



International  
Labour  
Organization

## **The Effective Employers' Organization**

**A series of “hand-on” guides to building and managing effective employers' organizations**



## **Guide Four Revenue Building**

### **Building Employers' Organization Revenue**

Developing adequate and sustainable income streams



Produced for the Bureau for Employers' Activities of the International Labour Organization by faculty members of the University of Geneva International Organizations MBA



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.... a series of “hands-on” guides to building and managing effective employers' organizations

# **Guide Four Revenue Building**

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# Guide Four **Revenue Building**

## Building Employers' Organization Revenue

... developing adequate and sustainable income streams

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## Section One

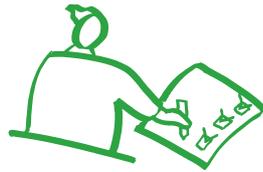
### How to use this guide

This guide – ***Building employers’ organization revenue ... developing adequate and sustainable income streams*** – is the fourth in the series of guides that make up **The Effective Employers’ Organization** package. The series as a whole is designed to help executives, directors and managers in employers’ organizations to build and run their organizations more strategically and more effectively. It is aimed primarily at those setting up, building and managing national level employers’ organizations and business associations in less developed countries and economies in transition. It will however provide a wealth of advice to the many regional and sectoral organizations that represent

the interests of business, and to national level employers’ organizations in developed countries. This will be the case particularly where organizations are considering or undertaking a review of how they might increase revenue streams or change the balance of their income sources.

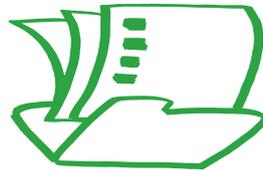
***Developing adequate and sustainable income streams*** is a step by step approach to building and rebalancing income sources in employers’ organizations. It contains a series of practical tools that will help employers’ organization leaders to review their current approach to revenue generation. The tools are of four types:

#### Checklists



**Checklists** are designed to help review where your organization is currently placed, to identify strategic deficiencies and to plan ways to design and implement a successful revenue building strategy;

#### Best practices



**Best practices** provide examples of how other organizations have tackled the problems you face;

#### Practical exercises



**Practical exercises** can be used individually, by working parties or by decision making bodies;

#### Key quotes



**Key quotes** from respected writers illustrate the most important points; you can use them in your own talks and written materials.

It should be said at the outset that this particular guide is best suited to the needs of employers' organizations with direct company membership or with mixed "company" and "federation" membership. For those employers' organizations whose membership comprises, partially or exclusively, sectoral and/or regional federations, the content will be of more interest and benefit to their federal member organizations.

The *Revenue Building Guide* is aimed specifically at the employers' organization executive. It starts with a broad discussion of employers' organizations and revenue building, focusing on the need for high levels of membership. Employers' organizations need both high levels of aggregate membership and a membership mix that covers the entire spectrum of business sizes and interests. Depth and breadth of membership are needed as much to demonstrate the strength and representivity of the organization as they are to raise revenues. The guide goes on to examine revenue sources other than member subscription based on the assumption that subscription income alone will be insufficient to adequately finance the organization.

- *Understanding the current revenue mix* stresses the importance of understanding where the revenue comes from, the strengths and weaknesses of the current revenue mix and revenue mix alternatives.
- *Optimizing subscription income* considers the revenue generated from membership fees. The section looks at the ways in which member fees are calculated. It discusses the potential conflict between "maximizing membership" and "maximizing revenue from membership" and goes on to consider how different kinds of companies can be attracted into membership.
- *Building service income* examines ways in which employers' organizations and similar special interest groups can raise revenue from selling services directly to members and non-members. The section suggests the kinds of ideas most and least likely to work in certain situations. To illustrate this, it includes a list of case studies that show how employers' organizations have built successful service strategies based upon areas of existing organizational strength.
- *Alternative sources of funding* looks at revenue generation options not related to membership fees or service provision. It explains how to identify alternative funding sources and how to secure the various grants and contributions available.

Section seven of the guide offers a *final checklist* that combines the "subject specific" checklists found in the text into an overall organizational review tool. This tool can be used after you have read the guide to facilitate action planning, or it can be used at the outset as a benchmark measure of where your organization stands in terms of revenue generation.

Section eight provides a short overview of the academic literature on revenue building and employers' organizations – *what the business gurus say*. This section describes in one place, and in an academic context, some of the concepts and analytical tools suggested in this guide. It is a "stand-alone" section that provides a basic academic underpinning of the subject of revenue building and points the way to the further reading suggested in section nine.

The guide ends with a short section containing *Further reading and links on revenue building and employers' organizations*. This section identifies sources of further reading or assistance specifically associated with employers' organizations, other special interest groups and revenue building. There are relatively few of these, and they are not well known. It attempts to guide the reader in the right direction, with short synopses of content to minimize effort and maximize the benefit of further and deeper research.

The guide is intended to be a multi-purpose tool. Although it is designed as a relatively straightforward and interesting read, working through the guide from cover to cover is not the only, or always the best, way to maximize its value. All employers' organizations will start from different positions with respect to their "actual" and "preferred" quantity and mix of revenues. Consequently, the various sections of the guide will appeal to differing audiences. Whilst certain points will doubtless command universal interest, others may appear simplistic to one reader and over-ambitious to another. For example:

- Some organizations might be interested in membership growth with a view to improving representivity or to improving income generation. Some may be interested in both;
- Other organizations may be satisfied with their levels of membership and representivity but seek to develop new income streams from service provision or other external sources.

