



International  
Labour  
Organization

# The Effective Employers' Organization

A series of "hands-on" guides for building and managing effective employers' organizations



## Services by Employers' Organizations

A strategic approach to service development

Developing, agreeing and delivering  
a sustainable service strategy





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and managing effective employers' organizations

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**A strategic approach to service development**

... developing, agreeing and delivering  
a sustainable service strategy

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## Foreword

Delivering quality services to members is one of the key value-added of the employer and business organizations. By providing services they help members-companies to cut transaction costs, optimize regulatory compliance and overall improve their performance, thus contributing to sustainability and growth of business. From the institutional perspective, it is an essential strategy to retain existing members and attract new ones leading to greater representativeness and influence.

The global economic changes affected the organizations representing and serving business just as much as they affected businesses themselves. Employer and business associations are redefining their service strategies for a number of reasons. With the transformation of markets, the needs of member-companies have significantly changed reflecting the shifts in virtually all aspects of doing business - production processes, workplace relations, management and administration etc. As a result of these transformations, businesses demand new services that will help them respond to market challenges. On the other hand, growing market competition from private service-providers - consultancy firms, other associations and even highly-skilled individuals - forces organizations to make strategic choices, rethink old paradigms and innovate. The challenge of servicing a diverse membership - from large MNE's (that are less reliant on services) to SME's and micro-enterprises that place huge value on this offer - is also one of the factors influencing the re-thinking of the service role.

In this context, ILO's Bureau for Employers' Activities is expanding the Effective Employers' Organization toolkit with a new 'Service Series'. The Service Series consists of a cover-guide and a number of thematic guides on industrial relations and human resource services, labour law, which will be supplemented by other guides in the future. The cover-guide provides generic business strategies to design, deliver and monitor any services offered by employer and business organizations, whereas the thematic guides provide up-to-date information on current trends, innovative approaches, best practice and practical advice on specific service areas drawing on the experience of organizations around the world.

The launch of the Effective Employers' Organization: Service Series was made possible with the support of the Norwegian Government in the framework of the ILO/Norway Partnership Agreement 2010-11. The Series is a result of collaboration between the Bureau for Employers' Activities in Geneva and the Programme for Employers' Activities in the International Training Centre in Turin. I would like to thank Mr. Arnout De Koster and Ms. Tugschimeg Sanchir for conceptualizing the series and providing substantive inputs into the drafts, Ms. Anne-Brit Nippierd for coordinating the project, Mr. Christian Hess for conceptualizing and providing substantive inputs into the Labour Law Guide and Ms. Jeanne Schmitt, Mr. Paolo Salvai and Ms. Aude Guimont for doing the research and drafting several versions of the cover-guide and the Industrial Relations and Human Resource Services guide. Appreciation also is extended to Ms. Maria Cronin who did the research and drafted the Labour Law Services guide.

Deborah France-Massin  
Director  
Bureau for Employers' Activities  
Geneva, 2012

## Section One

# What is this guide and how to use it?

**“A strategic approach to service development”** is the cover-guide of the “The Effective Employers’ Organization: Service Series” – a sub-set of guides in “The Effective Employers’ Organizations” package. The “Service Series” deals exclusively with developing and delivering membership services and covers the business aspects of service development as well as technical issues relating to the development of specific services – industrial relations and human resource management, labour law, occupational safety and health etc.

This cover-guide provides a general approach to service development, regardless of the types of services and aims to help the management and staff of employers’ organizations to adopt an effective business model for membership services. Taking the service strategy in the context of the overall organizational role and functions, the guide offers considerations for the optimum balance between service, advocacy, membership and revenue strategies.

This guide should be read in conjunction with the two other guides (“ Services by Employers Organizations: An overview of services in the field of Labour Law” and “Services by Employers Organizations: an overview of services in the field of industrial relations and human resources”). These latter guides go in detail on the contents of services which can be offered, respectively in the field of labour law, and industrial relations and human resources, whilst this guide concentrates mainly generically on how to develop services.

### **The Effective Employers’ Organization: hands-on guides to building and managing effective employers’ organizations**

- Governance
- Strategy
- Advocacy
- Revenue
- Persuasive communication
- Service series:
  - A strategic approach to service development
  - Industrial relations and human resource services
  - Labour law services



The strategic approach offered by the guide is based on the principles of results-based management complete with implementation and monitoring methodologies. The approach contains steps to follow and takes into consideration different useful strategic tools and methods of building effective services based on the experiences of successful organizations around the world. The theoretic part is supported by examples of best practices to benchmark with, checklists to help review what the organization is currently doing in relation to service development and delivery, as well as practical exercises, as described below.

### Checklists



Checklists are designed to verify where your organization is currently placed and to identify gaps to be covered

### Best Practices



Best Practices provide examples of how other organizations have tackled the problems you are facing

### Examples



Examples can be used so to learn quickly before you start for real

Section Two of the guide provides an overview of the service role of an employer organization, rationale for service provision and considerations for strategic service choices to address members' needs.

Section Three is focused on the analytical methodologies and tools to help an employers' organization assess its strategic position. It moves on to provide analyses for employers' organizations to know where they are now:

- Environment analysis takes into account external variables which may influence an organization. These could be political, economic, social, technological, legal and environmental factors;
- Market analysis allows employers' organizations to understand the current level of supply (taking into account also the competition) and the static and dynamic demand of services. Many tools will be used, such as Porter's Five Forces Model, Abell Matrix, General Electric/McKinsey, etc...;
- Assessment of the organization's capacity is a crucial step for organizations to analyse their internal capacity (strengths, weaknesses, staff, infrastructures, technologies and so on) related to the development and provision of particular services identified with the help of the previous analyses

Section Four offers useful guidelines to assess where the organization wants to be in the future: the definition of mission statement represents the starting point for an organization to develop its strategic planning process, the strategic objectives allow organizations to set priorities for medium and long term, the strategy of developing services should be coherent with mandate and legal framework.

Section Five of the guide is dedicated to the development and implementation of the Business Plan, which is fundamental to put all the strategic analyses and tools into practice and concrete actions. It looks into the process of developing services as a “generic process” which can be applied as a general scheme to whatever service an employers' organization wants to offer. This section follows the operational steps of the Business Plan:

- Definition of specific objectives and indicators for the services;
- Marketing mix strategies: Product/Service, Place, Promotion, Price, People and Process
- Options for delivery; and
- Budget

Section Six contains advice on how to review progress of strategic service development objectives. This phase of monitoring activities and results is the last part of the Business Plan.

Finally, the last section on bibliography and further readings identifies useful sources dealing with the strategic approach to service provision for employers' organizations. The specific materials available provide additional assistance and suggestions for better understanding of described tools, methods and matrixes.

## Section Two

# Employers' organizations and services to members: the need for a strategic approach

Employers' organizations are collective organizations of business originally established to promote their labour market interests. The overriding function of any employers' organization is to be the voice of business and employers, whether at the local, regional or national level, or at the sectoral level. At the same time. Employers' organizations also play an important service role, providing member companies with advice, information and knowledge in the environment business can trust.

## 2.1. THE ROLE OF EMPLOYERS' ORGANIZATIONS

Fundamentally, employers' organizations have the following main roles: being an advocate and service provider.

### Being advocate

The first role of an employers' organization is to influence policy and regulatory environment, so that they are conducive to business growth, development and job creation. This representational function is executed through lobbying and advocacy.

But it is also an advisory and negotiation function, as it involves dealing with the government, trade unions, other interest groups, and civil society. As the voice of business, an employers' organization is a the privileged partner of governments and trade unions on labour market issues.

A number of factors can explain the central role an employers' organization plays in its national context:

- being the voice of business on a wide range of economic and social issues;
- holding a wealth of information from the perspective of business;
- being a membership organization trusted by members;
- being a recognized social partner at various level and for various purposes.

All activities related to this function can also be described as "outward looking activities", to say that they are targeted towards external parties (such as government, international agencies, trade unions and media).

## **Being a provider of services**

The other main function for an employers' organization is to provide direct services to its own members. Usually these services include information, advice and direct representation at appropriate third party intervention. While the range and nature of services differ depending on the level of operations, most employers' organizations provide some kind of services.

All related activities can be qualified as "inward looking activities", since they are directed towards members, being either individual or collective (e.g. regional or sectoral level).

Provision of direct services to members considerably helps to attract and retain members and adds value to membership subscriptions. In that sense, offering quality and value services to members, i.e. services that help members to enhance their performance and competitiveness, are key for expanding and retaining membership.

## **Getting the right balance**

Both kinds of activities have for unique objective to serve members' needs. The relative importance given to these two functions by an EO depends on the national context and on the nature of the organization. For example, in developing or transitional countries which need to solidify the fundamentals of market economy and influence policy to promote business growth and development, and capture the benefits of globalization, influencing policy and regulatory environment is likely to be the most important function of the employers' organization<sup>1</sup>. In more advanced countries, where employers' organizations already established themselves as an important labour market institution, the balance depends on the established policy dialogue or bargaining mechanisms, traditional service role of an organization and the maturity of companies as members.

Another important consideration is obviously the level of operations. The peak organizations, which are federations or confederations of regional or sectoral organizations usually have only an advocacy role. However, some peak organizations, like BusinessNZ, are adopting innovative approaches to add value and to provide services directly to selected group of members, such as multinational or big national companies. Another case where when peak organizations provide direct services is when the business in the country is not organized along regional or sectoral lines or the membership is mixed, as in Indonesia.

In order to be sustainable and effectively represent the business in the long run, an employers' organization has therefore to take its environment into account and find the right balance between outward and inward activities. Essential is the ability to anticipate future needs of employers and issues they may have to address: this ability will reflect the degree of professionalism of the organization.

<sup>1</sup> IOE, Services by Employers' Organizations, 2005.

## 2.2. WHY SHOULD AN EMPLOYERS' ORGANIZATION CONSIDER DEVELOPING SERVICES?

### Increasing demand

In a changing global environment, where the issues on the agenda for business are more numerous and complex, enterprises are increasingly looking for assistance in a number of fields. As a consequence, there is a sustained pressure on EOs to provide new and diverse services that may help their member companies to deal with emerging issues to enhance their performance and competitiveness.

### Membership retention and attraction

Offering quality services is fundamental in responding to members' needs and to retain them, but also to broaden the organization's membership through the recruitment of new companies and members. This in turn can lead to increase EOs' representativeness and influence over social dialogue and policy regulation processes.

In addition, by creating space to grasp members' concerns, identifying current issues and developing solutions, offering services becomes a way to support policy development and policy implementation, and eventually feeds advocacy work.

### Visibility

Offering services is also a way to get more visible and enhance the organization's profile among members and potential members, as well as externally (government, international organizations, donors, community)..

### Income generation

Since an employers' organization, by definition, does not have a profit-oriented approach (as opposed to commercial service providers), enterprises expect services offered by the organization to be cheaper than the ones available on the market. However, providing services can nevertheless be a means of reducing the organizations' dependency on subscription income. Since very often membership subscriptions are not sufficient to support the advocacy role of the organization, and since members very often do not wish to pay membership subscription merely for advocacy<sup>2</sup>, providing value services for which members are ready to pay, can be a way to generate income for the organization<sup>3</sup>.

<sup>2</sup> Because of their nature, advocacy and lobbying activities are not always easy to report on and to justify to members, who are indeed looking for tangible results.

<sup>3</sup> This refers to one of the three paradoxes in revenue building: if the other main revenue source for employers' organizations is the sale of services, then they will need to make money on services to cross-subsidize advocacy activities. See ACTEMP, *The Effective Employers' Organization, Guide Four - Revenue Building*, ILO, 2005, p. 29.



## BEST PRACTICE

### How to pass from a “subscription income-based organization” to a “service income-based” one?

The **Employers' Consultative Association of Trinidad and Tobago (ECATT)** was founded in 1959, and has around 600 members today, mainly from the sectors of insurance, banking, services and manufacturing. Some years ago, ECATT was close to bankruptcy, but managed to avoid it and even grow thanks to a new service strategy.

#### Background

In 2000, the revenue profile of ECATT depended to a large extent on membership fees: 75% of the revenue came from members' subscriptions, while the other 25% came from training to members and the national community. The organization was essentially involved in advocacy and lobbying activities (related to labour regulation, dealing with industrial court, etc.) while the rest of activities, i.e. training, was limited to labour and industrial relations issues. Members were not reactive, not even keen on paying for specific services. Because it had financial difficulties, ECATT had to elaborate a new service strategy.

#### New strategy

As a starting point, ECATT's management used the mandate of the association, which is restricted to industrial relations, to elaborate its new strategy. Then based on their experience in advocacy work, it tried to identify ways of creating products that members would accept to pay for. For example, a new legislation on occupational safety and health (OHS) was adopted in 2004 (which then entered into force in 2006). Since ECATT was involved in the preparation of the legislation, it had good knowledge of the content of the text and the intentions of the legislator. So ECATT looked at what to do for employers to be ready for compliance with the new legislation. On that basis, ECATT was able to create health and safety audit for companies, OSH training programmes for Boards and Directors in organizations, as well as training courses for general workforce of the organizations.

In order to be consistent with its core mandate, traditional services (labour relations and industrial relations consultancies, representation to court) have also been renewed and expanded: for example, an employer can now ask and get someone for ECATT to defend its case to the court, or new services such as human resources staffing and in-house work with employers have been developed.

As a result of this strategy shift, ECATT has become less dependent on membership fees. But above all, it has grown (from USD 300'000 of revenue in 2000 to USD 1'000'000 in 2008, 75% of this coming from training).

#### Mandate vs Profit

In order to stay focused on advocacy and lobbying and stick to its initial mandate while keeping on being profitable, in 2008, ECATT has spun off its services into a subsidiary company, called *The Employers Solutions Centre (ESC)*. That entity allows ECATT to broaden the services to employers and the national community, while leaving ECATT doing advocacy and lobbying. It constitutes the “business arm of ECATT”.

For this new structure, ECATT had to attract new competencies, and recruit staff: this has created opportunities for members to participate in service delivery (hiring people from member companies as facilitators, HR practitioners, Industrial relations consultants), and for internships, through labour schools and universities. In terms of human resources management, people working in the service company have personal profit incentives to develop products and sell them.

**Quality**

In order to assess quality of these services, a skills matrix has been developed by the Board, which identifies all skills necessary to keep an employers' organization relevant, competent and acceptable to the national population. ECATT also conducted a survey among employers to understand which services should be included in membership fees and which ones could be provided by the service company, i.e. paying ones.

This example shows the importance of having a strategy to get revenue, so to be sustainable in the long term. As Mr Clarence Rambharat, former ECATT Chairman, says, "there should not be shame [for an employers' organization] in making money..."

Source: Interview of Clarence Rhambarat, former Chairman of ECATT, 2008

**Challenges: mandate, quality and sustainability**

Offering services to members and non-members also brings challenges and risks, especially when it comes to value services. The first challenge is to stick to the mandate of the organization. While drawing a new service strategy, one employer's organization should always pay attention to its own mission and mandate, and remain in line with its advocacy work. This will avoid losing members, who primarily adhere to see their interest defended.

Another prerequisite to grasp the advantages of developing direct services to members is to provide good quality services, therefore to put all the necessary resources to achieve this objective, in particular staff with appropriate skills. If services provided are not quality ones, then the risk of losing members increases.

Finally, before developing services to members, an employer's organization should be sure that the costs and the structure supporting the provision of services are sustainable in the long run.

**2.3. WHICH SERVICES CAN BE DEVELOPED?****Key Quote:**

"In an environment where individual and autonomous actions of companies are now paying off more than collective actions, employers' organizations have had to adapt their service offer".


Franz Traxler, *Economic change and its impact on employer associations: a cross-national comparison*, University of Vienna, 2003

Traditionally, most employers' organizations around the world offered services in labour relations. But changes in the global business environment over the last two decades have pushed employers' organizations to broaden their areas of operation and to venture into new fields<sup>4</sup>. The increasing attention to labour relations at the company level for example, but also the greater need for enterprises to be competitive not only at the national level but at the regional and international level, have changed members' expectations and conducted EOs to develop services in areas that enhance the performance and competitiveness of their

<sup>4</sup> Franz Traxler, *Economic change and its impact on employer associations: a cross-national comparison*, University of Vienna, 2003

member companies, such as export promotion services, human resource management and so on.

The following table presents an overview of the different services offered by employers' organizations. It is based on existing services offered by employers' organizations around the world and does not intend to be exhaustive<sup>5</sup>.

TYPE OF SERVICE	EXAMPLES
<b>1. INFORMATION</b>	 <ul style="list-style-type: none"> <li>■ Newsletters</li> <li>■ Publications: informative reports, booklets, guides</li> <li>■ Annual report</li> <li>■ Website</li> <li>■ Comments on new legislation / tribunal court decisions</li> <li>■ Models of employment contracts, business projects</li> <li>■ Dissemination and promotion of good practices and techniques / Knowledge bank</li> <li>■ Regular update of members on legal and other initiatives and changes</li> </ul> <p><b>ISSUES:</b></p> <p>Wages, labour law, taxation, company law, access to market, access to finance, calls for proposals and international tenders, business environment, national competitiveness, certification</p>
<b>2. RESEARCH AND BUSINESS SURVEYS</b>	<ul style="list-style-type: none"> <li>■ Analytical studies</li> <li>■ Policy document</li> <li>■ Good practices dissemination</li> <li>■ Elaboration of statistics</li> <li>■ Banks of data</li> <li>■ Business surveys: wages, skills surveys, employment trends, economic trends</li> </ul>
<b>3. LEGAL REPRESENTATION</b>	<ul style="list-style-type: none"> <li>■ Tribunal / Court representation</li> <li>■ Mediation/ Arbitration representation</li> <li>■ Intervention in law suits</li> <li>■ Negotiate collective agreements (sector / provincial level)</li> </ul>

<sup>5</sup> For an in-depth description of services by employers' organizations, you may refer to the specific guides published by ACTEMP, such as the Guide on Industrial Relations and Human Resources Services, or the Guide on Labour Law Services (others to be developed). These provide a technical description of each kind of services in those specific areas (contents, delivery mechanisms, etc.).



TYPE OF SERVICE	EXAMPLES
<b>4. ADVICE AND CONSULTANCY</b>	<ul style="list-style-type: none"> <li>■ Dispute resolution at enterprise level (advice)</li> <li>■ Legal consultancy services</li> <li>■ Industrial relations advice</li> <li>■ Individual counseling and mentoring</li> <li>■ Collective bargaining assistance at company level</li> <li>■ Dealing with inspections</li> <li>■ Taxation and financial advice</li> <li>■ Auditing</li> <li>■ Help with accountancy</li> <li>■ Environmental aspects</li> <li>■ Quality standards</li> <li>■ Business support services: preparation of business plans, assistance in project formulation / drafting project proposal, access to insurance for foreign trade, financial services</li> </ul>
<b>5. NETWORKING</b>	<ul style="list-style-type: none"> <li>■ Regular business meetings</li> <li>■ Meetings with key policy makers</li> <li>■ Industry clubs and committees</li> <li>■ Experience Exchange Groups</li> <li>■ Exchange visits and business tours</li> <li>■ Members directories and database</li> <li>■ Internet based business contacts</li> <li>■ Conferences and events</li> <li>■ Awards</li> </ul>
<b>6. TRADE AND MARKET DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>■ Market linkages</li> <li>■ Marketing of samples and showrooms</li> <li>■ Member 2 Member deals, business to business</li> <li>■ Matchmaking</li> <li>■ Organizing trade fairs and product exhibitions</li> <li>■ Information on prospective (export) markets</li> <li>■ Buyer-seller meetings and subcontracting exchanges</li> <li>■ Distribution of business offers</li> <li>■ INTERNATIONAL NETWORKING:</li> <li>■ Trade delegations and trade visits</li> <li>■ Trade fairs</li> <li>■ International match making</li> <li>■ Product promotion</li> </ul>

TYPE OF SERVICE	EXAMPLES
<b>7. TRAINING</b>	<ul style="list-style-type: none"> <li>■ Management training</li> <li>■ Technical training</li> <li>■ Vocational training centers for staff members and apprentices</li> <li>■ Seminars and group consultancy</li> <li>■ Development of training manuals</li> <li>■ Training curricula and standards</li> <li>■ Organizing legal aspects of staff training</li> <li>■ Certification</li> </ul> <p><b>ISSUES:</b></p> <p>Legislation (labour law, taxation, business, etc.); Industrial relations and HR; Management (HR, financial, communication, etc.); Export; etc.</p>
<b>8. CERTIFICATION</b>	<ul style="list-style-type: none"> <li>■ Information</li> <li>■ Assistance</li> <li>■ Certification delivery: OSH certification on sector level (construction etc), ISO, SA 8000</li> </ul>
<b>9. OFFICE FACILITIES, INFRASTRUCTURE SERVICES AND DISCOUNT</b>	<ul style="list-style-type: none"> <li>■ Translation service</li> <li>■ Payroll administration (Social secretariat)</li> <li>■ Administration: accounting, secretariat services, pooling of secretariats</li> <li>■ Recruitment</li> <li>■ Access to EO facilities (conference services, use of board and meeting rooms, business centers, computers, internet access, telecommunication, catering options etc)</li> <li>■ Developing and managing industrial estates</li> <li>■ Running testing facilities</li> <li>■ Storage and port services</li> <li>■ Export facilities</li> <li>■ Membership card/ with direct benefits and discounts to member</li> <li>■ Group membership discounts and special rates, loyalty programmes (insurance, publications, fleet purchase)</li> </ul>



## BEST PRACTICE

### Confederation of Uganda Employers provides training and consultancy services to its members

#### FUE mission statement

"To offer the most valuable Advisory, Training and Consultancy Services on Employment, Human Resource Management and Development Issues and promote Members' Competitiveness by Improving Productivity and Quality of Work Life."

