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► Navigating Employer and Business Membership Organizations (EBMOs) Financial Challenges

Analysis of strategies to enhance EBMOs Financial Sustainability



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▶ **Navigating Employer
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Organizations (EBMOs)
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June 2024

Bureau for Employers Activities (ACT/EMP)
International Labour Organization

Foreword

Financial sustainability stands as a critical concern for Employers' and Business Membership Organizations (EBMOs) leaders worldwide. In the wake of Covid-19 crisis, many EBMOs found themselves compelled to deplete their reserves, prompting a heightened focus on the financial resilience of their organizations. Consequently, a growing number of EBMOs have embarked on reevaluating their financial models, while others have recognized the imperative of crafting robust medium and long-term financial strategies to fortify their sustainability and resilience. Yet, achieving financial sustainability transcends mere short-term fixes; it demands a proactive approach that addresses both immediate challenges and future uncertainties. Through proper financial management and strategic decision-making, EBMOs can navigate economic fluctuations, adapt to evolving market dynamics, and remain resilient in the face of adversity. Indeed, sound financial management stands as a prerequisite for EBMOs to fulfill their dual mandate as the voice of business and the provider of essential services to the business community.

Despite its significance, EBMOs financial structures and strategies have never been adequately studied. Therefore, this research aims to fill this gap by meticulously examining financial data and gathering qualitative insights from EBMO leaders to elucidate prevailing trends and best practices in achieving financial sustainability. In doing so, the report marks a ground-breaking milestone as the first comprehensive examination of financial data and sustainability strategies within EBMOs.

The research has revealed that the pursuit of financial sustainability among EBMOs is characterized by a multifaceted approach, primarily emphasizing income generation and expenditure control. The intricate nature of reaching financial sustainability highlights the lack of a one-size-fits-all solution suitable for all organizations. Consequently, crafting recommendations or panaceas for financial success prove to be an almost impossible task. Nevertheless, the research has delineated a set of guiding principles that should form the cornerstone of any financial sustainability strategy, accompanied by many stories and examples—both positive and negative—that offer valuable insights and inspiration to EBMO leaders worldwide.

This research is a first endeavour in a delicate and sensitive area. Opportunities for further inquiry, enhanced collaboration, and targeted initiatives abound. Expanding the data sample and accessing granular information on income streams and expenditure categories hold the promise of yielding even more substantive insights.

We sincerely hope that this report will equip EBMOs with the necessary information and inspiration to continue achieving their mission. We wish to sincerely thank all the EBMOs that contributed to this research. Their shared insights, dedication, and trust, particularly given the sensitivity of the information, have not only enriched our understanding but also underscored their steadfast commitment to the common objective of nurturing strong, independent, representative and well governed EBMOs all around the world.



Deborah France-Massin
Director
ILO Bureau for Employers' Activities

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Arnout de Koster, senior consultant, was the main author of the report. Paolo Salvai was in charge of overall coordination and was the principal editor of the report.

Hernan Viscarra deserves commendation for his role in coordinating and generating the empirical evidence, producing estimates for regional and global income and expense trends. Jorge Paolino Varela contributed significantly to the literature review.

The meticulous coordination of editing, publication, and final review was led by Eleonora Gonnelli, with Jorge Ramirez providing adept copy-editing for the initial draft.

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Our special thanks go to the thirty leaders of Employers and Business Membership Organizations (EBMOs) that were willing to share data and information on their financial status and performance and insights on how to enhance the financial sustainability of EBMOs.

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Executive Summary

The main objective of this study is the analysis of the financial strategies employed by national inter professional Employers' and Business Membership Organizations (EBMOs) to ensure their viability and sustainability. Financial strategies encompass all policies and practices implemented by these organizations to secure their financial stability and longevity, thereby helping the pursuit of their mission and vision.

These strategies form a mix encompassing three fundamental approaches:

- ▶ **Revenue increase**
- ▶ **Expenditure control**
- ▶ **Management of reserves for investment**

The report conveys a comprehensive analysis of the financial data from Employers and Business Membership Organizations (EBMOs) in multiple regions (Africa, Latin America and the Caribbean, Asia-Oceania, Western and Eastern Europe, and Central Asia) and analyzes EBMOs income streams, main expenditures categories, return on investments (non-operational income) and level of reserves.

The data analyzed include financial statements, income, and expenditure accounts along with balances, International Training Centre of the International Labour Organization (ITCILO) data, supplementary data; as well as qualitative data obtained via interviews conducted with leaders of EBMOs.

Main Findings

Financial Sustainability is a Major Concern for EBMOs Leaders, but EBMOs Lack of Consistent Financial Sustainability Strategies

The vast majority of EBMOs exhibit a heightened awareness and concern about the issue of financial sustainability, although some acknowledge potential gaps in their information or financial-economic insight.

A significant portion of EBMOs have developed strategies, whether explicit or implicit, albeit occasionally lacking clarity or consistent pursuit.

Strategies are highly diverse, stemming from varying starting positions and market dynamics. While all EBMOs aim to augment income, curtail expenditures, and optimize investment returns, the nuances and emphases vary significantly.

▶▶ The vast majority of EBMOs exhibit a heightened awareness and concern about the issue of financial sustainability, although some acknowledge potential gaps in their information or financial-economic insight.

The financial situation of EBMOs, shaped by these strategies and influenced by their respective national contexts, reveals substantial disparities from multiple perspectives. These divergences encompass variances in income size, income composition, profitability, investment strategies, and asset use.

Income Increase is the Main Sustainability Strategy for EBMOs

The predominant strategy for ensuring financial sustainability among EBMOs

centres on augmenting income, with relatively lesser emphasis on constraining expenditures or generating surplus savings.

Income Levels

Annual incomes of EBMOs exhibit substantial variation across countries, regions, and temporal intervals. Numerous organizations report annual incomes ranging between 1 – 2 million USD, with a few registering figures below 0.5 million annually, irrespective of their economic scale. The advent of the COVID-19 pandemic resulted in a reduction of 10%, and sometimes 20%, in income; however, as of the 2022 data, 80% of EBMOs have recovered to at least the 2019 levels. The assessment of financial resilience assumes significance considering the crisis's gravity. Over the long term (2012-2022), the average growth rates of income stand at 2%.

Mechanisms to Increase and Diversify Income

Many EBMOs Aspire to Diversify their Income Sources, Aiming to Reduce Dependency on a Single Dominant Source

In this pursuit, the majority formulate strategies to cultivate second and third alternative sources, which may not necessarily be limited solely to more services. **A prevailing approach involves a balanced mix:** an increase in revenue from paid services, augmented project income, and/or a higher-quality value proposition that attracts more membership income.

The imperative of diversification underscores a nuanced and bespoke approach, **avoiding a one-size-fits-all approach**. This involves not only exploring new activities, such as the provision of new additional services, but also the expansion of products (from EBMOs), the refinement of existing offerings, the targeting of new business segments, or the pursuit of initiatives in areas where organizational excellence and reputation are well-established.

Strategic Focus on Multiple Revenue Streams: Membership Fees, Services, Projects, and External Funding

The prevailing wisdom advocates building upon strengths or creating new opportunities, albeit with a judicious approach rather than a reckless one. Furthermore, there is a pervasive inclination to sustain focus on the primary income source – namely, membership fees. **For 90% of all EBMOs, membership income constitutes the primary and principal avenue for enhancing financial sustainability,** accounting for an average of **40-50%**, often reaching around 70% of their annual income.

The **secondary income source** for most EBMOs is derived from the sale of **services**, contributing approximately **25%**.

Entrepreneurial forays into innovative service models are still scarce or limited in scale. This operational modality suggests an ongoing evolution of services, characterized by a deliberate pace, lacking in ground-breaking innovations or the identification of transformative “cash cows” within service offerings. Notwithstanding the impact of the COVID-19 pandemic, training services persist as the second most significant income generator, albeit with noticeable changes in delivery modalities, including blended learning and increased emphasis on tailor-made service.

Projects with national or international institutions are the tertiary source of income and hold a certain appeal for some EBMOs as novel sources of income, as they do not derive directly from membership contributions. However, some organizations show reluctance, due to concerns about potential mission drift, the complexity of procedural requirements, or uncertainties about the long-term viability of such endeavors. On the contrary, some EBMOs recognized projects as the only way forward to “survive” very complex challenges brought by the Pandemic or national financial and economic crises.

A **minority**, situated across various continents, **still rely on state subsidies, or granted monopolies as their primary or secondary sources of income.**

While subsidies continue to play a crucial role for certain EBMOs, there exists a collective awareness of the inherent dangers associated with dependency. This awareness extends to the potential adverse effects on member contributions. Consequently, strategies are being devised to mitigate over-reliance on subsidies.

Organizations that are currently lacking subsidies demonstrate a moderate enthusiasm for cultivating this option as a new source of income. Finally for approximately **10% to 15% of EBMOs, investment returns are a pivotal and welcomed supplementary source of recurrent income** derived from rentals or cash investments. In these organizations, reserves serve as a bulwark, guaranteeing financial sustainability over the long term.

►► The pursuit of financial sustainability through the control and reduction of expenditures has gained prominence, particularly in response to the income crisis induced by the COVID-19 pandemic. The rationale behind this perspective is grounded in the understanding that excessively high expenses can affect profitability, thereby undermining long-term sustainability.

Expenditure Reduction Play a Role in Financial Sustainability

The pursuit of financial sustainability through the control and reduction of expenditures has gained prominence, particularly in response to the income crisis induced by the COVID-19 pandemic. The rationale behind this perspective is grounded in the understanding that excessively high expenses can affect profitability, thereby undermining long-term sustainability. Nonetheless, a thorough analysis suggests that expenditure reduction seems to play a minor role in EBMOs financial Sustainability strategy compared to income increase.

Through an examination of global expenditure structures within EBMOs, including staff costs, costs of establishment, outreach – public relations (PR) and communication initiatives, and general expenses, the most common expenditure management strategies have been identified.

Staff Costs are the Highest Expenditure Category, but EBMOs Rarely Cut on Staff Costs

Strategies aimed at achieving financial sustainability through staff cost savings are notably lacking, despite staff costs typically comprising at least **50% of total expenditure**. The limited adoption of staff externalization suggests EBMOs prioritize maintaining employee motivation and work quality over strict cost reduction measures. Staff are considered the most important asset to deliver the value proposition to members. Consequently, reducing investments in staff costs does not appear to be a pathway for expenditure reduction to achieve financial sustainability.

Is Purchasing a Building the Way Forward for Financial Sustainability?

Establishment costs, averaging between **8-10% of total expenses**, command significant attention among EBMOs, prompting exploration of sustainability strategies such as property ownership. The main data show that **most of the EBMOs (80%) are indeed proprietor of their main building**, whilst others are considering such step.

It should nonetheless be noted that direct **rental expenses are a rather small part of total expenses** with a cost varying on average globally between 1% and 4%.

Public Relations, Outreach, and Member Communication: Increasingly Important Expenditure to Deliver Value

Public Relations, Outreach, and Member Communication spending, typically make up for the **10% of total expenditure**, and there has seemed to be a noticeable increase in the expenditure budgets in this item, partially driven by **digitalization** processes. Indeed, expenditure in this area, typically **3% to 5% of total expenses**, reflects EBMOs' commitment to adopting digital transformations, including, CRM systems, cloud services, AI technologies and other IT solutions.

Strategies for Controlling General Administrative Expenses: Responding to Financial Pressures

EBMOs are actively implementing cost control strategies **to reduce general administrative expenses** which can make up **25% to 40% of total spending**. This response is directly influenced by the financial strain caused by COVID-19, prompting EBMOs to intensify efforts in controlling general administrative expenses and cultivating a culture of consistent monitoring and proactive management.

Surplus, Deficits, Reserves, and Financial Ratios

Despite the not-for-profit nature of EBMOs, prudent financial management impose reflections over suitable profitability rate and adequate creation of reserves to ensure long term financial sustainability.

Solid Performance and Surplus for 75% of the EBMOs

Analyzing comprehensive income statements, it was observed **that 75% of the EBMOs recorded a surplus** in 2022, with an average surplus standing at 7% of total revenue. Conversely, **25% reported a deficit**, with an average deficit of 11% of total revenue. Notably, deficits were generally short-lived, occurring for only one year in most cases.

Reserves, crucial for weathering challenging periods or facilitating new investments, were found to be **relatively robust in 50% of the EBMOs**. Nonetheless, if we analyse data of EBMOs in the **Global South, 3 out of 10 have reserves not exceeding 6 months** of their total expenses, and thus exposing them to significant risks.

A holistic approach to financial analysis, taking into considerations **key financial ratios** and diverse elements of financial statements is key to gain a deeper understanding of an organization's financial health and to facilitate informed decision-making.

The examination of liquidity, leverage, profitability, efficiency financial ratios showed a **generally positive financial outlook among the sampled EBMOs**. Factors such as liquidity, debt management, revenue generation, and profitability were assessed, revealing areas of strength as well as areas that may require attention for optimization.

Practical Recommendations for Financial Sustainability

There is No One-size-fits-all Solution to Achieve Financial Sustainability in EBMOs

Achieving financial sustainability in EBMOs necessitates **tailored approaches** that account for each organization's unique circumstances. Essential to this endeavor is **aligning financial strategies with the organization's mission, priorities, and the dynamic external landscape**.

Long-term sustainability relies on a **comprehensive approach**, encompassing the enhancement of income streams, maintenance of fiscal discipline, and fostering a culture of surplus generation. Crucially, the establishment of reserves through prudent surplus creation fortifies organizational resilience.

By Harmonizing Financial Sustainability with Organizational Values, EBMOs can Thrive amidst Dynamic Environments.

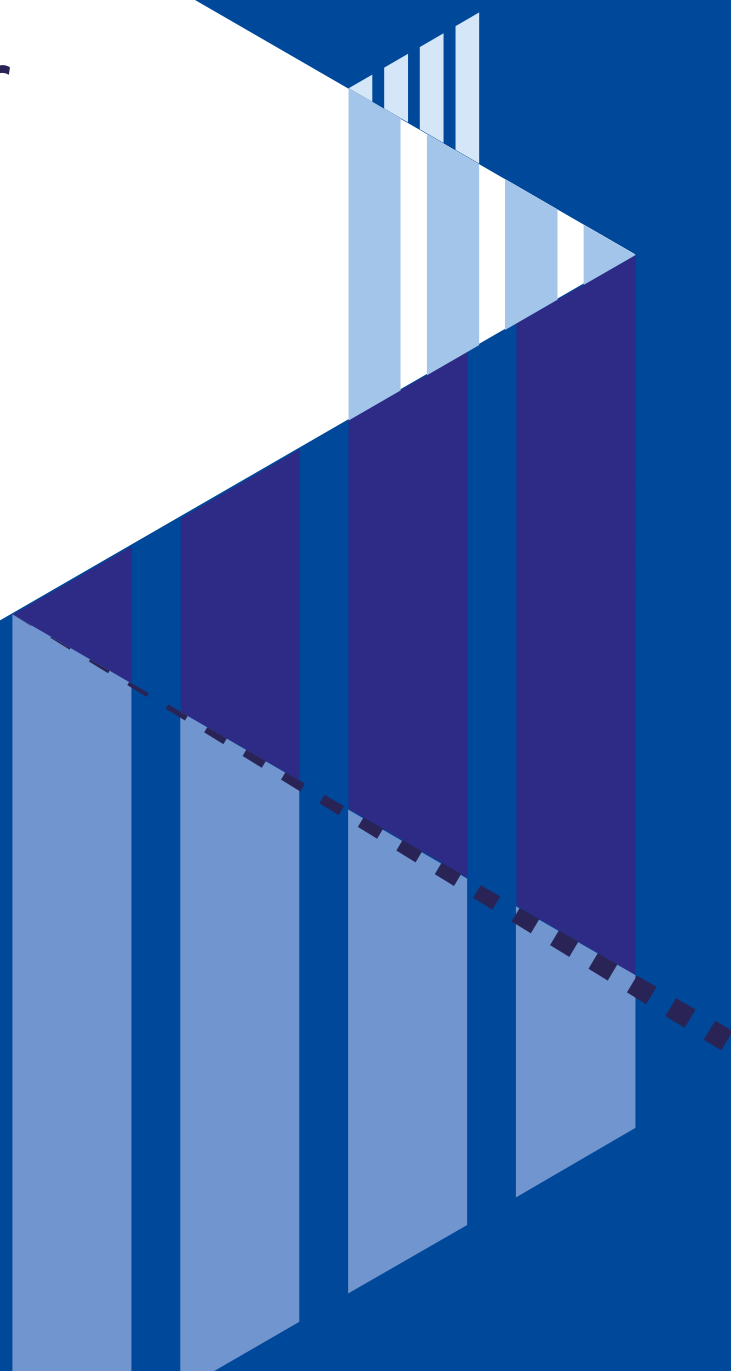
A strategic approach to revenue generation policy should emphasize the fundamental role of membership. It is EBMO's most important asset and emerges as the cornerstone of financial stability for most of them.

Diversifying income sources -including commercial services, projects, grants, and investment returns- is imperative to supplement membership income. This diversification enhances the stability of the organization's activities over time and contributes to its financial sustainability.

So, prioritizing membership retention and diversifying income sources are indispensable pillars for ensuring organizational strength. Key actions highlighted include ensuring the accuracy of financial data, involving members in decision-making processes, and optimizing internal procedures for efficiency. Financial management transcends mere utility. It is integral to advancing the organization's mission and relevance.

Chapter

▶ **1**



1. EBMOs Strategies for Financial Sustainability

► Current Knowledge on EBMOs' Financial Strategies: A Brief Overview of Existing Literature

In contrast to the extensive examination of trade unions, the academic scrutiny of Employers' and Business Membership Organizations (EBMOs) has not been a predominant focus within the realms of industrial relations or business literature. This notable observation is derived from a seminal ACTEMP study, which critically reviewed existing literature and academic research on employers' organizations and EBMOs, underscoring the imperative for increased scholarly attention (ILO, 2012).

As of the present moment, the Bureau for Employers' Activities (ACT/EMP) of the International Labour Organization (ILO) and the IOE emerge as the sole entities furnishing a comprehensive global overview, inclusive of data, on the composition of income sources for EBMOs before the onset of the COVID-19 pandemic.

While prior research has explored employers' associations and EBMOs, delving into their roles and overarching development, a more intricate analysis becomes imperative when examining their internal organization and resource management. Presently, apart from an internal survey conducted by the International Organisation of Employers (IOE), as depicted in Table 1.1, a discernible gap exists in comprehensive studies dedicated to the resources of EBMOs, encompassing their financial status and sustainability. The relative neglect of the internal organization of EBMOs, vis-à-vis their public roles, is understandable. However, acknowledging that internal organization and resource allocation decisively influence EBMOs' priorities and policies, exploring this dimension becomes indispensable for a holistic understanding of EBMO positioning.

As of the present moment, the Bureau for Employers' Activities (ACT/EMP) of the International Labour Organization (ILO) and the IOE emerge as the sole entities furnishing a comprehensive global overview, inclusive of data, on the composition of income sources for EBMOs before the onset of the COVID-19 pandemic.

As shown by the survey conducted in May 2020, which garnered data from 127 EBMOs spanning 115 countries, the prevailing situation is delineated as follows (ILO & IOE, 2020).

► **Table 1.1. ILO-IOE Survey on Income Shares EBMO by Activity Type, 2020 (ILO & IOE, 2020)**

Income Source	Global	Africa	Americas	Asia and Pacific	Europe & Central Asia
Membership subscription	57%	60%	54%	47%	65%
Training revenue	10%	8%	11%	17%	7%
Services	9%	7%	10%	7%	10%
Meetings and events	8%	5%	14%	12%	5%
Government funds	4%	8%	(*)	7%	(*)
Other (a)	12%	13%	10%	11%	12%

(a) "other" sources such as rent, donations, grants, sponsorship, and technical cooperation funds among others.

(*) less than 1%

The data presented in Table 1.1 offers a comprehensive global overview of the financial mechanisms employed by EBMOs to sustain their operations. Notable insights gathered from the study conducted by the IOE are delineated as follows:

- **Membership Subscriptions:** Emerge as the predominant source of funding for EBMOs, constituting 57% globally. Regionally, this varies from 47% in Asia and the Pacific to 65% in Europe and Central Asia.
- **Training Revenues:** Range between 7% (Europe and Central Asia) and 11% (Americas), with a noteworthy 17% for Asia and the Pacific. The global average stands at 10%.
- **Income from Services:** Varied, ranging from 7% (Africa and Asia and Pacific) to 10% (Americas and Europe and Central Asia), with a global average of 9%.
- **Income from Meetings and Events:** Displays diverse weights across regions, with 5% in Africa and Europe and Central Asia, 12% in Asia and the Pacific, and 14% in the Americas. The global average is 8%.
- **Collective Services (Training, Events, Services):** Represents an average of 27% of global income. Notably, in Asia and the Americas, these activities contribute to 35% of income streams.
- **Reliance on Government Funds:** Exhibits distinct differences, with 7% in Asia and the Pacific, 8% in Africa, and almost non-existent in the Americas and Europe and Central Asia. The global average is 4%.
- **Other sources (Donations, Grants, Sponsorships, Technical Cooperations):** Vary from 10% in the Americas to 13% in Africa, with a global average of 12%.

The primary insights about financial resources, with a specific emphasis on revenue streams (excluding expenditure or reserves), derived from this study can be succinctly summarized as follows:

- i) **Diverse Income Sources:** The study highlights a range of income streams.
- ii) **Significant Regional Variations:** There is notable diversity in income sources across regions.
- iii) **Varied Income Source Patterns Within Regions:** Within each region, there are considerable differences in the composition of income source, with membership fees emerging as central pillar, closely followed by services.

►► The impact of the COVID-19 crisis reverberated across a multitude of income sources, with over 80% of EBMOs registering a reduction in revenue due to the pandemic. Stringent governmental measures, including mandated lockdowns and social distancing protocols, significantly curtailed the provision of face-to-face services, resulting in a substantial downturn in income from various channels for EBMOs.

EBMOs, with 30% reporting reductions ranging from 30% to 60%, and 20% grappling with declines exceeding 60%. Although government funds constituted a smaller share of EBMO income, they also experienced a significant decrease. Membership dues, the most substantial global revenue source for EBMOs, exhibited a less pronounced decline in March and April 2020. However, EBMOs anticipated further declines throughout the remainder of 2020 and 2021 (ILO & IOE, 2020).

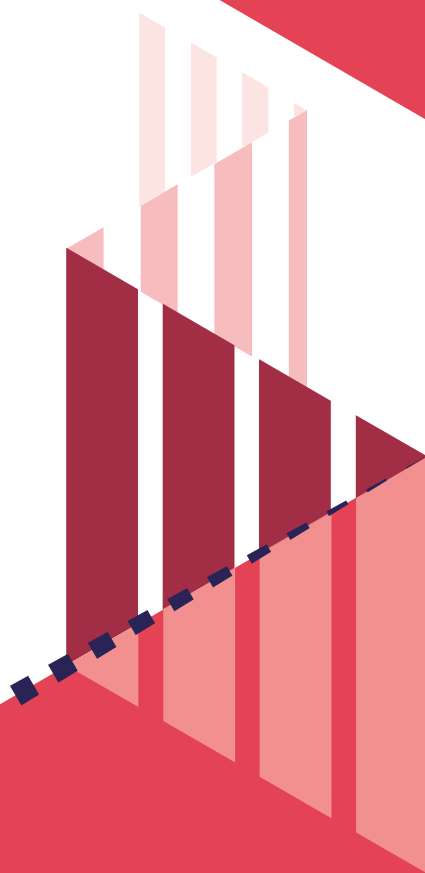
While the study makes a notable contribution as the first to focus on the theme of financial resources, it is acknowledged that certain aspects of interest to EBMO leaders and practitioners were not thoroughly explored. These include the comprehensive spectrum of financial strategies, encompassing not only income streams but also expenditure and investment situations, experiences in income diversification, and the identification of best and less effective practices. Precisely addressing these aspects, including the "how" question, constitutes the focal point of the new study.

The study also scrutinized the immediate repercussions of the COVID-19 pandemic, identified as the foremost external event exerting a profound impact on the environment of EBMOs and their income sources.

The impact of the COVID-19 crisis reverberated across a multitude of income sources, with over 80% of EBMOs registering a reduction in revenue due to the pandemic. Stringent governmental measures, including mandated lockdowns and social distancing protocols, significantly curtailed the provision of face-to-face services, resulting in a substantial downturn in income from various channels for EBMOs. Notably, between March and April 2020, 79% of EBMOs globally observed a decrease in training revenue, while 75% witnessed a decline in income from meetings and events, both surpassing a 60% reduction. Income from services, spanning representation, human resources services, legal, and advisory services, also experienced a downturn, affecting 50% of

Chapter

▶ 2



2. Presentation of the Study: Approach and Method

This study endeavors to delve more profoundly into the financial strategies employed by Employers' and Business Membership Organizations (EBMOs), with overarching goals that encompass:

- ▶ Facilitating benchmarking to understand the key choices made by EBMOs.
- ▶ Extracting valuable insights from a diverse range of experiences.
- ▶ Providing guidance through reflections and thought-provoking questions.

▶ The Target Group: National Interprofessional Employers and Business Membership Organizations

The term "Employers and Business Membership Organizations" encapsulates a broad concept, referring to organizations committed to organizing and unifying businesses and companies. To enhance clarity, it is imperative to delineate the diverse landscape of EBMOs, considering variations in levels, scopes, and activities.

Regarding the organizational level, this study explicitly concentrates on EBMOs operating at the national interprofessional level, excluding sector- and regional-level organizations from its scope. This exclusion is particularly relevant in regions like Western Europe or Latin America, where these levels are often the backbone of EBMOs, playing significant roles in terms of both functions and assets.