Finally, this is a short guide to a complex issue. It does not claim to be exhaustive or to contain original ideas. The guide has drawn heavily and unashamedly on earlier materials dealing with revenue generation generally. It pays particular attention to publications dealing with employers' organizations and special interest groups. It also relies on the experience of the authors in observing what does and does not work in day to day practice. Every attempt is made in the text, in the best practice boxes and the suggestions for further reading to acknowledge the variety of sources used.



## Section Two

# Employers' organizations and revenue building

**KEY QUOTE**

“It is not the strongest of species that survive, nor is it the most intelligent, but the one most responsive to change”

*Charles Darwin*  
Biologist  
1809 – 1882

The purpose of this section is to outline the two major themes that underpin our approach to revenue building.

- The first relates to the differences between employers' organizations in different parts of the world. Although the vast majority will agree that increasing revenues is a prime organizational objective, they start from very different financial positions and face different challenges. Consequently, an idea that has worked well for one organization will not necessarily be successful in another. If “best practice based” approaches are to be considered, it is essential that successful practices in one country are examined in the historic, social and economic context of the adopting organization;
- The second relates to what are described as the “key revenue generation paradoxes” that apply to employers' organizations:
  - *Membership or member subscription maximization;*
  - *The cost of effective advocacy and the free rider tendency; and*
  - *Not for profit & the need for profitable services – the realities of cross subsidizing advocacy work.*

Without an understanding of the paradoxes, coherent strategies for revenue building cannot be devised.

### A world of difference – the limits on best practice migration

Research conducted through surveys of employers' organizations by the Bureau for Employers' Activities of the ILO in 1999 and 2003 confirm one of the most frequently quoted phrases used by employers' organization executives to describe their organizations:

... that they are “*poor organizations made up of rich members*”.

Both the 1999 and 2003 surveys show that one of the highest short to medium term priorities of employers' organizations worldwide is the generation of additional income.

The fact that most employers' organizations share a common concern masks quite enormous differences in the resources available to organizations in the developed world and those elsewhere. The following chart, drawn from the 1999 research,<sup>1</sup> shows that employers' organizations in developed countries enjoy annual revenues almost 50 times greater than their sister organizations in developing countries.

AVERAGE EMPLOYERS' ORGANIZATION INCOME IN 1998	
Developed countries	\$13,860,000
Less developed countries	\$284,440
Eastern European transition economies	\$352,000

<sup>1</sup> Report of the ILO International Symposium on the Future of Employers' Organizations 1999.

Employers' organizations in developed countries employ on average 114 staff whilst those in developing countries attempt to fulfil almost exactly the same objectives with an average of seven employees.

Although this issue will be covered in greater detail in sections four to six of the guide, it is useful at this point to say a few words about income sources and how they differ between employers' organizations.

- Nine out of ten employers' organizations in developed countries generate more than 60% of their revenues from member subscriptions. (In fact, 60% or more was the highest possible answer to the relevant survey question and anecdotal evidence suggests that in the majority of these organizations the figure is closer to 90%.)
- In developing countries and states in economic transition reliance on subscription income is typically much lower. Around two thirds of employers' organizations generate 60% of their income through subscription with the rest being derived primarily from "pay as you go" services provided to members and to non-members. In the new member states of the European Union and in the accession countries, a significant proportion of income (up to 30%) comes from national, European and global grants.

It is clear from these data that employers' organizations in poorer countries cannot automatically become richer by replicating the model(s) espoused by their better off sister organizations in the developed world. They can, however, generate income by focusing revenue building activities on key organizational strengths.

## Revenue generation paradoxes

To build revenue in ways that genuinely strengthen employers' organizations requires the consideration of three paradoxes:

- *Paradox One – Membership or member subscription maximization*

An important revenue generation challenge is that of deciding whether to *maximize* revenues from member subscription or to adopt fee levels to maximize organizational *strength* and *representivity*.

Organizational strength and representivity come from increasing the *number* of companies and organizations that the employers' organization represents. Maximizing subscription income will almost certainly mean sacrificing membership in order to ensure higher levels of subscription. So which is the right approach?

- *Paradox Two – The cost of effective advocacy and the free rider tendency*

For most employers' organizations, the first strategic priority is advocacy with the objective of ensuring a business friendly operating environment. This means representing business interests in a wide variety of national and international policy making forums. It can be deduced from this focus on advocacy that maximizing strength and representivity are more important membership objectives than income generation.

However, in order to be an effective lobbyist, any organization needs adequate resources. Positioning membership fees at a level that maximizes membership will almost certainly not provide the resources needed to lobby effectively. This is particularly the case as organizations need increasingly to exercise "voice" beyond national boundaries at the regional level in institutions such as the EU, NAFTA, ASEAN, MERCOSUR and at the global level with the WTO, UN, ILO and other similar organizations.

This issue is made more difficult by the *free rider tendency*. Employers' organizations lobby to secure the best operating environment possible for business, which benefits all companies, not just the organization's members. So long as lobbying paid for by "the few" is relatively effective, there is no incentive for the many companies that do not seek positions of influence in an employers' organization to join it. They take the benefits of a better working environment without contributing to the costs of the advocacy work that helped produce it. They are *free riders*. Plainly, the higher the membership fee to join an employers' organization, the more logical it becomes for a company to be a free rider.

The only way to address the free rider paradox is to keep membership fees at an affordable level for "the many" whilst cross subsidizing advocacy programmes from other income sources.

■ **Paradox Three – Not for profit and the need for profitable services**

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. To do so, the organization will enter a competitive environment where it must vie for business, typically with lawyers, specialist consultants and other service providers. 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 based on the organization's "not for 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.