#### Consultancy Services

- Sourcing and recruiting managerial staff
- Strategic planning and management
- Performance management
- Human resource planning
- Preparation for retirement
- Job evaluation and grading
- Policy formulation on employment issues
- Surveys on salaries/wages and conditions of employment

#### Consultancy Areas

For some time now FUE has undertaken Consultancy assignments from ILO, USAID, IOE, Confederation of Norwegian Business and Industry (NHO), Private Sector Foundation Uganda, PEC and some other members. We wish all members to know our consultancy capability so that they can avail themselves these services at cost effective rates.

- **Recruitment:** Agency for sourcing required manpower by member organizations.
- **Surveys:** Collecting and compiling compensation information for dissemination to member organizations.
- Adaptation to and coping with the dynamics of market forces and trends for member organizations.
- Mechanics, techniques, and tactics of organization sustainability; competitive edge sustenance through regular market performance reviews; organization and employee performance review and appraisal; manpower audit; strategic and succession planning.
- Historical, situational reviewing and ant participatory planning.
- Performance assessment and forecasting.

Source: <http://www.employers.co.ug/>



BEST PRACTICE

**The Employers' Federation of Ceylon (EFC) free and paying services.**

The EFC Secretariat, through its professional staff, provides day-to-day advice to members on a multitude of issues, related to employment and industrial relations. The advice is provided by a team of professionals based on relevant laws and practices supported by knowledge and experience. The research, which is done in-house, also contributes to the Secretariat being up-to-date in terms of developments in employment law and industrial relations.

The services provided by the EFC to its membership include: Advisory services on Labour Law, Industrial Relations and Human Resource Management.

- Legal representation in Employment related litigation in Labour Courts and before Arbitrators, the Department of Labour and the Human Rights Commission.
- Collective Bargaining negotiations with Trade Unions.
- Drafting of Collective Agreements.
- Advice on drafting employment related documents such as Contracts of Service, letters of termination.... etc.
- Dispute settlement through negotiations with Trade Unions.
- Consultancies on labour issues in enterprise re- structuring.
- Drafting of employee Hand Books and Manuals of Procedure.
- Training programmes including customized training.

Representation before the Labour Tribunals, Industrial Courts and Labour Department is provided by an experienced team of professionals

The collective experience of the EFC in relation to collective bargaining by far surpasses the available experience in Sri Lanka outside the EFC. The majority of collective agreements in Sri Lanka are signed by members of the EFC and the negotiations by and large are done by members of the professional staff who have been specially trained for this purpose. The EFC has developed a corporate brochure on free and paying provided service. To download the brochure, visit the website <http://employers.lk/services/services>

Source: <http://www.employers.lk>

## 2.4. THE NEED FOR A STRATEGIC APPROACH TO SERVICE DEVELOPMENT

The changes in the global economic environment and the consequent changing needs of companies and business associations, as well as the risks linked to service development demand a strategic approach to the determination of an EO's service offer and delivery. Indeed, the socio-economic environment, the stage of organizational development, but also the needs of diverse members – i.e. the interests of a medium-sized enterprise in joining an employers' organization are not the same as the interests of a foreign multinational company – are all elements that will influence the service strategy of an EO.

This means that the organization needs to make strategic decisions regarding the best use of resources to respond to members' needs for services, while being sustainable in the longer term.

A strategic approach is also needed when an EO choose to provide services for fees. Indeed, identifying comparative advantages and the EO's niche requires a sound internal research and analytical work. The organization will enter a competitive environment where it must compete for business with the market: lawyers, specialist consultants, accountants etc. To succeed in this environment, the employers' organization will need a selling proposition that is at least as good, and probably better, than private sector competitors. Cut price offers solely based on the organization's "non-profit" status are not likely to be a sound strategic proposition. The employers' organization has to find a way of identifying and exploiting areas of comparative advantage<sup>6</sup>.

A strategic approach involves a series of steps, starting from the analysis of the external and internal environment, going through the determination of objectives, their implementation, and finally the review of their progress.

To refer to Johnson and Scholes' terminology of strategy<sup>7</sup>, these steps can be described as:

- **The analysis of the strategic position**, which is concerned with the impact on strategy of the external environment, of the organisation's strategic capability (resources and competences) and of the expectations and influence of stakeholders. This will mean for an EO to understand where it is at a certain point in time.
- **The determination of strategic choices**, which involves understanding the underlying bases for future strategy at the organizational level and the options for developing strategy in terms of both the direction and methods of development. In other words, deciding where the EO wants to be in the future.
- **Strategy into action**, which is concerned with ensuring that chosen strategies are actually put into action, and monitoring their progress. For an EO, this will consist in the implementation of the strategy, which operates through the business plan. It further consists in assessing the progress of the strategy.

<sup>6</sup> ACTEMP, *The Effective Employers' Organization, Guide Four – Revenue Building*, op. cit., p. 29

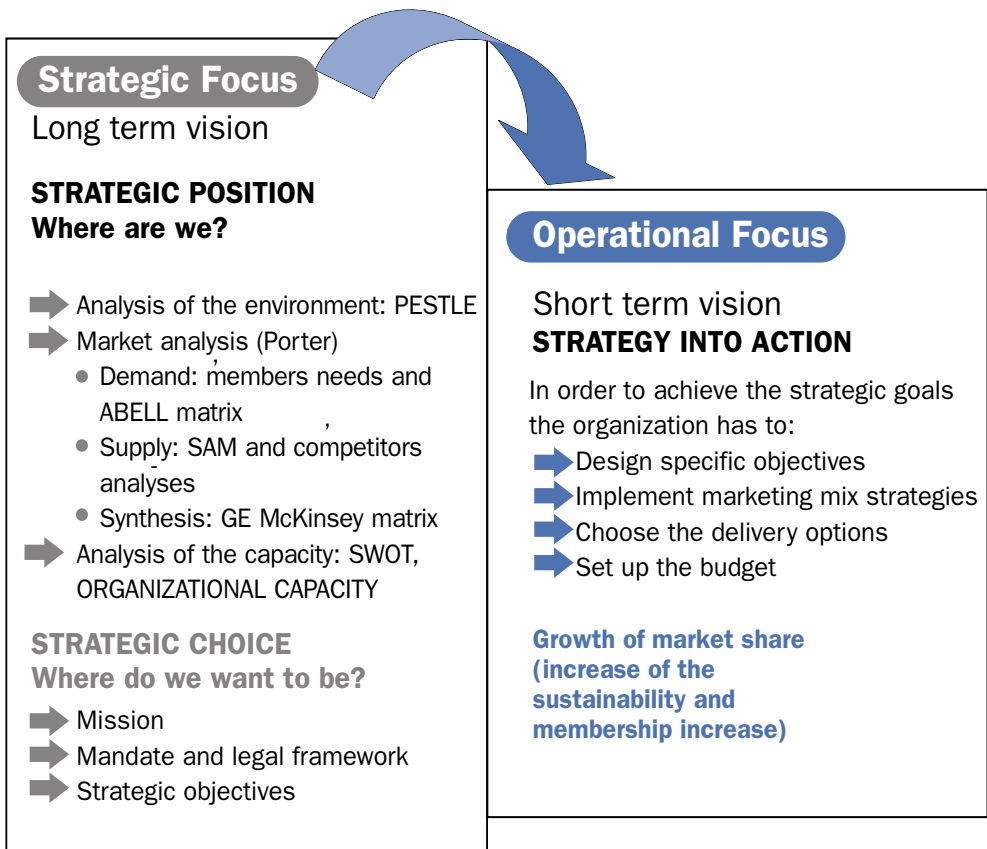
<sup>7</sup> Johnson & Scholes, *Exploring Corporate Strategy*, 8<sup>th</sup> edition, Prentice Hall, 2008, p. 4

**Figure. The three elements of strategy according to Johnson and Scholes**



Strategic Position, Strategic Choice and Strategy into Action form the strategic and the operational focus of the Business Plan we will follow into the present guide for setting up new services or improving existing ones.

**Figure. Link between elements of strategy and Business Plan**



The following sections intend to guide employers' organizations into building and implementing a strategy for services, following the three steps for strategy building just mentioned.

- **Section 3** will focus on the analysis of the position of an EO prior to decide on services to be produced and delivered (Analysis of the strategic position)
- **Section 4** will set lines, limits and tools on how to set strategic objectives (Definition of strategic choices)
- **Section 5** will provide guidance on the operationalization of a strategy for services through the Business Plan (Put the strategy into action)
- Strategy development is a complex process, which takes time and effort but, if well executed, and regularly reviewed, pays off. The overall condition for a strategy to be successful lies in the operational plans, to ensure they happen.

## Section Three

# Analysing employers' organization's strategic position

The first step in strategy development has to do with analysis of the impact of the broad external environment as well as the market in which an EO operates on its decisions. The capacity of the organization to produce and deliver services is another element that will affect the strategy.

Having a comprehensive picture of the strategic position of the organization requires a series of elements to be analysed, which will allow the EO to orientate its strategic choices (goals or objectives). Namely, these elements are:

- the external environment, intended as the broad environment in which the EO operates (**3.1. Environment analysis**);
- the market, i.e. the demand and supply of services (**3.2. Sounding out the market**);
- EO's capacity, i.e. its capacity to produce and deliver services (**3.3. Assessing organizational capacity**).

For all these elements to be analysed, a number of tools has been developed by strategists, which are usually used by companies, but not only. Some of these tools might be already known (PESTLE analysis, SWOT analysis, Abell Matrix, 5 Forces Model...), some of which might have been used in other contexts<sup>8</sup>. These tools can be used for building a strategy for service provision – they are both relatively easy to use and have proven useful in reaching operational conclusions.

Analysing the strategic position of the organization, in other words “where the organization is now” helps to inform the strategy. Indeed, many strategies fail because they do not take into account the reality of the environment and capacities of the organization.

## 3.1. ENVIRONMENT ANALYSIS: THE PEST/LE ANALYSIS

To analyse the external environment of the organization, the PEST or PESTLE – analysis is one of the most “famous” – and simple tools.

The PEST analysis examines the external environment in which the organization is developing its strategy. It gives an overview of the different environmental factors namely **P**olitical, **E**conomic, **S**ocial and **T**echnological that the organization has to take into consideration. It is a useful strategic tool to understand the growth or the decline of a market, the business position of the organization, its potential and direction for operations.

- **Political** factors refer to how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors mainly impact on EOs' advocacy and lobbying, but they also influence an EO's service offer (e.g. when a new law enters into force, then need for companies to comply with the law).

<sup>8</sup> ACTEMP, *The Effective Employers' Organization, Guide Two – Strategy*, p. 41-47



- **Economic** factors include economic growth, interest rates, exchange rates and the inflation rate. These can strongly **influence the demand** of services by EO members, but also the way the organization itself operates and makes decisions.
- **Social** factors include elements such as culture, population growth rate, age distribution, career attitudes and availability of skills. Social trends may also affect the demand for services by companies as well as EO's operations. These factors vary quite significantly from country to country, and each employers' organization will have to develop its own specific strategy accordingly.
- **Technological** factors include ecological and environmental aspects, such as research and development activity (R&D), automation, technology incentives and the rate of technological change. The organization should be able to understand the main strengths pushing new technologies and how they will change the way of competition, if they will open new opportunities of development in service provision or if they will instead represent threats.

Many organizations take into consideration two additional factors in the analysis of the external environment, namely legal and environmental factors. This forms the so-called PESTLE analysis.

- **Legal** factors refer to legislations and legal bodies that impact on employment, access to materials, quotas, resources, imports/ exports, taxation, etc. These factors include current and future home market and international legislation, regulatory bodies and processes, environmental regulations, employment law, consumer protection, industry-specific regulation, competition regulation, etc.
- **Environmental** factors refer to ecological and environmental aspects, such as international, national and local environmental regulations, customer values, market values, stakeholder/ investor values, global factors and others. Many of these factors are in fact economic or social by nature.
- For an employers' organization which plans to develop direct services to members, the PEST or PESTLE analysis helps to identify what are the needs of members: for instance, in situation of recession followed by restructuring, members might need direct assistance to deal with conflicts at the company level; even anticipating them (in case of political reform for example, members might need to be informed and guided to comply with future legislation). In order to anticipate members' needs and adapt the EO's strategy to changing environments, this analysis should be reviewed regularly.

The example of PEST analysis carried out by the Training Service of the Irish Business Employers' Confederation (IBEC) here below shows the evolution of the environment before and after the economic crisis that hit the country in 2008.



# BEST PRACTICE

**BEST analysis carried out by the Irish Business and Employers Confederation (IBEC) Training Unit (2007 and 2008)**

<b>2007</b>	Political	Economic
	<ul style="list-style-type: none"> <li>■ Stable</li> <li>■ Democratic</li> <li>■ Partnership</li> <li>■ Enterprise-focused political climate</li> <li>■ Strong government links</li> <li>■ Highly regulated</li> </ul>	<ul style="list-style-type: none"> <li>■ Celtic tiger</li> <li>■ Huge growth</li> <li>■ Knowledge economy</li> <li>■ Full employment</li> <li>■ International perspective</li> </ul>
	Social	Technological
	<ul style="list-style-type: none"> <li>■ Social issues increasingly intertwined with business</li> <li>■ Work-life balance important</li> <li>■ High expectations</li> <li>■ Increasing focus on employment rights</li> </ul>	<ul style="list-style-type: none"> <li>■ High level of expertise</li> <li>■ High usage</li> <li>■ Broadband penetration</li> <li>■ High expectations</li> <li>■ Provision of free information online</li> </ul>
<b>2008</b>	Political	Economic
	<ul style="list-style-type: none"> <li>■ Unstable</li> <li>■ Public finances</li> <li>■ Changing roles of state training agencies</li> <li>■ Low confidence</li> <li>■ Reduced political support for training employed</li> </ul>	<ul style="list-style-type: none"> <li>■ Recession</li> <li>■ Unemployment 8%</li> <li>■ Decreased funding and subsidies</li> <li>■ Job losses and pay cuts</li> <li>■ Reduced spending</li> <li>■ Training first to be cut</li> </ul>
	Social	Technological
	<ul style="list-style-type: none"> <li>■ Low confidence</li> <li>■ Lack of leadership</li> <li>■ Releasing for training</li> <li>■ Focus on unemployed</li> <li>■ No clear vision</li> <li>■ Anger</li> </ul>	<ul style="list-style-type: none"> <li>■ High level of expertise</li> <li>■ High usage</li> <li>■ Flexible learning methods</li> <li>■ Broadband</li> </ul>



## EXERCISE – FOCUS GROUP

### How do you develop your PEST analysis?

#### Focus group techniques

This technique is very useful for getting the opinion of target audiences on an issue such as the environment surrounding your organization

Put together one or more focus groups of no more than eight people (to ensure plenty of interaction). The idea of this approach is to get people to speak freely about the key ideas of the topic. The objective may be to:

- identify the most important issues concerning the environment;
- identify appropriate sources of information;
- gather some more detailed information;
- analyse the findings together, among issue experts.

The session is chaired by a facilitator, who asks questions and makes sure that everyone is heard. The facilitator will explore some answers in-depth, put conflicting opinions into perspectives and ensure the smooth running of the discussion. This will ensure that the topic is exhausted by the end of the discussion.

#### Examples of questions include:

- What is happening politically in the environment in which you operate, including areas such as tax policy, employment laws, environmental regulations, trade restrictions and reform, tariffs and political stability?
- What is happening within the economy, for example; economic growth/ decline, interest rates, exchange rates and inflation rate, wage rates, minimum wage, working hours, unemployment (local and national), credit availability, cost of living, etc. ?
- What is occurring socially in the markets in which you operate or expect to operate, cultural norms and expectations, health consciousness, population growth rate, age distribution, career attitudes, emphasis on safety, global warming?
- What is happening technology-wise which can impact what you do? Technology is leaping every two years, how will this impact your products or services? Things that were not possible five years ago are now mainstream, for example mobile phone technology, web 2.0, blogs, social networking websites. New technologies are continually being developed and the rate of change itself is increasing. There are also changes to barriers to entry in given markets, and changes to financial decisions like outsourcing and in sourcing.

A discussion lasts no more than an hour and half. A facilitator's colleague will note all the ideas and opinions expressed during the group session. The facilitator and this colleague will produce a written summary no later than the day after discussion.

## 3.2. SOUNDING OUT THE MARKET

The PEST analysis should inform the EO about its surrounding environment and help identify members' needs for services. For a complete assessment of the strategic position, it is also essential to sound out the market in which the EO will operate. This is an essential exercise, especially when dealing with service delivery, since it allows the EO to understand whether there is room for service development and where and who will be the "clients".

Sounding out the market basically means analysing the demand, i.e. members' needs, and the supply for services, i.e. competition. The following parts (3.2.2. on demand analysis and 3.2.3. on supply analysis) will present a series of useful tools to carry out these analyses.

Concerning demand, we will see:

- techniques to analyse the "static demand";
- the Abell Matrix to identify the market domain ("dynamic demand").

Tools to analyse the supply will include:

- the Service Audit Matrix to assess services already provided by the EO;
- the competitors' analysis.

The McKinsey Matrix, which allows coupling demand and supply to determine the attractiveness of a service and the competitiveness of the EO in developing it, will be useful to get a synthesis of the market.

Before entering into the specific analysis of demand and supply, it is worth having a broad picture of the market in which an EO already operates or intend to do so. The Porter's 5 Forces Model is an interesting tool to get this initial global overview.