Acknowledging the constraints in time and resources for a more extensive study and recognizing the relatively lesser significance of sectoral levels in other continents—the primary focus of this study—this limitation is considered justified at this research stage.

Concerning the types of EBMOs, the study addresses the diverse realities of EBMOs within their national contexts. While EBMOs globally play a crucial role in socio-economic policies, their roles vary based on specific national circumstances. In some countries, they primarily function as employers' organizations (EOs), representing businesses in their role as employers and predominantly addressing "social" issues like wages, working conditions, skills, employment, and social security.

Conversely, in other countries, EBMOs possess a broader thematic scope, encompassing all facets of the external environment relevant to companies. Their activities extend to themes such as economic development, fiscal policies, trade, energy, climate change, infrastructure, CSR, sustainability, and other elements shaping the business environment. Additionally, the nature of EBMOs varies, with some emerging from mergers of multiple employers and business associations, coexisting with official Chambers of Commerce and Industry, while in other countries, the term EBMO may align with the Chamber of Commerce and Industry.

▶▶ To enhance clarity, it is imperative to delineate the diverse landscape of EBMOs, considering variations in levels, scopes, and activities.

In the selection of EBMOs whose experiences informed the data, it is crucial to acknowledge certain limitations. This study exclusively encompasses EBMOs that are members of the International Organisation of Employers (IOE). This decision is rooted in the IOE's status as the largest global network of private sector business members, recognized by the International Labour Organization (ILO), and serving as one of the main representative of business organizations acknowledged by the G20.

The study's specific focus is on EBMOs operating in the Global South.

Participating organizations contributed voluntarily, willingly sharing financial information and comments. It is noteworthy that such collaboration is quite unique, as some organizations may harbor reservations about disclosing data due to concerns related to competition or potential interference in financial matters by other entities, such as governments or trade unions.

In this context, the study provides an initial, unique glimpse into a previously concealed aspect of the world of EBMOs. It is imperative to underscore that the responsiveness displayed by these organizations is often not reciprocated to the same extent by other actors in the industrial relations ecosystem.

A total of approximately 30 EBMOs from various parts of the world were interviewed, with detailed full statements available from most of them. Additionally, we incorporated data from public sources on financial statements of other EBMOs, expanding the total sample to around 50 EBMOs (referred to as the extended sample). A typology of our sample is provided later in the study.

► Financial Strategies, Viability, and Sustainability: Clarity on the Concept

The primary focus of this study centres on the financial strategies employed by Employers' and Business Membership Organizations, with the overarching goal of ensuring their viability and sustainability. Within this context, financial strategies encompass all policies and practices implemented by these organizations to secure their financial stability and longevity, thereby facilitating the pursuit of their mission and vision.

In academic literature, sustainability, as defined by Jean Francois, refers to the "ability of a business, an organization, or a project to fulfil its vision and mission, meet its goals, and serve its stakeholders over time" (Jean Francois, 2014). Sustainability entails both a scope dimension (economic, organizational, financial, etc.) and a temporal dimension, emphasizing the necessity for activities to endure over time. Financial sustainability, specifically, varies across for-profit, non-profit, and public organizations due to differences in business structure, revenue sources, and organizational missions.

For individual businesses, financial sustainability implies ensuring present financial success without compromising future success, including that of future generations (Gleißner, Günther, & Walkshäusl, 2022). In the public sector, financial sustainability is defined as the ability to meet service delivery and financial commitments both presently and in the future without causing continuous debt escalation (Navarro-Galera, Rodríguez-Bolívar, Alcaide-Muñoz, & López-Subires, 2016). Non-profit organizations aim to maintain or expand services, developing resilience to short-term economic shocks while balancing financial sustainability with the pursuit of their mission (Sontag-Padilla, Staplefoote, & Gonzalez Morganti, 2012).

EBMOs, with their primary objectives and revenue structures, face unique challenges. These organizations serve their members through various means, such as advocacy,

networking, information provision, capacity building, training programs, business services, policy and research activities, and participation in social dialogue and labour relations. The study underscores the importance of EBMOs managing the interplay between the external environment and internal factors to foster adaptability, responsiveness, and the delivery of value to members for long-term financial sustainability.

In contrast to most publications on EBMOs, this research prioritizes the internal organization and its financial policies rather than external outcomes like lobbying or influence on the business environment. The study recognizes the vital role of financial management for effective organizational functioning and underscores the inherent tension between financial viability and the outcomes of EBMOs.

Conducted with voluntary participant organizations, the study adopts a qualitative approach, aiming to understand the variety of financial strategies used and describe interesting or best practices that may inspire EBMOs in their quest for greater financial sustainability. While the study does not claim to be fully representative, the findings hold regional representative validity, enabling benchmarking and offering guidance for interested EBMOs, despite the absence of a quantitative survey on a worldwide basis.

► Methodology of the Study

The financial strategies were delineated and analysed through the following methodologies:

- A comprehensive examination and analysis of financial statements spanning three years—2012, 2019, and 2022—was conducted intentionally. This timeframe allows for a historical comparison (2012 vs. 2022) and incorporates the post-COVID evolution in contrast to the pre-COVID period and other recent significant international crises. The quantitative analysis not only facilitates the identification of certain correlations but also enables the development of ratios that can offer insights for financial management.
- Additional information on the source of funding for EBMOs was voluntarily shared by the organizations.
- Semi-structured interviews were conducted with the executive directors, often alongside the financial/administrative manager, of approximately 30 EBMOs. These interviews took place during the second half of 2023 via online sessions lasting about 1-1.5 hours each. As the questions were not identical for every country due to the qualitative focus and the specificity of information, quantification of the replies is not possible.
- All data collected will be used anonymously, with no disclosure of country-specific details. This commitment to discretion were pivotal in encouraging higher participation and ensuring the candid sharing of information.
- The extended dataset can be consulted in the Annex.

► The Participating EBMOs – Presentation in Categories

A total of approximately 30 EBMOs from 29 countries actively participated in this study. As previously mentioned, this sample was expanded by incorporating financial data that are either public or voluntarily shared by EBMOs engaged in ILO activities. This extension aims to establish a more representative dataset, encompassing about 50 EBMOs.

While specific individual data will remain confidential, broad categories of participating countries will elucidate the diverse characteristics of the sample. These categories include:

- i) Country features (region, development level, and size of the country)
- ii) Categorization according to the main financial performance of the EBMOs in 2022

It is crucial to recognize that the subsequent categorization involves a certain level of generalization. Realities on the ground are inherently more diverse and nuanced. Nonetheless, the adoption of specific models facilitates the attainment of a global perspective on the composition of the sample. Subsequently, we will delve into correlations deduced from these categories.

Categories of Participating EBMOs

► **Table 2.1. Participating EBMOs per Region, Income Level and Population – Interviewed List (30 EBMOs)**

Category	Subcategory	Countries	Number of countries
Per region	Latin America and the Caribbean	Barbados, Belize, Ecuador, Honduras, Panama, Paraguay, Trinidad & Tobago	7
	Eastern Europe and Central Asia	Georgia, Kazakhstan, North Macedonia (2), Serbia, Ukraine	5
	Africa	Botswana, Cote d'Ivoire, Eswatini, Gabon, Kenya, Mali, Nigeria, Republic of Congo, Tanzania, Uganda	10
	Asia-Oceania	Cook, Indonesia, Jordan, Korea, New Zealand, Singapore, Sri Lanka, Vanuatu	7
Total			29
Per income level	High Income	Barbados, Panama, Singapore, South Korea, Trinidad & Tobago	5
	Upper-middle Income	Belize, Botswana, Cook, Ecuador, Gabon, Georgia, Indonesia, Kazakhstan, North Macedonia, Paraguay, Serbia	11
	Lower-middle Income	Cote d'Ivoire, Eswatini, Honduras, Jordan, Kenya, Nigeria, Republic of Congo, Sri Lanka, Tanzania, Ukraine, Vanuatu	11
	Low Income	Mali, Uganda	2
Total			29
Per population	Small Countries (less than 5 million)	Barbados, Belize, Botswana, Cook Islands, Eswatini, Gabon, Georgia, North Macedonia, Panama, Trinidad & Tobago, Vanuatu	11
	Medium-sized countries (between 5 and 50 million)	Ecuador, Honduras, Ivory Coast, Jordan, Kazakhstan, Mali, Paraguay, Serbia, Singapore, Sri Lanka, Uganda, Ukraine	12
	Large countries (over 50 million)	Indonesia, Kenya, Nigeria, Republic of Congo, South Korea, Tanzania	6
Total			29

► **Table 2.2. Participating EBMOs per Region – Extended List**

Extended List (Financial Statements, Public Information, Voluntarily Shared Information): 49 EBMOs		
Region	Countries	Number of countries
Latin America and the Caribbean	Argentina, Barbados, Belize, Chile, Colombia, Ecuador, Honduras, Panama, Paraguay, Trinidad & Tobago, Uruguay	11
Eastern Europe and Central Asia	Georgia, Kazakhstan, North Macedonia (2), Serbia, Ukraine	5
Western Europe	Belgium, France, Ireland, Italy, Luxemburg, Spain, United Kingdom	7

Extended List (Financial Statements, Public Information, Voluntarily Shared Information): 49 EBMOs		
Region	Countries	Number of countries
Africa	Botswana, Cameroon, Cote d'Ivoire, Eswatini, Gabon, Kenya, Mali, Morocco, Nigeria, Republic of Congo, Senegal, Tanzania, Uganda	13
Asia-Oceania	Australia, Cambodia, Cook, Indonesia, Jordan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Vanuatu	13
Total		49

Classification of Participating EBMO's According to their Financial Situation and Performance

We utilized a qualitative methodology to investigate financial strategies, categorizing the studied EBMOs into distinct classifications based on their financial behaviours.

i) Category: Outperformers (15-16 organizations out of 49):

These organizations exhibit substantial annual revenue, exceeding 3 million USD, and maintain a robust financial balance, including a significant reserve. Key features, while not always simultaneously present, encompass a long-standing history with a high-level reputation, substantial financial reserves covering several years of operational expenses, strong governance, diversified income sources (with a solid base of membership fees and high member loyalty), and often, support from national authorities. Their activities sometimes extend beyond typical employers' associations. This group is dynamic, and some organizations have recently exited due to external and internal factors. Their primary focus is on sustaining sound financial management, fostering continued growth, and preserving independence.

ii) Category: Good Performers: (23-26 organizations out of 49):

This category encompasses organizations with a balanced income-expenditure situation, ranging from relatively robust to sufficient (annual income between 0.5 million and 3 million USD). Representing the majority (about 60%) of the sample, these organizations possess a well-established reputation, either as a social partner focusing on labor issues or as an EBMO with potential transformations. The income structure reflects balanced member-services income, sometimes supplemented by international projects. While revenue streams are sufficient for steady operations and slow growth, the absence of substantial reserves exceeding six months introduces uncertainty. Transformations within this category aim to establish a savings foundation for prolonged financial stability. Their primary concern is devising strategies to generate sufficient margins for a larger breakthrough while maintaining a balanced profit situation, given their dependence on a favorable national economic environment.

iii) Category: Organizations with Real Financial Issues: (8-10 organizations out of 49):

This category encompasses organizations strongly confronted with financial sustainability issues and potential threats of financial accidents, such as failure to pay salaries or other providers. Estimated at 8-10 out of the 49 in the sample, these organizations have very limited reserves, sustaining only a few months of operational continuation. Main challenges include external factors like heavy reliance on government funds or foreign projects, economic downturns, and increased competition from other business associations. Internal issues may include poor membership management, an unattractive value proposition, or wrong financial decisions. This group, fortunately not large but still substantial, faces the immediate need to address these financial challenges.

Chapter

▶ 3



3. Financial Strategies of EBMOs: The Approach of the Research

In this chapter, we delve into the intricate strategies adopted by EBMOs to effectively mobilize and sustain the resources crucial for realizing both their short-term and long-term mission and vision, as well as executing decisions made by the Board.

Ideally, these strategies form a global mix encompassing three fundamental approaches:

► **Figure 3.1. Financial Strategies**



This mix embodies a constant and dynamic process of change, navigating among the three fundamental choices and within each of the three categories. To illustrate, EBMOs may formulate financial sustainability strategies by shifting focus from emphasizing increased income to reducing expenditures or by mobilizing reserves. Moreover, within these three categories, internal shifts in income-building strategy may occur, such as transitioning from a heavier reliance on membership income to placing a greater emphasis on services income. These strategies are not only dynamic and interconnected but also bear significant policy implications for the EBMO.

To provide a more comprehensive understanding, let's explore specific examples within each category of these financial strategies:

i) Income Increase:

- **Diversification of Income Streams:** EBMOs may explore and cultivate diverse sources of income, including membership fees, service fees, government grants, and partnerships with international and national agencies. This approach aims to reduce reliance on a single income stream, enhancing financial stability.

- ▶ **Membership Retention and Growth Initiatives:** Strategies focusing on retaining existing members and attracting new ones contribute to sustained income levels. Member loyalty programs, targeted recruitment efforts, and value-added benefits can be used.
- ▶ **Innovative Income Generation:** EBMOs can explore innovative ways to generate income, such as hosting industry events, offering specialized training programs, or providing consulting services to members and external stakeholders.

ii) Expenditure Control and Management:

- ▶ **Cost Efficiency Measures:** Implementing cost-effective measures across operational aspects, including administration, events, and programs, ensures prudent expenditure control. This may involve streamlining processes, negotiating better vendor contracts, or adopting technology for efficiency.
- ▶ **Budgetary Discipline:** Adhering to well-defined budgets and financial plans helps prevent unnecessary spending. Regular monitoring and adjustment of budgets in response to changing circumstances contribute to effective expenditure management.
- ▶ **Strategic Resource Allocation:** Prioritizing resources based on organizational priorities and goals ensures optimal utilization. Allocating resources to high-impact initiatives and aligning expenditures with strategic objectives is crucial.

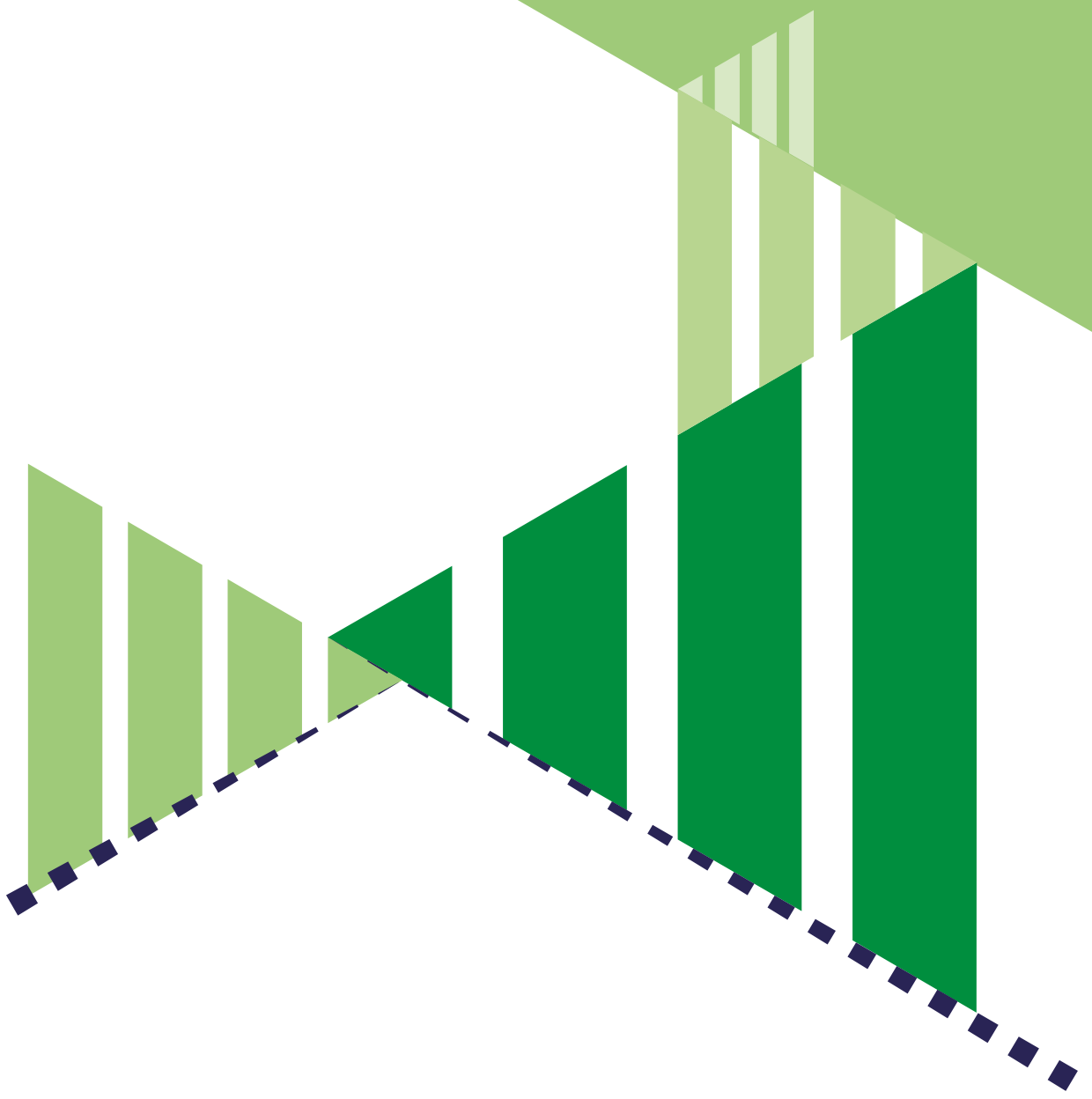
iii) Reserve Management for Investment:

- ▶ **Strategic Investment Planning:** EBMOs may strategically allocate reserves for investments that yield long-term returns. This could include investments in income-generating assets, technological infrastructure, or innovative projects aligned with the organization's mission.
- ▶ **Innovation Fund:** Allocating a portion of reserves specifically for innovation encourages experimentation and the development of new initiatives. This fund can support pilot projects, research, and the exploration of novel income-generating opportunities.
- ▶ **Risk Mitigation Reserves:** Maintaining reserves as a buffer for unforeseen challenges, economic downturns, or crisis situations provides financial resilience. This ensures the organization can weather uncertainties without compromising its core functions.

In the upcoming sections, we will meticulously dissect the distinctive components of the financial sustainability processes, allocating dedicated attention to each facet. Before immersing ourselves in these details, it is imperative to underscore the pivotal significance that EBMOs in our study attribute to financial sustainability.

Every EBMO we interviewed unequivocally identified financial sustainability as a top priority. Consensus prevailed on the paramount standing of financial sustainability on the EBMOs agenda. Strikingly, more than half of the interviewed organizations regarded it as their foremost priority. This encompassed not only those operating in precarious financial situations that imperil their ongoing functioning and workforce but also organizations securely positioned in financial comfort zones. Even some organizations classified as outperformers acknowledged financial sustainability as a paramount concern.

Yet, an intriguing aspect emerges when contemplating whether this widespread concern seamlessly aligns with certain management approaches to the issue. While many organizations demonstrate a profound interest in and commitment to financial sustainability, accompanied by a high level of attention and the mobilization of specific competencies and monitoring, others exhibit less developed or underutilized financial and managerial competences. The recurrent mention of the need for additional training in financial management highlights a notable dichotomy in the level of attention and competencies. This apparent discrepancy prompts a call for improvement and further exploration, delving into how EBMOs approach and navigate the critical issue of financial sustainability.



Chapter

▶ 4

4. The Financial Situation of EBMOs: Global Figures

To establish a comprehensive understanding, let's commence by delineating the average annual income per EBMO in our sample, both on a global scale and regionally. The use of median figures proves particularly insightful, considering the substantial variations in average figures, as illustrated in Table 4.1.

► **Table 4.1. Average National Income, Median Income per EBMO in Thousands of US Dollars, and Number of EBMOs per Annual Income Group (Based on the Extended List)**

EXTENDED LIST					
Thousands of US dollars - 2022					
	World*	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Average Income per EBMO	1,450	1,579.6	257.1	1,615	1,803.9
Median income level per EBMO	858.2	1,063	221	831.4	1,206.2
Standard deviation	2,416.1	1,513.1	142	4,012.6	1,799.4
Number of EBMOs per annual income group in US dollars					
> 5 Mio	6	2		3	1
2-5 Mio	2	1			1
1-2 Mio	9	5		2	2
0,5-1 Mio	9	5	1	2	1
< 0,5 Mio	10	0	4	3	3

*Note: Data on Western European EBMOs have not been included in this analysis to provide a clearer focus on the financial situation of EBMOs in the Global South.

Without disclosing individual specifics, Table 4.1 provides a reasonably transparent overview of the income levels (and budgets) of EBMOs. While the sample may lack statistical representativeness, its comprehensiveness offers a reasonable insight into the budgetary and resource capacities of EBMOs.

The global average annual income stands notably high, almost reaching 1.5 million USD, a consistent figure across all regions except Eastern Europe and Central Asia. It is crucial to emphasize that the Europe-Central Asia category excludes European Union countries as the participation, especially those of Western and Northern Europe, could have compromised the "integrity" of the entire dataset.

Examining median-level data and the distribution of EBMOs better captures the reality: a significant diversity in income levels, featuring noteworthy high performers alongside smaller organizations (mainly in the Eastern European sample) with limited resources. It is noteworthy that Asia also houses several EBMOs with relatively modest total incomes, possibly reflecting the low level of membership fees in these countries.

►► The data suggests that EBMOs may not have sufficiently increased income to maintain their real 2012 income levels in 2022, at least in USD terms.

The subsequent table presents a comparison of income evolution from 2012 to 2022, albeit with a limited sample size. Although the dataset is modest, it provides insights into the income trends over a decade. Notably, the average global income in these countries with reliable historical data displays a 22% increase, measured in USD. However, considering the impact of inflation and the duration, the figures raise concerns.

Adjusting for possible negative effects of currency exchange rate fluctuations, the data suggests that EBMOs may not have sufficiently increased income to maintain their real 2012 income levels in 2022, at least in USD terms. The limitations arising from an insufficient dataset with data from both years introduce a degree of uncertainty into this assessment.

► **Table 4.2. Historic Evolution of Total Income, considering only Observations with Data in both Years based on a Small Sample (n=10)**

Year	Total absolute in thousand USD	Index 2012=100
2012	1,668.7	100
2022	2,043.4	122

► The “Relative Wealth” of EBMOs

The preceding data provides averages concerning total incomes and historical trends but lacks an evaluation of the significance of EBMOs' income in relation to national resources. In simple terms, would an annual income of 1 million USD be considered substantial for a national EBMO? Undoubtedly, it holds paramount importance in a small, economically challenged country, whereas its significance diminishes in a larger, prosperous economy.

In the subsequent table, an effort has been made to gauge the "wealth" of EBMOs by comparing their annual income in 2022 or the latest available year with the GDP of their respective countries. This method allows for inter-country estimations, employing a common metric: the share of GDP represented by the annual income of EBMOs. The formula for the index calculation involves dividing the actual full annual income in USD of the EBMO by the GDP of the country (adjusted by dividing by 1,000,000 for practical figures).

The outcomes are intriguing. For certain national EU-based EBMOs, the comparison "index" results are as follows:

- i) United Kingdom (CBI):

$$\frac{\text{CBI Annual Income}}{\text{UK GDP}} = \frac{34 \text{ million USD}}{3.07 \text{ trillion USD}} = 11 \text{ (CBI, 2022)}$$

ii) France (MEDEF):

$$\frac{\text{MEDEF Annual Income}}{\text{French GDP}} = \frac{42 \text{ million USD}}{2.778 \text{ trillion USD}} = 15.1 \text{ (MEDEF, 2014 - 2022)}$$

These results indicate a substantial variation among the countries in our sample. Extreme cases, such as Honduras, Belize, Eswatini, Mali, Ivory Coast, and Vanuatu, show indexes all above 100, implying that the comparative share of EBMO income in relation to national GDP exceeds 8 times or more the

Looking at middle income countries, out of eight Latin American-Caribbean EBMOs, only one falls below the average of Western European EBMOs, while the majority of African EBMOs reach indexes of 20, doubling the UK example. In Asia, on the contrary, the index is lower and seldom reaches the EU examples' level.

GDP share of European EBMOs (estimated between 11 and 15). While this is partly logical due to economies of scale achieved by EBMOs in larger countries, the extent to which annual income relates to GDP, signifying the relative investment of companies in EBMO functioning, is remarkably high in some EBMOs in the Global South.

Looking at middle income countries, out of eight Latin American-Caribbean EBMOs, only one falls below the average of Western European EBMOs, while the majority of African EBMOs reach indexes of 20, doubling the UK example. In Asia, on the contrary, the index is lower and seldom reaches the EU examples' level.

Notably, in big Southern countries like Nigeria, Kenya, Pakistan, Indonesia, and the Philippines, where the GDP is substantial but EBMO incomes are low, we observe indexes below the EU averages.