## The basis for revenue building in employers' organizations

The solution to the three paradoxes above leads directly to the fundamental revenue building assumptions that underpin the remainder of the guide:

***It is not logical to generate the revenue needed to survive through membership subscription levels that compromise representivity.***

Employers' organizations must adopt membership fees/service strategies that maximize membership and ensure member representivity from all categories of business size, ownership, region and area of business interest.

***Advocacy initiatives need to be partially financed through service provision.*** The only way to address the free rider paradox is to keep membership fees at an affordable level for "the many" whilst cross subsidizing advocacy programmes from other income sources.

***Decisions to provide additional services must be financially driven.*** Sources of employers' organization revenue other than membership must be profitable. There is absolutely no point providing services beyond those essential to the membership deal, even if members want them, unless they more than cover the cost of their provision.

***A sustainable comparative advantage for an employers' organization is most likely to be generated by a factor that private sector competitors cannot replicate.*** In a competitive environment, employers' organizations can only beat specialist providers if they can identify and exploit a comparative advantage. The key point of differentiation between an employers' organization and its competitors is likely to be associated with the nature of the employers' organization itself. Service differentiation will derive initially from the position of unique privilege the organization enjoys either as a successful advocate or multi-employer negotiator, and from the relationship it builds with its members.

### THE EMPLOYERS' ORGANIZATION AND REVENUE BUILDING CHECKLIST



- Do you have a clear view of whether your membership strategy is based on revenue maximization or ensuring representivity?
- Do you have a clear view on whether advocacy work should be cross subsidized by service provision?
- Do you adopt a purely commercial approach to the pricing of services i.e. they must make a profit?
- Is free riding a major issue for your organization?
- Do you have a clear idea of your organization's source of comparative advantage in the provision of services vis à vis private sector competitors?



# Section Three

## Understanding the current revenue mix

**KEY QUOTE**

“Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pound ought and six, result misery.”

*Mr Micawber  
from Charles Dickens “David Copperfield”  
1812-1870*

The starting point for any discussion on revenue building is an understanding of your current revenue mix. Where does the money come from? Where do you make a “profit” and where do you fail to cover the costs of provision?

### International comparisons

There is little international benchmarking data available on sources of employers’ organization revenues and none at all on the areas where they “make” or “lose” money. The information that does exist comes from the survey conducted in 1998 and published in 1999 by the ILO. In the survey, data were received from 71 peak or national employers’ organizations. The responses were from every continent and from a mix of developed, less developed and transition economies.

Data relating to the average total revenues of employers’ organizations have already been highlighted in section two. You will recall that they showed major income and purchasing power disparities between employers’ organizations in the developed and developing world. The following two tables, adapted from the ILO report, illustrate the (then) current sources of income and the amount received from each source. The data reveal a high reliance on subscription income, particularly in developed countries.

SOURCES OF EMPLOYERS’ ORGANIZATION INCOME			
Income source	Number of organizations making use of the income source		
	Total sample (%)	Developed countries (%)	Less developed countries (%)
Subscription	97	95	96
Direct payment for services to members	61	48	71
Direct payment for services to non-members	38	29	51
Grants (national sources)	14	15	12
Grants (regional sources)	25	15	24
Grants (global sources)	22	15	29

SECTION THREE

Before turning to revenue building, you need a detailed knowledge of your own current revenue sources and where you spend the money generated. Therefore you need to assemble the relevant data for your own organization relating to current revenue generation and expenditure.

The following practical exercise invites you to analyse:

- Where your subscription revenues come from;
- The services you provide;
- Whether any charges levied cover the costs of service supply; and
- The annual costs of running your organization.

The individual or department responsible for your organization's finances should be able to provide this information. You can either use the following simplified analytical format or design your own based upon your accounting system. If your organization does not have the figures to hand, it is even more important to undertake the analysis.



**PRACTICAL EXERCISE**

**Current Revenue Sources**

**TABLE ONE  
MEMBER SUBSCRIPTIONS**

	Total annual revenue	Number of members
<b>Total employers' organization membership</b>		
<b>Membership by organization size</b>		
Federation or association		
Subsidiary of foreign multinational		
Large (define) national		
Medium sized (define) national		
Small (define) national		
Individual/micro		
<b>Membership by sector</b> (you will need to define the sectors applicable to your country and/or organization—the sample definition below is taken from the ILO sectoral committee listing)		
Basic metal production		
Chemical industries		
Mechanical and electrical engineering		
Mining (coal; other mining)		
Oil and gas production; oil refining		
Textiles; clothing; leather; footwear		
Transport equipment manufacturing		
Agriculture; plantations; other rural sectors		
Construction		
Food; drink; tobacco		
Forestry; wood; pulp and paper		
Commerce		
Education		
Financial services; professional services		
Health services		
Hotels; tourism; catering		
Media; culture; graphic		
Postal and other communication services		
Public service		
Transport (including civil aviation; railways; road transport)		
Utilities (water; gas; electricity)		
Shipping; ports; fisheries; inland waterways		
Other (specify)		



## PRACTICAL EXERCISE (cont.)

**TABLE TWO**  
**TOTAL ANNUAL COSTS OF RUNNING YOUR ORGANIZATION**  
**ASSOCIATED WITH THE PROVISION OF “MEMBER SUBSCRIPTION” SERVICES**

Accommodation	
Provision of basic services (heat, light, communications)	
Other capital costs (e.g. cars, computers)	
Labour costs (including staff training and recruitment costs etc)	
Running committees	
Servicing debt	
List others .....	