### 3.2.1. The Porters' 5 Forces Model

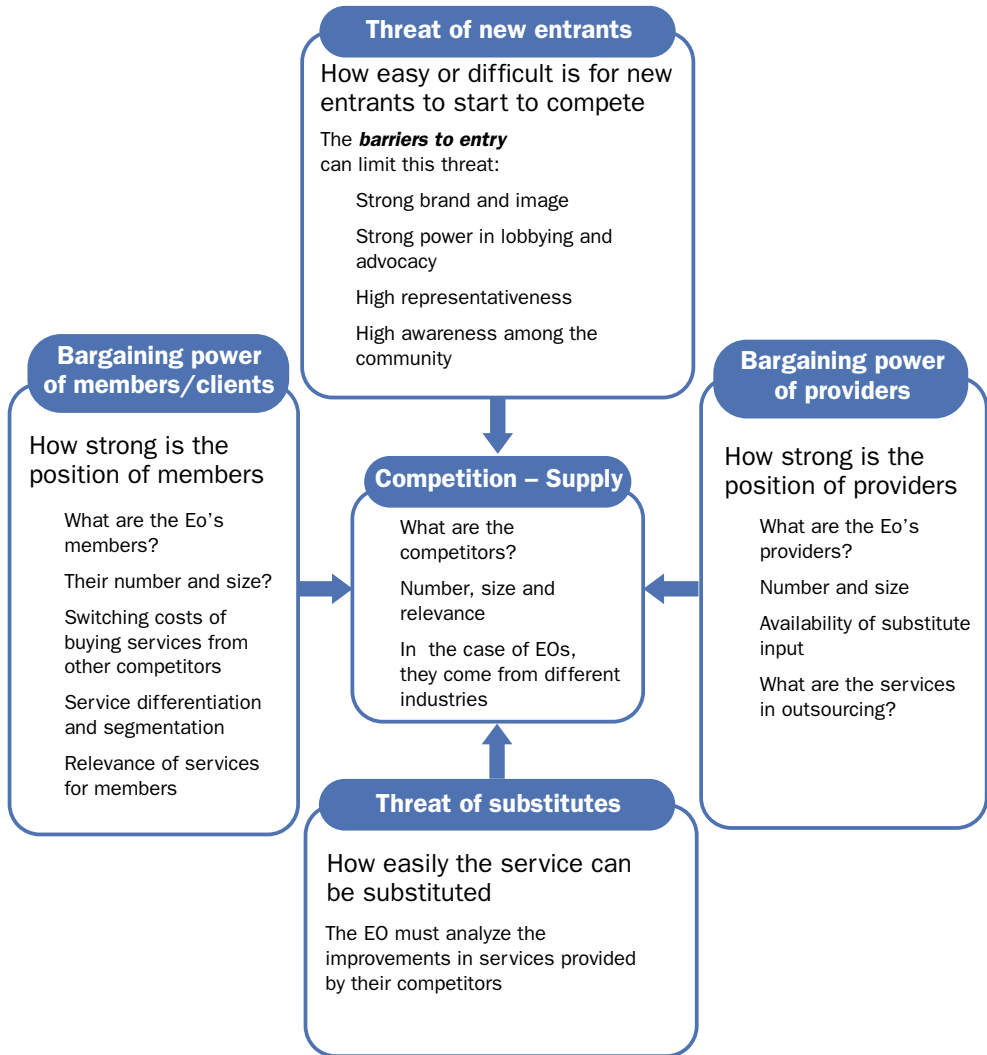
As opposed to the PEST analysis, which focused on the generic external environment affecting the organization, the Porter's Five Forces Model aims at understanding the attractiveness of a **specific** context in which an organization operates – and provides services<sup>9</sup>. For an EO, it will be useful to analyse its own competitive scenario: competitors, customers (i.e. members), substitutes, suppliers and barriers to entry the market.

According to this model, the market structure is based upon five forces:

- threat of new entrants;
- threat of substitute services or products;
- bargaining power of providers;
- bargaining power of clients; and
- rivalry among the players

An organization should assess the different forces to understand the general structure of its market and be aware of the influence and power of the different actors over the market. The figure below gives an example for EOs.

<sup>9</sup> Porter M., *Competitive Strategies: techniques for analysing industries and competitors*, Free Press, New York, 1980

**Figure. Porter's 5 Forces Model adapted to EOs**

The 5 Forces Model is useful to get an overview of the specific market the EO will operate in, in providing services. Two of the five forces are very relevant in the field of service provision, and deserve to be accurately analysed: the demand for services (where and who will be the clients) and the supply (whether there is room for service development), which are presented in the following chapters.

### 3.2.2. Demand analysis

To understand the market, it is necessary to analyse the demand for services, in order for an EO to identify its “target” and the current and potential needs of its service clients, i.e. its members primarily. Accordingly, the analysis of the demand will take into account the static and the dynamic aspects of the demand.

#### 3.2.2.1. Identifying members' needs (“static demand”)

Carrying out an analysis on static demand means identifying members' needs and demand related to the service offer. It is basically oriented towards defining the service(s) that members currently need, without considering potential new clients and how the service delivery could be improved.

For an EO, there are various ways to get to know members' needs and demands:

- informally, by collecting staff and members' opinion;
- analysing information and feedback received during meetings, seminars or trainings;
- discussing with colleagues from sector organizations or directly with members or decision-makers.

For a more sophisticated approach to a so-called "market testing", the following methods can also be used:

- focus groups (i.e. group discussions to learn about a topic)
- interviews, by telephone, e-mail, or face-to-face
- surveys (online, through e-mail, or face-to-face)
- panels (i.e. groups of people who supply information on a regular basis)


Each of these methods presents of a number of advantages and disadvantages that you will need to take into account before choosing to use them.

TOOL	ADVANTAGES	DISADVANTAGES
<b>INTERNET/ONLINE SURVEYS</b>	<input checked="" type="checkbox"/> Limited cost <input checked="" type="checkbox"/> Fast <input checked="" type="checkbox"/> Not intrusive <input checked="" type="checkbox"/> Easy to access	<input checked="" type="checkbox"/> Biased sample (only internet users) <input checked="" type="checkbox"/> No reply (easy to ignore) <input checked="" type="checkbox"/> Security (sensitive information)
<b>MAIL SURVEYS</b>	<input checked="" type="checkbox"/> Cost (cheap) <input checked="" type="checkbox"/> Visual support <input checked="" type="checkbox"/> Allows complex questionnaires (rank, ordering lists of sort items, etc.)	<input checked="" type="checkbox"/> Low reply rate (on average 20%) <input checked="" type="checkbox"/> Often open questions <input checked="" type="checkbox"/> Slow process <input checked="" type="checkbox"/> Qualification of persons interviewed <input checked="" type="checkbox"/> Exposure to competition <input checked="" type="checkbox"/> Incomplete replies <input checked="" type="checkbox"/> Restrictions regarding the length
<b>FACE-TO-FACE/IN PERSON INTERVIEW</b>	<input checked="" type="checkbox"/> Private <input checked="" type="checkbox"/> Depth – length possible <input checked="" type="checkbox"/> Showing and explaining	<input checked="" type="checkbox"/> Cost (expensive) <input checked="" type="checkbox"/> Quality control <input checked="" type="checkbox"/> Slowness <input checked="" type="checkbox"/> No anonymity
<b>TELEPHONE INTERVIEW</b>	<input checked="" type="checkbox"/> Speed <input checked="" type="checkbox"/> Moderated cost <input checked="" type="checkbox"/> More personal <input checked="" type="checkbox"/> Confidentiality <input checked="" type="checkbox"/> Quality control	<input checked="" type="checkbox"/> Limited length <input checked="" type="checkbox"/> No visual support <input checked="" type="checkbox"/> Cooperation barriers

<b>PANELS</b>	<input checked="" type="checkbox"/> Speed	<input type="checkbox"/> Replies are conditioned
	<input checked="" type="checkbox"/> Cheap	<input type="checkbox"/> Representativeness
	<input checked="" type="checkbox"/> Targeted person	
<b>FOCUS GROUPS</b>	<input checked="" type="checkbox"/> Depth	<input type="checkbox"/> Group dynamic
	<input checked="" type="checkbox"/> Speed	<input type="checkbox"/> Bias

Adapted from ACTEMP, *The Effective Employers' Organization, Guide Four Revenue Building*, ILO, 2005

It is possible to get member input by using one or a combination of these approaches. Regular membership surveys may also be useful to assess members' needs. Whichever approach is chosen, the EO can decide to conduct the review itself or contract the task out to an appropriate professional. While there are some advantages of objectivity and confidentiality when using an external professional, this can also be a costly option.


**CHECKLIST FOR SURVEY CREATION**

- ☒ Survey objectives – What do we want to find out?
- ☒ Methodology – What is the best way to contact our sample? (focus groups, case studies, questionnaires, etc.)
- ☒ Sample selection – Who can answer our questions with the greatest reliability?
- ☒ Design of questionnaire – What type of questions do best we need to ask to meet our objectives? (open-ended questions, closed questions, format, phrasing, etc.)
- ☒ Testing, piloting, finalizing – Send questionnaire to others to see what they think of it. The finalize based on feedback
- ☒ Data collection – How will we collect data?
- ☒ Reminder letters – When is follow up necessary and how best to do it?
- ☒ Editing, coding, inputting data – How is data dealt with when it comes back in? Checking of data for errors
- ☒ Analysing data – What is the most appropriate type of analysis?
- ☒ Report writing – What is the most appropriate way to present the data (full report, key findings, use of tables and graphs, etc.)?
- ☒ Dissemination – Who should get copies of the report? Participating companies only or general release.



## BEST PRACTICE

### Association of Tanzania Employers (ATE) Membership Survey 2010

In 2010, the Association of Tanzania Employers carried out its annual membership survey. The survey had three main objectives:

- to provide baseline data and information for tracking the accomplishment of ATE against performance indicators as indicated in its strategic plan 2010-2014;
- to provide an opportunity for members to give their feedback on ATE's performance for institutional learning and adaptive management;
- To generate ideas how best the ATE could provide its members with customized, responsive and timely services for increased business resilience and competitiveness.

The questionnaire was developed with the technical support of COWI\* and DECP\*\*. Part b) of the questionnaire was devoted to services for ATE's members, and included more detailed questions to enable members' feedback on ATE services. Among the findings of the survey, results regarding members' additional services preferences are presented in the table below:

Preferred services	Frequency	Percentage
Formulation of new labour laws	13	6.5
Tax exemption	1	0.5
Training policy	1	0.5
Minimum wages	11	5.5
Settlement of disputes btn employees and employers	16	8.0
Payee	10	5.0
Free labour market in East Africa	2	1.0
Corporate Social Responsibility	3	1.5
Working hours for mining companies	1	0.5
Workplace policy on HIV/AIDS	3	1.5
Harmonization of pension schemes	6	3.0
No additional services suggested	132	66.3
<b>Total</b>	<b>199</b>	<b>100.0</b>



These results suggest that:

- a big percentage (66.3%) are content with the current services provided by ATE;
- Some members (6.5%) would like ATE to intervene when it comes to formulation of new labour laws;
- Others (8.0%) want ATE to prioritize the settlement of disputes between employees and employers.

In addition, members recommended ATE to:

- Strengthen the Legal Advisory Services Unit for provision of customized, effective and timely services to members;
- Regularly review its training modules and approaches to continue offering demand driven trainings to enhance beneficiaries' competitiveness;
- Review its training fees in keeping with market rates and to ensure that its training services contribute to institutional sustainability;
- Issue economic briefs to be shared with members;
- Introduce a new service on recruitment process;
- Assist members in recruitment process;
- Organize training for CEOs;
- Organize meetings / forums among members to discuss issues on site (sector wise);
- Carry out research on salaries.

Finally, part g) of the questionnaire focused on ATE geographical expansion and office infrastructure. As a result, **43%** of the members were of the view that ATE could prioritize its expansion by going western in Mainland Tanzania to make its services closer to both the existing and potential members there.

Concluding, ATE's annual membership survey was instrumental to know members' needs and understand areas for improvement.

\* Consultancy within Engineering, Environmental Science and Economics (Tanzania)

\* \* Dutch Employers Cooperation Programme

Source: Association of Tanzania Employers (ATE), 2010



## BEST PRACTICE

**Montenegrin Employers' Federation (MEF) Training Needs Survey for SMEs on Human Resources development requirements**

Creating a better fit between demand and supply of training for enterprises is the cornerstone for HR development as defined by the European Chapter for Small Enterprises.

MEF is making first steps towards a more systemic training needs' analysis (TNA).

"Until recently when significant public investment was being made in training, the practice has been to undertake an assessment of training needs, project-by-project," said Vladimir Curoviæ, SG of the Montenegrin Employers' Federation, "and with a range of donors also providing assistance a culture of project-driven TNA has evolved".

The Montenegrin Employers Federation has subsequently undertaken a number of pilot, locally based, TNA surveys to determine appropriateness of data gathering tools. The first results were somewhat surprising: only **16%** of new ventures in surveyed municipalities have benefited from start-up training and only **1%** of companies have benefited from post start-up training. For MEF, these results are the clear evidence that training support needs to be improved to provide for sustainability of new ventures.

On the basis of the pilot surveys, MEF has engaged with the labour and education ministries, as well as the SME authority to determine how a more integrated intelligence system could be developed for Montenegro's human capital development. "We were keen to build on our earlier work and have proposed to Government that we develop a more strategic policy monitoring and support system whose objective will be to interface data enterprise training needs with job vacancies and training provision", says Mr. Curoviæ.

The proposal has been taken on board by the government partners and submitted to the European Commission for consideration for financial support through its 2008 financial package to Montenegro.

Sources: <http://www.etf.europa.eu>: <http://www.poslodavci.org>

**3.2.2.2. Identifying the market domain: the Abell Matrix ("dynamic demand")**

On the other hand, the analysis of the "dynamic demand" will enable the EO to identify new technologies to be exploited or new potential targets to be reached, in order to increase its market domain.

The Abell matrix was developed by Derek F. Abell to define the market domain in which an organization is operating by analysing the dynamic demand and comparing what the organization is doing with what it could do. An EO may use it to assess its current demand for services and identify the potential one.

This framework of the matrix is based on three axes:

- Customers/Members groups (Target WHO)
- Customers/Members function (Needs WHAT)
- Technologies and tools (the way needs are being satisfied HOW)

Through a combination of customers (targets), their need for services and suitable technologies to deliver the services, it is possible to draw the “market domain” of the organization and understand if it is big or not; the more complex and tailored the services offered by an EO, the bigger its market domain.

At the same time, the matrix enables organizations to identify:

- uncovered targets (including non-members) new customers’ groups,
- new needs for services, and
- unused technologies, through which it would be possible to meet the needs more efficiently.

By exploiting these opportunities in dynamic (potential) demand, an EO might increase its market domain (as shows the figure a) and b) below) and become more competitive to provide services.

**Figure a) Market Domain**

### What are the members’ needs?

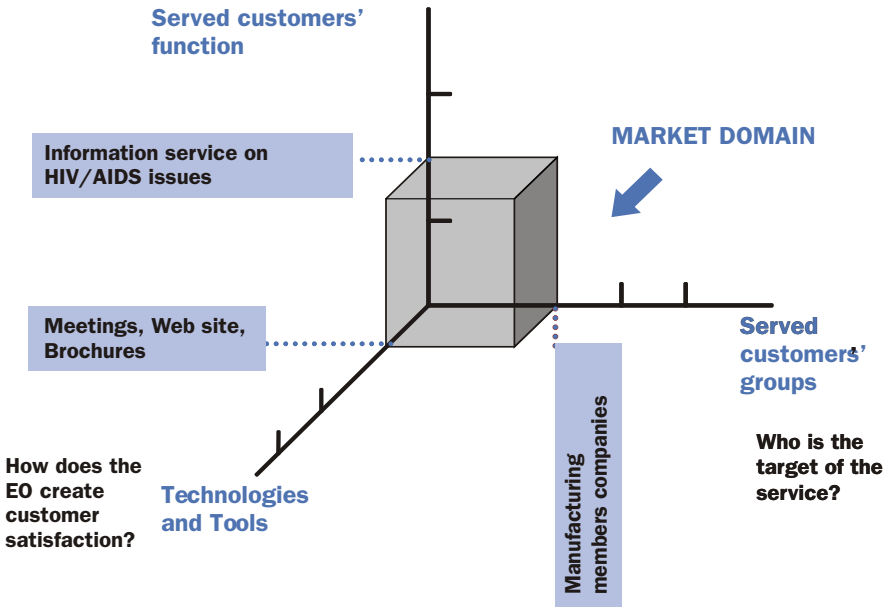
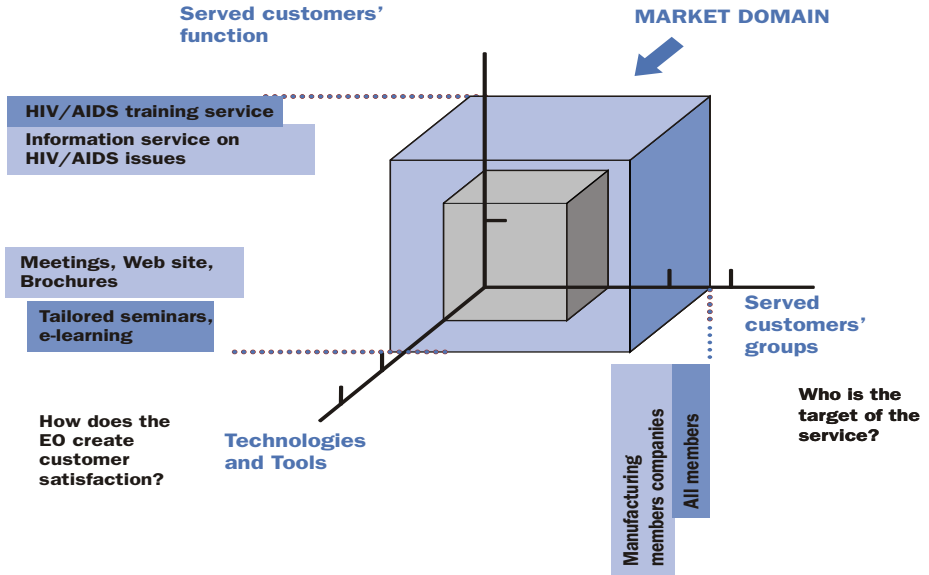


Figure b) Market Domain extension

What are the members' needs?



Adapted from Nijssen E., Franbach R., *Creating customer value through strategic marketing planning. A management approach*, Kluwer Academic Publisher, Boston, 2001

The main outcomes of the matrix are:

- understanding the demand (current and potential);
- providing an idea on the size of the current and potential demand;
- making the organization aware of possible extensions of its market domain.

To extend its market domain, an EO should focus the attention on its members and conduct regular needs' analyses (i.e. at least once a year). By doing so, it will be constantly aware of the changes and challenges faced by its "target", and it will be able to quickly respond to these.

### 3.2.3. Supply analysis

Once the EO has identified the needs of its members and manages to understand its current and potential demand in order to expand its market domain, it has to check which services are already provided by the market. Supply analysis means looking at the organization's offer (audit of own services) and at existing and potential competitors and other factors that may influence the production and delivery of a service (competitors' analysis).

The following part provides some tools to carry out a service supply assessment. These may be used for a group of services, or for a service in particular.

3.2.3.1. Auditing existing services

Before looking at its competitors, an EO may assess and evaluate its own service offer in order to compare it with the market and possibly make a decision accordingly based on the market information. This will also avoid “reinventing the wheel” before venturing into the development of new services, as it will lead the EO to decide on what “bad” services are, and which services are worth keeping or improving.

A service audit matrix (SAM) facilitates mapping the whole “service scene” of an organization. It aims at ranking services using different criteria:

- Reason for which the services were developed: were they part of a long-term strategy or were they designed “ad hoc” to fulfil a demand from members – clients?
- Service delivery cost
- Number and category of members / clients using a service
- Frequency of service delivery
- Provided service vs. market offer
- Profitability of services provided

Analysis of all these areas enables to group existing services in three categories:

- Services to be kept
- Services to be kept but which need renovation
- Services to be dropped

The matrix below suggests a number of questions to reflect upon for each existing service offered by the EO, as well as examples of replies. The list of questions is not exhaustive and might be completed accordingly. It can be used as a checklist.

SERVICE AUDIT MATRIX		
SERVICE X		
Criteria	Example of replies	Suggested decisions
Why has the service been developed?	One-time situation, “emergency solution”	Drop it
How is it linked with EO strategic objectives? Does it complement other services?	Repeating situation, constant demand from clients	Keep it
How often is it used?	Rarely	Consider dropping it out
Info should be put in database to follow-up on services	On a regular basis	Keep it
	Continually	Keep it
How many clients use it? + information on size, region, branch of company + retention rate	One/very few	Drop it
	Few, but important and/or on a regular basis	Consider keeping it
	Many	Keep it

SERVICE AUDIT MATRIX		
Does it cover costs/generate profit? If not, give good reasons for maintaining it in the offer.	Below break-even point*	Consider dropping it out
	Break-even point	See how often it is used and keep it or consider dropping it out if used rarely or difficult to deliver (cost-recovery is minimum requirement)
	Above break-even point	Keep it
How is it delivered (use of internal / external experts, outsourcing)?  Role of EO (service provider, facilitator, Information provider)?  Is it easy to deliver or complicated?	If complicated to set up a team of experts	Consider dropping
	If easy	Consider keeping it
Is the service in the mainstream of your activity or not?	If yes	Consider keeping even if requires a lot of financial means/efforts
	If not and easy to deliver	Consider keeping it
	If not and difficult to deliver	Consider dropping it
How many people are engaged in providing this service?  Are their competences in line with the service activity?	Many whose competences could be used in a more effective way	Consider dropping
	Many and in line with their competences and allows them to develop/network etc	Keep it
	Single employees	Keep it
Is it possible to get it cheaper from the market?  Is the quality of service similar?	Yes	Drop it
	Yes, but not the same program/lower quality	Keep it if it meets the breakeven point or there is a good reason to keep the service that is not profitable
	No	Keep it

\* The "break-even point" is the point when costs linked to developing and delivering the product equal price at which the service is delivered.