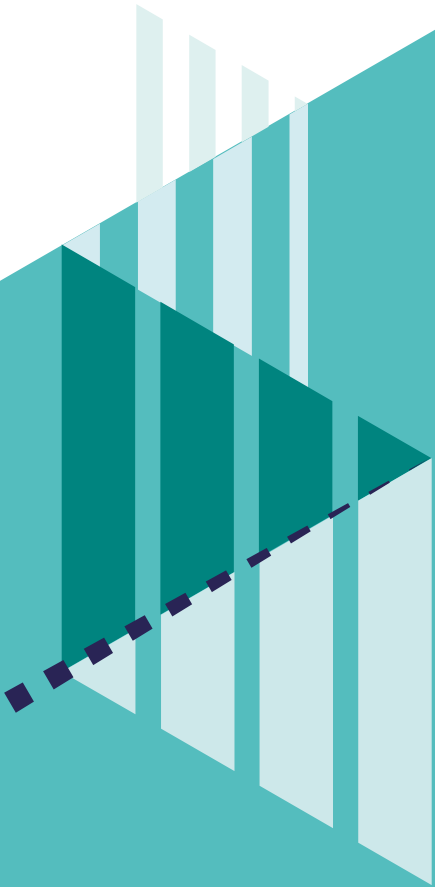
Drawing definitive conclusions from this data, which demands further refinement, is nuanced. The information suggests that the

wealth of EBMOs in the studied African countries is proportional to the GDP level, and interestingly, in most cases, higher than the proportional situation in countries with a robust EBMO development tradition. Importantly, this data sheds light on the fact that absolute figures of annual income, while seemingly low everywhere, might be directly linked to strong subsidy support or monopoly backing for EBMOs in countries with very high index values. In other words, wealth, in the form of a higher share of GDP is, in a number of cases, associated with government-induced support.

Lastly, these figures may underestimate the investment in EBMOs in Europe, as a significant portion of EBMO spending in Europe is in sectoral and territorial organizations, which are not included in the annual income of the confederations and thus not factored into our study.

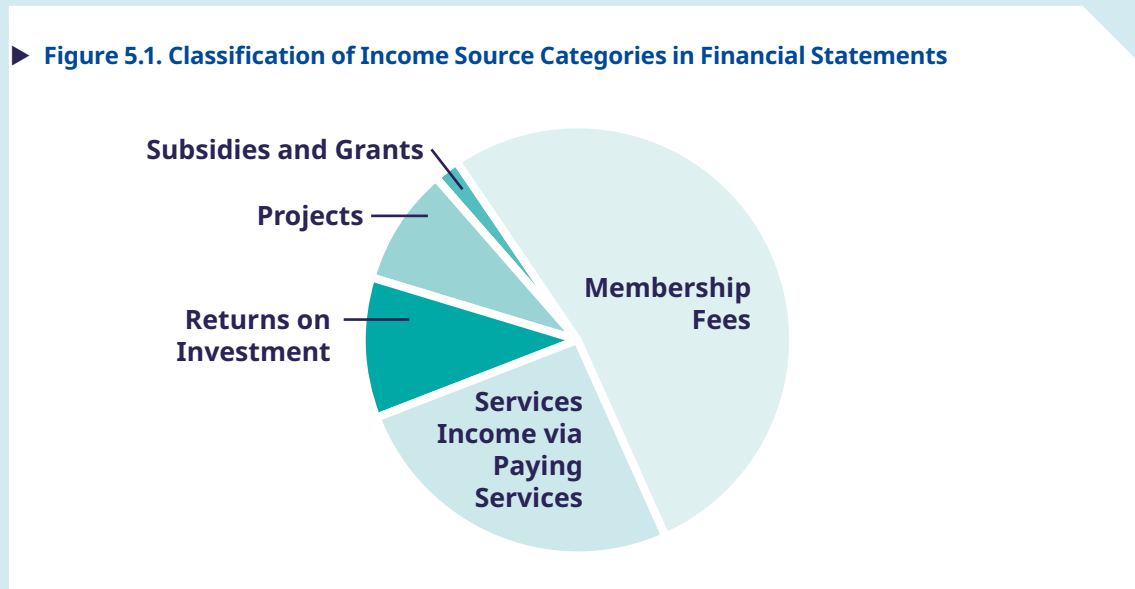
Chapter

▶ 5



5. The Revenue Side of Financial Sustainability

In this comprehensive section, we thoroughly examine the strategic approaches employed by EBMOs in income generation. EBMOs employ a diverse range of methods not only to mobilize but also to sustain their financial resources. Financial statements, especially the annual profit and loss accounts, typically encompass various categories, each with its distinct coverage nuances. To facilitate our analysis, we have consolidated these categories into five primary and commonly utilized classifications, as depicted in Figure 5.1:



It is crucial to emphasize that we deliberately avoided creating a generic "other" category. This decision is guided by our commitment to clarity; the five specified categories thoroughly encompass the primary income streams. Introducing an "other" category would introduce ambiguity rather than enhance comprehension.

Before presenting a static snapshot of the current revenue landscape, it is crucial to recognize that income and revenue are dynamic aspects influenced by strategic choices. The central concept in this context is the pursuit of revenue diversification.

► Overview of Income Diversification Strategies: A Theoretical Introduction

Several strategies exist to diversify income sources and secure the funding for organizational activities. Let's delve into these strategies:

i) Membership Income

- EBMOs secure income from member companies or associations contributing voluntarily. Membership fees typically finance collective needs, like advocacy and representation.
- Care must be taken not to disproportionately utilize fees for individual services benefiting specific companies.

ii) Services Income

- When other strategies fall short, EBMOs turn to selling services, ensuring they are self-sustaining.
- Challenges include surpassing competition in quality, efficiency, and innovation, necessitating a strong internal focus on customer satisfaction.

iii) Return on Investment

- Organizations with substantial reserves can generate income from past savings, suitable for short-term crisis management.

iv) Third-Party Sources:

- **The State:** EBMOs may shift the cost burden to the state through subsidies, mandatory membership, or granted monopolies.
- **National and International Donors:** Some EBMOs rely on grants or donations from international agencies, national companies, or multinational enterprises (MNEs).
- **Projects:** Developing specific activities with expected returns exceeding costs, often funded by project contractors.

These strategies underscore that diversification transcends the mere introduction of an additional income source. It seeks to diminish reliance on a singular source, optimizing and maximizing all potential income streams while considering national realities and opportunities.

► Data on Income Sources

To initiate our discussion and pave the way for the subsequent case presentations, let us first examine data pertaining to the quantitative dimensions of the varied income sources available to EBMOs¹.

¹ Note: The observed sample in this section consists of 41 EBMOs, excluding those from Western Europe.

► **Table 5.1. Income by Category / Source of Income Worldwide and by Region**

Extended list					
INCOME PER CATEGORY- SOURCE OF INCOME : WORLDWIDE AND BY REGION – 2022					
	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
TOTAL AVERAGE IN THOUSANDS - USD	1,450	1,579.6	257.1	1,615	1,803.9
% MEMBERSHIP	46,4%	57,3%	42,2%	41,0%	42,2%
% SERVICES	24,1%	14,4%	15,5%	31,7%	33,5%
% PROJECTS	11,3%	10,8%	22,4%	15,1%	0,0%
% SUBSIDIES, GRANTS, DONATIONS	11,0%	7,4%	14,7%	10,5%	13,2%
% RETURN INVESTMENTS	5,8%	8,8%	2,9%	0,6%	9,9%

► **Table 5.2. Income Sources per Region Expressed in Median for the Year 2022**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
TOTAL MEDIAN IN THOUSANDS – USD	858.2	1,063.8	221.0	831.4	1,206.2
% MEMBERSHIP	47,5%	56,9%	46,0%	35,4%	42,1%
% SERVICES	18,5%	8,7%	6,8%	35,0%	38,0%
% PROJECTS	0,0%	0,0%	0,0%	0,0%	0,0%
% SUBSIDIES GRANTS, DONATIONS	0,5%	0,5%	0,0%	10,0%	0,0%
% RETURN INVESTMENTS	0,0%	0,3%	0,0%	0,0%	6,2%

► **Table 5.3. Global Overview of Historic Evolution of Income²**

YEARS 2012 / 2022 - THOUSANDS CONSIDERING ONLY EBMOs WITH OBSERVATIONS IN BOTH YEARS	YEARS	WORLD
TOTAL AVERAGE IN THOUSANDS – USD	2012	1,668.7
	2022	2,043.4
% MEMBERSHIP	2012	47,3%
	2022	51,3%
% SERVICES	2012	28,1%
	2022	25,1%
% PROJECTS	2012	7,7%
	2022	8,7%
% SUBSIDIES	2012	8,4%
	2022	1,8%
% RETURN INVESTMENTS	2012	3,5%
	2022	10,1%

² Note: the analysis provided is global in scope due to the limited availability of historical and reliable data for regional analysis. It is important to recognize that this conclusion is based on a small dataset.

This comprehensive overview enables us to discern noteworthy trends within our sample:

i) Global Income and Historic Evolution:

- ▶ The global income in 2022 has generally surpassed pre-COVID levels: over 80% of EBMOs in the sample has recovered to pre pandemic level (2019).
- ▶ Annual growth in total income is moderate, averaging around 2% in the period 2012-2022.

ii) Income Distribution Over Various Sources:

- ▶ Membership fees persist as the predominant income source in the majority of countries (63%). Their share in total income remains stable, hovering around 50%, reaching approximately 60% in many countries.
- ▶ Services constitute the second most crucial income source on average, comprising 25% of total income. In one-third of countries, services serve as the primary income source, exhibiting resilience in absorbing the impact of the COVID downturn.
- ▶ Projects consistently hold the third position as an income source, contributing 8-9% on average. Their share slightly increases as an additional income source alongside membership or services.
- ▶ Subsidies, while remaining the primary income source for a few organizations in our sample (with one organization per continent), exhibit a decline in our limited dataset (Table 5.3) and remain stable overall, with one organization experiencing a substantial loss of subsidy.
- ▶ Investment income varies significantly among EBMOs. In cases where it is prevalent, it remains considerable, constituting a minimum of about 10%. However, since many EBMOs do not report investment income, the average remains limited.

iii) Patterns of Income Levels and Distribution by Source:

- ▶ Despite the diversity in our 40 organization sample, no discernible pattern scheme emerges in the income distribution among EBMOs. Regional, developmental, and size-based variations negate the identification of generalized patterns. For instance:
 - a. In Africa, differences exist between former French and English system-inspired EBMOs, impacting income distribution patterns.
 - b. Subsidy systems differ among regions, with notable subsidies in French-speaking Africa and minimal financial support in Asia.
 - c. Discrepancies in financial statement classifications, such as projects versus services, and distinctions between subsidies, projects, donations, sponsorships, and membership, pose challenges in defining income sources.

Considering these complexities, our analysis places a strong emphasis on qualitative information, concentrating on the development and implementation of financial strategies by EBMOs. We approach numerical figures with caution, acknowledging potential variations and errors that could distort the view of reality. In the subsequent sections, each income source category will undergo a detailed examination to better understand evolutions, variations, diversification in strategies, and the underlying logic behind differing approaches.

► Income Stream 1: Membership Fees as Income Source

As emphasized in the preceding table, membership fees remain the predominant income source for the majority of EBMOs. Expanding upon the overview data, the following table offers a more comprehensive examination of the current situation.

► **Table 5.4. Membership Fees Income for the Year 2022 - Extended List**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Average % of total income from membership fees	46,4%	57,3%	42,2%	41,0%	42,2%
Median % of total income	47,5%	56,9%	46,0%	35,4%	42,1%
Standard deviation % of total income	29,4%	27,1%	30,1%	31,8%	29,9%
Lowest share of membership in income in the sample	0,0%	14,6%	0,0%	0,0%	4,0%
Highest share of membership in income in the sample	98,0%	98,0%	73,3%	87,0%	98,0%

Summary of Concrete Data on Membership Fee Income

The table above reveals that, on average, membership income constitutes 50-60% of the total income for the majority of EBMOs. However, significant variations exist between countries, as some organizations report membership fees as low as 5%, while others heavily rely on them for over 90% of their income.

A closer examination of national data obtained through interviews in the current post-COVID scenario unveils the following details:

- A gradual increase in membership income is evident, with no significant surges; approximately 80% has returned to pre-COVID levels. This suggests that around 20% is still below pre-COVID income levels.
- Persistent ambiguity surrounds the differentiation between direct and indirect membership, along with associated issues related to roles, contributions, entitlements, and potential governance challenges within associations. In many cases, associations at sector or regional level are a minor financial contributor
- Larger countries often adopt territorial approaches, establishing regional offices; however, reports on the significant success of these strategies are limited. While organizations maintaining regional strategies generally continue with them, broader expansion appears relatively rare. A notable exception is seen in Sri Lanka, where an organization is initiating a partnership with local chapters of chambers and expressing optimism about the positive impact of this collaborative approach.
- Organizations are exploring new membership markets, including SMEs, the informal economy, and specific groups such as women and young entrepreneurs. This exploration sometimes involves the introduction of specially discounted membership formulas. Although relatively novel, assessing the long-term sustainability and impact on both membership and income remains challenging at this stage.
- Despite increased attention and acknowledgment of the decline, a notable number of organizations continue to grapple with challenges such as overdue payments or non-paying members, reaching levels as high as 30-40%.

While no ground-breaking strategies have emerged as silver bullets for a significant boost in membership income, some intriguing cases have been identified.

Assessment of the Distinctive Characteristics of Recent Membership Initiatives implemented by EBMOs - Derived from Interviews

Positive Aspects:

- ▶ All EBMOs acknowledge the critical nature of membership-related issues for their development, emphasizing the need for a comprehensive membership policy that integrates recruitment and retention efforts.
- ▶ The establishment of dedicated departments or functions for membership recruitment and retention reflects heightened awareness and specific attention to membership matters. Some organizations actively involve Board members and company leaders, with an increasing interest in leveraging CRM systems to enhance member information and understand underlying trends.
- ▶ Most EBMOs deploy a variety of activities, including improved communication, clear value propositions, and segmentation, showcasing a determination to succeed. There is slow but steady progress in increasing membership numbers.
- ▶ Certain confederations collaborate with associations to boost indirect membership. However, challenges such as weak sector associations and unclear delineation of responsibilities hinder effective cooperation and integration. Some organizations create their sectoral structures, initially incurring costs rather than contributing to income through member acquisition (in other words, sector associations, in these cases, are at least in the short term not contributors to income via the members they bring in but rather a cost element).
- ▶ Increased company involvement through extensive commitments, such as intensive membership visits and greater participation in committees, is observed.
- ▶ A widespread recognition of the importance of using CRM systems for managing membership income, is noted.

Negative Aspects:

- ▶ Many EBMOs lack proper data management, reflecting insufficient attention to disciplined data management practices.
- ▶ Some organizations exhibit little creativity, engaging in foreseeable actions without coherence, specific focus, or experimentation.
- ▶ There is a lack of clarity regarding the precise objectives of membership policies: do organizations prioritize representation or income maximization?
- ▶ There is limited calculation of the effects and costs of efforts, with little emphasis on defining precise membership targets for certain segments (sectoral penetration, retention and recruitment targets).
- ▶ Insufficient prioritization and specific focus, often stemming from a lack of proper insight into segments and their potential for generating membership income.

Practical Insights: Examining Concrete Experiences – Successful and Unsuccessful Practices in Generating Membership Income

Experience 1 (Africa): This EBMO heavily relies on government subsidies, with membership fees contributing only around 10% to its income. Despite this, the organization is strategically aiming to increase the share of membership income to 40% within five years. To mitigate vulnerability tied to subsidies, the EBMO has established a substantial savings fund for future investments, focusing on enhanced visibility, strategic communication, and increased members engagement.

Experience 2 (Africa): Strategically focusing on payments from a few major companies, this EBMO sees 86% of its income generated by the top five contributors to membership fees. Similar concentration is observed in several organizations across Asia, Africa, and Latin America and the Caribbean.

Experience 3 (Eastern Europe): This case serves as a cautionary example. During the Covid period, the EBMO decided not to collect membership fees, resulting in significant challenges upon reinstatement. The Executive Director advises against completely interrupting fee payments, suggesting temporary discounts as a more prudent approach.

Experience 4 (Africa): Undergoing a significant transformation in fee payment structure, this organization shifted to a modular and voluntary membership fee system. Companies can choose membership categories based on specific services menu they want to access to, reflecting a trend where EBMOs offer a versatile menu of benefits. This freedom of choice has facilitated membership growth and has not negatively impacted membership income. In fact, most members did not opt for the "cheap" category, choosing instead to access higher-tier benefits.

Experience 5 (Africa): Successfully attracting informal economy businesses with a low annual fee, this EBMO experienced a substantial membership increase and a 20% rise in fee-generated revenue. The true test lies in renewals next year; ad-hoc, individual services have been limited, mainly focused on providing information.

Experience 6 (Eastern Europe): This organization underwent a substantial transformation in income sources, notably membership revenue. Formerly, associations constituted 90% of the membership income, whereas now, they contribute only 10%.

Experience 7 (Asia and Pacific): In this example enhanced income diversification was achieved by establishing policy discussion "venues/clubs". Larger companies, previously excluded from direct membership, now participate through a unique membership status, reducing reliance on funding from regional associations.

Experience 8 (Asia): This EBMO changed its membership fee structure from a fixed entrance fee to a deposit-based system to attract and retain members, particularly smaller ones.

Generally, it has been observed that numerous EBMOs in developing countries tackle delayed or non-payment of dues through strategic measures. These include rigorous monitoring, timely reminders, emphasis on the value proposition, personal outreach for payment delays, instalment payment options, and well-defined governance procedures outlining sanctions for non-payment. These initiatives have proven effective in fostering increased compliance with regular payments.

► Income Stream 2: Paying Services as Income Source

In various organizations and in widely accepted conventional wisdom, the creation of paid services is frequently regarded as a primary alternative for enhancing resources and diversifying income streams for EBMOs. Before delving into data and figures, it is crucial to precisely define the concept of services income.

Clarification of the Concept of Services Income

Services income refers to the revenue generated by EBMOs through the provision of specific services in exchange for payments. These services encompass a broad spectrum, including information, training, advisory and consultancy services, facilities, studies, and more. Essentially, it includes all income derived from member companies outside of the fees.

Within the context of EBMO roles, services income serves as the counterpart to the support that an EBMO organizes for a specific individual company. This is distinct from the general collective role that EBMOs play for companies through lobbying and advocacy, typically covered by membership fees.

It is crucial to note that a separate fee for services is not always required. In many EBMOs, services are provided "free of charge" in the sense that the compensation for delivery is included in the general membership fee, eliminating any additional payment. This distinction is particularly noticeable among African EBMOs and EBMOs in the Arab States, which frequently do not charge for the services they provide.

For instance, in the French-speaking part of Africa, most EBMOs do not generally request a separate fee for services; instead, the service fee is integrated into the general membership fee, rendering the service itself "free" (excluding training). Conversely, in English-speaking African organizations, the membership fee only covers basic services, and additional fees are levied for most services used by individual companies. Consequently, services income is more substantial in this region. Therefore, the value proposition varies, income streams differ, and various strategies for income enhancement are employed across different types of EBMOs. This diversity is integral to the broader strategy of income diversification.

Data and Figures on Services Income

It is imperative to reassess the comprehensive details concerning the distribution of income, focusing specifically on the proportion attributed to service income, as illustrated in Table 5.5.

► **Table 5.5. Income by Category / Source of Income Worldwide and by Region for the Year 2022**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
TOTAL AVERAGE IN THOUSANDS - USD	1,450	1,579	257	1,615	1,804
% MEMBERSHIP	46,4%	57,3%	42,2%	41,0%	42,2%
% SERVICES	24,1%	14,4%	15,5%	32%	33,5%
% PROJECTS	11,3%	10,8%	22,4%	15,1%	0,0%
% SUBSIDIES AND GRANTS	11,0%	7,4%	14,7%	10%	13,2%
% RETURN INVESTMENTS	5,8%	8,8%	2,9%	0,6%	9,9%

Table 5.5 furnishes a comprehensive breakdown of services income for the year 2022 across diverse regions, offering valuable insights into the global and regional contributions of services to the revenue of EBMOs. The global average of 24.1% in services fees as a proportion of total income signifies a considerable reliance on services, with discernible regional variations. The median percentages serve as benchmarks, and Asia-Oceania 35% in total income highlights a region with a heightened dependence on services. Standard deviations expose diverse landscapes within regions, with America exhibiting the highest variability. The spectrum of services' share in income, ranging from 0.0% to 70.8%, underscores the varied strategies employed by EBMOs globally. In essence, the table encapsulates the nuanced financial dynamics, delineating the pivotal role of services and the diverse approaches adopted by EBMOs worldwide.

► **Table 5.6. Services Income for the Year 2022**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Average % of total income from service fees	24,1%	14,4%	15,5%	32%	33,5%
Median % of total income	20%	8,7%	6,8%	35,0%	38,0%
Standard deviation % of total income	22,8%	16,0%	13,8%	25,4%	27,4%
Estimated Median Absolute Figures in USD (Thousands)	129,5	66,6	8,8	160,0	259,1

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Lowest share of services in income in the sample (2022)	0,0%	0,0%	4,0%	0,2%	0,0%
Highest share of services in income in the sample (2022)	70,8%	52,8%	40,0%	70,0%	70,8%

Summary of Concrete Data Regarding Services Income

A synthesis of the primary data on services income reveals the following key findings:

- **Significance of Services:** The importance of services as a supplementary revenue factor in EBMOs, evident in the pre-COVID era, remains robust. Despite a temporary decline during the pandemic, with limited data suggesting a 5% to 10% reduction in the global share of services income, services have reemerged as the second-largest income source.
- **High Variability:** Substantial variability is observed, particularly emphasized in the last two lines of Table 5.6. The share of services income displays a wide range, spanning from 0% to 70%. Interestingly, these variations appear more concentrated by subregion than by region. In Asia, excluding South Korea, many EBMOs follow a prevalent business model with moderate member fees contributing around 25% to total income, while services play a dominant role, constituting an average of approximately 45% of income. Conversely, in the Pacific region, encompassing small island states and a larger country where services are facilitated by regional associations, the business model differs. Distinctions between the English-speaking and French-speaking parts of Africa further contribute to this observed variability.
- **Impact of the Covid-19 Pandemic:** The pandemic underscored the vulnerability of an income strategy overly reliant on services. However, the subsequent recovery demonstrated that services remain resilient, constituting a significant part of income streams and the overall value proposition. In absolute terms, the estimated average contribution of services to total income stands at around 25%, with considerable variation among organizations. Some maintain a modest reliance on paying services, accounting for less than 5% of total income, while others reach levels exceeding 50%. Notably, intriguing cases in the Caribbean provide diverse insights into the transformative potential and risks associated with services income. One Caribbean EBMO, having transitioned from membership to services income in the pre-COVID years (2015-2019), derived approximately 65% of its total revenue from consultancy, training, and advice. However, it experienced a nearly 50% decline in this income during COVID, leading to a significant income crisis. Nevertheless, it has now rebounded, reaffirming the crucial role of services in its income portfolio. Another Caribbean EBMO has consistently maintained a services income exceeding 80%, primarily driven by its involvement in bank operations inherited from its former Chamber status.
- **Regional Dynamics of Service Income:** In Latin America and the Caribbean and Asia, where the average income share derived from services exceeds 30%, a distinct trend unfolds. Asia, marked by regional champions, stands out for its excellence in a diverse array of services, encompassing training, consultancy, labor law, and events. In contrast, Latin America and the Caribbean relies significantly on events and fairs to generate substantial service income for EBMOs. The contributing services form diverse clusters, showcasing non-homogeneity. EBMOs often belong to multiple groups concurrently, with one group thriving on fairs and events, a second group focusing on labor law through consultancy, and a third group relying on services with a monopoly, such as certificates, visa support, and export documents. Furthermore, training emerges as a common income source for nearly all EBMOs. The systematic classification of EBMOs based on service roles, utilizing criteria like EBMO or EO, proves challenging, as organizations strategically select services, defying simple categorization. These choices align with local opportunities, traditions, and specialties, which may not necessarily correspond to external characteristics commonly used to differentiate EBMOs.
- **Reassessing Strategies:** The commonly held notion that diversification or a shift from membership fees to fee-based services stands as the exclusive viable strategy faces scrutiny. While the market logic supporting the idea that companies prefer paying for specific services rather than a bundled fee

inclusive of potentially unused services holds merit, this ideal isn't consistently manifested in reality. The limited transition from membership to services becomes particularly evident, notably in the case of traditional monopolies such as visa services, certificates, and trade fairs. In practice, diversification doesn't always signal a heightened service orientation; it can equally encompass added valorization or the exploration of alternative income sources beyond services.

The constrained acceptance of paid services as a viable substitute for membership fees can be ascribed to a range of factors. In specific regions, notably in French-speaking African countries and Arab states, a prevailing cultural norm persists, resisting the concept of supplementary fees for EBMO services beyond a substantial membership fee.

In European countries, sector-level or territorial organizations play a pivotal role. These entities act as service providers by closely engaging with companies, understanding their specific circumstances, and being acknowledged as effective service centers that go beyond what the central organization offers. Conversely, in smaller and economically challenged nations, the primary impediment to the adoption of paid services is the straightforward lack of purchasing power among companies to remunerate the EBMO for these services. Additionally, the presence of NGOs and international cooperation projects offering similar services for free further contributes to this phenomenon.

In certain countries, EBMOs may not excel in meeting the specific needs of companies, emphasizing their strength more in the collective advocacy role than in providing commercial services. Meanwhile, in other nations, strong competition from commercial service providers exists, prompting EBMOs to adopt varied strategies. Moreover, there are instances where EBMOs refrain from intense competition or limit service development, fearing that their own members might emerge as competitors.

In some regions, the advent of new technologies enabling mass distribution with 24/7 accessibility has led traditional services (such as labor law information, Q&A sessions, and contract templates) to lose their exclusivity and market value. Consequently, these services are increasingly integrated into general fees or offered free of charge. To adapt to evolving trends, some EBMOs have chosen to enhance their paid service offerings, providing clients with a more personalized VIP experience through various approaches such as retainers, close follow-ups, and dedicated account managers.

The ensuing challenges underscore the intricate landscape that has impeded the evolution of services and a comprehensive analysis on the role of services in income generation.