### CALCULATION

SUBTRACT TOTAL ANNUAL RUNNING COSTS  
 FOR MEMBER SUBSCRIPTION SERVICES (TABLE TWO TOTAL)  
 FROM THE TOTAL OF ANNUAL MEMBER SUBSCRIPTION INCOME (TOTAL TABLE ONE)

DOES YOUR SUBSCRIPTION INCOME COVER YOUR  
 OPERATING COSTS RELATING TO MEMBER SUBSCRIPTION SERVICES?

**TABLE THREE**  
**ANALYSIS OF THE COSTS AND REVENUES ASSOCIATED WITH SERVICES PROVIDED**  
**TO MEMBERS (both “paid for” or provided as part of the membership package)**

	Included in membership Delete as appropriate	Total annual revenue generated (over and above the membership fee)	Cost of providing the service over and above that counted in table two
<b>Human Resources Issues</b>			
Collective bargaining	Yes/No/Part		
Minimum wages	Yes/No/Part		
Dispute resolution	Yes/No/Part		
Employee relations advice	Yes/No/Part		
Representing members in courts and tribunals	Yes/No/Part		
Identification and sharing of best practice	Yes/No/Part		
Benchmarking	Yes/No/Part		
Provision of information	Yes/No/Part		



**PRACTICAL EXERCISE (cont.)**

**TABLE THREE  
ANALYSIS OF THE COSTS AND REVENUES ASSOCIATED WITH SERVICES PROVIDED  
TO MEMBERS (both “paid for” or provided as part of the membership package)**

	<b>Included in membership Delete as appropriate</b>	<b>Total annual revenue generated (over and above the membership fee)</b>	<b>Cost of providing the service over and above that counted in table two</b>
<b>Human Resources Issues</b>			
Research	Yes/No/Part		
Publications (by area if you can)	Yes/No/Part		
Human resources related advice	Yes/No/Part		
Consultancy (by area if you can)	Yes/No/Part		
Training (by area if you can)	Yes/No/Part		
Conferences	Yes/No/Part		
Recruitment services	Yes/No/Part		
Safety & health advice	Yes/No/Part		
Etc.	Yes/No/Part		
<b>List other categories in similar detail</b> e.g. financial issues, management issues, environment issues, export support, etc.			
.....	Yes/No/Part		
.....	Yes/No/Part		

**TABLE FOUR  
OTHER SOURCES OF INCOME**

	<b>Total annual revenues generated</b>	<b>Total marginal cost of generation</b>
Grants (national)		
Grants (regional)		
Grants (global)		
Legacies		
Royalties		
Rents and other property income		
Etc.		

SECTION THREE

Using simple arithmetic you can see how much of your core service costs are covered by your membership fees, where areas of service cross subsidy occur and where loss making or marginal services exist. Table one also helps you to identify holes in representivity, although this will be covered in more detail later in the guide.

The above tables contain the information necessary for you to review your organization's financial strength and to undertake further analyses of revenue building options.

Finally, if you had difficulties in putting the information together, this is a signal that you need to overhaul your financial reporting and analysis.



### THE CURRENT REVENUE MIX CHECKLIST

- Do you know exactly the proportion of your revenue that derives from subscriptions, services and other sources?
- Do you believe that your current revenue mix is appropriate?
- Do you believe that your current revenue mix is sustainable in the longer term?
- Can you list by sector and company size where your subscription income comes from?
- Do you know the annual running costs for your organization for providing membership based services?
- Does your revenue from membership cover the costs of membership based services?
- Do you know how much each of your services costs to provide and whether you make a profit on the services you sell over and above the membership package?
- Can you list sources and amounts of income from items other than subscriptions and service provision?

## Section Four

# Optimizing subscription income


KEY QUOTE

“You can make more friends in two months by becoming really interested in other people than you can in two years by trying to get other people interested in you.”

*Dale Carnegie*  
US lecturer and author  
1888 – 1955

This section is quite deliberately titled “optimizing subscription income” rather than “maximizing subscription income”. You will recall paradox one from section two. It suggests that if the core aim of the organization is effective advocacy, then your first membership objective is to ensure representivity.

Membership building issues are considered under four headings:

- Member fee structures – who pays what;
- Member profiling and representivity – identifying who joins and who does not join your organization;
- Building membership; and
- Keeping members.

Under each heading current international practice and the available data are considered. You are invited to use the lessons and conclusions from the international data in the context of your own organization to identify opportunities and problem areas and to consider how you can improve your own membership policies and practices.

### Member fee structures

The vast majority of employers’ organizations levy a membership fee, usually payable on an annual basis. Because of significant differences in the size and profitability of member companies, employers’ organizations generally adopt a formula to determine the membership fee.

The key to fee setting is to ensure that the organization can be genuinely representative of the variety of company sizes and sectors that make up the economy. Fees need to be realistic but they should not deter membership to the extent that they compromise representivity. On the more positive side, sales of additional, and profit making, services are more likely to be made to members than non members. Maximizing representivity offers a bigger opportunity to market your services successfully.

Very few organizations adopt a system of fixed fees irrespective of business size. Imposing a standard fee will result in either very few small members or a high membership base with low organizational revenues. Most organizations have a relatively small basic fee that is applicable to the smallest company. The basic fee is raised according to some measure of company size or ability to pay. Frequently the basic fee is related to the fixed costs involved in servicing the member e.g. printing and mailing literature and settling the member fee invoice. Individual benefits like online advisory services or defence in tribunals will need to be factored into the fee. For this reason, it is not generally a good idea to offer services within the membership fee that have a significant marginal cost associated with take-up.