The audit of services should be conducted by EO management, together with staff people from different departments, whose different insights will allow having a complex picture of reality and members' needs.

At the end of this exercise, the EO management should understand more in depth its service offer and be able to choose which services to keep or to further improve and those which do not deserve any investment and should be abandoned.

### 3.2.3.2. Competitors' analysis

A similar assessment exercise should be done with competitors' strategies in service provision, in order to establish who is providing the same service/s and what are their competitive advantages – and also weaknesses. Competitors' analysis is also useful to determine who the potential players of the market are.

Competitors' analysis is a critical step while drawing a strategy for services. Analysing the competition means anticipating the market tendencies and adopting the best strategies. The strength of competition will influence the choice of the EO to develop a new service.

Sounding competitors means assessing if the service in question is already supplied and by who, to be able to decide if it is worth producing it, and, if it is the case, to elaborate a marketing strategy. Where a strong market already exists, the EO should not feel obliged to provide the service to its members. It should plan carefully to provide services that are not sufficiently covered by other providers or offer service of different qualities at affordable prices.

A competitors' assessment implies to take into account current competitors, but also futures ones – those who might enter the frame once the service will start being provided.

Generally speaking competitors for an employers' organisation, can be:

- government institutions (in particular in the field of information);
- legal firms (notably with regard to representation services);
- consultancy and training companies;
- other private sector associations;
- EOs' members themselves

To assess competition, the following questions should be considered:

- Who is competing with the EO in providing services?
- What are their strengths and weaknesses?
- Where is the EOs' opportunity for competitive advantage?
- Are competing firms members of the EO (e.g. law firms, consultancy companies...)?
- If so, how will the employers' organization deal with this?
- Is there possibility to build strategic alliances with competitors for certain services?
- How is the market likely to change in the next 2 to 5 years?



## EXERCISE

List the services provided by your EO on a sheet of paper and then, for each service your EO provides answer the following questions:

- 1) Who are the main competitors?
- 2) Do EO members supply the same services?
- 3) What are their strengths and weaknesses?
- 4) What are their goals and their determination to reach them?
- 5) What are their long-term strategies?

Answer these questions in a table such as follows:

	Private sector (non members)	Private sector (members)	Public sector	Community sector (NGOs, other local agencies)
<b>WHO ARE YOUR COMPETITORS? DO EO MEMBERS SUPPLY THE SAME SERVICES?</b>				
Competitor 1				
Competitor 2				
Etc.				
<b>WHAT ARE THEIR STRENGTHS AND WEAKNESSES?</b>				
Competitor 1				
Competitor 2				
<b>WHAT ARE THEIR GOALS AND THEIR DETERMINATION TO REACH THEM?</b>				
Competitor 1				
Competitor 2				
<b>WHAT ARE THEIR LONG-TERM STRATEGIES?</b>				
Competitor 1				
Competitor 2				



In addition, to better identify the direct competitors of the employers' organization, it is useful to determine the key success factors of the service(s) the EO provides or wants to provide in the future, and rank these factors by giving each one a weight. This will allow you to evaluate each competitor on every key success factor and to identify its strengths and weaknesses.

The weight can be graded as follows:

- 1 = low competitiveness
- 2 = medium-low competitiveness
- 3 = medium competitiveness
- 4 = medium-high competitiveness
- 5 = high competitiveness

Fill in the table below for the competitors you identified.

	EO	Competitor 1	Competitor 2	Competitor 3
KEY SUCCES FACTORS, WEIGHTENING 1 TO 5				
Price	5	3		
Customer focus	5	5		
Innovation	3	5		
Use of technologies	2	4		
Etc...				

Sum the values. From the results, you will be able to evaluate in a more “fact-based” manner, which of the competitors are a major threat to the employers' organization and on which factors.

## BEST PRACTICE

## Competitor Analysis – IBEC Training Department (2008)

Competitor	Strengths	Competitive Position
<b>IMI</b>	<ul style="list-style-type: none"> <li>■ Brand and image</li> <li>■ Reputation</li> <li>■ Accredited programmes</li> <li>■ Responsive to new economy</li> <li>■ Linkages with universities</li> </ul>	<ul style="list-style-type: none"> <li>■ Strong – all markets</li> </ul>
<b>IITD</b>	<ul style="list-style-type: none"> <li>■ Database</li> <li>■ Low fees</li> <li>■ Targeted market</li> </ul>	<ul style="list-style-type: none"> <li>■ Strong – for certain markets</li> </ul>
<b>Irish Times Training</b>	<ul style="list-style-type: none"> <li>■ Advertising ability</li> <li>■ Business model results in greater profit</li> <li>■ Lower fees</li> </ul>	<ul style="list-style-type: none"> <li>■ Medium – for certain markets</li> </ul>
<b>IPA</b>	<ul style="list-style-type: none"> <li>■ Targeted toward public sector</li> <li>■ Reputation</li> <li>■ Funding</li> <li>■ Public sector budgets</li> </ul>	<ul style="list-style-type: none"> <li>■ Strong – public sector market</li> </ul>
<b>Professional Development</b>	<ul style="list-style-type: none"> <li>■ Advertising</li> <li>■ Recognition</li> </ul>	<ul style="list-style-type: none"> <li>■ Weak</li> </ul>
<b>Independent Consultants</b>	<ul style="list-style-type: none"> <li>■ Lower fees</li> <li>■ Flexibility on costs and fees</li> <li>■ Speed of response</li> </ul>	<ul style="list-style-type: none"> <li>■ Weak- Medium (due to new economy –customers price sensitive)</li> </ul>

This external analysis of the competitive environment provides both an offensive and defensive strategic context through which to identify opportunities and threats. One of the criticisms of many strategies is the lack of in-depth competitor analysis. It is not sufficient to go on what you hear or believe to be happening. It is important to conduct regular and detailed analysis (at least once a year) of competitors bearing in mind that new competitors can enter the frame at any stage, and they can contribute to change the environment in which the EO competes.

### 3.2.4. Synthesis: The General Electric/McKinsey Matrix

After having scanned the demand and supply in the market, an EO should be able to **cover the gap** between what is needed by its members and non-members and the services the EO is providing or not, focusing on competitors' offer.

To cover the gap, it can use different tools and methods (e.g. conducting regular needs' analyses in order to develop tailor-made services, as explained in the example below) or use a matrix that aims at collecting data from demand and supply to develop services where the EO is competitive and the market is attractive.

The General Electric/McKinsey matrix can be used as a synthesis of the market analysis. It aims at classifying existing or new services (*business portfolio analysis*) and determining which ones should receive more or less investments or which products or services should no longer be offered, in order to obtain a more balanced *portfolio*.

This matrix assesses the services offered by an organization according to the attractiveness of the market and the competitiveness of the organization.

The main factors affecting the attractiveness are listed below:

- market size and profitability
- market growth rate
- competitors' number and size
- pricing trends, demand variability
- segmentation
- social, political and technological factors
- distribution structure
- etc.

While the typical elements affecting competitiveness are:

- the market share
- the market growth
- the opportunity to develop competitive advantages
- customers/members' loyalty
- brand awareness
- relative costs structure and profit margins
- the strength in delivering services
- the level of technologies
- the quality and the innovation policies
- etc.

The matrix combines all these perspectives (by assessing each of them with low, medium or high level), so as to obtain low, medium or high attractiveness and competitiveness and to draw up a 3\*3 grid in which the service can be positioned.

In the following example, an EO wants to evaluate its consultancy service. To do that, it should evaluate all the criteria linked to the service and give a weight (low, medium or high) to both attractiveness and competitiveness. This example was developed by adapting the criteria generally used for profit-oriented companies to employers' organizations specificity<sup>11</sup>.

### Example. Attractiveness and competitiveness of a consultancy service



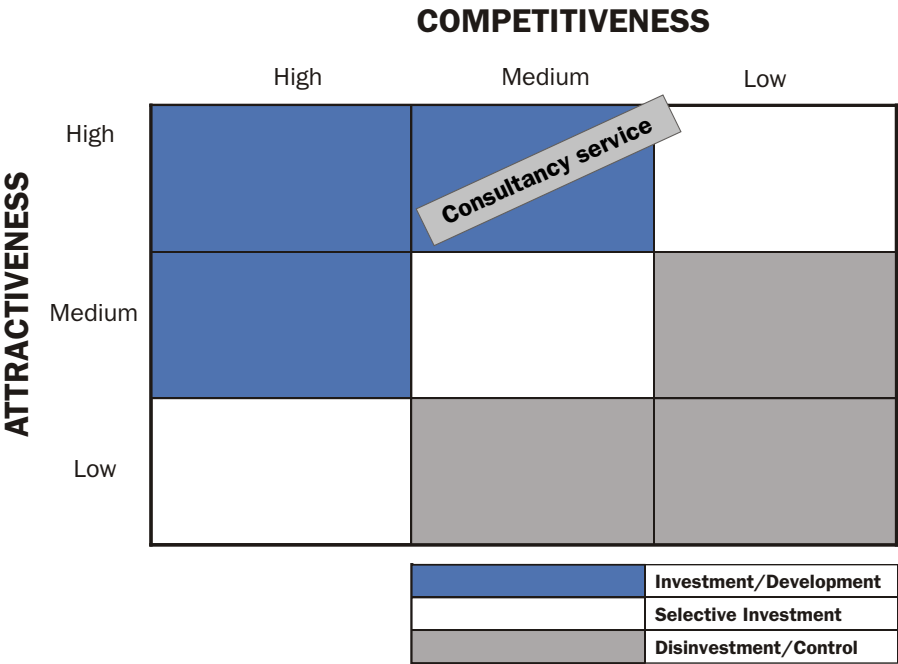
CRITERIA FOR ATTRACTIVENESS (FOR EO)	WEIGHT		
	High	Medium	Low
Profitability		X	
Market growth rate	X		
Competitors' number			X (there are many competitors, which reduce the attractiveness for the EO)
Pricing trends		X	
Network of consultants	X		
Demand growth	X (+30% compared to the last year)		
Impact of Information and Communication Technologies	X		
→ HIGH ATTRACTIVENESS			

CRITERIA FOR COMPETITIVENESS (OF EO)	WEIGHT		
	High	Medium	Low
Market share			X (fragmented competitive arena)
Capacity to retain members through service provision	X		
Competitive advantage in quality	X		
Consultancy service recognition and awareness among non-members			X (not effective communication on service provision among non-members)
→ MEDIUM COMPETITIVENESS			

<sup>11</sup> Since the matrix was built for profit-oriented companies, there are many other criteria for evaluating the attractiveness and competitiveness, which are not useful for employers' organizations. You can read the full list of them at: [www.valuebasedmanagement.net](http://www.valuebasedmanagement.net).

The example above shows that this particular employers' organization should invest in the development of the consultancy service by continuing to implement and improve information and communication technologies as important sources of innovation. This will allow the EO to ask for a higher price for the consultancy service provision.

Communication campaigns should be extended also to non-members so that the organization will use the service not only for retaining but also for recruiting new members.



The main outcome of the GE/McKinsey matrix is to understand what kinds of services are to be developed, modified or improved and where investments are no longer necessary according to the current and potential demand and supply of services.

The following Best Practice is focused on alternative activities (to GE/McKinsey matrix) put in place by the Chamber of Commerce of Kosovo to cover the gap between supply and demand of training services.



## BEST PRACTICE

### Kosovo Chamber of Commerce (OEK) Bridge the gap between supply and demand of training in Kosovo

Kosovo Chamber of Commerce Kosovo's Chamber of Commerce (OEK) is in the process of establishing a **National Training Needs Analysis Centre** (April 2008) whose mandate will be to regularly track training requirements of Kosovo businesses.

OEK also plans to develop a **vocational skills intelligence service**. This aims to bridge the gap between supply and demand of training for Kosovo's business community.

According to the OEK's GS Mr **Ejup Qerimi**, Kosovo's enterprises are still not totally convinced of the overall value of vocational training. Employers want to be convinced that investment in training will impact on companies' performance and thus its efficiency, quality and profitability. Consequently, until the confidence gap is addressed the enterprises are unlikely to begin to systematically include training in the business strategy.

To better the situation, OEK initiative is planned on two levels. Firstly, through the development of a team of training needs analysts at its local offices, and working through enterprise surveys, focus groups and interviews with enterprises, OEK intends to track enterprise skills. Particular emphasis will be given to determining skill weaknesses, identifying skill gaps as well as determining upcoming skill requirements as the Kosovo economy evolves. While, locally gathered information can immediately be assessed by local training providers allowing for more tailor-made training provision, the intelligence developed through the local analysts will be fed up line to the TNA office allowing for a second level of analysis where data will be systematically interpreted for inputs into national policy making in particular in relation to enterprise, education and employment policies.

OEK's TNA developments are being supported by the European Union as part of the package for national reform assistance. On the national level, OEK represents Kosovo's employers on the National VET Council and works closely with the Ministry of Labour and Social Welfare, and the Ministry of Education, Science and Technology.

Source: <http://www.etf.europa.eu>

## 3.3. ASSESSING THE ORGANIZATION'S CAPACITY

After the environment and market analyses, an EO should be able to determine what kind of services are needed by its current and/or potential clients and what are the services already provided by the market and those to be developed – and which will require investment.

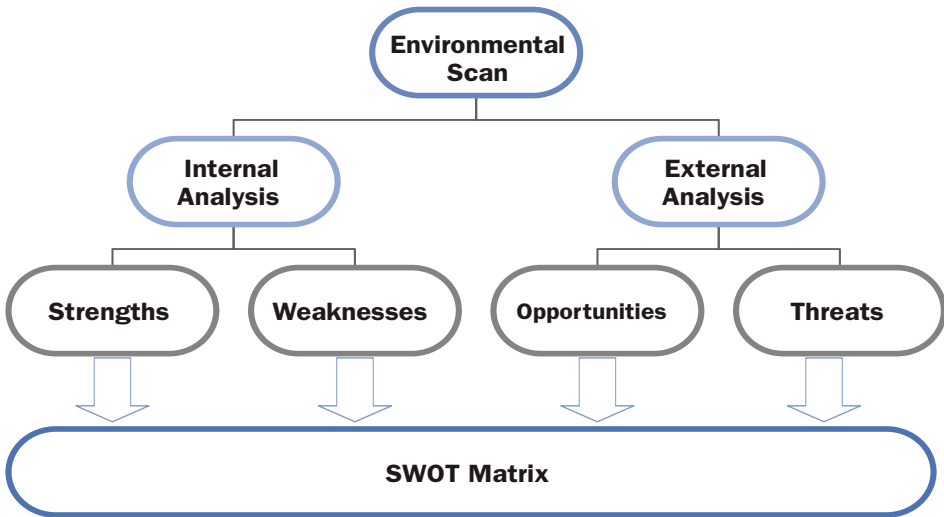
For the range of services an EO may decide to improve or to develop, time must be devoted to analyse its internal capacity related to the provision of particular services.

The SWOT analysis (3.3.1.) takes into account the opportunities and threats of the market EOs have decided to enter, and the internal general and specific strengths and weaknesses, which could be related to the identified service/s.

Assessing the EO's capacity means also identifying their potential to perform, by focusing on staff, infrastructures, technologies, financial resources and so on (3.3.2.).

### 3.3.1. SWOT analysis

SWOT analysis provides useful information for matching organization's resources and capabilities to the competitive environment in which it operates. As such, it is a good instrument for strategy formulation and selection. SWOT stands for strengths, weaknesses, opportunities and threats.



Source: ACTEMP, "The Effective Employers' Organization, Guide Two: Strategy", ILO, 2005, p. 14

The SWOT analysis should first start with the definition of a desired end state or objective (in this case, setting up a new service or renewing an existing service). It then aims at identifying the key internal and external factors that are important to achieve this objective. These factors will help determining subsequent steps in the process of planning for achievement of the selected objective.

SWOT elements can be defined as:

- **Strengths:** attributes of the organization which are helpful to achieving the objective. For example, one attribute can be the expertise of an EO specialist in employee relations.
  - **Weaknesses:** attributes of the organization which are harmful to achieving the objective, for example an exclusive focus on collective issues.
- An organization can control strengths and weaknesses.
- **Opportunities:** *external* conditions which are helpful to achieving the objective. For example, an opportunity could be to build on strong brand recognition or a loyal member base.
  - **Threats:** *external* conditions that could do damage to the objective, for example, a new competitor in an important existing market.

The organization cannot control these two factors.



Carrying out a SWOT will help an EO to think in a strategic way about how to take advantage of its current external environment and how to avoid threats, using its internal strengths and limiting the impact of its weaknesses. Depending on the way to combine elements, different strategies may emerge from a SWOT analysis:

- **S-O** strategies will imply using the strengths to take advantages of the opportunities;
- **W-O** strategies are used to overcome the weaknesses that prevent the organization taking advantages of the opportunities;
- **S-T** strategies will imply using the strengths to reduce the negative impact of the threats;
- **W-T** strategies are to reduce the weaknesses that can make threats have a real impact.



The following example illustrates SWOT strategies:



	<b>STRENGTHS</b> Good network of consultants Strong policy making framework Positive public profile and strong representativity	<b>WEAKNESSES</b> Members pay very low fees Current small services offer Dependent financial base (on donors and membership fees)
<b>OPPORTUNITIES</b> Members need specific training programme on OSH Members are requiring different type of services (training, information, etc..)	<b>SO strategies:</b> Develop a strategic plan on services provision (both paid paid) taking advantages of the good network of consultants	<b>WO strategies:</b> Develop a specific paid OSH training service to become more independent regarding finance
<b>THREATS:</b> Down-sizing in the number of subscriptions Competitors (especially consultancy agencies) provide high-quality OSH training services	<b>ST strategies:</b> Communicate and promote the benefits from your new service offer in a very attractive manner (compare price and quality to the competitors)	<b>WT strategies:</b> Increase the annual membership fees justified by a wide range of new paid services provision (information on web, access to improved bank of data, more regular business meetings, etc.)

Source: ITCILO 2011

In the end, SWOT analysis suggests that an organization should not necessarily always pursue the most lucrative opportunities. It may rather have a better chance to develop a competitive advantage by identifying a fit between the organization's strengths and upcoming opportunities. In some cases, it is more appropriate for the organization to overcome a weakness in order to pursue a compelling opportunity. This is especially true while preparing grounds for developing new services for members: one needs to understand both external and internal constraints and opportunities to take responsible and informed decisions.


**BEST PRACTICE**
**Federation of Kenya Employers (FKE) 2010 SWOT analysis relating to service provision in the field of industrial relations**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Carries out strategy planning every 3 years</li> <li>■ Strong membership base</li> <li>■ Recognition by the government as most representative employers' body for representation in tripartite bodies</li> <li>■ Strong policy making framework at the management board, executive committee and branch general committees' level</li> <li>■ Unrivalled competence in industrial relations</li> <li>■ Good working relations with Labour movement and the government</li> <li>■ Ownership of HQs premises</li> <li>■ Branch network</li> <li>■ Positive public profile as the employers' voice</li> <li>■ Linkages with international organizations</li> </ul>	<ul style="list-style-type: none"> <li>■ Fragile financial base</li> <li>■ Inadequate level of professional staff</li> <li>■ Low visibility in the market</li> <li>■ Reluctance from members to pay market rates for services</li> <li>■ Inadequate ICT infrastructure</li> <li>■ Lack of documented operating systems</li> <li>■ Inadequate technical support staff</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Pro-Growth government Policies and improved relations with the development partners</li> <li>■ Establishment of the East African Customs Union to foster regional trade and growth of enterprises</li> <li>■ Untapped business from potential members including public enterprises and export processing zones</li> <li>■ Expanded involvement in various donor projects within the core mandate of the Federation leading to increased income</li> <li>■ Increased demand for management consultancy and training services as a result of growth of industries</li> <li>■ Availability of opportunities for staff training through linkages with international organizations</li> <li>■ Adoption of ILO and other international standards</li> </ul>	<ul style="list-style-type: none"> <li>■ Involvement of the civil society organizations in industrial relations</li> <li>■ Increasing competition in management training, consultancy and industrial relations</li> <li>■ Emergence of business members organization and alliances claiming to be speaking for the private sector in all issues</li> <li>■ Down-sizing of enterprises with reduction in employment levels upon which the Federation bases its annual subscriptions</li> <li>■ Mergers and closure of businesses</li> <li>■ Uncertainty created by the democratization process</li> <li>■ Regulatory/legal environment</li> </ul>

Source: Interview of Ms Jacqueline Mugo, CEO of FKE, 2010

Sometimes threats can be defined as challenges for employers' organizations and the SWOT analysis changes into the SWOC analysis, as can be seen from the best practice of Swaziland below.