- i) **The available data does not allow for an assessment of net profits, as services may involve significant staff and operational expenses.** Some EBMOs explicitly acknowledge that services are often cross-subsidized by membership fees. From a purely financial standpoint, one might argue that this cross-subsidization may not be considered profitable. However, such a viewpoint tends to overlook the broader value that services bring in enhancing the overall value proposition for membership.
- ii) **Determining trends related to diversification within services poses challenges.** Identifying the services that are thriving or in high demand, as opposed to those experiencing decline, especially from a financial standpoint, is a complex task.

A clear distinction must be made between Employers' Organizations (EOs) and Employers' and Business Membership Organizations (EBMOs). In EOs, training services typically serve as the primary source of income, with Legal-Industrial Relations (IR) consultancy and advisory services as the second most significant revenue generator, and large events ranking third in many countries. However, efforts to diversify into paying services beyond labor-related issues have, until now, achieved limited success. The data doesn't decisively indicate a specific service type yielding substantial income, whether in labor issues or the development of new services extending beyond industrial relations and social policies.

In general, the principles governing the development of new business lines in private sector companies apply to EBMOs as well. Successful development requires thorough preparation, a focus on added value, the gradual construction of expertise and reputation, and effective entrepreneurship. It is not a rapid leap into uncharted waters; competitors, whether other EBMOs or private players, are often better equipped and more knowledgeable.

While there are exceptions, such as an EO in sub-Saharan Africa developing services in fiscal law tied to employment, these are niche areas addressing specific demands. Initiatives in various continents related to recruitment databases for employment placement are also emerging, showcasing ventures into new areas. Although these services are in early stages and haven't been evaluated as established and successful business ventures, it is noteworthy that such innovative initiatives, often requiring significant venture capital, are typically tested initially through international project funding before evolving into self-sustaining, independent paying services. Experiences from certain East African EBMOs have followed this path for training and other services (placement, recruitment, executive trainings in collaboration with institutional partners), thanks to support from the International Labour Organization (ILO), the International Training Centre of the ILO (ITCILO), GIZ and other national development cooperation agencies and European EBMOs.

In the context of EBMOs, particularly chambers, distinctions may arise regarding the size of income generated through services, although not necessarily in terms of the evolution of high-yield services. Among these EBMOs, the service sub-branches that tend to perform the best, financially speaking, are often the departments focused on trade, trade fairs, and certifications. These areas align with the historical strengths and functions of chambers. Additionally, income in these domains may be bolstered by earlier government-granted monopolies or significant events like trade fairs. However, similar to EOs, the development of new services in novel areas requires time to mature, making it challenging to identify clear-cut cash cows in general.

Considering the financial aspects discussed above, a pertinent question arises: why do EBMOs continue to develop or sustain services when their contribution to income is constrained, and the net impact might even be negative, factoring in substantial human resources costs associated with service delivery? Responses to this query have been somewhat hesitant.

The affirmative impact of services is duly acknowledged, primarily for enhancing the value proposition that becomes more tangible for member companies—they receive practical assistance and concrete solutions. These services also yield added value for the EBMO itself by building concrete knowledge and insights into companies' needs and realities, offering invaluable inputs for its lobbying and representational roles. The core rationale behind a positive approach to services development lies in the interconnected nature of services delivery and the voice role, where each reinforces the other, constituting a symbiotic output of the EBMO. This synergy is particularly potent when services not only fulfill practical needs but also strengthen the emotional bond between the company and the EBMO, fostering a sense of community among businesses.

Yet, reservations exist, influenced in part by a sense of traditionalism and reluctance to embrace change within the EBMO. In numerous instances, a thorough cost-benefit analysis, commonly conducted in private enterprises, is not undertaken. The rationale often hinges on the belief that the EBMO has consistently delivered specific services satisfactorily, and there may be a reluctance to question or alter this established pattern.

The lack of in-depth analysis represents another contributing factor. Only a limited number of EBMOs maintain analytical bookkeeping and management systems capable of providing detailed insights into members' behaviour regarding EBMO services. These systems often lack the capacity for detailed analyses, such as the frequency of service use, shifts in preferences, and specific satisfaction levels per service. Consequently, these organizations miss valuable insights into how services contribute to maintaining existing memberships and attracting new ones³. While they continue to refine existing services and introduce new ones, there is often a lack of focus on the overall evolution of services. Additionally, they lack a comprehensive understanding of marketing, a discipline that underscores the importance of not just the product content but also the other Ps (price, place, and promotion) influencing clients' decisions to make a purchase or not.

Progressing further, our examination will entail a meticulous analysis concentrating on particular services of considerable magnitude or those demonstrating distinctive and noteworthy features.

3 Some figures on the use of services, encompassing all types, by members are available; as expected, they differ significantly—one EBMO reports that 30% of members use services (Ecuador), while another mentions 90% (Tanzania) (Schmitt, Slavai, & De Koster, 2021).

Exploring Specific Services: Country Experiences and Insights

To offer a comprehensive overview, we classify paying services into the following common types:

- ▶ **Training services:** Covering both in-company and open courses.
- ▶ **Consultancy and legal support in labor law, social security, occupational safety and health (OSH), and human resources (HR):** This encompasses written legal advice, HR and IR consultation, support for negotiations, drafting collective agreements, HR audits, company manuals, salary systems, classification support, as well as assistance in mediation, grievance handling, and labor tribunal support.
- ▶ **Events and fairs:** Including award meetings, high-level forums, and exchange meetings on HR-IR practices.
- ▶ **Other services:** Encompassing a variety of offerings such as discount system, publications, surveys, research for companies (e.g., salary, absenteeism), work permits, EO newsletters, and more.

It is noteworthy that certain services, while commonly provided, are typically not subject to additional fees but are rather included in the member package, covered by the membership fees. These services include:

- ▶ **Information:** This encompasses basic legal information, contract templates, and access to a members' portal with regularly updated legal information. The increasing trend toward digitization and the widespread use of member portals has become more prevalent, serving as an efficient tool for extensive outreach at a low cost, ensuring maximum 24/7 accessibility.
- ▶ **Consultancy and Advice:** This often involves relatively "simple" consultancy and advice provided through phone calls or brief messages. Some organizations offer a basic package that includes 2 hours of advice as part of the membership fee.

In contrast to EOs, EBMOs and Chambers are by nature more involved in non-labor-related activities, including but not limited to entrepreneurship support, issuance of certificates of origin, trade assistance, match-making services, trade information dissemination, organizing trade missions, and addressing fiscal issues.

In the subsequent sections, we will delve into more specific services and share pertinent experiences from selected EBMOs within our sample.

Training Services

Training services remain a foundational component of EBMO offerings, often constituting the most prevalent and primary service provided, notwithstanding occasional downturns experienced by some EBMOs during the COVID-19 period.

Quantifying the contribution to total services revenue proves challenging to generalize, as in certain organizations, it can represent up to 50% of the total services portfolio *and income*, significantly influencing the overall income of the EBMO.

The trajectory of training revenue indicates that approximately half of the organizations have managed to restore their training income to pre-COVID levels. However, the remaining half of EBMOs are still experiencing losses ranging from 10% to 20% in training income compared to pre covid level, which can have a significant impact depending on the role of training within the total income stream. Some EBMOs faced substantial setbacks during the peak of the COVID crisis, losing over half of their training income, but have made considerable strides in recovery more recently.

Several EBMOs across continents have highlighted their initiatives and, in some cases, notable successes in innovating their training approaches. These innovations played a crucial role in mitigating the substantial decline in training income and net returns experienced during the COVID years. Noteworthy strategies reported for enhancing training revenue include embracing innovation, customization, a more company-oriented focus, exploring new areas like tax issues, and leveraging new technologies for broader outreach.

The most financially successful approaches in training services often encompass:

- i) Transformation to Blended Format:** This approach combines online and in-person elements, facilitating participation of larger groups and geographically isolated companies. It reduces absence time, shortens training duration, and lowers overall costs. While it may not significantly increase total training income, it has a noteworthy financial impact, resulting in higher net returns due to reduced infrastructure, food, trainer, and secretarial costs, along with a higher number of participants.
- ii) Expansion to In-Company Training:** Providing tailored and cost-effective in-company training has proven successful. However, this tends to attract larger companies capable of forming a training group.
- iii) Shortening Training Program Duration:** Shorter, more financially viable training programs, with a prevalence of 3-day maximum courses over longer-term programs.
- iv) Combining Training with Consultancy:** Some EBMOs have reported success in providing training accompanied by individual follow-up in the form of consultancy. Open courses are sometimes used as a free short-term, non-paying offer to retain or attract members, integrating them into the overall membership value proposition.
- v) Individual Paid Training Opportunities:** Venturing into providing individual paid training opportunities to employees through online offerings, with longer programs spread over an extended period.
- vi) Certification of Training:** Placing a growing emphasis on certifying training, enhancing individual and company added value and subsequently the price of the training. This aligns with partnerships in training delivery with national or international universities and the development of certified higher education programs.
- vii) Targeted Audience Programs:** Successful programs targeting specific audiences, such as the "Female Future" training program by African EBMOs in collaboration with an EU EBMO donor, which has shown substantial success with high training fees and consistently high attendance (Svensden, 2024) (ATE, 2024).
- viii) Government Contracts:** Collaborations where EBMOs serve as subcontractors for significant government contracts, supporting paid training services; this is observed in certain Asian EBMOs.
- ix) Integration of Training with Events:** Innovative service delivery involving training formats functioning as both educational sessions and social gatherings among members. This introduces a new dimension to service delivery by fostering a club-like atmosphere, enhancing engagement, recruitment, and membership retention.
- x) Democratization of Information through Portals:** A trend towards widespread democratization and accessibility of information through portals, impacting services like information and fundamental training.
- xi) Content Orientation and Innovation:** Developing training programs based on topical issues at the national level, reflecting themes such as occupational safety and health or leadership and governance. This variability is evident when examining the training agendas of different EBMOs, such as IBEC in Ireland, MEF in Malaysia, SNEF in Singapore, and EFC in Sri Lanka, serving as references for EBMOs with excellent training departments.

Legal Consultation in Industrial Relations and Human Resources

The provision of Human Resources (HR) and Industrial Relations (IR) services for remuneration constitutes a substantial segment of service revenue for many EBMOs. The contribution of consultancy and representation services, broadly defined, to overall revenue varies significantly, ranging from a few percentage points to as high as 15%, although specific data is not readily available. Notably, some

organizations in Asia and Africa have successfully positioned themselves as law firms, although the trajectory of growth in this particular service niche remains uncertain.

In interviews, certain EBMO leaders have expressed concerns regarding the diminishing role of collective labor relations and trade unions, which has impacted the market for industrial relations services. Conversely, others have underscored the added value and market appreciation for the EBMO's involvement in areas such as labor tribunal representation and legal advice. This is particularly evident in instances of long-term, personalized contracts between companies and EBMOs, a successful model notably observed in East Africa.

Various criteria play a pivotal role in shaping the revenue streams from these services, encompassing:

- ▶ **Visibility and Reputation of the EO:** The prominence and standing of the EO significantly influence income generation.
- ▶ **Staff Competency:** The proficiency of staff in relevant subjects is a crucial determinant.
- ▶ **Uniqueness of Services:** The extent of uniqueness or market niche protection, especially in areas like industrial relations or labour tribunal services, impacts income size.
- ▶ **Market Specialization:** Distinctive features such as strong contacts and understanding of trade union functioning contribute to market specialization.
- ▶ **Organizational Attributes:** General attributes as a service provider, including quality, pricing, trust, responsiveness, and client orientation, also play a vital role.

Exploring potential correlations with more available data could yield valuable insights:

- ▶ **Regional Presence and Accessibility:** Examining whether a correlation exists between an EBMO's regional presence, through regional offices, and its accessibility, and how this affects income generation from regionally based clients.
- ▶ **Evolution of the Industrial Relations Market:** Investigating whether the market for industrial relations interventions is contracting due to declining trade unions or experiencing a resurgence, making it a promising and sustainable market for services.
- ▶ **Expansion or shrinking of the Labour Law Market:** Assessing whether the labour law market is expanding amid the global trend of increasing "juridification" of work relations or remaining stable or diminishing.
- ▶ **Market Perception and Attractiveness:** Gauging the market perception and attractiveness of EOs-EBMOs compared to consultancy or law firms, considering factors like cost advantage versus prestige.
- ▶ **Evolution of HR Advice and Solutions:** Analyzing the evolving landscape of HR advice and solutions and understanding the role of EBMOs in attracting specialists to add value and excellence in this field.
- ▶ **Success of General Services:** Assessing whether more general services, such as business consultancy and entrepreneurial support, are proving more successful compared to traditional services, and if the emergence of "newly oriented" EBMOs is impacting the share and success of services.

Within the domain of consultancy services, the spectrum of specific offerings is expansive and diverse⁴. Through interviews, a range of intriguing consultancy service formats and contents emerged, showcasing unique facets of EBMO services. Nevertheless, when viewed holistically, EBMO services, while distinct in precise details, appeared somewhat analogous. A notable observation was the limited level of innovation in content, with entirely novel concepts for EBMO services not being identified.

Despite this, certain services display a unique fit for specific countries, and their success and originality, if widely disseminated, could serve as inspiration for replication or, at the very least, exploration of similar

⁴ For an in-depth overview, please consult the publication: "Services by Employers' Organizations. A strategic approach to service development ITCILO publications on EBMO services delivery" (ILO & ITCILO, 2012).

approaches by others. For instance, a Central African EBMO has excelled in commercial arbitration and mediation, while an East African organization is pioneering pre-tribunal individual labor law mediation. Facilitating the exchange of information on service contents and experiences could foster the transfer of ideas and knowledge.

In conclusion, while innovative ideas are crucial, insights from interviews suggest that the overarching attributes of EBMOs as consultancy providers—such as entrepreneurship, client orientation, specificity, niche development, and awareness of local market dynamics—emerge as the most pivotal factors for the dynamic and sustainable development of EBMOs as reliable consultancy partners for companies. These generic elements were deemed more crucial than the specific contents of the services offered.

It is noteworthy that some EBMOs have undergone transformations, segregating portions of their service departments into fully or partially separate legal entities. For example, in certain cases, this transformation has affected the consultancy branch (as observed in Trinidad), while in 4-5 other instances within our sample, the legal transformation has primarily focused on the training departments (notably in Asian EBMOs such as Indonesia and Malaysia). The motivations behind these transformations are a blend of local considerations, including fiscal systems (taxes and VAT). At times, this transformation is associated with a quest for increased operational independence for the business arm of the EBMO or is motivated by image considerations, aiming to establish a clear separation between the EBMO, with its advocacy and policy influencing goals, and the realm of consultancy.

Events

The events market emerges as a pivotal subcategory within the spectrum of income-generating services, wielding significant influence in the realm of revenue creation. Within this expansive category, diverse types of events contribute substantially to financial gains, with a particular emphasis on those involving monetary transactions. It is essential to clarify that our focus excludes events integral to the governance life of the EBMO, such as Annual General Meetings. However, it is noteworthy that certain EBMOs have adeptly transformed these essential gatherings into revenue-generating opportunities.

Our focus here is on events where both members and non-members are required to pay entrance or participation fees. This encompasses a diverse array of events, including gala dinners, awards ceremonies, social gatherings, forums, and fairs. The financial impact of events as a source of income varies significantly among different EBMOs.

A strategic subset of EBMOs positions these events as pivotal elements in their income strategy, involving direct revenue generation through entrance fees and sponsorships, coupled with indirect benefits derived from enhancing the social appeal of the EBMO. This heightened appeal contributes to increased interest in corporate memberships, with income from events sometimes constituting a substantial portion, reaching up to 15% of total revenue, particularly when trade fairs are integrated into the organizational repertoire.

Highlighting the significance of events as an income source, specific cases illustrate diverse approaches and outcomes within EBMOs. East African EBMOs, for instance, exemplify success through annual award evenings, attracting influential figures and yielding substantial funds via effective sponsorship arrangements. For some EBMOs, this income stream constitutes a noteworthy 5-8% of their total annual income.

In other instances, certain countries leverage social events as a distinct income source, rooted in local traditions and integral to the success of member organizations. Examples include the golf day in Botswana, business dinner in Panama, and similar events worldwide. While the financial impact may be less pronounced, the unquantified effect of such engagement, fostering a sense of community and a "club feeling", likely plays a crucial role in bolstering membership, particularly among specific demographics like young entrepreneurs or SMEs.

Conversely, organizations with historical ties to Chambers prioritize trade fairs as a primary revenue source; in certain contexts, this is raising concerns about the risks associated to that and the need for financial sustainability and diversification strategies.

Other Paying Services

A varied spectrum of fee-based services contributes to the revenue stream, each exhibiting distinctive financial returns and success rates customized to specific countries. Nevertheless, the replication of these services across nations faces challenges stemming from substantial disparities in national markets or an imbalanced ratio between effort and benefit.

Here are some illustrative examples:

- **Sale of Publications:** This service involves the sale of publications, offering financial returns but encountering limited success in certain countries. The distinct nature of national markets and varying interests makes the universal adoption of this service less likely.
- **Discount Services Organized by the EBMO:** In certain countries, EBMOs facilitate discount services for members, negotiating deals on business-oriented services such as insurance, tools, and travel. While the direct income impact on the EBMO may be modest (especially net income if the delivery of discount services implies costs like staff time), this approach enhances membership value and thus access. Particularly advantageous for small businesses, these discounts can essentially offset the cost of membership. This model is observed in specific African EBMOs, like Cameroon, and replicated in a few other countries within our sample.
- **Business Advice:** Offering business advice is a valuable service, but its success is contingent on the local business landscape and the demand for such services. Different countries exhibit diverse business challenges and opportunities, affecting the overall success and adoption of this service.

Essentially, comprehending the intricacies of each fee-based service is crucial, given the distinctive characteristics of national markets and the diverse dynamics influencing their reception and success rates. Customizing these services to meet local needs and preferences remains essential for effective implementation and sustained financial returns.

► Income Stream 3: Projects as Income Source

Definition

In the context of this investigation, the term "projects" refers to revenue streams resulting from competitive bidding processes or partnerships with national or international institutions, encompassing both public and private entities.

EBMOs typically engage in two primary types of projects, each serving distinct purposes:

i) International Donor Projects

These projects are initiated by international donors and development banks, either on a bilateral or multilateral basis. They involve specific long-term activities and come with financial support for the EBMO. The data reveals a clear inclination towards collaboration with UN agencies, particularly evident in the preference for engaging in ILO projects by EBMOs. Noteworthy is the strategic advantage gained by certain organizations leveraging their positive track record from previous ILO projects, subsequently enhancing their access to a broader spectrum of projects with other UN agencies (WHO, UNCTAD, UNESCO, UNDP, IOM). These projects often revolve around pivotal aspects of the world of work, such as workplace safety, health, gender issues, and employment. While bilateral support mechanisms persist in some cases, particularly seen in direct collaborations between European EBMOs and their counterparts across developing countries, these initiatives are undergoing a diminishing trend in size and prevalence.

ii) National Authority Projects

In this category, the EBMO secures funding from national authorities in return for executing long-term activities. These activities span a range of areas such as training, employment support, placement, targeted initiatives for specific worker or migrant groups, campaigns, and more. The content of national projects is closely tied to the issues championed by the EBMO itself. This may encompass a variety of subjects, including labor market policies, training initiatives, skill enhancement projects, gender-related concerns, occupational safety and health, entrepreneurship support, business consultancy, and SME assistance. Essentially, these projects aim to leverage the EBMO's expertise, its extensive membership base of entrepreneurs, and its overall image and accessibility within the business community.

Distinguishing between projects and grants requires subtle consideration. Grants, categorized as subsidies in this study, involve financial support without a direct *quid pro quo*. In contrast, projects entail a more precise exchange of services for funds.

Another differentiation exists between subsidies and projects. In this classification, projects imply a specific exchange, while subsidies are granted due to the representativeness or public role of the EBMO. Although there is an implicit exchange with subsidies, it is less precisely defined.

Challenges arise when assessing EBMOs receiving government funds for semi-government roles, such as delivering certificates of origin. These funds may originate directly from the government or indirectly from user fees paid by companies to the EBMO. In some instances, this payment occurs without competitive bidding, raising questions about the classification of these funds. For simplicity, this study groups all such funds as subsidies, recognizing that a more detailed analysis could reveal additional distinctions. However, considering the complexity and variability across countries, treating these funds uniformly as subsidies is a pragmatic choice for ease of interpretation.

Data and Figures on Projects Income

► **Table 5.7. Projects Income for the Year 2022**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Average % of Project Income in Total Income	11,3%	10,8%	22,4%	15,1%	2,0%
Median % of total income	0,0%	0,0%	0,0%	0,0%	0,0%
Standard deviation % of total income	24,7%	25,0%	28,7%	31,0%	0,0%
Highest share of projects in income in countries (2022)	86,1%	84,6%	65,0%	86,1%	9,0%

Insights from Table Observations

Project income stands out as the third significant source of revenue, typically following member fees and services. A closer examination of the data in the tables unveils considerable variations in averages. For a minority of EBMOs, projects constitute an essential, and sometimes dominant, source of income, accounting for up to 80% of their financial inflow. In these specific countries, approximately 5-6 in our sample, income diversification significantly relies on securing projects. However, in many other countries, projects play a marginal role or are entirely disregarded as a source of income.

The distinction and level of involvement in projects often arise from strategic decisions made by the EBMOs themselves. Several EBMOs express disinterest in actively pursuing project funding, citing various drawbacks associated with this income source:

- **Dependency on Funding:** Project funding, whether international or national, introduces a level of dependency on external sources, subjecting the EBMO to uncertainties influenced by political orientations.

- ▶ **Risk of Mission Creep:** Projects may deviate from the core objectives of the EBMO, leading to potential mission creep and requiring significant concessions regarding the organization's role.
- ▶ **Lack of Predictability:** Acquiring projects involves investments that may be short-lived in the long-term development of the EBMO, contributing to a lack of predictability.
- ▶ **Limited Financial Gain:** Project funding may not yield substantial financial returns, as implementation costs can outweigh the funding received. Some projects even necessitate co-funding, reducing their attractiveness from a revenue perspective.
- ▶ **Concerns on Overhead and Administrative Obligations:** Fear of substantial overhead and administrative-financial obligations linked with project management may deter EBMOs from actively engaging in project funding.
- ▶ **Time Investment and Uncertain Returns:** Apprehension about investing significant time in project acquisition, which may not yield successful outcomes, further contributes to reluctance.
- ▶ **Limited Information on Available Projects:** Lack of easily accessible and transparent information on potential projects adds to the challenges faced by EBMOs in exploring this income avenue.

While a substantial group of EBMOs remains cautious about associating themselves with project funding for the reasons cited above, there is a group of EBMOs that emphasizes the opportunities of obtaining projects, often through competitive bidding.

Here are several compelling reasons to consider engaging in project funding:

- i) **Access to Significant Financial Resources:** Project funding, both at the international and national levels, offers a substantial pool of financial opportunities. Even a modest allocation from the vast Official Development Assistance can bring transformative impacts to EBMOs, particularly when member contributions or service-related financial inputs face limitations in financial growth.
- ii) **Enhanced Reputation through Project Acquisition:** Winning projects involves a rigorous selection process, contributing to a positive reputation. It also provides a platform to expand the range of services offered, with the reputational impact extending to contracts and project funding. Recognition from well-known grantors or involvement in projects with positive social and community-oriented images enhances the organization's standing.
- iii) **National Project Implementation as Prestigious Recognition:** Securing national projects for implementation is considered prestigious and serves as validation of the EBMO's organizational capacity.
- iv) **Start-up and Venture Capital:** Despite unpredictability in long-term funding, project funds offer short-term start-up and venture capital, enabling immediate initiatives.
- v) **Support for General Costs:** Project funding provides opportunities to cover general costs such as overhead, rent, transport, secretariat, and equipment, even in situations where financial margins are constrained.
- vi) **Strategic Positioning:** Strategic alignment is fundamental to ensuring that project funding seamlessly integrates with the overarching objectives and mission of the EBMO. This necessitates a judicious approach, selectively opting for projects that closely align with the organization's core mission and strategic vision. Practicing self-discipline in project selection is crucial to avoid potential pitfalls mentioned in criticisms and ensures that the EBMO chooses projects aligned with its mission.
- vii) **Learning and Experience:** Engaging in project funding facilitates learning processes and experiences in information gathering, proposal development, and project implementation. This knowledge creates added value for future services delivery or member support.
- viii) **Credibility with Project Donors:** The credibility of the EBMO with project donors can lead to opportunities where the organization is preferred over government spending.

Experiences in Some Countries

Experiences across various countries substantiate the aforementioned observations, providing real-world examples of the impact of project engagement on EBMOs:

Experience 1 (Asia): In this case, project income constitutes a substantial 50% of the organization's budget. The EBMO actively participates in numerous projects, each staffed with dedicated personnel, focusing on core business areas such as training, skilling, workplace health, job redesign, career conversion, and workplace development. The continuous involvement in projects has resulted in the development of a comprehensive service portfolio, blurring the distinction between the EBMO's inherent offerings and project-related services.

Experience 2 (Asia): A notable EBMO in an Arab country identifies three key opportunities arising from project engagement. Firstly, it allows the organization to address specific agenda points, extending its focus beyond its usual scope. Second, there's a financial advantage through the acquisition of office equipment and resources. Thirdly, from an HR perspective, participating in projects serves as an avenue for additional staff, acting as a trial period to assess their qualities and competencies before potential permanent hiring by the EBMO.

Experience 3 (Africa): This EBMO in East Africa has achieved recent success in securing projects across diverse domains, including migrant jobs, inclusion programs, health, gender, and disability. By actively participating in tenders and collaborating with various international partners, the EBMO has strategically diversified its income through project funding. The resulting funds are earmarked for substantial investments in software, such as a job portal program, which would otherwise be unfeasible.