The variable element of the subscription is typically based on employment related data of some kind, most commonly the number of employees or payroll costs. The variable element usually increases by organization size on a decreasing basis. For example, an organization will pay 10 cents per \$100 of paybill up to say \$500,000; 5 cents per \$100 of paybill between \$500,000 and \$1m; and 3 cents per \$100 for a paybill greater than \$1m and so on.

Other approaches use a percentage of turnover, registered capital, profit or value added tax returns.

Some organizations charge a “joining fee” when companies sign on as members to cover the additional costs of putting the member into the system. This system works well in golf clubs with long waiting lists but works much less well for organizations actively seeking to increase membership levels.



## BEST PRACTICES

### MEMBER FEES DO'S AND DON'TS

There are a series of issues to consider when setting membership fees:

The fee structure should be transparent and perceived to be fair – systems based on labour costs or revenue are often felt to be unfair by companies that have labour intensive working systems or low profit related to turnover.

The figures should be auditable – a figure that has to appear in (or can readily be derived from) a company's published annual report and accounts is a good idea.

The mechanism should relate in some way to the services offered – payroll or employee based numbers make sense for an organization that works exclusively on employment related issues, turnover may work better for a Chamber of Commerce.

Members should be clear about exactly what they get for their membership fee – you should be able to spell out in simple terms a cost benefit analysis that makes sense.

The formula should be long term sustainable – at a time when major companies are reducing their employment numbers, a figure based upon employment levels only will result in reducing annual income for the organization.

The formula should be capable of self revision in countries where inflation is high i.e. a payroll cost driven system automatically adjusts itself to increasing pay levels. If this is not the case, then a cost of living related automatic adjustment mechanism should be put in place.

The setting of triggers should be sensitively calculated to avoid companies moving up and down in bands unless major changes have taken place. Relatively broad bands will work best.

Avoid structures that mean that a small number of companies pay a significant proportion of the organization's fees. They will wield (or will be perceived by others to wield) a disproportionate amount of power and the consequences of them leaving will be dramatic.

When you have a system that works – don't chop and change. The area where changes are most easily effected is in charges for services and not in the basic fee.



## BEST PRACTICES (cont.)

### MEMBER FEES DO'S AND DON'TS

Think about complex companies. If a company has a small headquarters and extremely large manufacturing facilities ensure that headquarters membership is not extended to the rest of the organization by default.

Consider genuinely different categories of membership – for example not-for-profit organizations and individuals (associate membership). Membership fee reductions might be based on a differentiated service offer, genuine benevolence or reduced membership privileges e.g. inability to vote in the General Assembly. Make sure you can explain any discount offers or differentiated deals to those paying full price.

Don't build into your basic membership package services that many companies may not want.

Don't build into your basic membership package services that bind members into arrangements they would rather avoid – for example implying automatic membership of multi-employer collective bargaining schemes. Think about establishing different kinds of membership arrangements based on the service package they take up e.g. with or without bargaining.

Consider an incentive for early fee payment – this is a better idea than a penalty for late payment that might result in someone leaving the organization.

Find ways of automating payments such that membership does not get reviewed by the company's finance director every year. Direct bank debit arrangements can work well for small companies.

Make payment easy – offering credit card payment for small companies might be an option.

Make rules for those leaving the organization during the course of the year (normally they pay the full year) and for those that join mid way through a membership year (normally a proportion of the annual fee).

Decide upon a membership year – you will either think it is a good or a bad idea to have one single renewal date for all members or individual anniversary dates for each company. With the introduction of computer based systems, most of the attractions of the single review date system have disappeared, whilst the problems it generates remain.

## Dealing with federation members

A type of member in need of special consideration is the sectoral or regional federation. Clearly, with typically small numbers of employees, a low payroll and potentially competing members, such federations could take major benefits from the organization and make little financial contribution. Usually the fees for these organizations are based on factors like the organization's budget, the number of members, contribution to GDP made by the sector represented, etc. You might want to consider incentives for members of these organizations to join the national equivalent. For members of subsidiary organizations reciprocal discounts for multiple memberships could also be considered.

## Changing member subscription systems

Having worked through this guide you will probably have ideas for revising your membership fee arrangements.

The first point to remember when thinking of changing fee structures is that major changes are notoriously difficult to make. Putting in relatively small changes to tidy up missing elements like dealing with joiners and leavers or introducing early payment discounts can be relatively easy, and may be seen as new member benefits. It might also be relatively easy to strip out of the membership fee services that should be paid for by the users. This could result in a reduction in membership fees or a "fee freeze" for one or more years. New fee arrangements for new joiners may also be a possibility (providing they are not better than the deal offered to existing members), as might special one time joining offers designed to bolster short term membership.

Major overhauls of membership payment systems are extremely difficult to achieve and unless you are in financial crisis or have a major problem in this area be very careful before you take them on. Don't forget that when you open the debate there will be a wide range of groups with very strong and often contradictory views on what you might do.

## Member profiling and representivity

The international data below identify the differences between those enterprises that choose to join employers' organizations and those that choose not to. All the data are taken from the largest and most recent survey of employers' organization membership and services undertaken for the ILO in 2003.<sup>2</sup> The methodology used in the surveys is covered in full in the source document but it relies on questionnaires completed by more than 7,000 companies in 28 countries.

In order to better understand the characteristics of "member" and "non-member" organizations in the manner likely to be most helpful to employers' organization executives, the analysis is grouped into three general headings:

- Organizational characteristics;
- Ability to pay; and
- Employee relations characteristics.