BEST PRACTICE			
 <b>Federation of Swaziland Employers And Chamber of Commerce (FSECC)</b> <b>2009 SWOC analysis</b>			
Strengths		Weaknesses	
<ul style="list-style-type: none"> <li>■ Educated workforce</li> <li>■ Commitment of members</li> <li>■ Affiliation and support to regional and international bodies</li> <li>■ Independence from government</li> <li>■ Strong voice</li> <li>■ Membership (rising)</li> <li>■ Financial Sustainability</li> <li>■ Recognition from players / actors/ stakeholders</li> <li>■ Wider representation</li> <li>■ Strong leadership</li> <li>■ Credibility</li> </ul>		<ul style="list-style-type: none"> <li>■ Inadequate working tools</li> <li>■ Retention Issues – lack of competitive remuneration; structure of salaries</li> <li>■ Lack of regional representation</li> <li>■ Lack of training opportunities</li> <li>■ Lack of monitoring and evaluation mechanisms</li> <li>■ Lack of skills assessment for staff</li> <li>■ Physical location of the organization</li> <li>■ Lack of code of conduct (for members)</li> </ul>	
Opportunities		Threats	
<ul style="list-style-type: none"> <li>■ Strength/backing from members</li> <li>■ Collaboration with other bodies</li> <li>■ Increased technical and financial support from regional and international bodies</li> <li>■ Training service in parastatals and members</li> <li>■ More membership representation / involvement in local, regional and international meetings</li> <li>■ Potential to expand into a training / SME information centre</li> <li>■ Utilizing membership as a resource base</li> </ul>		<ul style="list-style-type: none"> <li>■ Competition from other association e.g. FESBC</li> <li>■ Perception from government</li> <li>■ Perception from traditional structures, general public</li> <li>■ Operating Environment</li> <li>■ Communication dissemination</li> <li>■ HIV/AIDS</li> <li>■ Economic Recession</li> <li>■ Dual Membership</li> <li>■ High cost of utilities</li> <li>■ Availability of data for use by members</li> <li>■ Decent work programs</li> <li>■ International pressure towards political reform</li> </ul>	

### 3.3.2. EO capacity assessment

Capacity assessment is a necessary step in ascertaining the basic competences, strengths and weaknesses of the organization to provide and deliver services.


EO's capacity is its potential to perform, its ability to successfully apply its skills and resources to accomplish its goals and satisfy its stakeholders' expectations. The resources and competencies include:

- staffing
- infrastructure
- technology
- financial resources
- strategic leadership
- process management
- networks and linkages with other business groups

These can be grouped under the categories of resources, management and members. Resources constitute the staff, the infrastructure, technology and financial ability. Management includes strategic leadership, programme and process management, networks and linkages. Members or rather the strength of their engagement with the EO, is the base that underwrite both management and members. All three elements make up the overall organizational capacity.

Organizational capacities have also been distinguished between individuals, groups and team capacities. Individuals possess capacities in the form of knowledge, skills and attitudes. These are usually made available to the EO but always lost when such individuals leave the EO. When knowledge, skills and attitudes are shared with others, such capacities become embedded in processes and when these are widely shared in the entire EO then, they become incorporated in the EO's culture.

In the field of service provision, the main elements to be assessed are organizational resources and culture. The following checklist may help in this exercise.

CHECKLIST FOR EO CAPACITY ASSESSMENT	
 <b>Staff</b>	<input checked="" type="checkbox"/> Degree of specialisation in particular field
	<input checked="" type="checkbox"/> Time available
	<input checked="" type="checkbox"/> Possible synergy with existing work
	<input checked="" type="checkbox"/> Capacity for added value
	<input checked="" type="checkbox"/> Capacity for development through training
	<input checked="" type="checkbox"/> Willingness and client orientation
	<input checked="" type="checkbox"/> Entrepreneurship
	<input checked="" type="checkbox"/> Loyalty to organisation

<b>Infrastructure (back office)</b>	<input checked="" type="checkbox"/> Capacity of Secretariat in time, quality, administrative support (databases) <input checked="" type="checkbox"/> Financial development for invoicing and follow-up: follow up systems, billing <input checked="" type="checkbox"/> Accounting system <input checked="" type="checkbox"/> Membership database
<b>Technology</b>	<input checked="" type="checkbox"/> Follow up systems <input checked="" type="checkbox"/> Training systems
<b>Finances</b>	<input checked="" type="checkbox"/> Commissioning costs <input checked="" type="checkbox"/> Operating costs <input checked="" type="checkbox"/> Investment capacity <input checked="" type="checkbox"/> Lending capacity <input checked="" type="checkbox"/> Cash flow <input checked="" type="checkbox"/> Reserves
<b>Organisation and culture</b>	<input checked="" type="checkbox"/> Commitment to view services and delivery as a priority, also for personnel involved <input checked="" type="checkbox"/> Financial capacity to invest during starting phases <input checked="" type="checkbox"/> Capacity to market the service <input checked="" type="checkbox"/> Capacity to administer <input checked="" type="checkbox"/> Capacity/willingness to motivate staff financially for increase in workload <input checked="" type="checkbox"/> Legal structure: allows commercial practices <input checked="" type="checkbox"/> Competition with members' consequences

Assessing the capacities of staff and of the organization to produce and deliver services further informs the strategy. It will enable an EO to understand its strengths and its opportunities, and make informed choices.

### 3.4. CONCLUSION

The analysis of the strategic position of the EO to provide services comprised:

- the analysis of the external environment (PEST);
- The analysis of the market, through the analysis of the demand and the supply;
- Finally, the analysis of the EO internal capacities, strengths and weaknesses (SWOT)

Following such a in-depth look at the external and internal environment, an EO should be able to **identify the gaps** in service offer that are not filled and the **opportunities** for it to develop new services to members, i.e. its “**niche**”.

The next step in strategy development will concern the determination of the strategic choices regarding a service offer, in other words where the organization plans to be in the future in terms of service delivery.



### CHECKLIST

- ☒ Are there any external threats for my EO to provide services?
- ☒ Who are my competitors?
- ☒ Are my members willing to pay for services?
- ☒ Which services are most needed by my members? By other companies?
- ☒ Are those services already offered in the private sector? At what price?
- ☒ Does my EO has to capacity to answer to unfilled needs by member companies?
- ☒ What are my EO's comparative advantages?
- ☒ Are there any other potential users for my services?

## Section Four

# Defining strategic choices

In strategic planning, the definition of strategic choices (or priorities) means deciding where an organization wants to be in the future. This exercise requires understanding the underlying bases for the EO strategy (what pushes the EO into the strategy), as well as the options for delivering this strategy (direction and methods of development).

While elaborating strategic choices, an EO should bear in mind the results of the analysis of its strategic position. It should also refer to a number of elements and documents that will help it setting these choices. Namely, these elements are:

- the mission statement of the organization (**4.1. Mission statement**);
- its mandate, and the legal framework for service delivery (i.e. quid “not for profit” organization) (**4.2. Mandate and legal framework**);
- the overall EO strategic plan, if any (**4.3. Setting objectives for services into EO’s Strategic Plan**).

Having this in mind will help the EO elaborating service related strategic objectives.

## 4.1. MISSION STATEMENT

As a starting point, an EO may refer to its mission statement (variously described as the vision, vision and values, credo or a combination of these and other terms).

The mission statement is a formal short written statement of the overall purpose of an organization, which explains the reasons for the organization’s existence, its key purposes and its role, and indirectly points out areas in which the organization wants to be active. Ideally, it is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization.

The mission statement of the organization provides the general framework for the development of the service portfolio and should guide the actions of the organization with regard to service provision. It also provides the baseline against which the EO will measure its performance.

A good mission statement should:

- inform members, staff, partner organizations and the general public of the precise reasons why the organization exists;
- provide a clear reference point for establishing organizational strategy and objectives, setting priorities to allocate resources and assigning tasks;
- act as a baseline and a source of inspiration for members and staff in the delivery of organizational objectives.

While the strategic plan is subject to constant revision, this organizational vision is not subject to frequent revision.

Best mission statements are short, meaningful, and reflect what is different or unique about the organization.



BEST PRACTICE

**Mission statement of the Jamaica Employers Federation (JEF)**

“To lead the development of an enabling business environment, through the effective representation and provision of value-added services that strengthen the ability of employers to optimize competitiveness and workplace harmony”

Few EOs have developed a mission statement for a specific service or group of services. This is the case of the Employers Consultative Association of Trinidad and Tobago, who established few years ago a separate structure for service provision, and of the Irish Business and Employers' Confederation, who has a big and well established training service.



BEST PRACTICE

**Mission statement of the Employers Solutions Centre (service company of the Employers Consultative Association of Trinidad and Tobago)**

“Our mission is to deliver customized solutions that are best practice and will significantly improve business organizations particularly in the areas of Industrial Relations, Human Resource Management and Training and Development.”

**Mission statement of the Training Service of the Irish Business and Employers' Confederation (IBEC)**

“We deliver practical training solutions that make a real difference.”

A research by the ILO shows that more than 75% of employers' organizations around the world do have a written mission statement<sup>12</sup>. The same study shows that only one third of them turn it into a business strategy. As said already, the definition of a mission statement is the basis to develop strategic objectives for the organization.

<sup>12</sup> ACTEMP, *Report of the ILO International Symposium on the Future of Employers' Organizations*, ILO, April 1999



## 4.2. EO MANDATE AND LEGAL FRAMEWORK FOR SERVICE PROVISION

In setting objectives regarding its service offer, the EO staff and management should be assured that these objectives comply with the mandate of the organization, especially if it is about paying services, and increasing the income of the organization through delivery of paying services.

Some EOs do retain that their “not-for-profit” profile prevent them from asking their members to pay for a service that should be already comprised in their membership subscription. As a consequence, the EO cannot venture into income generating service provision, unless it amends the statutes or the constitution of the organization.

In other cases, it could be the law that prevents an EO from raising profit from business services, so the EO will have to consider establishing an independent company, a foundation or even a partnership to be able to offer some services to its members.

It might be a question of content of the service itself, which does not fit into EO mandate.



### BEST PRACTICE

#### **Malaysia Employers Federation (MEF) amends its constitution to allow setting the MEF Academy (training institute)**

In the late 1990s, Malaysia faced problems of unemployed graduates due primarily to labour market mismatch. Following a survey among its members, which highlighted inadequacies of the education system, and to address these inadequacies, MEF Constitutional Rule 3 and Rule 4 were amended to cater for the “provision of professional training through the most efficacious means including the establishment of the MEF Training Institute Academy”.

With the amendments to the MEF Constitutional Rules, MEF Academy Sdn Bhd (MEF Academy) was formally registered with the Company's Commission of Malaysia. MEF provided an initial working capital of RM 250,000 to the MEF Academy. MEF Academy shares MEF common services and premises so as to optimize and minimize costs.

MEF Academy was operationalized in July 2005. It is a 100% subsidiary of MEF and governed by a Board of Directors, appointed by MEF Council.

Source: MEF Training Department

## 4.3. SETTING OBJECTIVES FOR SERVICES INTO EO'S STRATEGIC PLAN

For those employers' organizations who already offer services to their members, service provision should be already reflected in the organization's strategic plan. The analysis of the external environment, of the market and the assessment of EO capacities should help reviewing related strategic objectives.

For those instead who think about developing services to members, they will have to elaborate specific strategic objectives so that they fit into the overall strategic plan of the organization. In other words, defining how services will contribute to the overall objective of


the EO. Again, this is possible once the analysis of internal capacities of the EO, external environment and market has been done.

While elaborating strategic objectives, it is important to think about the underlying causes that are pushing the EO to develop new services or to review existing services. Basically, these may be articulated around three aspects:

- fill in a gap (e.g. lack of service for helping SMEs to start-up in a developing country)
- attract new members and/or retain existing ones, so as to be a more effective voice of business
- build service income, to cross-subsidize advocacy activities and improve the revenue mix of the organization
- The strategic objectives should reflect the motivation to develop services to members.

### 4.2.1. From the mission statement to strategic objectives

- To set strategic objectives relating to service provision, an EO can think about how services will contribute to its mission statement, as illustrated in the example below, adapted from FKE current strategic plan.



**BEST PRACTICE**

**Federation of Kenya Employers Strategic objectives relating to service provision**

**a) Mission:** Promoting and enabling business environment for employers

**b) How can FKE service offer contribute to this mission?**

- By improving existing services in terms of quality (for members) and profitability (for the EO)
- By developing Business Development Services (BDS) portfolio in line with the new labour laws enacted in the country in 2007
- By capitalizing on the research efforts allocated to lobbying and advocacy as a driver to identify new services for members

**c) Related strategic objectives:**

- **Strategic objective No. 1:** To improve research capability
- **Strategic objective No. 3:** To better sell and make profitable existing services (linked to 1, innovation for services)
- **Strategic objective No. 5:** To effectively monitor members' satisfaction and needs

Source: adapted from FKE Strategic Plan 2010-2012

## 4.2.2. The Balanced Scorecard approach

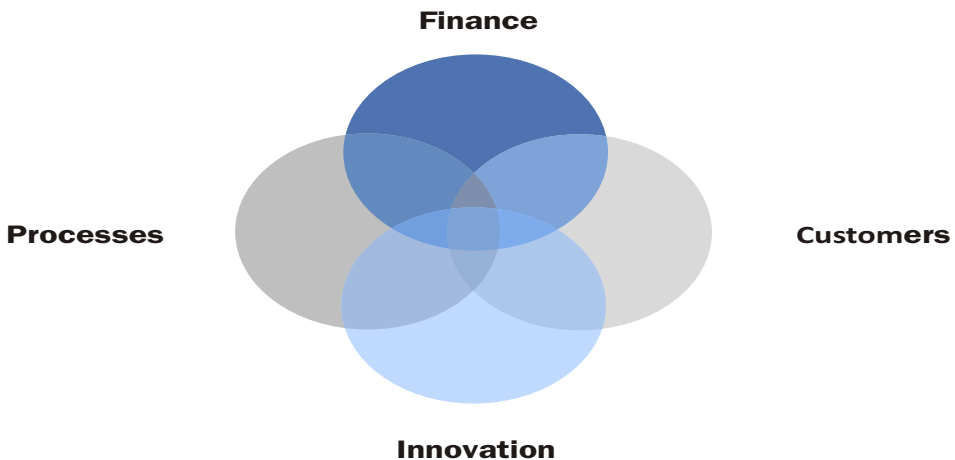
To set service strategic objectives in a more comprehensive way, it can be useful to follow the approach of the so-called **Balanced Scorecard** (BSC).

The BSC is a strategic management performance tool that has initially been developed to provide executives with a comprehensive framework that translate company's strategic objectives into a coherent set of performance measures<sup>13</sup>. This tool is useful to EOs to identify, elaborate and monitor strategic objectives.

Basically, the model provides that a strategic objective should be defined together with a performance indicator and related target. But it should be further elaborated to include the necessary activities to reach each objective. These activities will have to be budgeted to be realistic and operational.

According to this model, strategic objectives should reflect four perspectives, namely finances, customers/members, innovation and internal processes.

**Figure. The 4 perspectives of the BSC model**



Adapted to EOs, these four perspectives can be described as follow:

- The financial perspective looks at the financial structure of the organization and its sustainability. An organization might decide to generate revenue through the provision of fee-based services. In that case, it might decide how much profit to expect from these services.
- The members' (or customer) perspective looks at identifying specific measures that reflect the factors that really matters to EO members. Members' concerns generally tend to fall into four categories: time, quality, performance and cost.
- The internal processes perspective looks at all the processes an organization should perform to excel in its activities and produce valuable services: competencies, use of technologies, etc. Measuring areas should stem from factors that have the greatest impact on members' satisfaction, i.e. factors that affect cycle time, quality, employee skills, or even productivity.

<sup>13</sup> R. Kaplan and D. Norton, "The Balanced Scorecard – Measures that drive Performance", *Harvard Business Review*, Jan-Feb.1992

- Finally, the innovation perspective is about the ability of the organization to grow and innovate, so as to generate more value for members to be part of the organization and to stay in. For an EO, a field for innovation can be indeed service provision to members. Innovation is straightly connected to financial issues, because of the amount of investments that are necessary to make.

The BSC matrix includes a strategic part and a part for performance measurement (indicator and target), as illustrated in the following example.



**Example. BSC matrix for services**

	Strategic Objective	Indicator / Key result area	Target
<b>Financial</b>	Increase revenue from services	Service income / Total income	40% at the end of the financial year
<b>Members</b>	Increase members' satisfaction of services	Percentage of members' satisfaction	70% of members satisfied by EO global service offer
<b>Internal processes</b>	Improve research staff capability	Training time / staff per year	20% of staff time devoted to training in a year
<b>Innovation</b>	Track new trends in service provision	Research conducted among 20 countries	3 months

According to the model, once strategic objectives have been set, they should be further developed into specific operational objectives and budgeted adequately.

Using the BSC approach is only one of the many ways to set objectives. It is up to the EO to choose its process to elaborate its strategic plan, according to its capacity and its strategic planning history.

## 4.4. CONCLUSION

The provision of services to members should be part of the strategic planning process, and, as such, the strategic plan of the EO should integrate specific service objectives. As seen in this section, these objectives should reflect the EO's mission statement and be in compliance with its mandate and legal framework.

Having decided "where the organization wants to be" and set relative objectives within the strategic planning process, it is time to think about how to reach these objectives and put the strategy into action. The following section focuses on the operationalization of the service strategy.

**CHECKLIST**

- ☒ Does our service offer come within the mission statement (or vision)?
- ☒ Does our service offer come within the EO constitution/statutes? If the constitution is too restrictive to allow service provision, can we consider amending it?
- ☒ Are there any legal impediments for my EO to provide services?
- ☒ Does my service offer come within EO strategic priorities?
- ☒ Is it coherent with the overall EO strategic plan?
- ☒ How will we measure the achievement of our strategic objectives?
- ☒ Does the EO have the approval of the Board for this service offer?

## Section Five

# Putting strategy into action

Most strategies fail because they fail to be operational. People involved in strategy making usually do not think far enough about how to bring it into action, what is necessary to do to achieve it and how much it will cost.

To put the service strategy into action, an EO should now focus on its customers, i.e. its members, and think in terms of marketing. Marketing is indeed the management process through which services will move from being a concept to reaching customers and all other organizations' stakeholders<sup>14</sup>. The term marketing also suggests that, to meet organizational goals, an organization should anticipate the needs of its members, and should satisfy them more effectively than its competitors.

The present section focuses on the operationalization of the strategy for service provision, through the elaboration of a **Business Plan**<sup>15</sup>. For each service to be developed (or improved), an EO may draft a Business Plan, which consists of a narrative and financial worksheets setting the main elements to deliver a service, from the conception of the service itself to its development and its final delivery. This formal plan not only helps the EO to place the service on the market, but it also provides a track record for performance and growth monitoring over the years. The business plan represents also an effective tool for communication with the EO staff and with partners, existing and potential members and other stakeholders. Eventually, the plan will help to monitor constantly the achievement of the strategic and specific objectives of the organization.

In the management literature, the Business Plan is generally divided into two main processes: one strategic and one operational (see figure below):

- The “**strategic focus**” refers to the systematic analysis of the environment, the market and members' needs, which is necessary to undertake to quickly respond to the changes and challenges that may emerge in the reference environment.
- The “**operational focus**”, often defined as an “action approach”, is anchored in the short run and looks at each operational activity to be implemented by an organization to put its strategic objectives into action. This operational focus is closely connected to the growth of the market share and the mix of marketing strategies and budget.

<sup>14</sup> The *American Marketing Association* defines marketing as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives”.

<sup>15</sup> To avoid any confusion and be consistent with general EO terminology, we use in this text the term “Business Plan”. It is the same as the “Marketing plan”.



Since strategic elements have been already developed in the previous sections, here we are referring to the operational part of the Business Plan which has to be applied to specific service an EO wants to develop. The operational part consists of the following steps:

- **Step 1:** Set up clear and specific operational objectives related to the services on the basis of the general mission statement and long-term strategic objectives. (**Define specific objectives and indicators**)
- **Step 2:** Define marketing mix strategies in order to achieve the objectives (**Marketing mix Strategies**)
- **Step 3:** Monitor and check if the organization is able to deliver the service by itself. If an EO is not able to do it, it has to choose delivery options among a range of opportunities (**Choice of delivery options**)
- **Step 4:** Monitor and improve the services trying to get the balance between expected costs-benefits and reached costs-benefits (**Budget**)
- **Step 5:** Monitor the business plan and the new service/s implementation by using financial and qualitative indicators.