Experience 4 (Eastern Europe): The EBMO has successfully achieved a project income share exceeding 50%, effectively compensating for losses in membership fees. This expansion is rooted in principles of effective project cooperation, leveraging the EBMO's reputation to secure projects, tapping into the widespread availability of EU project funding, and ensuring successful project implementation in the initial stages.

► Income Stream 4: Subsidies, Grants and Donations

Definition

To enhance clarity, we have amalgamated subsidies, grants and donations into a single income category, although recognizing their distinct natures would ideally warrant separate classifications.

Under subsidies, we denote the direct inflow of funds from the State, facilitated through legislation or regulation. This encompasses specific general budgetary support granted by the state or one of its agencies to the EBMO. Such support may manifest as an annual allocation to the EBMO, linked to its role as a social partner, or through a stipulation that a certain percentage of a tax is directed to the EBMO. Subsidies can take either a direct or indirect form. In the direct form, certain EBMOs receive a portion of a specific annual tax. In an indirect capacity, certain EBMOs may hold a monopoly on particular services, usually performed by state agencies in other countries (e.g. handling certificates of origin, export certificates, and managing other business documents). These indirect subsidies, funded by companies-users rather than directly by the State, guarantee a revenue stream for the EBMO. Importantly, this revenue stream is distinct from projects with specific objectives, limited timelines, and sometimes involving competitive bidding, as mentioned earlier.

Grants exist as a financial category that shares similarities with subsidies and projects, yet maintains distinct characteristics. Grants, in particular, serve a specific and well-defined purpose, often formalized through contractual agreements. This specificity sets grants apart from subsidies, which generally have a more general purpose and nature. Moreover, grants exhibit a broader scope compared to projects, as

the latter involve specific timelines, clearly defined objectives, methodologies, and funding exchanged for the successful achievement of project goals. An illustrative example would be grants provided by Europe Aid for a limited period to bolster specific initiatives of the EBMO, based on a grant request and a corresponding agreement.

Donations from private companies serve as a crucial funding source for numerous EBMOs, particularly in Eastern Europe and Central Asia. Presidents or board members of these EBMOs voluntarily contribute to the organization to prevent a deficit and ensure a balanced budget. However, a heavy reliance on donations from private companies poses a risk to the independence of EBMOs. Wealthy donors, in exchange for their financial support, may explicitly or implicitly assert influence over the organizations, potentially overrepresenting their own personal interests in advocacy and lobbying efforts.

► **Table 5.8. Subsidies and Grants Income for the Year 2022**

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
% of Total Income from Subsidies, Grants, and Donations Income	11,0%	7,4%	14,7%	10,5%	13,2%
Median % of total income	0,5%	0,5%	0,0%	10,0%	0,0%
Standard deviation % of total income	20,7%	12,5%	31,3%	12,7%	28,2%
EBMOs with subsidies-grants-donations	18 out of 41	6	3	6	2
Lowest share of subsidies in income in countries (2022)	0,0%	0,0%	0,0%	0,0%	0,0%
Highest share of subsidies in income in countries (2022)	83,0%	36,6%	85,0%	35,0%	83,0%

Insights from Table Observations and Country Experiences

Given the comprehensive definition used, it is not surprising that subsidies, grants and donations are frequently employed as an income source by a significant portion of the EBMO sample, with about half of the countries having access to such financial support.

The volume of subsidies is significant, underscoring their pivotal role in financial sustainability. In some countries, the reliance on subsidies is considerable, reaching up to 75% for a few EBMOs, while in others, it remains more modest, hovering around 10% to 15%. On average, subsidies and grants constitute approximately 11% of the total income for EBMOs.

All EBMOs acknowledge the exceptional nature of sponsored income, primarily stemming from historical factors. At the highest level of subsidies, we refer to organizations that have been granted a portion of a tax, a privilege maintained over the years. In other instances, it is not a portion of taxes but rather monopolies on specific services, retained from their Chamber role and perpetuated during their transformation into EBMOs.

Within our sample, EBMOs benefiting from state subsidies in any form are aware of the risks associated with dependency and the potential vulnerability of the subsidy system. While not yet impacted, a few are proactively devising contingency plans to address the possibility of a reduction in subsidies.

For example, an African EBMO, currently reliant on direct subsidies for approximately 75-80% of its income, has developed a strategic five-year plan to systematically reduce this proportion, aiming for a maximum income share of 60% from subsidies. This ambitious plan necessitates a comprehensive operational restructuring, placing greater emphasis on increasing revenue from membership fees and services. Additionally, the EBMO is focusing on building substantial reserves to facilitate investment in longer-term initiatives.

In contrast, one EBMO in the Pacific recently faced a critical situation, experiencing a substantial loss in funding. Unprepared for such a drastic change, the organization is actively developing alternative plans, though these have not been finalized yet, to replace the subsidy that previously constituted 90% of its income. Another EBMO in the Pacific region is witnessing a comparable trend and is proactively preparing for a strategic reorientation. A significant challenge, particularly in small island states, lies in the absence of a substantial private sector and a limited purchasing base among enterprises, making it challenging to sustain a functional EBMO.

Interestingly, none of the EBMOs currently lacking subsidies has considered or plans to adopt a sustainability strategy involving the initiation or augmentation of state subsidies. Both practical feasibility and principled objections deter the pursuit of such strategies. Some organizations have been explicit in expressing their reservations about subsidies in any form. In certain former Soviet republics or Eastern EU states, where the memory of mandatory membership persists, there is a lingering hesitation due to historical associations. While this approach could potentially resolve income challenges, many view it as unrealistic and unsound.

A notable exception to this trend is observed in an Eastern European country where the local EBMO recently secured a state subsidy. Interestingly, this subsidy, reportedly sought more by the trade union than the EBMO, was granted to both social partners with the aim of bolstering their role in social dialogue, particularly at the local level. The subsidy is specifically allocated for rental, transport, and certain operational expenses but affords autonomous utilization. In financial terms, it constitutes a significant portion, equivalent to approximately 25% of the organization's previous total income. This injection of funds has been particularly welcomed given the challenging financial outlook of the organization.

In this section addressing subsidies, we aim to briefly explore the matter of fiscal deductibility concerning member fees and other contributions made by member companies to the EBMO.

In several EU countries and the United States, fiscal laws stipulate that member fees paid to an EBMO can be treated as an expenditure aimed at achieving company results. This application aligns with the principle that all expenses incurred in the production of income are eligible for tax deductions.

Undoubtedly, this opportunity significantly reduces the net cost of affiliation for a member. During our interviews, we sought information from various EBMOs regarding the existence of similar fiscal support schemes in their respective countries. However, we received no responses within our sample. Further research could prove valuable to determine the wider prevalence of such legal schemes and, crucially, whether these mechanisms could positively impact membership and income growth.

► Income Stream 5: Return on Investments

► Table 5.9. Share of Return on Investments in Total Income for the Year 2022

	World	Africa	Eastern Europe and Central Asia	Asia-Oceania	Latin America and the Caribbean
Average % of Investment Income in Total Income	5,8%	8,8%	2,9%	0,6%	9,9%
Median % of total income	0,0%	0,3%	0,0%	0,0%	6,2%
Standard deviation % of total income	10,7%	15,0%	7,6%	1,3%	10,3%
Median % of operational income	0,2%	0,3%	0,0%	0,1%	11,2%
Lowest share of investment in income in countries (2022)	0,0%	0,0%	0,0%	0,0%	0,0%
Highest share of investment in income in countries (2022)	45,0%	45,0%	20,1%	4,0%	28,0%

Definition

This category encapsulates the annual income generated by investment returns, comprising returns from real estate, shares, or other financial assets.

Assessing real estate income may present challenges, particularly when the income is often expressed as rent. This becomes especially relevant when an organization utilizes its own building, making the return more akin to saved rent than registered income. It is noteworthy that investing in proprietary real estate is a prevalent and favoured practice among EBMOs.

Insights from Table Observations and Country Experiences

The salient observations extrapolated from the table, in conjunction with diverse organizational experiences, unveil significant trends.

- ▶ **Diverse Investment Returns Across Continents:** The significance of investment returns in relation to annual total income is noteworthy, being substantial for certain organizations. In Africa, for example, 6 out of 10 EBMOs exhibit a range of recurrent income from investments, spanning from modest to high percentages (3% to 40%) of their operational income.
- ▶ **Regional Disparities in Investment Reliance:** Conversely, the Eastern European and Asian EBMOs in the sample do not rely significantly on investment income for regular income sources. This regional contrast highlights variations in financial strategies among EBMOs.
- ▶ **Ownership and Rental Trends:** The preceding investment returns encompass both rental incomes and cash returns. A substantial majority of organizations, estimated at around 80%, own the buildings they occupy, with a significant portion of them opting to rent out sections of their premises.
- ▶ **Building Funds and Financial Prudence:** Several organizations are contemplating the acquisition or construction of offices. To that purpose, they have established a building fund, for which members are contributing via a special levy. While this mechanism has proven effective, it carries the potential to impose a significant burden on the EBMO. The collected funds are exclusively earmarked for the building fund and cannot be redirected for other purposes. If the final necessary resources prove challenging to gather, the system encounters a partial impasse: substantial savings accumulate yet prove insufficient for the swift and seamless completion of the building.
- ▶ **Balancing Ambitions and Prudence:** Striking a balance between ambitious building plans and financial prudence becomes crucial in ensuring the sustained growth and operational efficiency of the organization. For instance, an African EBMO is in the middle of a discussion on the continuation of the building plans, having created a building fund which is well filled thanks to lots of enthusiasm, but which is not sufficient to start the building process without risk. The ED called the case a blessing and a curse.

► Conclusions on Income Increase

In the preceding sections, we conducted an in-depth exploration of the income generation strategies employed by EBMOs, drawing insights from available data and practical experiences. The analysis unveiled a diverse array of approaches, indicating that EBMOs do not follow a one-size-fits-all model; instead, they employ various strategies to enhance their income.

Given the limitations of the available data, it is prudent to refrain from drawing conclusions about the existence of clear clusters among EBMOs or determining better or worse strategies. The question that emerges is whether we truly need rigid and predefined models.

The narratives of experiences highlight that, in terms of financial sustainability, EBMOs share similarities with companies. They grapple with the challenges of their operational context, navigate their historical legacies—both positive and negative—and explore opportunities for future development. Like any

organization, they are compelled to create and maintain income streams to ensure financial sustainability, irrespective of whether these efforts align with a predefined model. In the realm of financial sustainability, tangible experiences and the multifaceted nature of wealth emerge as perhaps the most reliable guides.

►► The narratives of experiences highlight that, in terms of financial sustainability, EBMOs share similarities with companies. They grapple with the challenges of their operational context, navigate their historical legacies—both positive and negative—and explore opportunities for future development.

Chapter

▶ 6



6. Financial Strategies Focusing on Expenditure

An alternative approach to achieving financial sustainability and resilience lies in controlling and reducing expenditure. The rationale behind this approach is rooted in the understanding that excessively high expenses can significantly impact profitability and, consequently, long-term sustainability.

While strategies aimed at reducing expenditure may not always be commonly applied, they merit discussion. When combined with efforts to increase income, reducing expenditure can offer an additional avenue worth exploring.

In the subsequent sections, we will present some general reflections, relevant data, and illustrative cases and practices:

- **Overview of expenditure reduction:** We will examine the global structure of expenditure within EBMOs, focusing on key components such as salaries, rent, general costs, and public relations expenses. This data can serve as valuable benchmark for comparison.
- **Recent trends in expenditure management:** We will explore emerging trends within EBMOs regarding the pursuit of financial sustainability through expenditure control and reduction.
- **Case studies and best practices:** We will delve into a few experiences where organizations have successfully implemented expenditure reduction strategies to enhance financial resilience.

It is important to recognize from the beginning that while strategies centered around increasing income offer seemingly limitless potential (income can always be increased), those focused on reducing expenditure inherently have their limitations.

It is important to recognize from the beginning that while strategies centered around increasing income offer seemingly limitless potential (income can always be increased), those focused on reducing expenditure inherently have their limitations. After all, there is a minimum threshold beyond which further reductions become untenable, unless the organization faces dissolution.

Expense-oriented strategies, therefore, are not a complete substitute for income growth. However, they can serve as a valuable and sometimes essential component, especially when expenditures consistently surpass income, thus endangering future sustainability.

Before delving into our analysis, it is important to note some limitations regarding the validity of the expenditure data:

i) Limited Data Availability

In order to thoroughly understand the financial sustainability strategies through expenditure reduction, precise data is essential. Detailed financial statements, preferably spanning several years, are necessary to discern longer-term trends and shifts. However, such comprehensive data was only available for a limited number of countries in our extended sample (around 40 organizations). Nevertheless, we believe this dataset provides a solid foundation for analyzing expenditure patterns with a high degree of validity.

This confidence is reinforced by the frequent alignment of the data across organizations, which adds coherence to our findings.

To provide further clarity, our data includes 11 EBMOs in Africa, 12 in Asia-Pacific, 6 in Latin America, and 9 in Europe. It is worth noting that our European data primarily comprises EBMOs in Western Europe, with less focus on smaller organizations in Eastern Europe or Central Asia.

ii) Contextual Understanding

While expenditure figures and percentages can reveal trends, fully grasping the implications may require a deeper understanding of the context. For instance, when analyzing expenditure changes within the same organization over time, sudden fluctuations may occur in certain years. Without specific context, these fluctuations may seem inexplicable. Unfortunately, for organizations where interviews were not conducted, and for others where time constraints prevented in-depth contextual analysis, providing detailed explanations for these fluctuations was not feasible.

iii) Challenges with Expense Items and Comparability

Understanding expenditure data can present its own set of challenges. For instance, it is not uncommon to encounter situations where apparent decreases in certain expense categories may not necessarily reflect true savings. Take the example of personnel costs: while it might appear that expenses in this area have decreased, a closer examination might reveal that this reduction is simply due to a shift in expenses, such as replacing full-time personnel with consultants whose fees are categorized differently. Consequently, while the data may indicate a decline in personnel costs, the underlying reality might be quite different. This highlights the complexity of accurately assessing expenditure trends and the importance of considering broader contextual factors when analyzing financial sustainability strategies.

The level of detail in some financial statements is insufficient for a proper analysis. In such instances, EBMOs use the broad category “administrative expenses” to encompass a broad spectrum of expenditure ranging from staff costs to rent and basic operational functions. Consequently, it becomes challenging to discern the specific purpose behind these expenses.

Furthermore, the items listed in the expenditure section can be ambiguous. Despite efforts to harmonize accounting practices, variations still exist across different countries. For example, while some countries classify depreciation as a general cost, others categorize it differently. The same inconsistency applies to bad debts and certain other items. Additionally, the treatment of taxes varies; in some cases, they are accounted for separately at the end of the balance sheet, while in others, they are included within expenses for current operations.

Furthermore, certain financial statements provide limited insight into project spending, despite projects often constituting a significant portion of an organization's income. In some cases, financial statements only present the net end result of projects, without providing insight into the detailed expenses incurred beforehand, such as profits or losses.

While these cautions are crucial, they do not undermine the validity of our analysis, as we have deliberately excluded elements for which we lack sufficient details. It is important to note that further research is necessary to explore these nuanced aspects of expenditure, which could serve as valuable points of reference or benchmarks for readers across different countries.

Delving Deeper: Theoretical Insights on Cost Containment Strategies for Financial Sustainability

Financial sustainability based on expenditure control can take two orientations: incremental or structural.

Incremental strategies are defined as approaches aimed at realigning the balance between expenditure and income to either increase surplus or maintain expenses in line with income growth. This is achieved through meticulous monitoring and prudent cost management practices. While these strategies are important, they should not be regarded as structural strategies. Incremental strategies do not involve changes to spending mechanisms; rather, they are akin to prudent household financial management practices and do not fundamentally alter financial strategies.

On the other hand, structural strategies involve achieving long-term savings in expenditure. This entails implementing permanent changes in management practices and adopting new paradigms to enhance efficiency. Various approaches can be explored within this framework: “soft approaches” focusing on improving efficiency and productivity; “medium approaches” involving closer collaboration with partners such as sector or provincial EBMOs to achieve economies of scale through joint initiatives like shared secretariats or collective procurement; and “strong approaches” involving the effective implementation of mergers to streamline tasks and functions, such as administrative functions, leadership, management, and office operations.

Structural strategies, as defined by our parameters, have not been widely implemented. Extensive interventions, such as mergers, were a prevalent trend among employer circles approximately 20 years ago and led to significant changes in the EBMO landscape, resulting in enhanced efficiency and improved cost control in some notable cases. However, this trend has not persisted: within the last decade, our sample indicates only two attempted mergers between EBMOs, both of which concluded unsuccessfully. While there have been some limited efforts towards partnerships, none have had the profound impact on financial strategies through cost savings that mergers would have provided. The COVID-19 crisis has undoubtedly had a structural impact, prompting organizations to become more sensitive to costs and expenditure. However, the implementation of concrete cost-saving policies appears somewhat restricted, despite notable improvements in awareness, procedures, and alerts. Moreover, there remains a question as to whether these changes will be enduring or short-lived, as there is a risk that some EBMOs may revert to business as usual once the immediate crisis abates.

Furthermore, it is important to note that the treatment of expenditure within the framework of financial sustainability strategies operates in two directions, not solely aiming to suggest savings through reduced expenditure. If an increase in expenditure is directed towards productive investments and enhanced productivity, such as investments in staff, equipment, or enhancing the reputation and outreach of the EBMO, and subsequently leads to greater revenue generation, these expenses are entirely justifiable within the framework of a financial sustainability strategy. In other words, financial statements indicating a temporary increase in expenditure may be as promising and beneficial for financial sustainability as cost reduction measures. This viewpoint was underscored by our interviewees during discussions on wage cost reduction and other cost-saving measures.

Methodology for Analyzing Expenditure Streams

Expenditure by EBMOs is typically categorized within financial sustainability under two main headings: personnel costs and administrative expenses.

Personnel costs are straightforward and include expenditures related to staff salaries and benefits. On the other hand, administrative expenses encompass a broad and diverse range of spending categories. These may include but are not limited to office equipment, printing and stationery, vehicles, transportation and travel expenses, advocacy costs, communication expenses, entertainment, publicity, library expenses, insurance, audit fees, bank charges, subscriptions to organizations to which the EBMO is a member, fees for consultants and specialized experts, fees for trainers and external staff engaged in service delivery, basic utilities such as water, telecom, and electricity, IT expenses, rental costs, security, repairs, and cleaning.

Despite the availability of more detailed expense lists, in at least half of the financial statements, analyzing the financial sustainability strategies of EBMOs remains challenging. The complexity stems from these lists failing to offer a clear insight into how financial sustainability strategies are oriented through modified expenditure approaches. Furthermore, the lack of comparability adds further complication to the analysis. As a result, our initial attempt to define expenditure policies more precisely cannot be fully realized at this stage with the current data.

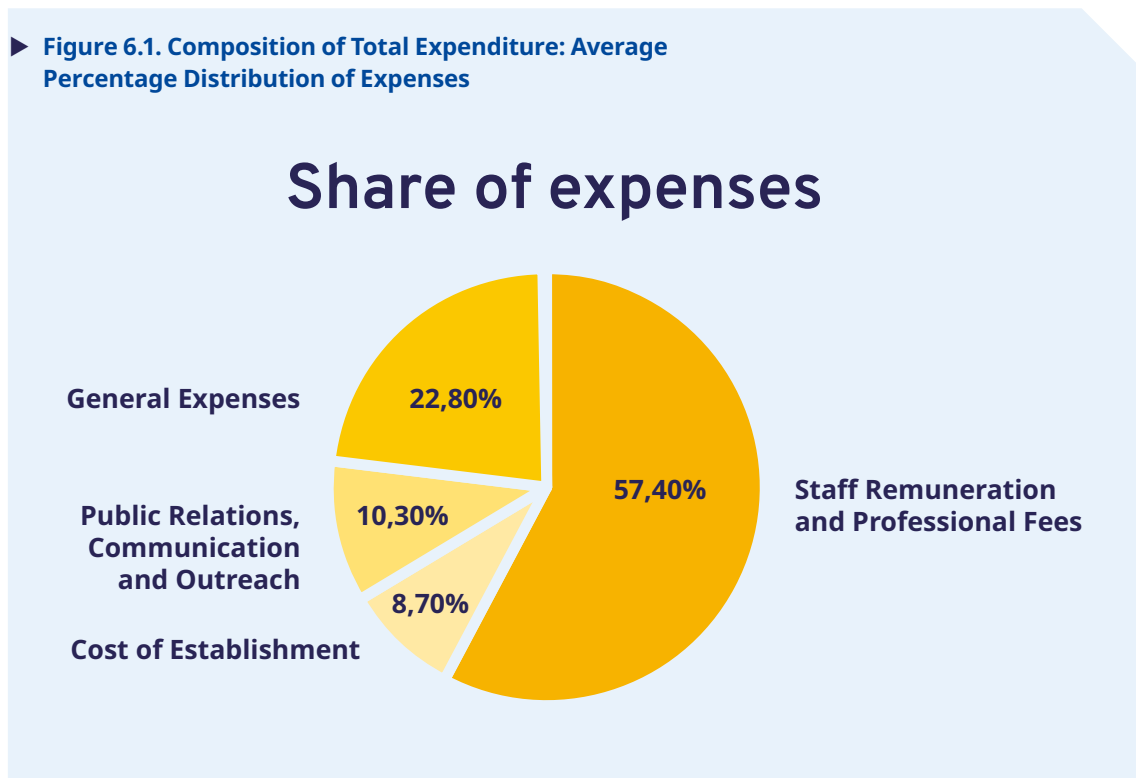
Due to the limitations of available information, we can only distinguish and will then examine only four key categories where we can gain insights into the strategy:

- i) **Staff Remuneration and Professional Fees**
- ii) **Establishment Costs**
- iii) **Public Relations, Outreach, and Member Communication Costs**
- iv) **General Expenses**

Data Results

Our analysis commences with a broad examination of expenditure categories and their respective significance in shaping the financial profile. This initial overview sets the stage for a deeper exploration into the intricacies of expenditure patterns.

► **Figure 6.1. Composition of Total Expenditure: Average Percentage Distribution of Expenses**



This pie chart offers an overview of the distribution of expenditures across various categories.

In the following sections, we will explore the interplay between expenditure, income, and the resulting surplus or deficit. Utilizing this table as a foundational guide, we will examine some selected expenditure items to determine if they reflect a specific financial sustainability strategy. Our attention will be primarily directed towards areas where management holds substantial decision-making power. As a result, we will prioritize examining strategic expenditures, while giving less emphasis to routine costs like telecom, energy, printing, and general administrative expenses.

► Expenditure Stream 1: Staff Remuneration and Professional Fees

The forthcoming tables mark the beginning of our examination into one of the most substantial expenditure categories: salaries and wages, inclusive of social security, development, training costs, and staff welfare. Our primary inquiry revolves around understanding the proportion of expenses allocated to personnel by EBMOs and whether discernible strategies exist concerning staff costs to achieve financial sustainability and viability.

We initiate with an overview table illustrating these costs as a percentage of total expenses for EBMOs in 2022.

► **Table 6.1. Percentage of Total Expenses Allocated to Staff Costs⁵**

	N° observations	Average %	Median %	Min %	Max %
Africa	11	44,8%	48%	24,9%	65%
EU	9	58,2%	60%	18%	88%
Latin America	6	64,5%	66%	48%	83%
Asia	11	62,2%	66%	37,5%	88%

On average outsourcing (professional fees) constitutes between 3% and 5% of total expenses.

It is worth noting that staff costs may be slightly underestimated in this analysis due to the accounting practices of certain countries. In these cases, staff costs for projects are often not specified, and the costs are accounted for as part of the overall project expenses or net profit without detailing the individual costs.

Personnel Expense Ratio: Key Financial Metric

The staff and personnel cost ratio, often referred to as the personnel expense ratio, is a significant metric.

Personnel Expense Ratio (%)

- The personnel expense ratio serves as a key financial metric, quantifying the percentage of an EBMO total expenses that is dedicated to personnel-related expenditures.
- This ratio is derived by dividing the sum of salaries, wages, and benefits by the total expenses, as outlined in the income statement of the EBMOs. While some organizations limit this calculation to encompass comprehensive costs for staff, including wages and social security, others may opt to incorporate expenses related to outsourcing staff (as discussed later regarding professional fees).
- In essence, it provides a clear indication of the organization's commitment to human resources costs in relation to its overall expenses, offering valuable insights into workforce management and operational efficiency.

$$\frac{\text{Salaries + Wages + Benefits}}{\text{Total Expenses}}$$

When conducting comparisons with other sectors, we have furnished data both on a global scale and across various regions. Despite potential methodological and measurement challenges, the observed

⁵ Note: Staff costs encompass direct wages and social contributions on these wages.

differences remain relatively small. This trend mirrors observations in broader service sectors and is consistent with findings from various sources.

Personnel expenses typically constitute a substantial portion of total expenditures in EBMOs, particularly those organizations that rely on their own staff to deliver services. It is common for personnel expenses to be elevated in such service-oriented entities. The proportion of salaries within EBMOs, averaging at 56%, falls within a moderate range when compared to other sectors. For-profit service providers such as consultancies and law firms often allocate at least 60% of their expenses to personnel costs. Similarly, non-profit sectors maintain a comparable level of expenditure on human resources, despite their less profit-oriented focus. This parity arises from the growing demand for highly qualified staff in the labor market, necessitating higher compensation levels (Sontag-Padilla, Staplefoote, & Gonzalez Morganti, 2012).

Further investigation is needed to understand the impact of staff spending on service delivery and profitability. The minimum value may suggest that some entities may prioritize cost containment, potentially through outsourcing or efficiency measures, while the maximum value highlights instances where a significant portion of total expenses is dedicated to personnel, possibly indicating a workforce-intensive operation that could be more efficiently managed. In this regard, a nuanced examination is crucial to determine whether such variations in spending correlate with differences in the level of services provided to members. In-depth analysis will be necessary to ascertain whether organizations spending less on personnel expenses are delivering comparable services to their members or if there are additional factors influencing this disparity that could be potentially improved.