It should be noted that the survey question asked whether a company was a member of *any* employers' organization – not necessarily the peak or national employers' organization.

### Organizational characteristics

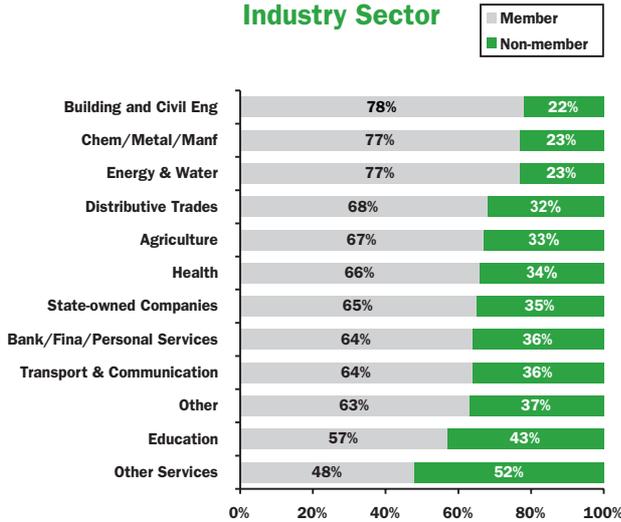
In summary, the typical characteristics that describe an employers' organization member are large companies, employing a high proportion of manual workers in the building, engineering, chemicals or general manufacturing sector.

The illustrations below show the incidence of membership by industry sector, company size and organization status.

The "typical industry" picture demonstrates a significantly lower likelihood of employers' organization membership in the public sector and in the newer growth industries, including service oriented industries like financial services, banking and communications.

<sup>2</sup> International Labour Organization: Employers' organizations and the challenges facing business today, ILO, Geneva, 2003.

Industry Sector



In general, companies employing more than 500 people are more likely to be members of employers' organizations. Moving down from this level of employment, the smaller the company, the less likely membership.

The corporate headquarters of nationally owned and foreign owned multinationals are equally likely to join an employers' organization. However, the subsidiaries of nationally headquartered multinationals are significantly less likely to join than subsidiaries of foreign owned companies. This would seem logical, in that national subsidiaries are more likely to rely on their national corporate parent, and employers' organization member, for the services provided, whereas for foreign owned companies this is not possible.

Ability to pay

The survey also demonstrates that there is no correlation at all between the profitability of an enterprise and its likelihood of joining, or staying in, an employers' organization. This is at odds with the commonly expressed view that companies "cannot afford to join" or "cannot afford to continue membership". The data suggest that if employers' organizations are told by companies that they cannot afford to join or that they are leaving for financial reasons, the "real" reason for not joining or for dropping out is likely to have little or nothing to do with finance.

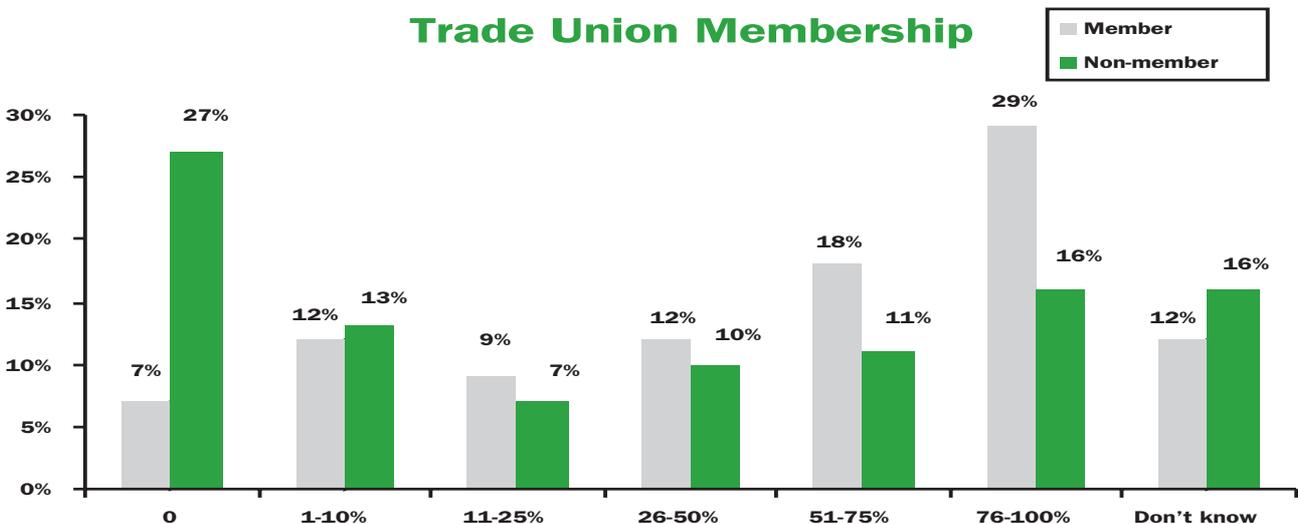
Employee relations characteristics

Examination of the employee relations of member companies reveals most about the reasons why companies join, and why they don't join, employers' organizations today. Not surprisingly, employers' organization members have higher levels of trade union membership; perceive higher levels of trade union influence on their operations; are more likely to bargain collectively; and are more likely to be members of national, regional or sectoral bargaining groups.

The trade union membership illustration below demonstrates two clear facts:

- Companies with very high levels of union membership are twice as likely to join an employers' organization.
- Companies with no union membership at all are four times less likely to join an employers' organization.