### STEPS OF THE BUSINESS PLAN – OPERATIONAL FOCUS


<b>Step 1. Define specific objectives/ indicators</b>	<p>What are the expected outcomes from services provision?</p> <ul style="list-style-type: none"> <li>■ Attracting new members</li> <li>■ Improving EO perception and brand awareness</li> <li>■ Improving members' satisfaction and retention</li> <li>■ Increase the sustainability</li> </ul>
<b>Step 2. Marketing mix Strategies*</b>	<p><b>Product/Service</b> = What kind of service to develop?</p> <p><b>Price</b> = What are its features concerning the price? (paying or not, discounts, price levels, etc..)</p> <p><b>Place</b> = Where will the service be provided? What about the availability?</p> <p><b>Promotion</b> = How will members be informed about the new service? How to promote values and benefits of the service in the most attractive way?</p> <p><b>People</b> = How many people (staff and non-staff) will be involved? What are their roles and skills?</p> <p><b>Process</b> = What are the different “process” steps to make the service effective, efficient and attractive?</p>
<b>Step 3. Options for delivery</b>	<p>If the employers' organization is not able to deliver the service by itself, it is necessary to consider other delivery options?</p>
<b>Step 4. Budget</b>	<p>Decisions concerning costs and benefits</p>
<b>Step 5. Monitoring</b>	<p>How will the EO monitor new service?</p> <p>What are the indicators of success/ failure?</p>



## 5.1. STEP 1. DEFINE SPECIFIC OBJECTIVES AND INDICATORS FOR THE SERVICE

Services often include different objectives, each one of which should contribute to the achievement of the overall strategic objective of the EO service offer (See Section 4 on Strategic choices).

The identification of at least one specific objective per service helps the EO to remain focused on the needs detected through members' needs analysis.



### BEST PRACTICE

**Specific objectives for training service to be developed by the federation of Kenya Employers**

**Overall objective of FKE service offer:**

To raise the profile of FKE as a contributor to the enabling of business environment.

**Specific objective of FKE renewed training service portfolio:**

To develop 2 new training programs and improves on 2 existing ones in order to enhance service to members and increase revenue from training.

Training Service	Justification	Specific Objective per Service
<b>Implication of the new constitution on industrial relations</b>	The new constitution (August 2010) has some clauses which have implications on labour administration.	To prepare HR practitioners on how to handle labour matters within the provisions of the new constitution.
<b>Legal aspects of outsourcing</b>	Outsourcing has become a common business strategy whose implementation still faces legal challenges.	To prepare business leaders on legal considerations regarding outsourcing.
<b>Negotiation Skills</b>	CBA negotiations between management and unions need to be fast tracked. Some FKE staff has completed a Training of Trainers on negotiation skills.	To impart to management staff and union leaders/shop stewards the art of negotiations.
<b>Productivity Improvement</b>	There is a general movement in the labour market to link wages to productivity.	To prepare senior managers to improve organizational performance and link productivity to wage negotiations.

Source: adapted from FKE Strategic Plan 2010-2012

The purpose of breaking down specific objectives and justification should help establishing concrete outcomes to achieve and, later on, to outline the actions/activities to be undertaken and the resources needed.

Not only an assessment or qualitative description of the proposed services should be made the hoped-for outputs must also be quantified. Thus, if the objective is “to prepare HR practitioners on how to handle labour matters within the provisions of the new constitution”, this should be translated into a measurable target, usually expressed through an **indicator**: e.g. the number of training days, frequency of training courses, total number of participants, and expected revenues. Indicators define the desired target that the service intends to reach and they should also be set against a precise time frame: e.g. one year.

In an attempt to define precise targets of a service, it is useful to use the SMART approach that includes the five following **indicators** of quality:

<b>S</b>	Specific
<b>M</b>	Measurable
<b>A</b>	Achievable
<b>R</b>	Realistic
<b>T</b>	Time Bound

The table below describes further what does each of these qualities mean, and can be helpful when you will draft SMART indicators for your service.

	Description (A SMART indicator should bear in mind the following questions)	Example of a SMART Indicator
<b>Specific</b>	What do you exactly want to achieve in your organization? <b>What</b> do we want to achieve? <b>Why</b> ? <b>Where</b> and <b>for whom</b> is it going to be realized?	Training service:  <b>Implication of the new constitution on industrial relations</b>  3 training programs on the new constitution for members, 15 pax each, for total revenue of USD 15,000 are implemented at FKE premises by the 30 <sup>th</sup> Nov 2011
<b>Measurable</b>	You need to be able to track the progress and measure the service outcome. A good indicator statement should answer the question: “ <b>How much or how many?</b> ”	
<b>Achievable</b>	<b>Who</b> (is responsible for it)? Keeping in mind human (and financial) resources for its development is essential to guarantee achievement	
<b>Realistic</b>	The indicator should be <b>challenging</b> , but <b>realistic</b> . This is connected to the <b>relevance</b> of the activity for the organization.	
<b>Time-bound</b>	Achieving objectives should be placed in time – good indicator statements should include the question <b>By when</b> (do you want to achieve you result?)	

The example that follows takes the situation in which an EO has decided to introduce a service of phone counselling on recruitment practices.



### Example. SMART approach

A mature EO has decided to introduce a new service: phone counselling on recruitment practices. In order to operationalize this idea, the Creative Team Managing Director of the organisation and two Project Coordinators with a long employment history and a wide experience used SMART Approach to set indicators of quality in order to achieve the goals effectively. They precised the following indicators:

#### SPECIFIC

- **What?** New service was defined as “phone counselling on recruitment practices”;
- **Why?** To meet a repeating demands from members;
- **Where?** Via phone from the organization premises, FAQs will be published on the website on a bimonthly basis;
- **For whom?** Members only;

#### MEASURABLE

- **How many?** Advice should be provided on a regular basis, after 3 months of operation the statistics will be revised and the required number of interventions will be precised

#### ACHIEVABLE

- **Who is responsible?** One of the Labour Market Specialists working under the supervision of one of the Project Coordinators from the Creative Team was nominated the “owner” of the service and charged with providing services, while his supervisor was made responsible for monitoring delivery of the product and offering assistance when needed

#### REALISTIC

- It would be nice that all members became “recruitment professionals” thanks to the provided services, but this is not feasible. **Relevant** and **realistic** goal will be to ensure that members are provided with the necessary advice “just-in-time” (within 2 working days maximum, if the case is complicated; if not, on the spot);
- **Result:** members should use the service on a regular basis, which should allow for a step-by-step improvement of their recruitment practices

#### TIME-BOUND

- **By when?** Phone counseling services should be made operational within the month after the decision was taken, the FAQs on the website should be made operational after 2 months from the start of the project and should be updated on a bimonthly basis.

## 5.2. STEP 2. MARKETING MIX STRATEGIES

One of the most popular concepts related to marketing and business planning is the **marketing mix** strategy. According to its author, Prof. Neil Borden<sup>16</sup>, there are a number of company performance actions that can influence the consumer decision to purchase goods or services. The marketing mix describes the actions of the company/organisation in some interrelated areas, which shall be analysed jointly to meet clients / members' needs.

The original marketing mix strategies were identified as actions regarding “**4Ps**”, namely: **Product, Price, Place and Promotion**.

Talking about services, management literature suggests adding at least two more “Ps” to the traditional ones. Because of the intangible features of the service itself, an organization should focus its efforts on implementing strategies regarding **People** and **Process**.

All Ps can be defined as follow:

<b>PRODUCT/SERVICE</b>	What needs of our members are to be fulfilled; Quality and features of the service
<b>PRICE</b>	Investments on service development and non-material values (e.g. time, efforts to delivery) which have impact on price
<b>PROMOTION</b>	Promotion, advertising, awareness and information to members
<b>PLACE</b>	Where is the service provided? Different modalities of distribution
<b>PEOPLE</b>	Individuals have influence on the final shape of the service. Who delivers the service can influence members' satisfaction (staff must be motivated to do the best)
<b>PROCESS</b>	Sequence of activities in the service development, delivery and follow-up

Jobber identifies four main requirements an organization should satisfy to obtain an effective marketing mix strategy<sup>17</sup>. Accordingly, an EO should:

- **Meet the needs:** members' satisfaction means members' retention. Analysing the needs and meeting them proves an organization is market and marketing oriented.
- **Create competitive advantages:** the advantages can be defined by the organizations' market positioning (what) and its core resources and skills (how). Using these two sources of competitive advantages an EO should be able to obtain better results in its business environment.
- **Be fit for the resources:** the quality and the amount of the resources at organization's disposal represent limitations to marketing mix actions. Some of them are: financial resources, human resources, organization's structure, core skills and knowledge, etc.
- **Be coordinated:** Besides defining single elements of marketing mix, it is very important to define relations among them and to find the right combination for each service. Wrong choice of single elements or elimination of one of them may hinder success of the service on the market.

<sup>16</sup> Harvard Business School. The concept is dated from the early 1960s.

<sup>17</sup> Jobber D., *Principles and Practice of Marketing*, McGraw Hill Book Company, London, 1996

Looking for optimal combinations of marketing mix, it can be helpful to draw the different possible combinations and choose the best one for a given service. Creating combinations means taking decision regarding:

- products with different features (P)
- different price levels (Pr)
- different forms and channels of distribution (D)
- different promotion tools (Pn)
- different mix of processes (Pro)
- different skills and knowledge among people (Pe)

The table below presents different marketing mix combinations for three different forms of a same service.

Levels of marketing tools	P	Pr	D	Pn	Pro	Pe	Marketing tools' combination	Marketing Mix Type
1 (the lowest)	<b>P1</b>	Pr1	D1	Pn1	Pro1	Pe1	<b>P1- Pr2- D5- Pn2- Pro2- Pe 2</b>	<b>Mix 1*</b>
2	P2	<b>Pr2</b>	D2	<b>Pn2</b>	<b>Pro2</b>	<b>Pe 2</b>		
3	P3	<b>Pr3</b>	<b>D3</b>	Pn3	Pro3	Pe3		
4	P4	Pr4	D4	Pn4	<b>Pro4</b>	<b>Pe4</b>		
5 (the highest)	<b>P5</b>	Pr5	<b>D5</b>	<b>Pn5</b>	Pro5	Pe5	<b>P5- Pr3- D3- Pn5- Pro4- Pe4</b>	<b>Mix 2*</b>

\* **Marketing Mix 1:** service of a low quality, relatively low priced, widely distributed and popular on the market, with a moderate promotion, low effectiveness in process, low quality of the staff skills.

\* **Marketing Mix 2:** service of a very high quality, average priced and average level of distribution, widely promoted, well organized and efficient process, high quality skills of the people involved.

While drawing marketing mix strategies, an EO should assess and review all elements of the marketing mix. The following parts detail the six fundamental elements of the marketing mix identified for service provision.

### 5.2.1. Product/Service

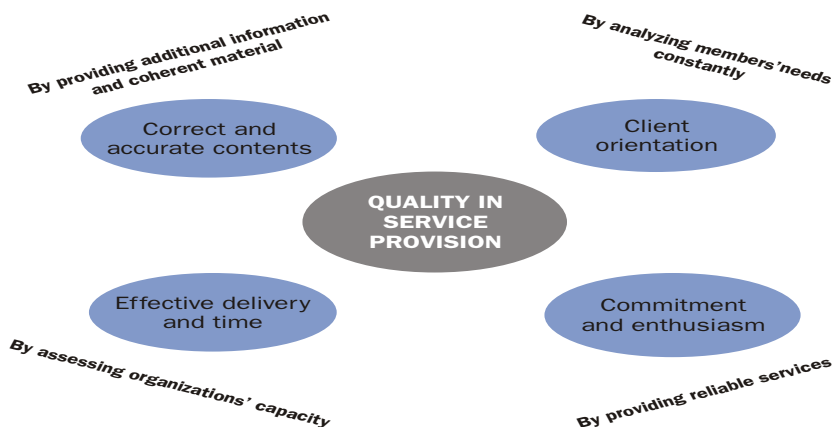
A service has to be designed with the aim to increase members' satisfaction. Accordingly, employers' organizations should focus their efforts to make their service more effective in terms of quality. There are many aspects they can work on in order to increase the level of perceived quality by clients:

- First of all, a good service should be **correct and accurate in its contents**; in this sense the added value an EO could give to service can be by providing additional information and setting up the service content on the basis of coherent and high quality material.
- Secondly, quality is defined as client orientation, which implies the design of **customer friendly** and relevant and comprehensive services for clients; employers' organizations should constantly anticipate and analyse their members' needs in order to meet them.

- Thirdly, good service implies **commitment** and enthusiasm among members; the more the organization is able to provide reliable service, the more customers will be committed to the organization itself.
- Eventually, quality in services offer means providing them with an **effective and timely delivery**, i.e. where and when members need them. The organizational capacity (staff involved, management skills and processes) can really influence the final shape of the service/s.

The figure below summarizes the features of a high-quality service and how to improve its perception among users.


**Figure. Quality service requirements**



Source: ITCILO 2011

Employers' organizations have to assess the quality and the use of each service developed, as well as the user's satisfaction respectively (i.e. members' satisfaction). In fact, the perceived quality by members, or added value, is extremely important to improve the quality of the service. Good impact measurement systems will facilitate the improvement of the quality of services.

When assessing the impact of the production and the delivery of a service, the EO's person in charge of this service should address the following questions:

CHECKLIST FOR QUALITY PRODUCT/SERVICE	
	
<input checked="" type="checkbox"/>	Is the service of sufficient depth and scope? Does it have the expected features?
<input checked="" type="checkbox"/>	Is the service of expected quality?
<input checked="" type="checkbox"/>	Is the service effectively delivered?
<input checked="" type="checkbox"/>	Is the service delivered at the expected time?
<input checked="" type="checkbox"/>	Does the service create more commitment among members?

As far as user satisfaction is concerned, regular EO membership surveys can be a useful tool to assess the satisfaction on the entire provision of services by the EO. *Ad hoc* satisfaction surveys may also be conducted among users, when the EO looks for a feedback on specific services (e.g. evaluation questionnaire following a training course).



## BEST PRACTICE

**Members' satisfaction survey regarding services by the Steel and Engineering Industries Federation of South Africa (SEIFSA)**
**SEIFSA's current services**

1. Are you aware that SEIFSA offers various products and services to its members in the following fields:

	Yes	No
Industrial relations		
Economic and commercial		
Skills development		
Health and safety		

2.

☒ Yes

☒ No

Comment:

3. Industrial relations services – Please rate each of the following industrial relations product and service aspects listed below:

	NA	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Consultancy						
Workshops						
In-house training						
Publications						
Wage negotiations						
Telephonic / Electronic advice						
Representation on national bodies						
Dispute resolution						

Source: Extract from Steel and Engineering Industries Federation of South Africa (SEIFSA) Membership Survey 2010

## 5.2.2. Place

Decisions concerning place are referred to the choice of the right and most suitable channels of distribution of the service/s.

Different services may require different channels of distributing them: both physical and not. For example, talking about information services they can be simply distributed on websites, without any human relationships or support, as well as training by distance e-learning.

On the contrary, a consultancy service needs to involve both people and physical channels from the employers' organization and from the advised company; here the service can be delivered on site or on the premises of the employers' organization. Some services (simpler consultancy for example) can be also delivered by phone.

When choosing place strategy, one important element is the **proximity**. Being close to a wide range of companies is important. Most employers' organizations have regional or local branches in major cities within their jurisdiction, so that they can provide advice directly. Physical proximity often means individual proximity. In fact, the relationship built up between the adviser or consultant and the company is often crucial to the service, and companies sometimes refuse to be advised by someone far from them.

To sum up, the main channels of distribution for an employers' organization are:

- on site
- on the EO's premises
- phone
- mail and e-mail
- website

Another important aspect to be taken into account when referring to place is the availability of the service/s: a 24-hour service may improve the perception of quality among members. The concept of **availability** is strictly related to the channel of distribution on which the service is proposed; Internet surely represents a channel for continuing delivery of services.

## 5.2.3. Promotion

Promotion is an important element of marketing mix strategies. It has a number of functions and is related to the communication strategy, which enables employers' organizations to strengthen their brand awareness and customer retention.

Communication is the most effective way through which an organization is able to establish a strong relationship with members and partners in order to share information on certain subjects or facts.

Talking about promotion, it is worth mentioning the importance of EO membership databases, which are essential tools for promotion (but not only, see Chapter 5.2.3.4.).

There are two levels of communication:

- **Communication with the staff, which aims to:**
  - make the staff aware of what are the mission and values, the strategic goals and how they can be achieved by the marketing mix plan;
  - clarify staff responsibilities inside the organization;



- build and maintain strong the organization identity in the minds of employees, develop some emotional connections with the organization's brand<sup>18</sup>.

The process of communication with the staff can really affect the commitment and the loyalty of employees and make their way of working more effective.

■ **Communication with clients/members, which aims at:**

- informing stakeholders on what the organization does and how the plans can be realized, clarifying its positioning (institutional communication);
- presenting the set of services offered as the most attractive;
- convincing members to choose the organization's services, by communicating their values, benefits and quality.

This process can create loyalty and awareness among members and the organization can be well recognizable and perceived among all the stakeholders.

### 5.2.3.1. Promotion functions

Promotion has four major functions:

- **Information:** contributes to keep members informed by passing information on new services, its features, sales locations, prices and/or sales conditions.
- **Sales support:** contributes to sales process and can be either of a convincing character its goal is to make potential customers/members purchase service or of a "refreshing" character – its goal is to remember organization/service to the members and build members' loyalty.
- **Education:** contributes to teach members about new services and benefits the members may have if they buy them;
- **Competition:** contributes to position service against services offered by competitors.

In order to achieve these goals, there are a number of instruments used especially for promotional purposes.

### 5.2.3.2. Promotion instruments

Promotion is based on five basic instruments:

- **Commercials:** different kinds of presentation of services and their advantages; mainly they are: TV, radio, daily newspapers, journals, external outdoor and other commercial media. The only commercial communication media an EO can use if it wants to cut costs is the Internet (promoting its initiatives and services on the website). Direct mailing is also cost effective and promotes strong and personal relationships with members. Usually commercials are to raise awareness among the target audience.
- **Personal sales:** presenting organizations' offer during conversation with a potential customer with a view to conclude transaction, face-to-face communication. Personal sales are crucial for an EO as they enable direct contacts with member companies, learning about their needs and usually deepening relations. Personal sales are usually executed by a "liaison officer". As a direct form of communication, the main objective of personal sales is to sell products or services.

<sup>18</sup> Ulrich D. and Smallwood N., *Aligning firm, leadership and personal brand*, Leader to Leader, Winter, 2008

- **Sales promotion:** sometimes called “complementary promotion”; it is a set of means aimed at increasing service attractiveness by equipping it with additional financial or non-financial incentives. It includes discounts or catalogues, reprints of advertisements, special displays etc.
- **Public relations:** all initiatives aimed at maintaining good relations with environment in which organization operates; it is a non-personal form of promotion which aims at creating organization's positive image. Public relations are often used to influence opinion leaders, governments and other kind of association by conferences, press release, etc..;
- **Sponsoring:** providing financial or non-financial support to different organizations, persons or events in exchange of promotion of organization or its service/s. Sponsoring is widely used especially by big EOs. As well-known partners they are valuable for those organizing conferences or seminars having them as partner or promoter can be very attractive and can enhance the image of the organizers. For smaller EOs, creating alliances with other organizations/institutions or enterprises to get their service offer promoted could be a good approach.

With regard to service provision, commercials are the most important means of promotion for raising awareness. They can be classified according to their goal, subject of promotion or used media, as in the table below.