In our study, we conducted a preliminary examination within our sample to explore a potential correlation between higher proportions of wages in total expenses and the surplus levels of EBMOs. The underlying hypothesis was straightforward: a higher proportion of wages suggests elevated expense levels, which could potentially lead to lower profitability and sustainability. However, our findings revealed no significant correlation.

Interestingly, EBMOs with disproportionately high wage cost shares in their expenses compared to the average, did not exhibit worse results than others. Conversely, those with smaller wage costs did not necessarily fare better in terms of surplus compared to their counterparts.

In other words, from a sustainability viewpoint, wage cost shares are not a single explanatory factor for sustainability. The effects of wage cost on productivity, efficiency, motivation, quality of output etc. may offset direct cost effects of wages. Therefore, adopting a strategy that solely focuses on reducing staff expenses in the name of sustainability may be overly simplistic and ultimately ineffective.

The Evolution of Salary Expense Share from 2012 to 2022: Increase or Decrease in Staff Costs?

This paragraph delves into the examination of potential shifts in salary expenses, aiming to determine whether there has been an increase or decrease over time.

It scrutinizes the trajectory of these ratios spanning a decade, from 2012 to 2022. A rising trend in these ratios might indicate a growth in labor costs relative to overall expenses and revenue. Furthermore, the underlying hypothesis suggests that if this trend is persisting and general, it could serve as a factor to consider in shaping future financial strategies.

It is important to acknowledge that the number of observations for this inquiry is considerably lower compared to the data available for 2022, comprising only 20 observations. This disparity arises from the dataset being more incomplete for past years (2019 and 2012). However, despite this limitation, this figure can still provide a directional indication of trends over time.

The findings are rather surprising and ultimately inconclusive: in half of the cases examined, the percentage of spending on personnel decreased, while in nearly half, it increased, with one case remaining unchanged. Based on this limited data, we cannot assert that staff costs are consistently increasing over the long term. On the contrary, when considering the shares of expenses, the average percentages remain remarkably stable across most organizations, despite higher absolute levels of revenue observed in many countries. This stability suggests that organizations may be experiencing

increases in productivity and have the ability to offset higher labor costs through various mechanisms. These mechanisms could include implementing higher prices, achieving increased sales for certain EBMOs, and realizing overall higher income.

While the study did not specifically examine staffing levels and their evolution, some information gleaned from annual reports suggests a trend toward a reduction in staff, measured in full-time equivalents. This observation warrants further investigation but may indicate that higher productivity and increased sales or membership income have been achieved, despite a decrease in staff levels. Importantly, this decrease in staff levels has not resulted in a proportional reduction in costs, suggesting that remaining staff may be better compensated.

Therefore, given that wage costs typically constitute at least 50% of total expenditure, the analysis over the past decade suggests that financial strategies aimed at achieving greater financial sustainability through staff cost reduction have generally been ineffective. However, the path to financial sustainability does not solely rely on lowering salary costs, nor does it necessitate significantly increasing investments in staff. Instead, organizations often achieve sustainability by improving productivity and generating higher income levels while maintaining a consistent percentage of investment in staff.

Analyzing Human Resources Costs: Are All Aspects Considered?

Salaries represent only a portion of the overall expenditure on human resources within EBMOs. It is important to consider a comprehensive view of HR spending, which includes not only wages and salaries but also fees paid to external collaborators. However, this analysis is complicated by the diverse nature of these fees, which can encompass various types of external services.

Some fees are straightforwardly identifiable as outsourced labor, comparable to employed staff but under different contractual arrangements. However, the category of fees may also cover specialized services such as IT consultancy, accountancy, and legal services.

To isolate the portion of general expenses allocated to external consultancy, we introduced the concept of a "professional fees ratio". This ratio aims to capture the expenditure on external experts, acknowledging that this category may encompass different types of services.

It is essential to note that the total cost may be slightly overestimated, as the analysis of fees for experts and consultants includes two distinct groups:

- ▶ Experts providing services that constitute income for the EBMO, such as training experts or lawyers, who may replace regular staff.
- ▶ Experts with specific roles for the EBMO, such as accountants or auditors, or independent consultants who provide specialized services.

This approach helps in understanding the diverse nature of external consultancy fees and their impact on overall expenditure within EBMOs.

Professional Fees Ratio (%)

- ▶ The professional expense ratio is a financial metric that gauges the percentage of the average EBMOs total expenses earmarked for professional fees.
- ▶ This ratio encompasses expenditures such as legal and professional fees, audit, and accountancy fees, as well as payments made for consultancies.
- ▶ The indicator is calculated by dividing the sum of these professional expenses by the total expenses, as outlined in the EBMOs' income statement, this metric provides valuable insights into the organization's financial allocation for essential professional services.

Professional Fees

Total Expenses

Balancing internal resources with external expertise is key to cost optimization and service quality. For organizations focused on providing services, effectively managing expenses related to professional fees is key to maintaining financial health and operational efficiency. Meanwhile, such services are also crucial to deliver strategic services to their members or they could increase the impact of the organization on creating a better business environment. The way these professional fees vary across organizations illustrates the differing approaches to engaging external expertise for specialized services. Finding the right balance between utilizing internal capabilities and seeking external professional services is essential for optimizing costs without compromising the quality of services offered. An organization's strategic approach to managing these professional fees is crucial.

There is not enough information available in the literature about nonprofit organizations to highlight an optimal professional fee ratio. This measure is usually considered in the administrative costs, or the costs directly linked to the programs implemented by the organizations.

The results of our study display variation and are drawn from relatively small sample sizes. Nevertheless, a comparison with professional fee expenses from 2012 suggests a consistent trend: outsourcing is being utilized, albeit to a moderate extent. Additionally, historical data, though limited, indicate a slight decrease in the percentage share of external resources in 2022 compared to 2012, with some exceptions.

These findings indicate that outsourcing is indeed a prevalent practice among EBMOs. However, its impact on the overall cost is relatively minor. On average, outsourcing fees typically account for between 2% and 5% of total expenses. Nevertheless, there are outliers to this trend. For instance, in our sample, we identified four EBMOs spanning various regions, such as the Pacific and Africa, where the total additional cost of external experts far exceeds the average, ranging from 11% to 15% of total expenses. This significantly elevates the overall HR cost to shares of 60% or more. These instances underscore the importance of considering the broader context when assessing outsourcing practices.

In summary, EBMOs frequently engage external expertise and consultants for various management and product delivery tasks. However, the overall utilization of outsourcing remains relatively modest, with expenses showing minimal variation compared to a decade ago, typically ranging between 2% and 5%. This suggests that extensive flexibilization of HR policies, while observed in some EBMOs, is not a widespread phenomenon. Sustainability strategies have not widely embraced the option of outsourcing staff for increased flexibility.

Practical Insights: Examining Concrete Cases and Best Practices

Experience 1 (All Regions): Many EBMOs faced the urgency of cost-cutting measures during the Covid crisis, with a primary focus on reducing salary costs due to its significant share of total expenses. The harsh financial realities, including plummeting incomes and limited reserves, left little room for alternatives. Organizations had to strike a delicate balance between maintaining continuity for both the EBMO and its staff while urgently cutting costs. Creative solutions were devised to align with legal frameworks and HR policies while achieving short-term savings.

The following cost-saving measures were commonly implemented: i) maintaining employment while freezing wage increases, mandating leave and holidays, introducing part-time work, reducing general working hours with corresponding salary adjustments, and implementing wage reductions based on salary levels (up to 20% for higher earners, and in extreme cases up to 50% for top-level employees for several months); ii) global workforce reduction through measures such as non-replacement of departing staff, early retirement, and transitioning employment contracts to self-employed contracts; iii) in rare cases, resorting to redundancies and collective dismissals.

Experience 2 (Africa): During crisis situations such as the Covid pandemic, as well as other financially challenging circumstances, multiple EBMO leaders emphasized the importance of staff cost policies. They stressed that any savings measure implemented need to be effective and convincing to the staff. Specifically, they highlighted the necessity for these measures to clearly and publicly address management benefits and privileges.

Experience 3 (Asia): During interviews, multiple EBMOs emphasized the importance of adopting cautious financial strategies that do not solely concentrate on wages as a cost. One significant EBMO highlighted

its practice of sharing a portion of the surplus with staff and distributing bonuses to all employees as a motivational tactic. This approach has been successful in enhancing productivity, ensuring continuity, and fostering staff engagement.

Experience 4 (Pacific): In smaller countries, a few EBMOs have faced significant reductions in income, primarily due to the loss of subsidies. Unable to offset this loss due to low national market demand and purchasing power for paid services, these EBMOs are exploring alternative methods to fund HR resources. One potential solution under serious consideration is to increase reliance on volunteers from the board and the broader community to perform tasks for which no funds are available to hire paid staff. However, this approach poses several challenges, including ensuring continuity, maintaining focus, addressing organizational hurdles, recruiting volunteers, and organizing tasks effectively. As a result, a new approach that is less reliant on a fixed staff structure will be necessary.

Experience 5 (Africa & Asia): Other EBMOs have emphasized the potential of volunteers, recognizing them as not only a means of cost-saving but also as an engagement strategy that contributes to membership retention and motivation. Interestingly, some EBMOs, despite not facing any financial difficulties, still highlight the importance of leveraging volunteers in this multifaceted capacity.

Experience 6 (East Africa): The leader of an African EBMO unequivocally rejected any financial strategy for sustainability based on cost-saving measures, except in the case of unforeseen crises. Instead, he advocated for a strategy focused on expanding revenue streams rather than reducing expenses.

► Expenditure Stream 2: Establishment Costs

One intriguing aspect within the category of general expenses pertains to the “accommodation” of the EBMO, typically comprising a single office building, though in larger countries, there may be multiple offices at the provincial level.

This aspect is noteworthy because it highlights the varying approaches taken by EBMOs regarding their office accommodation. While several EBMOs have chosen to invest in housing through property acquisitions, others are still deliberating on whether to take such steps. Furthermore, housing expenses are subject to change and can fluctuate, influencing financial decisions within EBMOs. Additionally, the concept of regionalization is crucial as it presents an opportunity for EBMOs to expand their reach beyond major cities, thereby potentially necessitating the establishment of additional housing facilities to support their presence in these regional areas and facilitate membership growth outside of capital cities.

The primary data indicates that a majority of EBMOs within our sample are proprietors of their main buildings. However, the issue of acquiring or constructing new facilities has garnered attention in recent years among organizations that predominantly lease their office spaces, particularly in certain regions such as Africa and Eastern Europe where this trend is more prevalent. In our extended sample, approximately 80% are outright owners of their primary buildings, with this ownership often representing a significant investment and asset. Some EBMOs have encountered challenges in this regard: while securing funds for building acquisition or construction may initially provide momentum and opportunity, sustaining the financial commitments required for these endeavors can impose a significant strain on the organization's regular operational budget. In other words, while investing in their own premises may offer advantages, the ongoing financial burden of maintaining these facilities can divert resources away from essential operational needs, potentially impacting the organization's overall functionality and effectiveness.

► **Table 6.2. Establishment Costs Analysis**

	N° observations	Average %	Median %	Min %	Max %
Africa	6	7,9%	6,9%	1,2%	19,1%
Europe	7	10,8%	6,5%	1,3%	24%
Latin America	4	13,6%	12,5%	2,6%	20%
Asia	10	5,3%	4,7%	2,5%	18%
TOTAL	27	8,7%	6,7%	1,2%	24%

The comparative analysis of housing costs is not immediately apparent. While some insights can be gleaned from examining the financial position and balance sheets, the profit and loss statements also offer valuable information in this regard.

Direct rental expenses typically constitute a relatively small portion of total expenses, averaging globally between 1% and 4%. This may seem surprising considering that the majority of EBMOs consider a priority to own their office spaces.

It is important to highlight that a thorough analysis of the added value brought about by provincial representation through provincial offices is not frequently conducted. Despite the significant costs involved, there is often a lack of thorough examination to determine whether the expenses incurred by provincial offices are justified by the benefits they bring.

It is worth mentioning that the cost of occupancy typically encompasses various basic provisions like water, electricity, office space, telephone services, cleaning, repairs, maintenance, and IT essentials. When these costs are included into the total expense for housing, the figures can increase to an average range of 5% to 10%, with some cases reaching up to 15%. This aspect brings a nuanced perspective to the idea that buying properties significantly lowers housing expenses to a mere fraction. The reality is that this reduction only remains true if other expenses like maintenance and repairs are efficiently managed and kept at a minimum. Some organizations mitigate these costs by generating rental income from their properties or by categorizing housing expenses under general expenses without explicitly specifying them.

Within the context of financial strategies aimed at sustainability, implementing policies to reduce establishment costs has been advocated and put into practice, as evidenced by various cases. Many organizations have actively pursued such measures, particularly in response to the challenges posed by the COVID-19 crisis. However, obtaining a comprehensive understanding of the magnitude of the impact resulting from recent changes in occupancy policies, whether driven by COVID-19 or other cost-saving considerations, remains challenging due to the lack of precise data.

Practical Insights: Examining Concrete Cases and Best Practices

Experience 1 (Latin America and Asia): A few EBMOs noted the impact of implementing partial remote work on housing costs and office space, resulting in reduced expenditures due to less demand for physical office space.

► Expenditure Stream 3: Public Relations, Outreach, and Member Communication

When examining expenditure trends and data, we have noticed that financial strategies for sustainability can lead to shifts in spending. These shifts may not necessarily result in savings but rather involve investments aimed at expanding income, particularly through increased membership and broader engagement. We highlight three areas where the data suggest a shift towards more proactive and productive spending:

i) Public Relations (PR), Outreach and Communications

ii) Digitalization

iii) Support for Territorial, Sectoral Organizations or Specific Membership Groups

► **Table 6.3. Public Relations, Outreach, Communication, and Digitalization**

	N° observations	Average %	Median %	Min %	Max %
Africa	7	11,6%	6,7%	2,2%	25%
Europe	7	10%	10%	1,3%	28%
Latin America	5	7%	5,5%	3,5%	13,4%
Asia	9	11,6%	10,7%	3,5%	27%
TOTAL	28	10,3%	9%	1,3%	28%

Under this category, we include all expenditures related to public relations, communication, digitalization, and member outreach, represented as a percentage of total expenses. This grouping encompasses specific items listed in the accounts, as well as expenses previously categorized under general expenses but now isolated under our new category of member outreach.

i) Public Relations (PR), Outreach and Communications

Public Relations and communication expenditure appears to occupy a significant portion of budgets in many organizations. This includes expenses related to external communication, publicity, and member outreach. Depending on how broadly we define member contact and communication, such as whether we include travel costs for member interactions under PR-communication, we observe relatively substantial budgets allocated to these activities in certain EBMOs. In a broad interpretation, we estimate that the share of expenses for such items can reach as high as 15%, with an average ranging from 5% to 7% overall.

ii) Digitalization

Expenditure on digitalization and IT is evidently increasing, and this trend is likely to persist. IT investments are expanding into various areas, including the development of member platforms and sections within websites for Q&A and specific information, the utilization of member databases and CRM applications, adoption of cloud services, digitalization of member information, and facilitating blended training and distance learning through learning management systems. Additionally, the integration of AI into investments (and potential expense savings) is on the horizon. The cost share of IT varies, but on average, it constitutes 3% to 5% of total expenses, with some organizations exceeding this average.

iii) Support for Territorial, Sectoral Organizations or Specific Membership Groups

Finally, some EBMOs, in addition to their primary functions, also offer support mechanisms for other layers of organizations and associations affiliated with or intermediaries within the EBMO. These entities may often find themselves both contributing to and benefiting from such funds. It is not uncommon for EBMOs to allocate funds to strengthen sector associations, regional associations, or specific interest groups, such as women's associations. While the budgets for these initiatives may not always be substantial, they represent a form of expenditure that some may view as a cost, while others see it as a productive investment for fostering membership growth.

When we consolidate all these subcategories, we find that they collectively account for 10.3% of total spending overall, with variations observed across different regions.

These three items signify a realignment of expenditure rather than a net increase in total spending. Although historical data is limited, there seems to be a trend indicating a rise in expenses within this category over time. The fact that this represents a shift in spending patterns also highlights the importance of assessing the productivity levels of staff in achieving more outcomes with resources that are allocated differently.

► Expenditure Stream 4: General Expenses

As previously mentioned, we will provide only a brief overview of this category of expenses, despite its significance as the second largest expenditure category, ranging from 25% to 40% in some organizations. Our analysis will be limited because this category encompasses a wide range of expenses, making international benchmarking often impractical. Many expenses within this category are influenced by national price disparities, such as postage, energy, and telecom costs, rendering comparisons largely irrelevant as they are beyond the control of EBMO policies.

Practical Insights: Examining Concrete Cases and Best Practices

Experience 1 (All regions): Since the onset of the Covid-19 pandemic, many EBMOs have significantly heightened their focus on managing smaller expenses. Specific procedures have been implemented to foster greater cost consciousness within organizations regarding general expenses. These measures include implementing spending limits, establishing budgets, setting benchmarks, requiring specific authorizations, and conducting regular monitoring. It has been noted that these efforts have had a discernible impact on expense levels and have bolstered financial sustainability.

This increased emphasis on cost control has also led to a greater emphasis on procedures and mechanisms for monitoring and managing costs. This heightened focus has been partly driven by the challenges posed by the Covid-19 crisis, as well as by other crisis situations unrelated to Covid-19 experienced by some organizations. In these instances, financial crises were often attributed to deficiencies in leadership, such as management failures and informational shortcomings, rather than fraudulent behavior. The insights gleaned from these testimonials have provided valuable insights into how organizations are implementing mechanisms to ensure timely detection and resolution of financial risks. Many stakeholders emphasized the importance of consistent, proactive information sharing and monitoring through reports, audits, and controls, as well as the active involvement of the board and specialized committees. Several organizations have implemented clear monitoring systems to facilitate this process.

► Conclusions on Expenditure Control

In this section, we delve into the intricate realm of how EBMOs navigate the financial landscape, focusing on their strategies for achieving sustainability and resilience through expenditure management. Our exploration has uncovered several key insights that shed light on the complex interplay between financial decisions and organizational viability.

Firstly, we recognized the pivotal role of expenditure control in EBMOs' financial sustainability endeavors. However, we must emphasize that this is not a stand-alone strategy; it is intricately intertwined with efforts to bolster and diversify income streams. The objective is not just to cut costs but to strategically reallocate resources to fuel growth and adaptability.

Despite the importance of a controlled approach to expenditure, our analysis reveals that EBMOs have not undergone significant structural changes in their spending patterns in recent years. While they prioritize cost-effectiveness, radical shifts such as extensive collaborations or mergers have been relatively uncommon.

Based on available data, staff costs continue to dominate EBMOs' expenditure, consistently comprising 50% to 60% of total expenses. EBMOs acknowledge the delicate balance required in managing human resources and finances effectively. They understand the significance of cost-saving measures while also prioritizing employee satisfaction, motivation, and work quality. This recognition underscores the dual nature of HR and financial strategies, where optimizing costs must be balanced with fostering a supportive and conducive work environment within the organization.

Moreover, our examination underscores the heightened emphasis placed on cost control in the wake of the pandemic. EBMOs are actively refining their expenditure monitoring mechanisms to adapt to evolving challenges and uncertainties.

Based on available data, staff costs continue to dominate EBMOs' expenditure, consistently comprising 50% to 60% of total expenses. EBMOs acknowledge the delicate balance required in managing human resources and finances effectively. They understand the significance of cost-saving measures while also prioritizing employee satisfaction, motivation, and work quality.

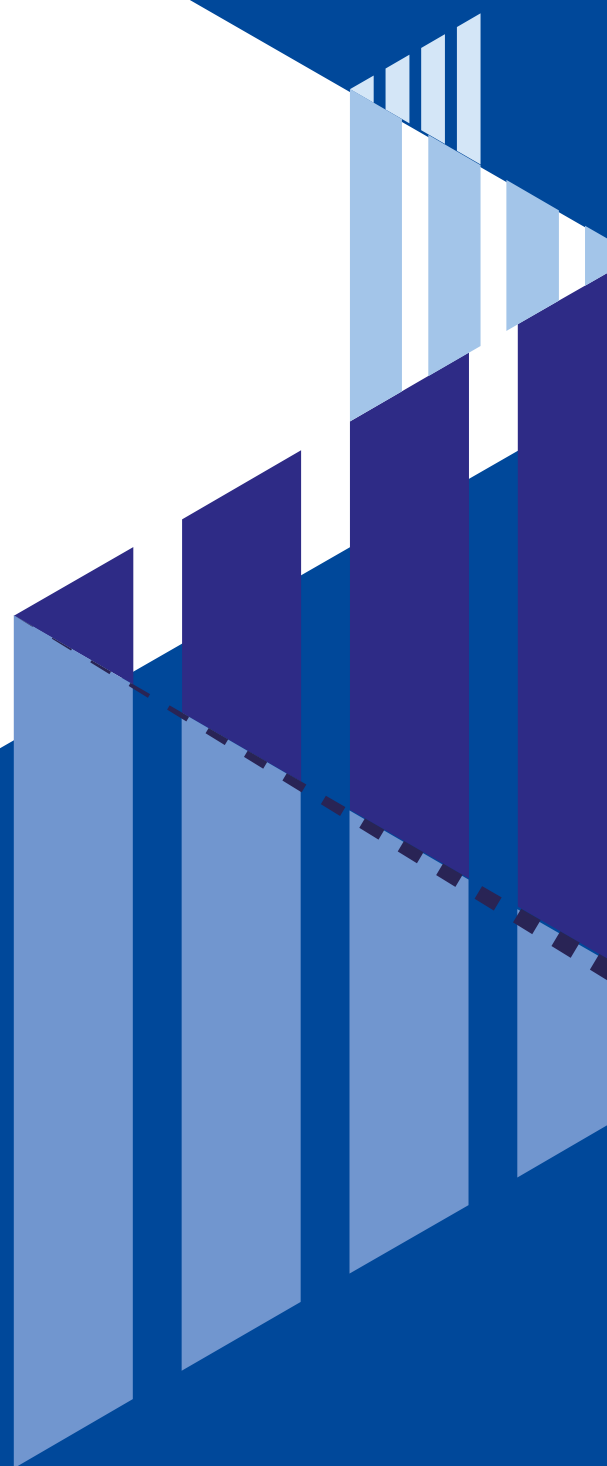
Costs of establishments emerge as another critical area of expenditure, with EBMOs often grappling with the decision between owning their premises or opting for rental properties. This decision entails weighting the financial implications of ownership against the flexibility and potential cost savings offered by rentals.

Interestingly, our findings suggest that most EBMOs manage to keep their expenditure within income limits. Consequently, new initiatives are often funded through reallocations of expenditure rather than incurring additional costs. This shift focuses on making more productive investments in areas such as public relations, communication, and IT infrastructure. Additionally, in some cases, it involves building networks with aligned associations. Hence, expenditure strategies in certain EBMOs serve not only as cost-saving measures but also as proactive investments.

Overall, there is a pressing need for more research and additional data on expenditure items, trends, and benchmarks. Such efforts are essential for gaining a deeper understanding of the dynamics, context, and underlying financial strategies employed by EBMOs in their expenditure decisions.

Chapter

▶ 7



7. Surplus and Deficit as Input for Reserves

In the previous sections, we provided an overview of financial strategies aimed at enhancing income generation and diversification, as well as meticulous management of expenditures across diverse categories within EBMOs. These strategies, when synthesized, yield crucial outcomes directly impacting the profitability and establishment of reserves. Our analysis draws heavily from the annual profit and loss statements, commonly known as the "statement of comprehensive income" in financial reporting, serving as the primary source of information for evaluating the effectiveness and implications of these financial strategies. In this section, we will specifically analyze two main categories:

i) Annual Surplus-Deficit

ii) Reserves

▶ Annual Surplus-Deficit

Methodology

The data utilized in this study are derived from the statements of comprehensive income, capturing the total year-end surplus or deficit across a sample of 35 EBMOs for which detailed certified financial statements are available.

By utilizing this section of the financial statements, our analysis extends beyond merely operational profit/deficit figures and does not confine itself to Earnings Before Interest, Taxes and Amortization (commonly known as EBITA). Instead, we work with the total surplus or deficit, recognizing that this line item may differ substantially from operational profit or loss due to accounting principles and conventions.

At the outset of this section, it is important to provide context regarding the sample used for the analysis. The sample used for this analysis includes EBMOs with detailed financial statements for the year 2022. It comprises:

- ▶ Asia Pacific: 12 EBMOs, including 10 from the Pacific region (1 confederation and 4 regional organizations) and 2 from Australia (1 confederation and 2 regional organizations), as well as Cook Islands and Vanuatu.
- ▶ Africa: 11 EBMOs.
- ▶ Europe: 9 EBMOs, including 2 from East-Central Europe and 7 from Western Europe.
- ▶ Latin America: 6 EBMOs, including 2 from the Caribbean.

► **Table 7.1. Annual Surplus⁶ – Deficit for the Year 2022**

	N° observations	EBMOs with surplus	Average Size surplus	EBMOs with deficit	Average Size deficit
Africa	10	6	6%	3	-1,25%
Europe	9	8	7,4%	1	-3%
Latin America	5	4	7,6%	1	-8%
Asia	11	8	8,45%	4	-5,6%
TOTAL	35	26	7,3%	9	-4,1%

Surplus Analysis

Looking at the data for 2022, we found that a significant majority of EBMOs worldwide, accounting for 76% of those observed, reported a surplus. This indicates a generally favorable financial standing for these organizations.