Trade Union Membership



There can be two reasons for this, and the true answer is probably a combination of both. Plainly, if the key service of employers' organizations revolves around employee relations generally and collective bargaining specifically, then highly unionized companies are more likely to benefit from, and therefore be found in, membership. Conversely, if membership of an employers' organization means either becoming involved in union issues or belonging to a formal bargaining group, those companies with no trade unions have a positive disincentive to join if they wish to maintain their non-union status.

The final piece of the jigsaw falls into place with a study of the level at which salaries are established. Without reproducing the very complex graphics in the original report, it can be clearly demonstrated that members of employers' organizations are significantly more likely to be involved in national and regional collective bargaining. Likewise "non-members" are much more likely to bargain for themselves or to set pay levels unilaterally at the company, establishment or individual level.

### Conclusions on member profiling

The statistics above confirm that members are more likely to be large companies working in more traditional sectors of the economy. Their workforce is more likely to be blue collar, with strong trade union membership, and they are likely to bargain collectively with trade unions. This collective bargaining often takes place at the national, regional or sectoral level.

The future is not however without opportunities waiting to be seized:

- As state owned enterprises are sold off and many remaining state owned enterprises and services contract out activities to the private sector, a new source of potential membership emerges for those representing private sector employers;
- As foreign direct investment expands, the number of foreign owned subsidiaries of big business increases, and with it the opportunity for membership growth in companies with high contribution levels;
- There seems to be an opportunity in some countries to review the employers' organization membership arrangements which apply to the headquarters of nationally owned and headquartered multinationals to ensure that their national subsidiaries do not get a free ride.

Conversely there are important and significant threats to representivity:

- The rebalancing of industry structure away from traditional industries and concurrent changes in the nature of the workforce away from the full time, blue collar, male workforce acts against employers' organization membership as it exists today;
- The increasing proliferation of small enterprises, particularly in the informal economy, is also a major challenge;
- The move away from centralized collective bargaining poses genuine challenges for those organizations whose core business lies in collective employee relations.

Having noted the international position, it is now time to look at the specific representivity profile of your own membership.



**PRACTICAL EXERCISE**

**Member profiling and representivity**

You should now analyse your own membership penetration of the potential market by as many of the following factors as possible; Sector; Company size; Ownership; Trade union membership; and Pay determination system.

Answering the following questions will allow you to plot areas of representational strength and weakness for your organization.

**Q1** What percentage of companies in the following **sectors** are members of your organization? (Note that the sectors below use ILO definitions – you may wish to substitute your own).

Sector	Estimate the number of companies in this sector in the country	% of companies in this sector that are members of our organization <sup>3</sup>
Basic metal production		
Chemical industries		
Mechanical and electrical engineering		
Mining (coal; other mining)		
Oil and gas production; oil refining		
Textiles; clothing; leather; footwear		
Transport equipment manufacturing		
Agriculture; plantations; other rural sectors		
Construction		
Food; drink; tobacco		
Forestry; wood; pulp and paper		
Commerce		
Education		
Financial services; professional services		
Health services		
Hotels; tourism; catering		
Media; culture; graphic		
Postal and other communication services		
Public service		
Transport (including civil aviation; railways; road transport)		
Utilities (water; gas; electricity)		
Shipping; ports; fisheries; inland waterways		
Other (specify)		

<sup>3</sup> Use the data you collected in table one of section three.



## PRACTICAL EXERCISE (cont.)

**Q2** What percentage of companies in the following **size categories** (number of employees) are members of your organization?

Size range (change to suit your country)	Estimate the number of companies in these size categories in the country <sup>4</sup>	% of companies in this size category that are members of your organization
1 – 199		
200 – 499		
500 – 999		
1,000 – 1,999		
2,000 – 4999		
> 5,000		

**Q3** What percentage of companies in the following **ownership categories** are members of your organization?

Ownership category	Estimate the number of companies in this category in the country <sup>5</sup>	% of companies in this ownership category that are members of your organization
Corporate headquarters of multinational company		
Corporate headquarters of national company		
Subsidiary of foreign multinational		
Subsidiary of national company		
Independent company		

<sup>4</sup> This figure is likely to be available in national statistical abstracts.

<sup>5</sup> This figure is likely to be available in national statistical abstracts.



**PRACTICAL EXERCISE (cont.)**

**Q4** Based upon what you know about your membership, estimate the percentage of **your member companies** with the following **trade union membership**.

Trade union membership(%)	% of your members in each category
0	
1 – 10	
11 – 25	
26 – 50	
51 – 75	
76 – 100	

**Q5** Based upon what you know about your membership, estimate the percentage of **your member companies** with the following predominant systems of **pay determination**.

Predominant level of pay determination	% of companies in the country with this predominant form of pay determination	% of your members using this form of pay determination
National		
Regional		
Company		
Establishment		
Individual		

Based upon this analysis you will be able to undertake a considered examination of the questions below. You might wish to present the data to members of your executive team, your Board, a committee or selected groups of staff and members and ask for their answers to the questions.

<b>MEMBERSHIP STRENGTHS</b>	<ul style="list-style-type: none"> <li>■ Where are our positions of membership strength?</li> <li>■ Why are we strong in these areas?</li> <li>■ What are the chances of building further membership in these areas (i.e. market penetration is not at saturation level)?</li> </ul>
<b>MEMBERSHIP WEAKNESSES</b>	<ul style="list-style-type: none"> <li>■ Where are our positions of membership weakness?</li> <li>■ Why is membership weak in these areas?</li> <li>■ What would we have to offer in order to build membership in these areas?</li> </ul>

## Building membership

In deciding how to build membership you need to recognize that securing new members is a labour intensive process. You will need to develop different strategies for building on strengths and for addressing weaknesses. In each category you will need to spend time identifying specific target companies.