GOAL	SERVICE COMMERCIAL – GOALS	ORGANIZATION COMMERCIAL – GOALS
<b>To inform</b>	<ul style="list-style-type: none"> <li>■ Introduce new service.</li> <li>■ Explain what service gives.</li> <li>■ Suggest how it can be used.</li> <li>■ Inform about change in price.</li> <li>■ Explain what has been changed.</li> </ul>	<ul style="list-style-type: none"> <li>■ Build organization's image.</li> <li>■ Explain organization's behavior/comment on information/accusations.</li> <li>■ Inform about planned changes in organization mission.</li> </ul>
<b>To compete</b>	<ul style="list-style-type: none"> <li>■ Build brand.</li> <li>■ Persuade customers immediate purchase.</li> <li>■ Convince partners/"go-betweens".</li> <li>■ Attract customers of other brands.</li> </ul>	<ul style="list-style-type: none"> <li>■ Build loyalty of customers.</li> <li>■ Point out organizations' competitive edge.</li> </ul>
<b>To “refresh”</b>	<ul style="list-style-type: none"> <li>■ Maintain brand domination.</li> <li>■ Recall service history.</li> <li>■ Point out service benefits.</li> </ul>	<ul style="list-style-type: none"> <li>■ Recall organizations' achievements.</li> <li>■ Recall organizations history.</li> </ul>



## BEST PRACTICE

### Cayman Islands Chamber of Commerce Member Programmes

The Cayman Islands Chamber of Commerce proposes to its members programmes such as:

**Public Relations** allow members and non-members to participate the event they are interested in. They can find all the information regarding day, hour and place of the event on the website in the “Calendar of Events” section. People who decide to take part in the event will automatically receive an email reminder before the event. The costs of the events and training sessions vary from members to non-members. A discount is applied for members.

The Chamber’s main events for May 2011 are:

- Management Skill Series 2 Communication and Conflict Management 9 May 2011
- Understanding Employment Related Laws 17 May 2011
- Team Leadership 20 May 2011
- Certified Associate in Project Management (CAPM) Certification Review 23 to 27 May 2011
- Project Management Fundamentals 30 May to 1 June 2011

#### Monthly Feature Marketing Plan

Every year the Chamber of Commerce publishes on its website a list of different services or business product provided per month. The list is placed on the Chamber’s website and all the members are invited to choose the month that best suits their business’ products or services and to sign up to promote a special offer or discount to run for the duration of that month of that year.

Once a member signs up for a month the Chamber adds his/hers business and offer to its promotional material for the month. This includes the Chamber Newsletter, extensive promotion on the website and inclusions in other promotional material the Chamber is using that month. All this is free of charge for the members. Registration (can be done also on-line) is limited each month and is on a first-come, first-serve basis.

Moreover, the **website sponsorship** allows member company to stand out on the Chamber’ website page(s) of their choice. The logo/banner can be located at the top of a web site page etc. to catch members’ future customer’s attention.

Source: <http://www.caymanchamber.ky/>

### 5.2.3.3. Planning promotion

Planning promotion will mean defining what goals the EO want to achieve through its promotion campaign and what promotion instrument will be used to this purpose, as well as the activities aimed at informing on the organization’s offer, promoting new services, attracting new members and retaining old ones.

Building a promotion plan requires the Eo to take five elements into consideration:

- the promotion target: in the field of service provision it is worth mentioning the crucial importance of having a good EO membership database in order to understand who is the promotion target and what this target knows or not about EO service offer.
- the promotion goals: the objectives of promotion strategy are mainly related to raise awareness, to simply inform, to compete and to refresh something that is already known by the target.
- the content of communication messages: brand, pay off, slogan, text, pictures, colors, etc..

- the means of communication: outgoing material, newspaper, articles, press releases on topics, websites, events (seminars, meetings, etc..), direct communication, newsletter, radio, TV and so on.
- the budget: it is important to remember that any promotion strategy requires an investment (little amount if refers to promotion on websites, big if it refers to traditional means of communication such as TV). Costs for promotion must be covered by internal financial resources.

A promotion campaign must be always evaluated from two perspectives: the achievement of sales objectives and communication goals.

In order to plan more effectively the promotion campaign, an employers' organization may use the membership database for analysing its clients and targeting them in relation to the promotion goals.

### 5.2.3.4. Membership database : a tool for promotion efforts

Members' databases provide great help to systematize the information on members and thus in prioritizing a service offer, preparing customized marketing plan, in offering special discounts etc. They are also essential to record basic information on the EO members and register their use of the services and all their requests.

The design and use of databases requires IT skills and a good initial investment (time and financial resources) to properly design it. Basic steps in designing a database are:

- a. Determine the scope of your database, to determine which basic information you need to store about the company-members (address, email, telephone, number of employees, etc.) and what facts you need to record about each company (payments of fees, use of paying services, outstanding invoices, etc.)
- b. Determine the tables you need.
  - A table should not contain duplicate information, and information should not be duplicated between tables.
  - When each piece of information is stored in only one table, you update it in one place.
  - This is more efficient, and also eliminates the possibility of duplicate entries that contain different information.
  - Each table should contain information about one subject.
- c. Determine the fields you need and identify fields with unique values, in order to connect information stored in separate tables for example, to connect a member with the members' use of IR advisory services.
- d. Determine the relationships between tables, to bring related information back together again in meaningful ways.
- e. Refine the design, to avoid any flaws that might remain
- f. Enter data and create other database objects (queries, forms, reports, macros, modules, etc.)


**Example. Database including services' requests (xls database)**

<b>External Contact</b>	
Company:	← Name of the company and name of the person who contacted the EO
Person:	
<b>Request</b>	
Type: Telephone	Fax E-mail Letter Meeting Visit
Other:	
Confidentiality: Y/N	
Status: open/closed	
Date:	Time:
Request:	← Type of request / service to be used
Domain:	
Sub domain:	
Sub domain:	
Other domain:	
<b>Internal contact</b>	
Name contact:	Department:
Created by:	← The EO staff person who received and processed the requests

Further information (additional fields) on payment of the service and “clients’ satisfaction” are commonly used in such databases.

### 5.2.3. Price

Employers’ organizations may decide to offer paying service or service for free. One of the main reasons for providing non-paying services is that they can be a way to attract new members and improve members’ retention rate.

On the other hand, if organizations decide to ask for money for the services they offer, this strategy may help them to become more sustainable. In this second case, decisions on price are always required. Price is one of the levers of marketing mix that influence customers/members decision to purchase the service. When an organization decides to offer paying services to their members and not providing them for free, price setting becomes sensitive step within the process of setting up a new service.

For each service a financial target should anyhow be defined. For non-paying service the financial target should be cost limitation (how much is the employers’ organization willing to spend in order to offer the service for free).

Talking about paying services there can be two different objectives:

- reaching the break-even point;

- make surplus out of the service normally defined as percentage of the sales value (e.g. 10% of the annual sales value) or as a return on costs (e.g. 12% return on costs related to developing and delivering the service).

There are many internal and external factors to be considered when making decisions on price:

- **Internal:** costs (fixed and variable), marketing objectives, marketing mix strategies (decisions made for other marketing mix variables) and organization for pricing (who decides on pricing – senior management, financial managers, technical departments, etc..)
- **External:** competition (by comparing their price strategy and quality of related services), nature of markets (easily understandable by using the Porter's five forces model – see Section 3) and other factors including the government decisions, the economy, inflation and deflation rates, etc.

All these elements are used to fix the price and choose the right price strategy. Before analysing the different pricing strategies it is useful and necessary to be able to clearly understand the meanings of costs, income and breakeven point to produce services.

### 5.2.3.1. Understanding costs, income and breakeven point

As employers' organizations are normally not for profit organizations, the accounting system is slightly different from that of private companies. Nonetheless paying services can generate surplus; any surplus can be used to pay fixed costs of running the organization, e.g. the premises, salaries of officials dealing with not profitable (but nonetheless core) activities of the organization (such as advocacy, free services, etc.), insurance, general advertising, etc.

For what concerns costs we should differentiate between:

- **Variable costs:** the total expense changes as volume changes. For example, for a training service, number of handouts, catering, and diplomas are notable variable costs because they depend on the number of participants.
- **Fixed costs** do not change as the volume changes. There are two types of fixed costs:
  - external fixed costs
  - internal fixed costs<sup>19</sup>

For example in a training service *external fixed costs* are the costs of sub-contracted trainers, the cost of off-site venues, cost of renting a LCD projector (these expenditures have to be paid independently from the number of participants).

*Internal fixed costs* are mainly the salaries of the employers' organization staff involved in the organization and delivery of the service; for example if one officer is spending 30% of his/her working time to produce this service and it is helped by his/her assistant who is devoting 45% of his time to produce this service, in the cost for producing the service it should be taken into account 30% of the salary of the training officer and 45% of the salary of his/her assistant).

An organisation needs to take all kinds of costs into consideration while setting the price of the product/service it will offer.

On the other hand service **income** is generally equal to sales price. Moreover for supplying/setting new services employers' organization might receive additional "sponsorship" by donors or government. In this case these funds should be included in income derived from the specific service.

<sup>19</sup> Often employers' organizations tend to forget to take internal fixed cost into account.

If the costs for producing the service are equal to the total income generated by the service, the organization reaches the **breakeven point**. If the costs for producing the service are lower than the total income generated by the service, the service generates a **surplus/profit**.

**Example of surplus deriving from a training programme on change management \***

\* For this training programme, 10 people participate, each paying \$ 400.

<b>Income</b>	<b>\$ 4,000</b>
<b>Variable costs</b>	
Handouts, pens, etc ( \$10 / person)	\$ 100
2 Coffee breaks (\$3 / person / break)	\$ 60
Lunch (\$ 20 / person)	\$ 200
<b>External Fixed costs (service)</b>	
Sub contracted trainers	\$ 500
Rent of the training room and needed equipment	\$ 250
<b>Internal Fixed costs (organization)</b>	
30 % salary of 1 training officer	\$ 500
45 % salary of 1 assistant	\$ 450
<b>TOTAL COSTS (for 10 participants)</b>	<b>\$ 1960</b>
<b>Surplus</b>	<b>For programme = \$ 2,040</b>
	Per person = \$ 204

The **break-even point** is the point at which cost or expenses and revenue are equal. Break-even is not a precise science; however it does provide a useful basis for decision-making.

The organization reaches the so called “break-even point” when:

$$\text{total income deriving from the service} = \text{variable cost} + \text{external fixed costs} + \text{internal fixed costs}.$$

Calculating the point at which an organisation breaks even is important to know the approximate level of sales required to cover costs.

### Example of surplus deriving from a training programme on change management (cont'd)



Considering the example above, to calculate the breakeven point in training (the number of participants you need to cover costs) you should set this simple equation:

$$\text{Variable cost (per participant)} * \text{number of participants} + \text{external fixed costs} + \text{internal fixed costs} = \text{Sales} * \text{number of participants}$$

$$\text{Variable cost (per participant)} = 36 \$ (10 \$ + 3 \$ + 20 \$)$$

$$\text{External fixed costs} = 750 \$$$

$$\text{Internal fixed costs} = 950 \$$$

$$\text{Income or Sale(per participant)} = 400 \$$$

Number of participants = X

we will obtain:

$$36 * X + 750 + 950 = 400 * X$$

$$36X + 1700 = 400X$$

$$1700 = 364 X$$

$$X = 4.67$$

#### REMEMBER

$$\text{Variable cost (per participant)} * \text{number of participants} + \text{external fixed costs} + \text{internal fixed costs} = \text{Sale} * \text{number of participants}$$

Therefore in this same example, we need 5 participants to break even on the event (i.e. to meet costs of the event).

### 5.2.3.2. Pricing strategies

There are many ways in which the price of a service can be determined. First of all price influences four different aspects:

- **Organization's profitability** which can be defined in money terms (as a given amount that has to be generated by the new service). However, as mentioned earlier, profit maximization is not always the main objective for an EO.
- **Sales level** which relates to reaching the appropriate level of sales by attracting the biggest possible number of companies and gaining appropriate market share the organization might decide to offer the service only to members or to members and non-members, but practicing different prices according to the client (cheaper price for members).
- **Organization's position versus competitors.** The price applied by competitors for the same service is a crucial element in determining the price. Price can be used to gain competitive edge, by practicing lower price (in some cases EOs may benefit from sponsors, government support or other kind of subsidies that allow to offer lower prices) or by using combination of price and additional non-paid services (for example, free newsletter on legal developments for a member buying a annual pass for legal services).



- **Organizations' image.** As employers' organizations are normally not for profit and are members' organizations, they should avoid giving the impression of making big profit out of service delivery. Prices should always need to be reasonable to members and possibly slightly below the market price (at least in appearance).

Keeping into mind these four aspects there are several methods for setting the price of a service. We consider the most used by employers' organizations.

a) **Cost recovery**

Price should cover production cost and fixed cost. An organization calculates the cost of producing the product and set the price accordingly: selling price=production cost.

In this case the organizations' objective is not to make a profit, but only to reach the break-even point. *For example, your training books cost \$20 in raw materials and production costs, and at current sales volume (or anticipated initial sales volume), your fixed costs come to \$30 per unit. Your total cost is \$50 per unit. You decide that you want to operate not for making profits, so you fix a price of \$50 per unit.*

b) **Cost-plus pricing**

Cost-plus pricing is one of the simplest and most used pricing method. The organization calculates the cost of producing the product and adds on a percentage (profit) to that price to give the selling price. This method although simple has two flaws; it takes no account of demand and there is no way of determining if potential members will purchase the service at the calculated price. *For example, your training material and books cost \$20 in raw materials and production costs, and at current sales volume (or anticipated initial sales volume), your fixed costs come to \$30 per unit. Your total cost is \$50 per unit. You decide that you want to operate at a 20% markup<sup>20</sup>, so you add \$10 (20% x \$50) to the cost and come up with a price of \$60 per unit. So long as you have your costs calculated correctly and have accurately predicted your sales volume, you will always be operating at a profit.*

c) **Target Return Pricing**

The price is set to achieve a target return-on-investment (ROI). *For example, assume that you have \$10,000 invested in the organization. Your expected sales volume is 1,000 units in the first year. You want to recoup all your investment in the first year, so you need to make \$10,000 profit on 1,000 units, or \$10 profit per unit, giving you again a price of \$60 per unit.*

d) **Value-Based pricing**

Pricing a service based on the perceived value of the service and not keeping into consideration any other factor. This is usually the most profitable form of pricing, if an employers' organization can achieve it. The most extreme variation on this is "pay for performance" pricing for services, in which EOs charge on a variable scale according to the results they achieve. *For example, your fiscal advisory service saves the typical customer \$1,000 a year in taxes. In that case, \$60 seems like a bargain maybe even too cheap. If your product reliably produced that kind of cost savings, you could easily charge \$200, \$300 or more for it, and customers would gladly pay it, since they would get their money back in a matter of months. However, there is one more major factor that must be considered.*

e) **Premium pricing**

Premium pricing is connected to Value-Based Pricing and it is the practice of keeping the price of a service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable)

<sup>20</sup> Decisions concerning the markup to apply must be taken after having compared competitors' markup. If they operate at a 10% markup, they are more efficient than us. On the other hand, if they are operating at a 25% markup we have a competitive advantage based on costs.

tendency for buyers to assume that expensive services enjoy an exceptional reputation or represent exceptional quality and distinction. This is a risky strategy, as it might lead to loss of credibility of the employers' organization towards members.

### f) "Flat rate" pricing

For some specific services like representation of members in dispute settlement mechanism, some organizations offer a sort of "flat rate", instead of charging on daily or hourly basis. This is normally appreciated by companies because they know in advance how much they are going to spend to receive full assistance in dispute settlement cases.

### Dynamic analysis of breakeven point

A dynamic analysis of the break-even point assesses different levels of prices and levels of sales attributed to these price levels. This method requires market analysis to find out what price levels are acceptable for potential clients. It allows for choosing the price that allows for generating the biggest profit, but not necessarily the biggest sales.

### Example of dynamic analysis of breakeven point



#### Context

A mature EO publishes a monthly magazine on international and national legal developments. Each month, about 500 pieces are published. Monthly costs linked to the production of the newsletter are the following:

Administration	\$ 300
Remuneration of the engaged EO staff	\$ 1,000
External consultant for graphic design impagination	\$ 300
Production costs (energy, printing, etc.)	\$ 800

The organisation wants to earn a profit of 10% from active members and 30% from non-members. In this case, the net price (without VAT) calculation will be the following:

Internal fixed costs	$\$300 + \$1000 = \$1,300$
External fixed costs	\$ 300
Variable costs	\$ 800 (1.6 \$ per copy)
Total costs for 500 copies	$\$1,600 + \$800 = \$2,400$
Average cost	$\$2,400 / 500 \text{ pieces} = \$4.80$
Net price: average cost + profit	$\$4.80 + 10\% 4.80 = 5.25 \$$ (for members) $\$4.80 + 30\% 4.80 = \$6,384$ (for non members)

The final price for a magazine is \$ 5,28 for members and \$ 6,38 for non-members.

**Dynamic analysis of breakeven point**

The organisation decides to use dynamic analysis of breakeven point to choose the price strategy for its non-members. One of its members offers to conduct market research to find out clients' opinions on different price levels, focusing on changes in demand when changes in price happen.

Fixed cost remained at the same level (\$ 1600); variable cost per piece has increased, due to the increase in cost of energy and paper (\$ 2). There are similar magazines available on the market and the average price is \$ 9. Market research tests five different price levels among potential recipients of the service. For each price breakeven point has been calculated:

*Breakeven point = fixed costs / (price variable cost per piece)*

Next, total costs are estimated:

*Fixed costs + variable cost per piece x planned level of sales*

Finally, profit is made on sales.

As can be seen from the table below, it is possible to generate profit only at the level of three lowest price levels (the foreseen sales level is above breakeven point) and the biggest profit will be generated at the price level of \$ 8<sup>21</sup>.

Price in \$	Breakeven point	Planned sales level	Total cost	Income	Surplus/ Profit
A	B	C	D	A x C	(A x C) - D
6	320	800	3200	4800	1600
8	267	600	2800	4800	2000
10	200	400	2600	4000	1400
13	145	140	1880	1820	- 60
15	123	100	1800	1500	- 300

Employers' organizations might use one or different pricing strategies to set the price of each service. It obviously depends on the kind of service they are offering. If for some reasons an employers' organization decide to deliver a service below the breakeven point, it should be well aware of it and should make sure to clearly define for which categories of members such a service is available and for how long.

It is important to check the price practiced by competitors for the same service. However, it is very likely that the service the employers' organization is going to provide will be profiled and specifically tailored to members' needs; therefore EOs can decide about its price without paying excessive attention to the competitor's price.

Whatever price setting method EOs are going to apply, non-financial rewards of providing services for members should be taken into consideration: Will it maybe attract new members? Will it maybe activate "dormant" members? Will it maybe strengthen organizational knowledge and open a new field for expertise and cooperation?

<sup>21</sup> Note that they might also legitimately choose a price of 6\$. It would make less profit but it could have more readers/members.

Finally, while setting the price for a new service, an alternative is to propose a **joint transaction** to members, e.g. reducing the price of the service for a member who attracts a new member/client; offering discounts in case of buying a certain volume of services, e.g. ordering five "items"; offering discounts in case the member buys service on a regular basis; or offering a lower price in case a member buys different services at the same time.

Making decisions on price means also deciding upon the discounts to be applied for some services or to some members, as can be seen from the best practice below.



### BEST PRACTICE

#### Chamber of Commerce and Industry Queensland (CCIQ)

Discounts on a range of services

The Chamber offers arrange of specialist consultancy services including:

- Human Resource Management
- Workplace Relations
- Workplace Health and Safety and WorkCover
- Personal and Professional Development Training
- Business Eco-Efficiency
- International Business and Trade
- Association Management

Whilst non-members can access these expert services at competitive market prices, members enjoy attractive savings on these services, plus access to free assistance lines.

As a membership-based employer organization, Chamber of Commerce and Industry Queensland's focus is to get your business up and running. To achieve this goal, members receive priority service that ensures issues are resolved as soon as possible, without costly delays or service charges.

#### Savings

With almost 4,000 direct members, our links to local chambers of commerce and affiliations with other industry associations, Chamber of Commerce and Industry Queensland has the buying power to save you money. We are continually looking to increase the range of services and products that we can offer our members.

Source: <http://www.cciq.com.au/About-Us/Member-benefits.aspx#discounts>

## 5.2.5. People

Since the brand and the image of a service are based largely on the quality of people delivering it, the area of staff competencies is critical and crucial for the service development and delivery. It is therefore important to identify the competencies for each role and where there are gaps to be fulfilled.

### 5.2.5.1. Staff capacities

Individuals possess capacities in the form of knowledge, skills and attitudes.

- **Knowledge** refers to the information a person has in his/her head in relation to the specific task. Some information is needed at the outset; other information has to be found. EO officers should know the basic facts and figures about members in the economy and in specific industries.