Digging deeper into the trend analysis, we set out to test the hypothesis that surpluses would be less prevalent in 2019 due to the disruptions and consequently more prudent financial management caused by the COVID-19 pandemic. Our findings confirm this assumption to some extent, revealing that only 58% of the same EBMOs managed to generate a surplus in 2019.

Further examination of surplus stability over multiple consecutive years sheds light on the challenges of maintaining consistent financial performance. We found that a mere 33% of EBMOs in our sample achieved surplus for at least two consecutive years between 2019 and 2022. This underscores the dynamic nature of profit and loss figures, which are subject to fluctuations and variability from year to year.

In 2022, EBMOs exhibited varying levels of surplus in relation to their total revenue. On average, EBMOs reported a surplus equivalent to 7% of their total revenue, with a median surplus of 4.2%. Most EBMOs maintained their annual surplus within the range of 2% to 5% of total revenue. Yet, it is noteworthy that a few EBMOs exhibited exceptionally high surplus percentages, significantly influencing the overall average. These EBMOs achieved surplus percentages in the double digits, with a couple even exceeding the remarkable threshold of 25%. One Asian EBMO stands out for consistently impressive profit figures not just in 2022, but also in 2019 and 2012.

What sets these remarkable EBMOs apart? Surprisingly, their typology is not conventional. Contrary to expectations, only one EBMO benefited from substantial state income support. Instead, the success of these organizations stems from their unique ability to combine consistently high-income levels with prudent cost control and/or exceptional staff productivity.

Deficit Analysis

In the fiscal year 2022, 24% of the observed EBMOs reported deficits, highlighting a substantial portion facing financial challenges.

Contrary to the notion of a persistent deficit trend, our findings suggest that deficits are typically isolated to specific years. Only 12% of our sample exhibited deficits for at least two consecutive years in recent history, underscoring the variability in profit and loss figures from year to year.

⁶ Note: The surplus may not always align with operational surplus. Various factors such as income from finance, taxes, amortization, bad debts, or past obligations can influence the surplus amount.

On average, deficits amounted to 4.2% of EBMOs' total revenue in 2022, with a median deficit of 9.1%. This indicates that while deficits are present, they vary in severity. Some EBMOs consistently grapple with substantial deficits, with a few experiencing deficits as high as 20%.

Interestingly, the EBMOs facing double-digit deficits are not primarily located in the Global South and often maintain high reserves. This suggests that while these deficits may pose challenges, they do not necessarily jeopardize the organizations' sustainability. Instead, they may be linked to specific events or strategic decisions.

► Reserves

In this section, we will delve into the status of reserves held by EBMOs, which play a pivotal role in their financial sustainability. Unlike profit and loss accounts that reflect a single year's financial performance, reserves serve as a cumulative representation of past years' profits and losses.

The significance of reserves in financial sustainability is multifaceted. They act as a safeguard against unforeseen financial challenges in any given year. Moreover, reserves often serve as a reservoir for investment funds, allowing EBMOs to make strategic investments without compromising their day-to-day operational expenses. Additionally, reserves can generate regular interest income, further bolstering annual operational surpluses.

Reserves originate from various factors, including a consistent sequence of surpluses accumulated over the years, prudent management of past reserves, or partnerships forged through mergers with wealthy external entities, such as Chambers of Commerce. While some factors contributing to reserve accumulation may be attributed to luck, others result from deliberate choices and well-defined policies.

Similarly, the loss of reserves necessitates analysis from a strategic perspective, highlighting the importance of intentional decisions and well-defined policies within financial strategies.

It is essential to note that financial strategies constitute just one aspect of EBMO management and policymaking. Particularly concerning collaborations and mergers, our discussions with EBMO leaders have emphasized that while mergers may seem financially advantageous, differences in policy views, governance, and autonomy can pose fundamental obstacles that override financial considerations.

In essence, the management of reserves reflects the broader complexities and considerations inherent in EBMO policymaking and management.

Data on the Size of Reserves

To determine the extent of reserves, we review the sections of financial statements detailing changes in accumulated funds of EBMOs. To preserve confidentiality, we categorize reserves based on their relationship to annual expenses.

► **Table 7.2. Reserves Allocations Relative to Total Monthly Expenses⁷**

	N° observations	Less than 3 months	More than 3 months, less than 6 months	More than 6 months, less than 12 months	More than 1 year
Africa	10	1	2	4	3
Europe	8	/	2	1	5
Latin America	5	1	/	2	2
Asia	11	1	1	4	5
TOTAL	34	3	5	11	15

⁷ Note: Reserves include both non-current and current (cash) reserves.

The results represent the percentage distribution of EBMOs based on the size of their reserves, with data collected from a sample of 34 organizations and referencing the year 2022.

- Reserves equal to 3 months or less of expenses: 8.8%
- Reserves equal to 3-6 months of expenses: 14%
- Reserves equal to 6-12 months of expenses: 32.3%
- Reserves equal to 12 months or more of expenses: 44.1%

The significant percentage (44%) of EBMOs possessing reserves equal to or exceeding 12 months' worth of expenses underscores the robust financial backing of most entities.

► **Table 7.3. Reserves Comparison: EBMOs in Global North vs. Global South**

	N° observations	Less than 3 months	More than 3 months, less than 6 months	More than 6 months, less than 12 months	More than 1 year
Global South	19	4	1	7	7
Global North	15	/	3	4	8

The table comparing reserves levels to expenditure highlights an intriguing observation regarding the disparities or similarities between EBMOs in the global South and North. While EBMOs in the North generally exhibit a more robust distribution of reserves, there is a noticeable trend of nearly equal representation among EBMOs with substantial reserves (12 months or more). On the other hand, 25% of the EBMOs from Global South in the sample seem to have reserve covering less than 3 months of operations.

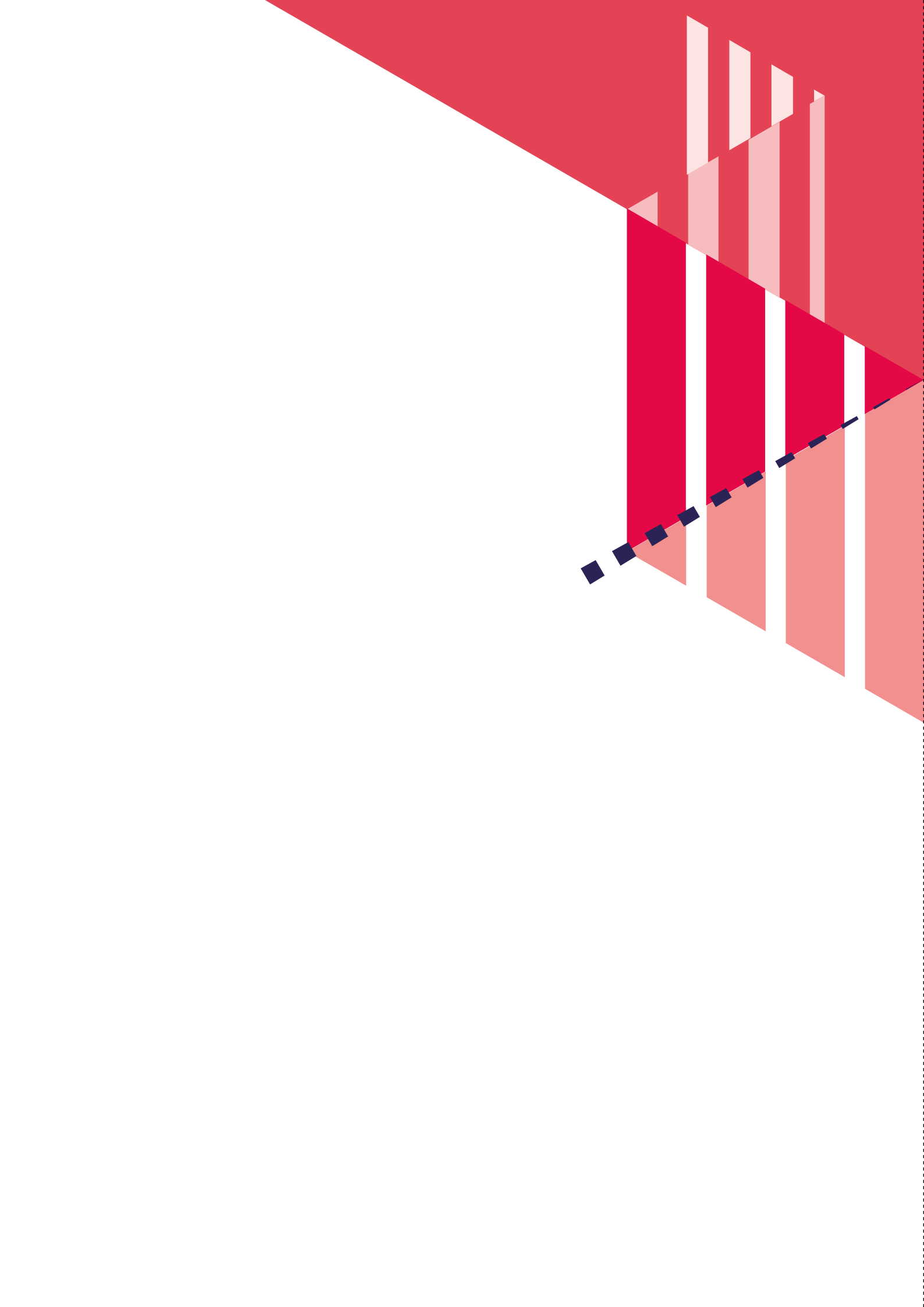
► Conclusions on Surplus, Deficit and Reserves

The data presented in this section offer a nuanced insight into the financial well-being and resilience of EBMOs within our sample. Across diverse regions EBMOs generally demonstrate relatively robust sustainability, especially from a financial standpoint. However, while there is a temptation to adopt an overly optimistic view, a more cautious assessment unveils both strengths and areas for potential improvement.

In 2022, a significant majority of EBMOs closed the year with a profit, indicating a generally positive trend in financial performance. However, a deeper analysis reveals fluctuations in annual profits and losses, suggesting variability in financial outcomes from year to year. Importantly, no EBMOs within our sample experienced repeated losses over extended periods, which speaks to their ability to navigate challenges and adapt to changing circumstances.

►► Across diverse regions EBMOs generally demonstrate relatively robust sustainability, especially from a financial standpoint.

Similarly, the findings regarding reserves paint a mostly positive picture. With the exception of a few EBMOs where reserves cover only a portion of annual budgets, most organizations have built up a comfortable buffer equivalent to a minimum of six months of operational expenses. This demonstrates a commendable level of financial prudence and preparedness among EBMOs.



Chapter

▶ 8

8. Effective Management: Financial Ratios and Risk Management Analysis

In managing their finances, organizations often focus mainly on their income and spending. Additionally, for a full understanding of how financially healthy an organization is, it is important to go beyond. This chapter emphasizes the need to examine other financial aspects like assets (what the organization owns) and liabilities (what it owes), which are crucial for long-term success and stability. This analysis explores key financial indicators such as how well an organization uses its assets to generate income, how quickly it collects payments, how it manages its cash and debts, and the balance between what it owns and what it owes. These indicators give us a deeper insight into an organization's financial state, showing details that simply looking at income and expenses might miss. The theme now leads us to explore other sections of the financial statements beyond the profit-loss statement. This exploration aims to expand our understanding of the financial data necessary for making informed managerial decisions and ensuring lasting financial health and success.

In this section, we will provide a concise overview of several key financial ratios essential for effective EBMO management. For each ratio, we will outline the formula, its significance in EBMO management, and the typical benchmarks applicable to nonprofit organizations.

Due to the complexity of the data, our benchmarking will be based on average data (income, expenditure, surplus/deficit, and reserves). However, due to insufficient observations for certain regions, we will refrain from including a regional perspective. It is important to note that the benchmark data provided are indicative, serving primarily to raise awareness of commonly used key ratios. While our aim is to shed light on these ratios, it is worth mentioning that precise data may not always be available to support more ambitious claims.

► Financial Ratios

Financial ratios serve as crucial analytical tools by establishing relationships between various financial data detailed in a company's financial statements, including the balance sheet, income statement, and cash flow statements. These ratios are computed by dividing one financial measure by another. They play a dual role in organizational management:

- 1. Tracking organizational performance:** Analyzing individual financial ratios over time allows for the identification of emerging trends within an organization. For instance, if the debt-to-asset ratio steadily increases over several periods, it may suggest that the organization is accumulating excessive debt, potentially leading to a higher risk of default.
- 2. Making comparative assessments of organizational performance:** Comparing financial ratios with those of other EBMOs or major competitors helps identify whether a particular organization is performing better or worse than the industry average. For instance, analysing the return on assets relative to other nonprofits entities enables analysts or investors to assess which organization is utilizing its assets most efficiently.

Delving into key financial ratios offers valuable insights into organizational performance. By comparing the EBMO's figures with those of peers or competitors, a quick understanding of its standing in the field can be gained. This section provides an overview of several fundamental ratios that can guide this assessment. In particular, we will explore:

- i) **Liquidity ratios:** Measure an organization's ability to cover its short-term debts.
- ii) **Leverage ratios:** Evaluate the extent of debt relative to assets.
- iii) **Profitability ratios:** Measure the organization's returns.

While our primary focus will be to introduce these ratios and provide brief applications to our global sample, it is crucial to emphasize that each ratio offers distinct insights, encompassing calculation formulas and benchmarks. By conducting this analysis and drawing insights from relevant literature, especially within the nonprofit sector, our goal is to offer a comprehensive view of financial health and facilitate effective decision-making. We will also provide specific references to each ratio's application in a nonprofit environment.

Liquidity Ratios

The liquidity ratios are critical metrics that reflect the availability of cash within an organization, directly influencing its capacity to settle short-term debts like accounts payable and other liabilities. In our analysis, we will delve deeper into two key liquidity ratios: the current ratio and the quick or cash ratio. These ratios offer valuable insights into an organization's liquidity position, providing a snapshot of its ability to meet immediate financial obligations. By examining these ratios in detail, we aim to provide a comprehensive understanding of how EBMOs manage their short-term financial health and make informed decisions about their financial resources.

Current Ratio

Among liquidity ratios, the current ratio, comparing short-term assets to liabilities, is a key metric for assessing an organization's liquidity and ability to meet short-term obligations. Calculated by dividing current assets by current liabilities, this ratio offers insights into an organization's financial health and its ability to meet short-term financial obligations with available assets. Typically falling within the range of 1 to 2, a value of one or higher is a positive sign, indicating that the company has sufficient short-term assets to cover its immediate liabilities. This reflects a healthy liquidity position, showing that the organization can easily pay its bills and meet other short-term financial obligations. On the other hand, a current ratio below 1 suggests that the organization might struggle to meet its short-term obligations with the assets it currently has. Setting a definitive benchmark for a "good" current ratio can be challenging due to industry variations and the fluctuating nature of these ratios. Nonetheless, a ratio above 1 generally signifies a healthy financial position, while a ratio below 1 may raise concerns about liquidity and solvency. It is important to note, though, that a high proportion of current assets can also indicate potential issues. Excessively high levels might imply that the organization is not using its resources effectively or that they are being managed inefficiently, by keeping lots of cash in account.

In our sample of 24 observations, the liquidity ratio averages at 2.04, indicating a favorable financial position where the EBMOs possess double the amount of assets compared to liabilities on average. However, there are notable extremes within our dataset. One organization exhibits a significantly low liquidity ratio of 0.27, while another EBMO boasts an exceptionally high ratio of 9.45. The median falls within the range of 1.1 to 1.5, aligning well with what is typically considered a favorable result, falling between 1 and 2. This suggests that the majority of EBMOs in our sample maintain

a solid balance between current assets and liabilities, ensuring sufficient liquidity to meet short-term financial obligations.

The academic literature on non-profit organizations offers valuable insights into interpreting the current ratio within the specific context of EBMOs. It emphasizes the importance of considering specific organizational characteristics, such as size and financial management complexity, when analyzing liquidity ratios. Excessively high current ratios can sometimes indicate a lack of effective cash management within an organization. This point was highlighted in a study by Ryan and Irvine, which focused on a sample of Australian nonprofit organizations, categorized by their income levels (Ryan & Irvine, 2012). Their research revealed a striking contrast: organizations with the lowest income levels had an average current ratio of 327.1, while those with the highest income levels reported an average ratio of just 1.2. These findings suggest that both the size of an organization and the sophistication of its cash management strategies play significant roles in determining the current ratio. Additionally, a study by Myser published in 2016, which analyzed 247 nonprofit organizations in the USA, found that the average current ratio for this group was 4.99 (Myser, 2016). These diverse findings underline the importance of considering an organization's specific context when interpreting the current ratio, as it can be influenced by various factors including the organization's size and the complexity of its financial management practices.

Quick Ratio or Cash Ratio

Another variant of the liquidity ratio offering more specific insights is known as the quick ratio or cash ratio. Unlike the current ratio, which includes all current assets, these ratios focus solely on the most readily available assets, such as cash. Checking these additional ratios, namely the quick ratio and cash ratio, can be particularly beneficial for EBMOs with a low overall liquidity ratio. If an EBMO's liquidity ratio is low due to a scarcity of available assets, especially those that are easily convertible to cash, it may face greater challenges in meeting short-term financial obligations. This is because other current assets, such as inventory or accounts receivable, may take longer to be converted into cash, thereby potentially delaying payments and leading to cash flow problems.

Leverage Ratios

Leverage ratios play a crucial role in evaluating a organization's financial structure, specifically the extent to which it relies on debt to finance its operations.

Debt Ratio

One prominent leverage ratio is the debt ratio, which provides valuable insights into the relationship between an organization's debt and its assets. By dividing total liabilities by total assets, the debt ratio offers a clear indication of the percentage of assets funded by debt and the organization's capacity to cover its obligations. A debt ratio greater than 1 signifies that the organization's debt outweighs its assets, suggesting potential financial risk. Conversely, a ratio below 1 indicates a healthier financial position, where assets exceed liabilities. A higher debt ratio generally implies a higher level of leverage, reflecting a greater reliance on debt financing. This ratio serves as a vital tool for investors and stakeholders to assess an organization's financial health and risk exposure.

Debt Ratio Formula (%)

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Let's illustrate the application of the debt ratio with an example.

Supposing that Organization G has \$100,000 in total liabilities and \$200,000 in total assets, by dividing total liabilities by total assets, we can calculate its debt ratio as follows:

$$\text{Debt Ratio} = \text{Total Liabilities} / \text{Total Asset}$$

$$\text{Debt Ratio} = \$100,000 / \$200,000$$

$$\text{Debt Ratio} = 0.5$$

This indicates that Organization G's debt accounts for half of its assets, suggesting a relatively moderate level of leverage. When assessing the debt ratio, a lower value is generally preferred as it signifies that the company has more assets than debts, indicating lower leverage. However, determining what constitutes a "good" debt ratio can be challenging due to variations in cash flows, capital structures, and financing practices across industries.

Upon analyzing the debt ratios in our sample of 24 observations, we found that the average debt ratio stands at 0.59. The average leverage ratio of 59% indicates that EBMOs in our sample on average have \$59 in debt for every \$100 in equity. This level of the ratio suggests that the average EBMO in our sample has a moderate amount of debt compared to their assets. It also suggests that a considerable number of these organizations appear to be following a more conservative approach towards taking on debt. On the other hand, those with higher leverage ratios are potentially facing greater financial risks due to their increased debt obligations. However, there are notable extremes within our dataset. The lowest observed debt ratio is 0.07, indicating minimal debt relative to assets, while the highest ratio recorded is 2.27, suggesting a significantly higher level of leverage. Interestingly, only two EBMOs out of the 24 observations have debt ratios exceeding 1, indicating that the majority of organizations in our sample have more assets than debts. Once again, this is a promising figure. It suggests that, on average, debts constitute roughly half of the assets, with only two EBMOs incurring more debt than their assets.

Determining whether a ratio is favorable or not depends on a variety of factors specific to each organization, such as the sector in which it operates, its geographic location, and unique characteristics like risk tolerance and capital structure. A key aspect of financial health is maintaining a balanced mix of equity (ownership interest) and liabilities (debts). Over-reliance on liabilities, such as loans, can increase an organization's financial risk. This is because, in times of economic downturns or unforeseen challenges, organizations with high debt levels become more vulnerable.

Academic literature related to leverage ratios is limited. In their 2012 study, Ryan and Irvin focused on nonprofit organizations in Australia, particularly those involved in international aid (Ryan & Irvine, 2012). These organizations often receive funding from international agencies, which aligns with their mission to address challenges in developing countries. This external funding plays a significant role in supporting their financial sustainability. As a result, these organizations typically have lower levels of debt compared to other nonprofit entities. The study found that, on average, the debt-to-total assets ratio for these international aid nonprofits was 31.9%. This indicates that, for every dollar in assets, these organizations had about 32 cents in debt, which is a relatively lower leverage compared to other sectors in the nonprofit realm.

Profitability Ratios

The profitability ratio measures the organization's income generating ability as compared to the revenue, balance sheets assets, equity, and operating costs. They come in two primary categories: margin ratios and return ratios. Margin ratios gauge an organization's capacity to produce income relative to its costs, while return ratios assess how effectively an organization utilizes investments to generate returns and wealth for both the company and its shareholders (Hayes, 2024).

Margin Ratio

The margin ratio serves as a critical measure of an organization’s income-generating capacity relative to various financial metrics. Among the common types of margin ratios are the gross margin ratio and the operating margin ratio. The gross margin ratio is calculated by dividing gross profit by net sales or revenue, a metric we have previously explored in the Section 7 while discussing surplus and deficit. It provides insights into the profitability of a company's core business activities after accounting for the cost of goods sold. A variant of this ratio, the operating margin ratio, assesses the profitability of an organization's operations by dividing operating income by net sales. Together, these margin ratios offer valuable insights into an organization's operational efficiency and financial performance, shedding light on its ability to generate profits from its primary business activities.

Gross Margin Ratio Formula (%)
$\frac{\text{Gross Profit}}{\text{Net Sales or Revenue}}$

Operating Margin Ratio Formula (%)
$\frac{\text{Operating Income}}{\text{Net Sales}}$

Return Ratios

Return on Assets (ROA)

The Return On Assets (ROA) serves as a key metric for assessing an organization 's profitability in relation to its asset base. This ratio, expressed as a percentage, indicates the efficiency with which an organization utilizes its assets to generate income. Calculating ROA involves dividing net income by total assets and multiplying by 100.

Required Information	Return on Assets Formula (%)
<ul style="list-style-type: none"> ► Income Statement ► Balance Sheet 	$\frac{\text{Net Income}}{\text{Total Assets}} \times 100$

A higher ROA suggests that the organization is more effective at generating income from its assets. A ROA above 5% is generally considered favorable, reflecting an organization's ability to generate substantial income from its asset pool. A higher ROA is preferable because it implies that the company can generate more income for each dollar of assets it possesses. However, it is important to note that the ROA can vary based on the composition of assets included in the calculation. For instance, excluding current assets from the calculation can lead to a higher ROA, as the denominator is reduced. More precisely, the ROA can be calculated using either all assets, including both current and fixed assets, or solely fixed assets. When calculating ROA using only fixed assets (denominated ROFA), the denominator

(total assets) excludes current assets such as cash. This exclusion of current assets provides a more focused perspective on how effectively the organization is utilizing its fixed assets to generate income. This distinction becomes crucial, especially for EBMOs that have not invested in real estate, resulting in a significantly smaller denominator in the ROFA calculation compared to ROA.

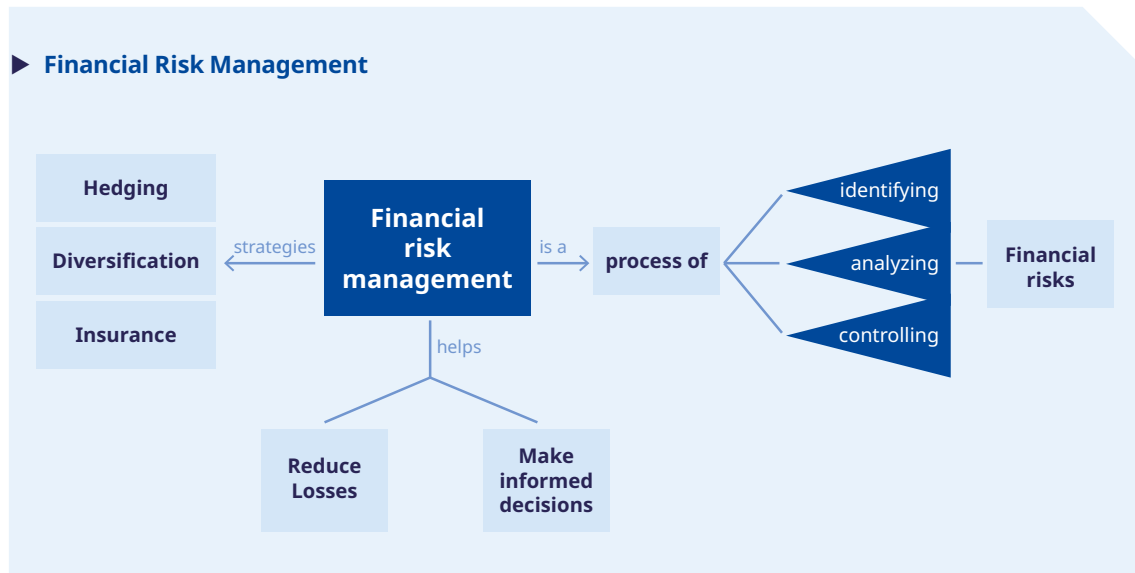
In our sample of 21 observations, the average return on assets stands at 3.8%, with some EBMOs showing negative returns. Among the observations, 8 EBMOs achieved a ROA of at least 5%, while 3 EBMOs attained a return of 10% or more. Despite the overall average being relatively low, especially in the aftermath of the challenging Covid period, these figures provide valuable insights into the financial performance of the organizations under study.

