>	<i>Quality Index</i>	<i>Quantity Index</i>	<i>Quality</i>	<i>Quantity</i>
Organizing trade fairs & exhibitions and coordinating member's participation in overseas fairs and exhibitions.	53.09	35.70	HIGH	LOW
Hosting visiting delegations as arranging meetings between visiting trade delegations and members and vice-versa	52.85	35.90	HIGH	LOW
Processing of business enquiries and redirecting these to relevant members for their interests through relevant mode of communication such as email, letter, website, phone call, SMS, media, etc.	53.33	35.49	HIGH	LOW

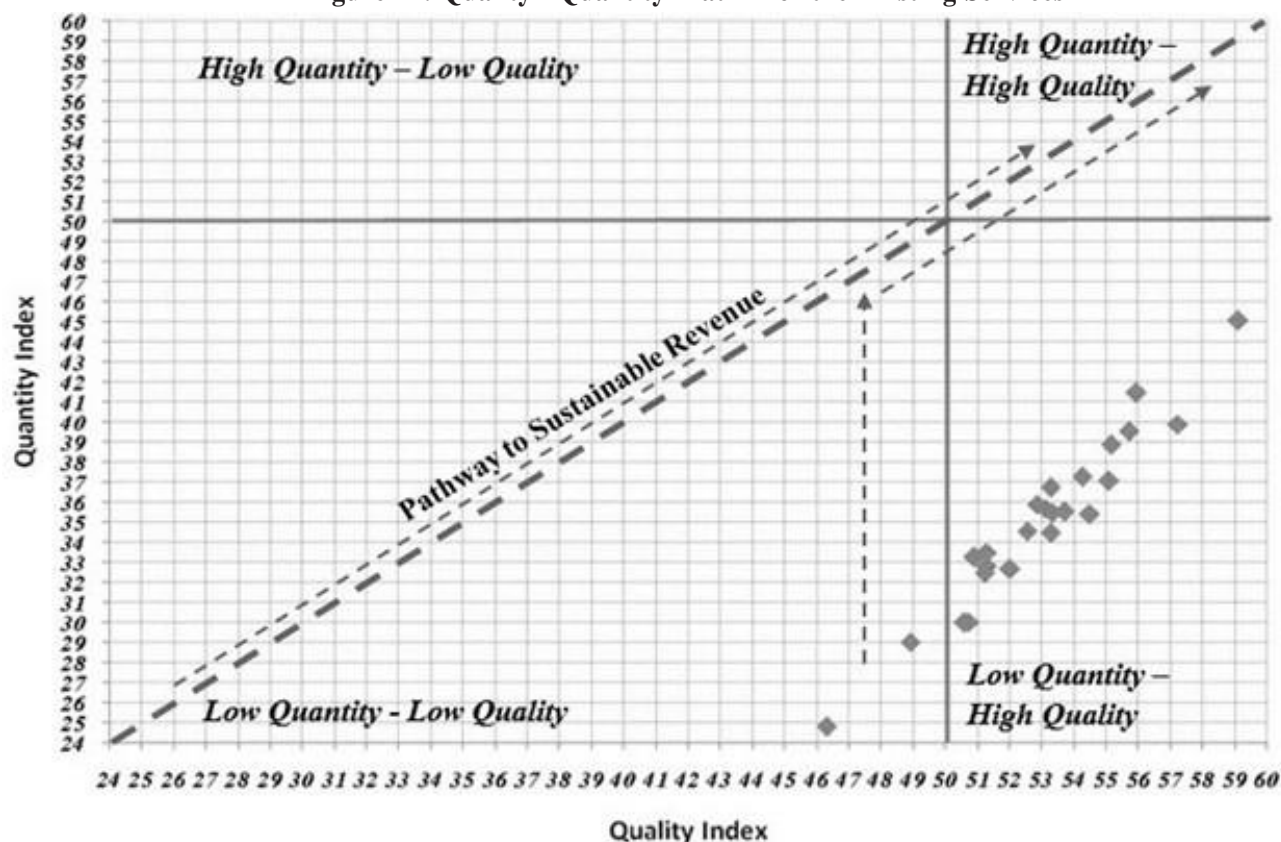
Organization of business matchmaking activities by initiating buyer-Seller-Meets (BSM) and other support measures.	52.55	34.56	HIGH	LOW
Arranging B2B meetings.	50.91	33.28	HIGH	LOW
BCCI collects information through published reports, government bodies and even embassies abroad, subscription to the internet and information providers, exchange with other chambers in the network, etc.	51.27	33.52	HIGH	LOW
Dissemination of government circulars, notifications and announcements pertaining to the private sectors	53.27	34.49	HIGH	LOW
Information dissemination on the training opportunities related to private and corporate sectors	52.00	32.65	HIGH	LOW
Dissemination of information on the trade fairs and exhibitions within and abroad	55.70	39.54	HIGH	LOW
Issuance of visa recommendation letter	55.09	37.09	HIGH	LOW
Issuance of school certificate recommendation	51.27	32.83	HIGH	LOW
Issuance of apple, orange, mushroom & Cordyceps token number for exporter.	50.61	30.00	HIGH	LOW
Issuance of general recommendation.	50.73	30.04	HIGH	LOW
Networking amongst business	54.48	35.40	HIGH	LOW
Institutional Networking	53.27	36.74	HIGH	LOW
Training (in & ex-country) services	51.21	32.48	HIGH	LOW
BCCI provide mediation or intervention on Tax issues between Government and private sectors	53.70	35.54	HIGH	LOW
Settle commercial dispute between business members	46.30	24.81	LOW	LOW
Intervention and settle commercial dispute between local business and business counter parts abroad.	48.91	29.04	LOW	LOW
Advocacy of services	57.21	39.91	HIGH	LOW
Economic resource inventorying in each district	55.94	41.46	HIGH	LOW

4. Quality - Quantity Matrix of Services

Analysis of the scores indicate that almost all the services of BCCI that fall in the category of Low Quantity- High Quality matrix except the services on providing arbitration and mediation service on request falls under the category of Low Quantity- Low Quality. However, the services that fall under the high quality index have also just crossed the marginal point with

highest quality index of 59.09 in the service of micro financing to micro small and cottage enterprises. Figure 12 depicts that none of the services fall at the 2Q – Unitary Curve and the quantity index of all the services are low as compare to quality index. So all the services fall below the 2Q – Unitary Curve and indicates shortfall in quantity index.

Figure 12: Quality - Quantity Matrix for the Existing Services



Conclusion

BCCI acts as an apex body of the private sectors in representing the interest and views of the business community to the government and vice versa. It plays an important role in the economic development of the country. We have developed the Self-Generated Revenue Model along with 3Ps model and finally, the Integrated Sustainable Business Model supported by Quality - Quantity Matrix. Need, Content, Cost, Delivery and Evaluation (NCCDE) parameters are used to measure the quality index of the services. Similarly, the multiple of service coverage ratio and service frequency ratio is taken to measure the quantity of the services. The matrix helps the chamber in identifying the services under different categories. Categorically, the organization is required craft the strategies related to either quality or quantity.

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