- **Skill** is the technical component of competency, knowing “how to” do something and having proven experience in doing it. In relation to SMEs for example, this may include having run a small enterprise, serviced the needs of SMEs from a support agency of some kind, or, from the stand point of a larger enterprise, in the value chain, knowing the skills required for adapting and packaging a service to make it accessible to SMEs.
- **Attitude** is a personal quality, which makes a big difference in the face-to-face work that an EO officer must do. It gets down to “talking the same language”. Fundamentally it means an attitude to working with members which has respect for their importance in the economy and in the lives of all the people who depend on them, a desire to assist them improve their incomes and their work satisfaction.

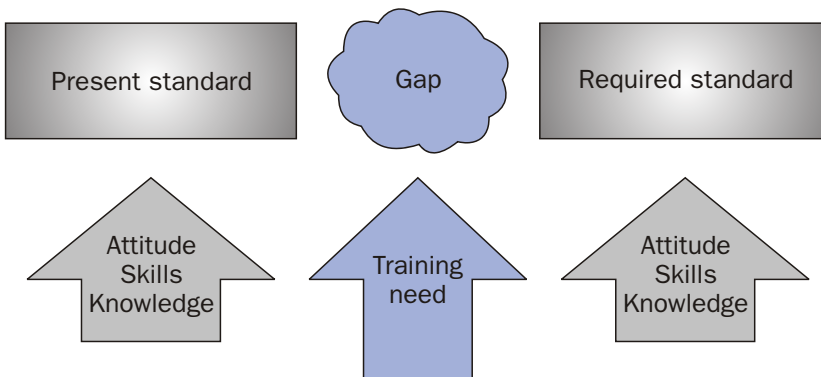
In order to identify the right people to offer and deliver the service within the staff of the EO, it can be good to carry out an assessment of the staff competencies and link it with the competencies and skills required to perform the service, so that people could be able to largely contribute to increase customers' satisfaction

If the organization clearly defines roles and responsibilities, it will be able to develop new services on the basis of the existing and most suitable staff competencies. Recruiting the right staff and training them appropriately in the service/s delivery is essential if the organisation wants to obtain a form of competitive advantage. Members make judgments and deliver perceptions of the service based on people they interact with. This is the same reason why before deciding to develop a new service it is necessary for an EO to assess its capacity in terms of people.

#### 5.2.5.2. Assess staff capacities

To assess staff capacity and identify the gaps and room for staff development, an EO may conduct a training needs analysis or use a versatility chart when specific roles and competencies are looked for.

**Figure. Training Needs analysis**



Source: ITCILO 2011

The versatility chart aims to identify the current strength of people of the EO, by rating each staff member against the core competencies associated with the role. The following example illustrates a training department staff versatility chart. The rates used indicate the following:

1. No knowledge or skill
2. Basic knowledge
3. Some experience
4. Room for improvement
5. Fully competent

BEST PRACTICE				
Management Training Versatility Chart Form – 009 (revision 0-17 June 2005)				
Skill / Task 2005	Training Manager	Trainer	Admin staff (1)	Admin staff (2)
IT Skills	4	4	5	4
Administration	4	5	5	5
Organisation skills	4	5	5	5
ISO Awareness	3	4	4	3
Marketing	4	4	4	3
Auditing	2	4	4	2
Course Design	5	2	2	2
Course Delivery	5	3	1	1
Training (pers. Dev.)	5	4	4	3
Innovation (new ideas)	4	4	4	3
Numerical skills (accounts)	4	4	4	4
Project/event management	4	5	5	5
Writing skills	5	4	4	3
Time/Diary management	5	4	4	4
Customer service	5	5	5	5
Subject knowledge – Mgt/leadership/psychology	5	4	4	2

Source: Irish Business Employers' Confederation, 2010

According to the skills present within the EO staff, next stage is a matter of selecting the right people to carry out the tasks that need to be done. In case the available skills do not match with the competencies required, there may be a need to recruit new staff. Another solution is to have a consultant or a counterpart expert to work for a period in the EO until he or she has passed on the necessary skills to existing staff.

### 5.2.5.3. Motivate service staff

Once selected, staff should remain motivated to ensure the continuous improvement of the service quality. An interesting practice is to use bonuses to reward staff performance, as an incentive to favour the creation of new products and to reach financial objectives. Awarded bonuses are based on different possible budget scenarios.



#### BEST PRACTICE

##### South African Steel and Engineering Industries' Federation staff performance bonus system

SEIFSA financially rewards the individual members of staff of those SEIFSA service divisions (for example the staff of the SEIFSA Industrial Relations Division) which exceed their agreed annual budget income generation targets.

Currently, staff may earn up to 30% of their annual income through an incentive performance bonus dependent upon the level of income generated from fee paying services. The 2009/2010 financial year is the fifth consecutive year in which SEIFSA employees have exceeded agreed income generation targets and have received a performance bonus.

Source: interview of D. Carson, CEO of SEIFSA, 2010

### 5.2.6. Process

The term “process” refers to a sequence of activities to be carried out in order to put the service into place. Some key elements shall be considered to increase the effectiveness of a service provision, such as:

- clients/members
- human and financial resources
- skills and knowledge

The clients of a service are involved in the service process itself: by giving an example of a training service provided by the EO, their members are part of the activity before its beginning (training needs' analysis) during the service (by attending the sessions) and after its ending (satisfaction survey, feedback, impact evaluation).

Internal process connected to the financial aspects has to be analysed as well as the process of exchanging knowledge for setting up new service/s and clarification of responsibilities among the staff. Each developed service may have different processes to be implemented.

But the choice of the activities and method of working depend on the general EO capacity. This is the reason why before deciding to develop new service it would be better for an EO to assess its capacity in terms of processes.

## 5.3. STEP 3. CHOICE OF DELIVERY OPTIONS<sup>22</sup>

According to its capacities and operational decisions for service provision, the EO may decide to organize and deliver its service solely on its own. Direct distribution means in that case providing the service at EO headquarters, with its own staff. There are, however, many instances in which the EO can deliver the service indirectly, by partnering with member organizations or other providers. The exact nature of the arrangement will depend on the particular service and on available partners.

The different role an EO can play in delivering the service allows identifying four options for delivery: direct provision; partnership; outsourcing; referral.

### 5.3.1. Direct provision

The EO provides for resources and finances, delivers the service entirely, and evaluates its quality. This option relates to information, advice, networking, counselling and consultancy services. In addition, some EOs have their own training departments with permanent staff. The training or services department will often strive to become financially sustainable and, if successful, act as a profit centre, contributing funds to the EOs other operations.

### 5.3.2. Partnership

The EO contracts a firm or another organization to deliver the service. This implies choosing the right partners, formulating the contract, setting clear objectives, and eventually evaluating the output and determining financial obligations / commitment. Partnership approach can be adopted while partner organization has a different, usually complementary member base, guarantees access to more organizations or to different markets. In this case it is extremely important to set the rules for cooperation right: it is necessary to define areas of responsibility, decide who will be “the face” of the service, and introduce mechanisms ensuring constant quality of the service and clear financial rules of cooperation. A “partner in service delivery” will have the role of an agent. If the partner organization is charged with a transactional role, it will have the prerogatives to negotiate agreements, sell service and take up the risk related to all these operations. If the partner organization plays a logistic role, it will be responsible for ordering service and managing its delivery. If partner organization has an assisting role, it is charged with gathering and analysing information from the market, conducting research analysis and managing financial aspects of the transaction (for example organizing payments or crediting transactions). Despite being involved in delivering the service, the “partner in service delivery” does not become owner of the service. He acts based on the agreed provisions (financial or non-financial) and its contribution is linked to local/specific market knowledge that the organization “service owner” does not have. This type of arrangement ensures that the “service owner” controls the quality of the service and protects intellectual rights of its content.

### 5.3.3. Outsourcing

The EO decides that it does not have the staff, the expertise or the capacity to provide the service, and therefore outsources it. In this case, the EO has to identify the appropriate organisation, formulate a contract (determining pricing), determine criteria, monitor the output and the quality, and finally promote the service. This option might be taken by an

<sup>22</sup> This phase could be equally implemented before or after the marketing mix decisions.



organisation that decides not to offer service at all or only minor ones such as basic information and a networking opportunity, but to focus on representation and strong advocacy role.

### 5.3.4. Referral

In this case, the EO acts as a referral point which connects members to existing providers, both private and public. It can play this role either in an organized or a relatively *ad hoc* manner. Some EOs and business associations produce business directories, which include service providers. A more focused approach can be to develop a directory of business service companies (trainers, consultants, strategic planners, accountants, lawyers and others). Care must be taken, however, to provide broad representation of the business services community to ensure that unfair competition is not created. Such a publication can pay for itself if enterprises pay to be listed and users purchase the publication. Other organized activities include trade fairs, in which providers can present their services to other businesses. EOs can also refer members to sector organizations and chambers of commerce who can often provide lists of technology consultants and other suppliers.

Each of these options presents a number of advantages and disadvantages that need to be taken into consideration before any decision.

DELIVERY OPTION	ADVANTAGES	DISADVANTAGES
<b>DIRECT PROVISION</b>	<ul style="list-style-type: none"> <li>■ Raises profile</li> <li>■ Responding to members' needs</li> <li>■ Seen to be proactive and effective</li> <li>■ Complete control</li> <li>■ Opportunity for full income generation</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial risks</li> <li>■ Staff / resource commitment</li> <li>■ Vulnerable to key staff</li> <li>■ Member leaving</li> <li>■ Vulnerable to reputation</li> <li>■ Risk if service not well received</li> </ul>
<b>PARTNERSHIP</b>	<ul style="list-style-type: none"> <li>■ Shared risks</li> <li>■ Shared resources</li> <li>■ Shares returns</li> </ul>	<ul style="list-style-type: none"> <li>■ Risk of wrong partner</li> <li>■ Loos complete control</li> </ul>
<b>OUTSOURCING</b>	<ul style="list-style-type: none"> <li>■ No long term investment / commitment</li> <li>■ Limited staff commitment</li> <li>■ Opportunity to diversify</li> <li>■ Wide range of expertise</li> </ul>	<ul style="list-style-type: none"> <li>■ Lost opportunity</li> <li>■ Limited quality control</li> <li>■ Reputation</li> <li>■ Risk that consultants take business</li> </ul>
<b>REFERRAL</b>	<ul style="list-style-type: none"> <li>■ Non direct financial commitment or risk</li> <li>■ Limited involvement</li> </ul>	<ul style="list-style-type: none"> <li>■ Lost opportunity</li> <li>■ Lost credibility</li> <li>■ Lack of direct control</li> <li>■ Inability to ensure quality</li> </ul>

If the service is closely related to the core competencies of the organisation, then it should be provided directly by internal staff members. In this case, the EO owns the know-how and capacity and does not have any interest in teaching an external person to provide it. It would be costly and time-consuming.

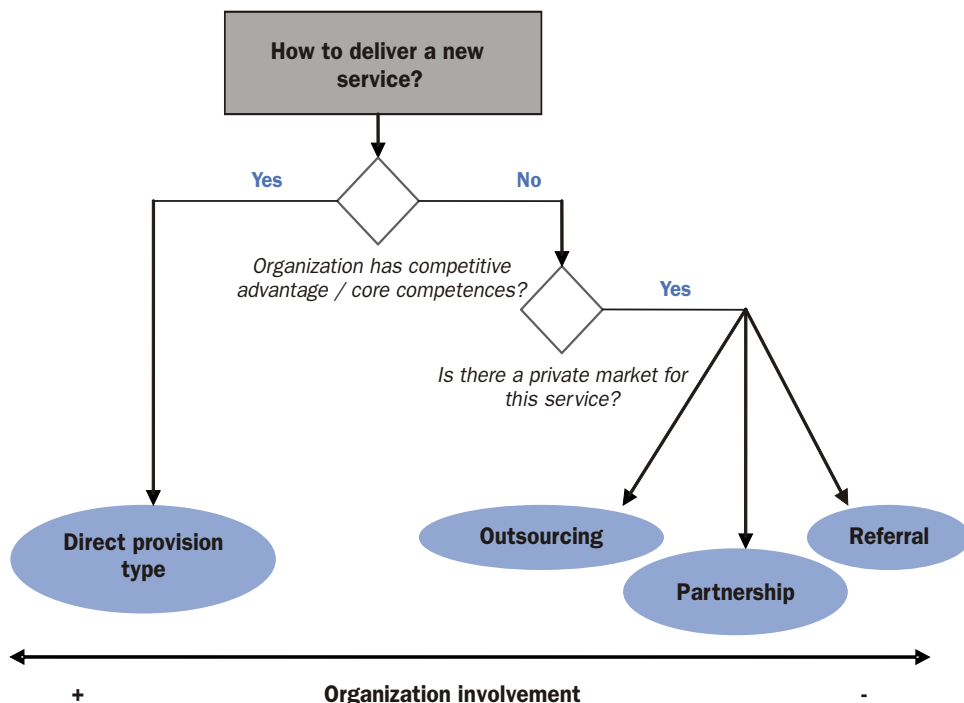
In case the projected activity is only partially related to the EO's existing capacities, the organisation can choose to adopt a more facilitating role: it can outsource the work to other, more experienced suppliers or, in case there is no market for the service yet – it can stimulate the use of business services among its members, as illustrated in the figure below.

Depending on individual circumstances, the EO may naturally choose to use different delivery mechanisms for each of its services both at the same time and on a case-by-case basis.

The decision on how to provide the service will be influenced by the following factors:

- EO capacity and experience in the field
- Existence and competitiveness of other suppliers
- Demand of EO members
- Resources required to develop the service
- Potential short and long-term benefits for the EO

**Figure. Options for delivery**



Source: adapted from World Bank Group, *Building the capacity of Business Membership Organisations: Guiding Principles for Project Managers*, 2 edition, 2005.



## BEST PRACTICE

**AWVN partnership  
with law firm**

Because it does not have the capacity to offer a “full” consultancy service that would include the final handling of a case in court, the Dutch cross-sectoral employers’ organization AWWN has developed, next to its industrial relations services, a coalition with a law firm, so as to be able to offer a consultancy service including litigation in court. The EO transmits the compliance / litigation part of dossiers to this law firm, which is charged to handle that aspect. In that way, the EO offers this complementary service to its members. The EO could set up this partnership because national bar rules allowed for it.

Source: interview of Director Consultancies, AWWN, Netherlands, 2010

## 5.4. STEP 4. BUDGET

If an employers’ organization chooses to develop paying service/s, the last part of the business plan should contain strategic budgetary decisions, in terms of costs and price. On the contrary, if the organization decides to offer services for free, the budget is built on cost elements only, in order to establish the EO financial efforts to develop the service and ensure its capacity to implement and deliver it.

Budgetary decisions will have an important impact on the scope and approach of the new service. Therefore, the EO should be able to answer the following questions:

- What budget is available to resource the service?
- Must the service be developed from existing resources by getting professional staff to do additional tasks?
- Is there a possibility of donor funding (e.g. government support or other grant aid)?

These budgetary decisions will determine the staffing decisions and the extent of service possible. For most employers’ organizations, the initial development of a new service must be achieved from within the core budget so the extent of resources available can be limited. This leads to the important following questions:

- Is there scope to raise additional funds by charging a fee?
- Is there a possibility to sell service to non members?

The classical budget (for EOs selling services) simply considers costs and price.


On one hand costs are to develop the service: e.g. analyses to be conducted, human resources in charge of the service/s development, tools to be used, processes to be implemented and managed, communication strategy towards members and stakeholders, etc.

On the other hand the decision concerning price should take into account all the cost elements in order to fix the price so to reach the breakeven point or to make profits (as mentioned above).

## 5.5. CONCLUSION SECTION FIVE

The business plan should allow employers' organizations to put their long term strategy for service/s into concrete short term actions. This process passes through decisions concerning specific objectives for the services and design of marketing mix strategies, according to different delivery options and the budget. In order for a strategy to be fully operational, the last step should be to monitor its progress and achievements. This exercise should ensure the strategy is on track while it is implemented.

Here after a useful checklist based on the pre-analyses of market and capacity and operational steps of business plan for monitoring the implementation and progress of the plan itself.

	CHECKLIST
<input checked="" type="checkbox"/>	Do you have a detailed picture of the market in which you plan to offer a new service?
<input checked="" type="checkbox"/>	Do you have a system to track the use of services by members?
<input checked="" type="checkbox"/>	Are your staff members competent to perform the service(s)?
<input checked="" type="checkbox"/>	Do you have a business plan?
<input checked="" type="checkbox"/>	Have you fixed at least one specific objective for each service you will deliver?
<input checked="" type="checkbox"/>	Do you specific objectives link with the strategic objectives of the EO? How?
<input checked="" type="checkbox"/>	Do you need to recruit new staff members or to resort to external consultants? Do you provide incentives to you staff members to encourage them in delivering quality services?
<input checked="" type="checkbox"/>	How to do to make the process of designing and delivering services more effective?
<input checked="" type="checkbox"/>	How many services you will provide? How would you define their quality?
<input checked="" type="checkbox"/>	How will you place your service/s?
<input checked="" type="checkbox"/>	Do you have a plan for promoting your new service?
<input checked="" type="checkbox"/>	Have you decided to provide service or for free? If not, what price strategy have you chosen?
<input checked="" type="checkbox"/>	Are you able to provide the service by yourself or do you need other options for delivery?
<input checked="" type="checkbox"/>	What is your budget for the development and the delivery of the service?

For further information on business plan and for viewing some examples please see these following websites:

<http://www.bplans.com;>

[http://www.bplans.com/sample\\_business\\_plans/Nonprofit\\_Business\\_Plans/](http://www.bplans.com/sample_business_plans/Nonprofit_Business_Plans/)

[Nonprofit\\_Trade\\_Association\\_Business\\_Plan/Executive\\_Summary\\_fc.cfm;](http://www.bplans.com/sample_business_plans/Nonprofit_Trade_Association_Business_Plan/Executive_Summary_fc.cfm;)

<http://www.unece.org/indust/sme/region3.htm>

## Section Six

# STEP 5. Reviewing Progress Monitoring

### 6.1. STEP 5. REVIEWING PROGRESS OF STRATEGIC OBJECTIVES

Each business plan should include provisions to review progress. A systematic review of progress is fundamental for the delivery of the plan. Effective performance management processes are an integral part of strategy implementation.

With regard to service strategy, this means that:

- Business plans for services are integrated into regular performance review system already in place in the employer's organization (individual / team or department). Regular performance review system can be either individual (regular meeting between the supervisor/subordinate and annual performance evaluation interview to report on their progress in meeting the objectives agreed upon) or happen at the level of the responsible team or department.
- The organization needs to be ready to adapt priorities for service development and delivery. Strategic objectives for services are likely to change over the time. Low priority items can become high priority items, for a number of reasons. This can be due to changes in the external environment and market (changes in labour law, economic crisis, financial crisis, new opportunities, new competitors, etc.) or even to internal changes (loss of service staff, new management, etc.).
- Strategic and business plan for services will be regularly reviewed. As part of the EO annual review of the business plan, organization's objectives regarding service provision will also have to be regularly reviewed. The review of the plan very often is done through an annual meeting with the management team.

In operational terms, the review of the strategic and business plan consists of the activities listed below:

- 1) Employers' organizations should register any financial information on their database: normally it consists of invoicing of costs and revenues.
- 2) They should conduct surveys on their clients regularly in order to know their changing needs and their features.
- 3) They should analyse different kinds of ratios belonging to both financial and organizational sphere. In this way EOs will be able to learn about the competitiveness, attractiveness and relevance of their services.

Concerning the financial sphere, organizations have to evaluate the following items:

- Total Income of services/Total Income
- Income per service/Total Income of services
- Total Costs of services/Total Income of services
- Costs per service/Total Costs of services
- $\text{Total Income} - \text{Total Costs} = \text{Surplus}$
- Surplus per service/Total Surplus of services
- Total Surplus of services/ Total Costs of services

Concerning the organizational sphere, they have to monitor:

- Number of users
- Frequency/repetition of purchases
- Users per service
- Percentage of users as members and non-members
- Percentage of users which has become members (if the EO provides service to non-members)

It is a good practice to present the results of the annual review to the Board, and communicate them to EO members.

## Section Seven

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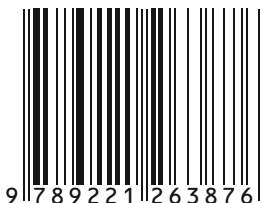
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