As a result, the average return measured solely with non-fixed assets tends to be substantially higher than the ROA calculated using all assets. Further analysis based on precise data, including historical trends, is recommended to gain a comprehensive understanding of the organization's financial performance.

► Risk Management

Risk management, both in its general application and specifically within the realm of financial risk management, plays a pivotal role in the monitoring and strategizing towards financial sustainability.

Financial risk management constitutes a specialized application within the broader framework of risk management, aimed at identifying, analyzing, and mitigating potential risks that could adversely affect an organization's financial performance.



Interestingly, the utility of financial risk management extends beyond the realm of for-profit entities to encompass non-profit organizations, including Non-Governmental Organizations such as EBMOs, which encounter a spectrum of risks akin to those faced by profit-driven enterprises, albeit with unique nuances and considerations.

Firstly, market risks present a multifaceted challenge, encompassing fluctuations in demand, pricing dynamics, general inflationary pressures, government interventions, and taxation policies, among other factors. Concurrently, credit risks pose significant concerns, spanning the reliability of members, clients, and banking institutions, thereby influencing financial solvency and stability.

Liquidity risks represent another critical dimension of financial risk management, delineating the organization's ability to meet its financial obligations promptly and efficiently. Operational risks, ranging from mismanagement and fraudulent activities to reporting inaccuracies and investment failures, further compound the complexity of risk mitigation efforts.

Additionally, currency risks emerge as a pertinent consideration for organizations engaged in global operations, necessitating strategies to hedge against adverse exchange rate fluctuations (Vicente, 2023). Furthermore, reputational risks loom large, emanating from instances of fraud, ethical breaches, non-compliance with regulations, or deviations from core organizational values, potentially undermining stakeholder trust and goodwill.

A Comprehensive Risk Plan for Financial Management

To illustrate the importance of financial risk management within EBMOs and its role in ensuring long-term viability and sustainability, we can examine the comprehensive risk plan outlined in the 2022 report of accounts of a prominent EBMO. Here, strategic and operational risks were meticulously identified and mitigated to safeguard financial performance and organizational resilience.

The risk plan begins with a viability statement, highlighting the imperative for sustained growth in membership revenue and the development of alternative income streams while maintaining healthy cash reserves. This proactive approach to risk management is underscored by the identification of principal risks, categorized into external, strategic, and operational domains, each posing unique challenges and potential impacts on financial stability.

Regarding external risks, three significant factors were considered. Firstly, the possibility of a deep recession impacting core revenue streams underscores the organization's susceptibility to macroeconomic shifts. Secondly, the perception of the EBMO as irrelevant within the national context exposing vulnerabilities to changes in societal dynamics. Lastly, the risk of the EBMO's holistic economic model being undermined by structural economic fragmentation.

Strategic risks, encompassing the absence of an expansion in non-membership income, the failure to broaden the membership base, and the lack of diversity within the EBMO, emphasize the potential consequences of over-dependence on conventional revenue streams and the constraints associated with a stagnant membership base.

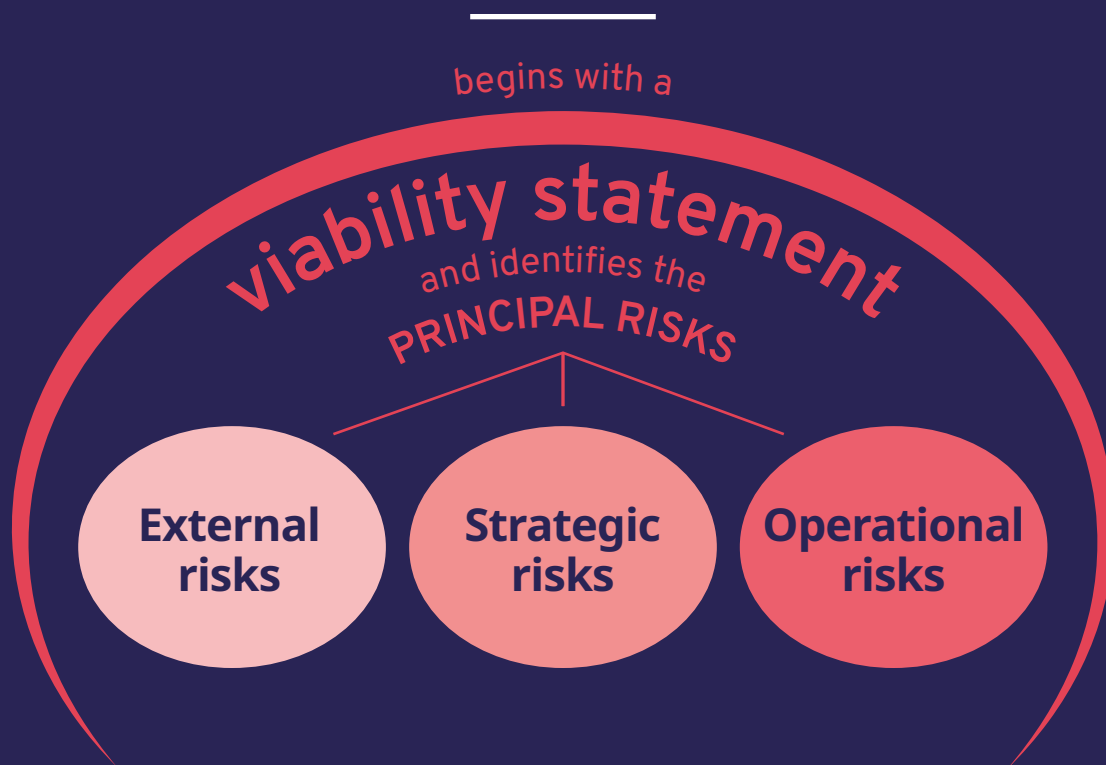
Considering operational risks, they encompass a spectrum of challenges, including internal policy failures, cyberattacks resulting in the loss of sensitive information, and disruptions on day-to-day operations caused by events like COVID-19. These risks underscore the critical importance of robust internal controls and crisis management protocols to safeguard organizational operations and reputation.

The primary consequence of the manifestation of these risks would result in a revenue reduction. To gauge the potential impact, this EBMO conducted a sensitivity analysis to evaluate the extent of revenue reductions and to delineate mitigating actions. This has necessitated a model demonstrating that cost-saving measures could restore the organization to at least break-even, while also maintaining a sufficient cash balance.

This imperative underscores the significance of robust risk management practices within the EBMO. Typically, the Board assumes responsibility for overseeing risk management. Holding ultimate accountability, the Board ensures the effectiveness of risk management practices to safeguard the organization's interests and objectives. On behalf of the Board, the Audit Committee evaluates the efficacy of EBMO's risk management processes. Additionally, each business area assumes responsibility for identifying, assessing, and managing risks within their respective domains on an annual basis. Furthermore, regular top-down risk identification reviews further enhance the organization's ability to identify and address significant risks that may impede the achievement of strategic objectives.

Subsequently, mitigation measures for identified risks are essential for organizational resilience and sustainability. These measures should be thoroughly evaluated and approved by the Board to effectively address potential challenges. To illustrate, let's delve into insights from this EBMO's risk management plan.

Risk Plan for Financial Management within EBMOs



On external risks, in anticipation of a deep recession potentially impacting core revenue streams, the mitigation measures foreseen by the EBMO included cautious budgeting measures for the years to come. Notably, experience thus far indicated that membership revenue has demonstrated remarkable resilience. Consequently, the mitigation strategy entails a strategic refocus on products and services that deliver value to members, ensuring both short-term stability and long-term growth. Furthermore, to prevent any loss in the perception of the EBMO's relevance within the national context, the organization's mitigation strategy emphasizes the importance of focusing on having a strong profile on critical business issues for member. This commitment is reinforced through an extensive number of committees and councils, which represent diverse member views and facilitate robust engagement and advocacy efforts. Additionally, to address potential challenges arising from structural economic and political changes, the EBMO continued to enhance service delivery across regions, leveraging digital channels to foster broader stakeholder engagement and gather insightful feedback. These measures aimed to fortify EBMO's resilience in navigating evolving economic landscapes and political dynamics, ensuring its continued effectiveness and impact in an ever-changing environment.

To mitigate strategic risks effectively, the EBMO has adopted a multifaceted approach tailored to address each challenge comprehensively. Firstly, in response to the risk of failing to meet commercial revenue targets and the lack of diversification in income streams, the organization has been strategically venturing into digital event delivery. Embracing digital platforms enabled the EBMO to explore alternative revenue streams and reduce dependency on traditional sources. Furthermore, to tackle the issue of diversity, the EBMO has implemented a comprehensive Diversity and Inclusion action plan, spanning internal operations, event management, member engagement, and policy interventions. By fostering an inclusive environment, the organization aimed to enhance its brand reputation and facilitate organizational

growth. Additionally, robust recruitment efforts have been undertaken to address the challenge of expanding the membership base, resulting in increased numbers, particularly among SMEs. Moving forward, the EBMO remained committed to bolstering membership expansion as a core component of its ongoing strategy review, thereby strengthening its mandate and policy advocacy efforts.

Finally, to address operational risks effectively, the EBMO has implemented a range of proactive measures tailored to mitigate potential disruptions and safeguard organizational integrity. Firstly, to ensure that internal policies and practices align with externally espoused values, the EBMO has established a robust internal governance process overseen by a dedicated manager. Operating under a set of agreed-upon behaviors, each individual's actions are guided by this framework, fostering consistency and integrity throughout the organization. Furthermore, in response to operational disruptions caused by unforeseen events like the COVID-19 pandemic, the EBMO has implemented adaptive measures to maintain day-to-day operations. Effective remote working processes have been introduced, prioritizing staff well-being and productivity. As the organization transitioned back to office settings, careful management and regular consultation with staff ensured a smooth and safe return, minimizing operational disruptions. Moreover, proactive cybersecurity measures have been implemented to mitigate the risk of cyberattacks resulting in the loss of sensitive information. The EBMO has been conducting regular phishing tests to enhance staff awareness of IT security issues and complemented them with internal communication campaigns. Additionally, periodic technical penetration testing and ongoing system updates were undertaken to optimize cybersecurity defenses, ensuring the protection of the EBMO's digital infrastructure and sensitive data. Through these comprehensive operational risk mitigation strategies, the EBMO aimed to maintain operational resilience and uphold its commitment to organizational excellence.

In summary, the mitigation measures outlined within the EBMO's risk management plan exemplify the organization's proactive approach to addressing potential risks and fostering resilience in an ever-evolving operating environment. Through strategic initiatives and operational safeguards, the EBMO is poised to navigate challenges effectively and sustain its mission-driven objectives.

Concluding Insights on Financial Ratio Analysis and Risk Management for EBMOs

In conclusion, this chapter underscores the significance of a comprehensive approach to financial management, surpassing the conventional reliance on annual profit and loss statements. Key financial ratios were identified. By incorporating diverse elements of financial statements and pivotal financial ratios, a deeper understanding of financial health is attained.

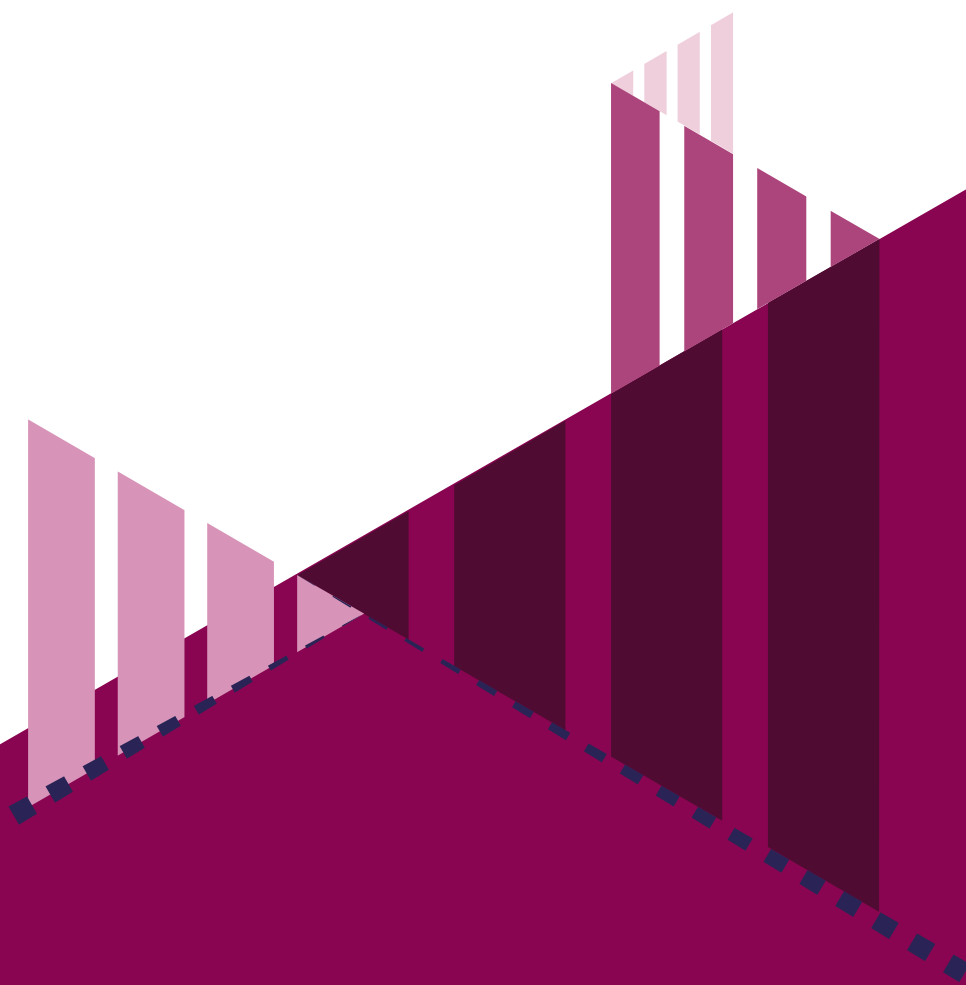
These ratios were then applied to a limited sample of EBMOs to assess the validity of general benchmarks and establish a basis for comparison. While acknowledging the need for data refinement and expansion of sample sizes in future research, the exercise revealed several insights. Firstly, it emphasized the usefulness and value of integrating all elements of financial statements for a comprehensive financial analysis. Secondly, it indicated a generally positive financial outlook among the sampled EBMOs concerning liquidity, debt management, revenue generation, and profitability.

Finally, a quick overview was provided on the potential benefits of risk management practices, particularly in addressing financial risks. This aspect, reflecting both real and financial risks, warrants further analysis in future research and training endeavors.

Moreover, the exploration briefly alludes to the potential advantages of integrating risk management practices, particularly in addressing financial risks, through methodologies like the risk assessment matrix and the risk management plan. This highlights the necessity for future research and training endeavors aimed at thoroughly investigating the implications of risk management within the context of EBMOs.

Chapter

▶ 9



9. Practical Recommendations for Financial Sustainability

Achieving financial sustainability is complex and no universal solution is applicable to EBMOs, which are operating in different contexts. Consequently, producing global recommendations based on our research becomes an impossible task. Throughout the report, emphasis has been placed on the diverse array of viable approaches, as evidenced by both benchmark figures and case studies.

We can nonetheless derive some conclusions and guiding principles:

- ▶ **Strategies for financial sustainability should not be developed independently but should instead be closely integrated with the overarching vision, mission, and priorities of the EBMO.** This entails a thorough consideration of the needs and expectations of members. Furthermore, the role of financial sustainability in achieving these objectives and cultivating organizational resilience cannot be overstated.
- ▶ **EBMO's financial sustainability is contingent upon a multitude of external factors within the country.** These external dynamics, including market conditions, economic stability, political climate, fiscal regulations, and industrial relations, significantly influence the feasibility and effectiveness of financial sustainability strategies.
- ▶ **Optimal financial sustainability entails a multifaceted approach that combines strategies aimed at increasing income, controlling expenditures, and generating surpluses.** Furthermore, judicious utilization of reserves for investments enhances long-term financial stability and growth prospects.
- ▶ **A strategic focus on the income side of policies underscores the pivotal role of membership.** Membership income is the EBMO's most significant asset and emerges as the cornerstone of financial stability for most EBMOs, constituting a substantial portion of their annual revenue - often accounting for around 50%. Therefore, formulating a financial sustainability policy goes hand in hand with orchestrating a well-organized membership strategy. Such a strategy should prioritize effective retention and recruitment practices to ensure sustained income and stakeholder engagement.
- ▶ **Diversifying income sources -including commercial services, projects, grants, and investment returns- is imperative to supplement membership income.** This diversification enhances the stability of the organization's activities over time and contributes to its financial sustainability. By reducing reliance on a single source of income, the organization can better weather periods of income fluctuation or external challenges, ensuring its long-term viability and resilience. Indeed, to ensure the continued provision of essential services and products to members, the organization must maintain a steady flow of income to cover operational expenses. It is crucial to align the type of services provided with the corresponding funding mechanisms. Therefore, income derived from grants or projects, which may be irregular or temporary, should generally not be allocated to cover permanent fixed costs.
- ▶ **Expenditure policies are crucial components of financial management strategies within EBMOs.** These policies encompass controlling spending and strategically allocating resources to maximize organizational impact. By exercising prudent control over expenditure and investing strategically in areas such as personnel development and member engagement, EBMOs can enhance operational efficiency and drive sustainable growth. Therefore, effective expenditure policies are essential for

achieving financial sustainability within EBMOs, enabling them to optimize financial resources and position themselves for long-term success.

- **Establishing reserves through annual surplus creation is instrumental in enhancing organizational autonomy and resilience.** Reserves serve as a financial buffer during challenging times and provide resources for strategic investments. By prioritizing the creation of reserves, EBMOs can build a solid foundation for long-term sustainability and adaptability in a dynamic operating environment.
- **It is imperative for EBMOs to adopt a comprehensive approach to financial management that goes beyond traditional reliance on annual profit and loss statements.** This entails incorporating diverse elements of financial statements and key financial ratios to gain a deeper understanding of financial health. By integrating all elements of financial statements, EBMOs can conduct a comprehensive financial analysis to assess liquidity, debt management, revenue generation, and profitability.
- **Implementing risk management practices can help address financial risks effectively, safeguarding financial sustainability and organizational resilience.** By adopting robust risk management practices, EBMOs can effectively navigate challenges and sustain their mission-driven objectives in an ever-evolving operating environment.

In summary, while these fundamental conclusions serve as robust recommendations that capture the essence of sustainability strategies for EBMOs, it is important to acknowledge their general nature. They highlight the necessity for specific and effectively applicable recommendations, which demand tailored analyses varying across countries, organizations, and time.

Therefore, the final recommendations adopt a more generic approach, focusing on identifying the essential components necessary for EBMOs to implement enhanced policies that promote financial sustainability. While these recommendations provide a solid foundation for improvement, it is essential to recognize that their priority and urgency may vary depending on the specific context and needs of each EBMO.

►► While these recommendations provide a solid foundation for improvement, it is essential to recognize that their priority and urgency may vary depending on the specific context and needs of each EBMO.

i) Ensuring the Availability of Reliable Financial Data

A fundamental requirement for achieving financial sustainability through effective financial management is the availability of sound and consistently monitored financial data. This encompasses various qualities of information, including its regularity, timeliness, and up-to-dateness. It is crucial to adopt a comprehensive approach, extending beyond mere income and expenditure accounts to include elements highlighted in financial statements such as balance sheets, cash flow statements, and asset evaluations. Together, these data offer a holistic view of the organization's financial situation.

ii) Member Engagement and Governance for Financial Sustainability

Financial management plays a pivotal role in the pursuit of financial sustainability for EBMOs, extending beyond the responsibility of the finance manager and CEO. It is

imperative to examine whether the governance system facilitates regular control, involvement, and participation of members through structures like the board and finance committee, as commonly implemented in most EBMOs. Additionally, evaluating the effectiveness of existing working methods - timings, frequency, and procedures - is essential to ensure that sustainability objectives are met, with member engagement yielding constructive input and added value.

iii) Building Capacity in Financial Management

While general management focuses on policy issues and operational roles, this study underscores the importance of financial management for EBMO sustainability. Excelling in this role significantly impacts the organization's resources and capacity for sustainability. As Napoleon Bonaparte said "*Money is the nerve of war*", emphasizing the critical role of financial leadership and management capabilities. Staff training and recurring to experts' advices are essential components in enhancing EBMOs' financial sustainability.

While general management primarily focuses on policy formulation, articulating the voice of the business, and overseeing operational functions such as membership policies and service organization, this report sheds light on the distinct facets of financial management within EBMOs to ensure their sustainability. Implicitly, it underscores the critical importance of effectively fulfilling this role, as it directly impacts the allocation and utilization of the organization's resources. In other words, adept financial management practices can enhance or diminish the EBMO's resources and its capacity to maintain sustainability and bolster its resilience. Therefore, the capacity of EBMO leadership and management to handle finances is paramount, both in terms of technical proficiency and strategic acumen.

iv) Clarifying Internal Procedures and Tools

Financial management encompasses a broad spectrum of activities, including data management, regulatory compliance, and procedural frameworks for income and expenditure. Streamlining, simplifying, digitizing, or harmonizing these internal processes and tools can enhance their effectiveness for both staff and governance bodies. Clear and legally vetted procedures contribute to operational efficiency and compliance, fostering a conducive environment for sustainable financial management.

v) Translating Ideas into Effective Action

Ultimately, the recommendations outlined above must translate into actionable initiatives to drive improvement. Financial management serves as a cornerstone, ensuring the organization remains relevant to its membership and aligned with their expectations. Coherence between financial management approaches and the broader objectives of EBMOs is crucial, balancing sustainability enhancements with the preservation of organizational values and priorities.

The ultimate goal is, of course, to strengthen the EBMO in its dual roles as the voice of business and a provider of relevant services to both current and potential members. Financial management, therefore, is not an end in itself; rather, it is a crucial component for the EBMO to fulfil its mandate.

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Annex

A total of approximately 30 EBMOs from 29 countries actively participated in this study. This sample was expanded by incorporating financial data that are either public or voluntarily shared by EBMOs engaged in ILO activities. This extension aimed at establishing a more representative dataset, encompassing about 50 EBMOs.

► EBMOs Sample - Interviewed List (30 EBMOs)

Category	Subcategory	Countries	Number of countries
Per region	Latin America and the Caribbean	Belize, Trinidad & Tobago, Barbados, Paraguay, Ecuador, Panama, Honduras	7
	Eastern Europe and Central Asia	Serbia, North Macedonia (2), Georgia, Kazakhstan, Ukraine	5
	Africa	Uganda, Kenya, Botswana, Gabon, Cote d'Ivoire, Congo Rep, Nigeria, Eswatini, Tanzania, Mali	10
	Asia-Oceania	Cook, Vanuatu, New Zealand, Indonesia, Korea, Singapore, Jordan, Sri Lanka	7
Total			29

► EBMOs Sample – Extended List (49)

Extended List (Financial Statements, Public Information, Voluntarily Shared Information): 49 EBMOs		
Region	Countries	Number of countries
Latin America and the Caribbean	Belize, Trinidad & Tobago, Barbados, Paraguay, Ecuador, Panama, Honduras, Colombia, Chile, Argentina, Uruguay	11
Eastern Europe and Central Asia	Serbia, North Macedonia (2), Georgia; Kazakhstan, Ukraine	5
Western Europe	France, Italy, Spain, Ireland, Belgium, Luxemburg, UK	7
Africa	Uganda, Kenya, Botswana, Gabon, Cote d'Ivoire, Congo Rep, Nigeria, Eswatini, Tanzania, Mali, Morocco, Senegal, Cameroon	13
Asia-Oceania	Cook, Vanuatu, New Zealand, Indonesia, Korea, Singapore, Jordan, Malaysia, Cambodia, Sri Lanka, Pakistan, Philippines, Australia	13
Total		49

Based on data availability and considering the focus of the study on the EBMOs operating in Global South, there were slight variations on the sample utilized for analysis in different sections of the study.

► **EBMOs Sample for Section “The Revenue Side of Financial Sustainability” (41)**

Extended List (Financial Statements, Public Information, Voluntarily Shared Information): 41 EBMOs		
Region	Countries	Number of countries
Latin America and the Caribbean	Belize, Trinidad & Tobago, Barbados, Paraguay, Ecuador, Panama, Honduras, Colombia, Chile, Argentina, Uruguay	11
Eastern Europe and Central Asia	Serbia, North Macedonia (2), Georgia; Kazakhstan, Ukraine	5
Africa	Uganda, Kenya, Botswana, Gabon, Cote d'Ivoire, Congo Rep, Nigeria, Eswatini, Tanzania, Mali, Morocco, Senegal, Cameroon	13
Asia-Oceania	Cook, Vanuatu, New Zealand, Indonesia, Korea, Singapore, Jordan, Malaysia, Cambodia, Sri Lanka, Pakistan, Philippines	12
Total		41

► **EBMOs Sample for Section “Financial Strategies Focusing on Expenditure” (38)**

Extended List (Financial Statements, Public Information, Voluntarily Shared Information): 38 EBMOs		
Region	Countries	Number of countries
Latin America	Ecuador, Panama, Honduras, Colombia, Chile, Uruguay	6
Europe	France, Italy, Spain, Ireland, Belgium, Luxemburg, UK, Serbia, North Macedonia	9
Africa	Uganda, Kenya, Botswana, Gabon, Cote d'Ivoire, Congo Rep, Nigeria, Eswatini, Tanzania, Mali, Cameroon	11
Asia-Oceania	Cook, Vanuatu, New Zealand, Korea, Jordan, Malaysia, Cambodia, Sri Lanka, Pakistan, Philippines, Australia	11
Total		38

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