### Building on established strengths

Looking at areas of membership strength (your responses to the first three questions), the case for membership of your organization is already made. These organizations are very similar to your existing members and are probably run by individuals that you and your existing members know personally. In these cases the “sell” may be relatively easy. Let’s not forget, however, the objective of your organization’s representivity. Your areas of strength are places where you already have a considerable membership base. Whilst strengthening an existing membership base is never a bad thing, it might highlight even further your areas of weakness or lack of membership in businesses from a certain sector, of a certain size or with a particular view on collective employee relations.

Your strategy in this area then should be very specific. You are not interested in volume but you are interested in revenue generation. Remember, in this case you are targeting a limited number of potentially high subscription companies. Writing letters is likely to be a waste of time – and you can afford to spend the time it takes to adequately research the organizations, find the key decision makers and meet them personally. You should think this issue through and list, for example, 12 high subscription value companies that you will specifically target this year.

There will be one of four reasons why these organizations are not already members:

- They don’t have a clear enough idea of what you do;
- They know very well what you do, but choose to benefit from your actions without paying a membership fee i.e. they are true free riders;
- They know what you do but get the services you provide from elsewhere;
- They know what you do and have a principled reason for not wishing to associate with you.

Having established that in this area you will go for “easy wins” if possible, you should invest your time in the first two categories. If your list of 12 companies has been reduced by the review of these questions, add new companies to your list until you have a reasonable number of targets. You can now split your target list between those with insufficient information and free riders. Your approach will differ.

For those who do not have a clear idea of what you do, the answer is to provide them with information. Consider the following list of actions:

1. Find out who specifically is responsible for decisions relating to membership of your organization and who will be likely to influence the decision;
2. Do you or one of your active members know these people or anyone else who has significant influence in the organization?
3. Using the contacts that you have find out whether there is a principled reason you are not aware of which explains why they are not members;
4. Arrange to meet the key contact face-to-face;
5. Demonstrate recent successes that have had a positive impact on his or her company and explain your upcoming action programme. Offer some of your publications and an invitation to attend an event free of charge as a guest;
6. If appropriate, make a positive introductory offer.

If the company is a genuine free rider that has considered all the issues and decided to save money, then these arguments are unlikely to be effective. For free riders two other options should be considered:

1. Find a way to explain to decision makers what the company loses in terms of information and influence by not being involved in your policy making activities. This may include describing what their key competitors gain!
2. Second, persuade one of your paying members who know the organization well to point out that they are benefiting from advocacy services without contributing to the cost of their provision. People don’t mind being free riders until someone they respect points it out to them.

## Addressing areas of weaknesses

In addressing areas of membership weakness you will face a different group of companies and will have different objectives. You are trying to increase membership in each category of weakness. There will probably be large areas of particular business interest where you have few members and few success stories; these may focus particularly on small companies and “non union” firms. You need to recruit the maximum number of members in these areas, particularly at the low end of your subscription matrix.

These organizations will have to be persuaded of a genuine cost/benefit reason for signing up. You will need to find out in some detail why they tend not to join you before launching special offers or other proposals in a mass and unfocused mail shot. This will mean talking to them or talking to people like them.

The first step is to divide the group into similar categories. The categories might be public sector employers, employers in newly privatized utilities, small businesses, high technology companies, banking and finance companies, and companies in sectors with little or no union membership.

Having identified the key categories, examine your current membership. In all probability you will have some members in each of these groups. Visit them or arrange meetings to understand why they joined your organization and why the majority of businesses in their position choose not to.

If you have no members, make a direct approach to a limited number of companies in each category. Tell them why you want to talk to them and explain that it is not part of a membership hard sell exercise. Even if you have already organized member meetings it might still be a good idea to broaden your discussion with some non-members to check your findings.

Armed with your list of reasons you will need first to decide whether you can make membership more attractive. Recognize that some problems will be quicker and easier to solve than others. Where possible push against open doors. If, for example the prime mission of your organization is to conduct multi-employer collective bargaining and a group of companies wish to remain non-union, there are probably few easy answers. If your major problem is the prevalence of informal sector companies that

do not register for business, their first step in moving into the formal economy is unlikely to be to join an employers’ organization – they are more likely to register for VAT. Your long term solution in this area rests with advocacy work with the government on reducing barriers to entrepreneurship. You will be able to move forward only when progress has been made here.

There will, however, be areas where you can make changes. You might focus on issues of concern to a sector out of membership, work harder on service provision for small firms, review membership fees for the smallest of companies, or offer new forms of membership that do not put unwanted obligations on companies. You will not know the potential solutions until you have asked the questions – don’t leap into action without understanding the issues thoroughly.

## Keeping members

There are no available international data relating to membership retention in employers’ organizations. Anecdotal evidence suggests that members leave if they have a fundamental policy disagreement with the organization, if they change ownership or if they suffer a severe financial crisis. It seems that member turnover in most cases is not particularly high. If your organization has suffered a major loss of members then you must initiate an urgent review to identify why ... and put it right!

Even with a low turnover of members, it remains far more expensive and time consuming to recruit new members than to keep existing ones; the happier your existing members are the more additional services they will buy from you; and having a strong membership list that says good things about you is the best recruitment tool you can have. It is worthwhile therefore to say a few simple words about retention.

Erik Van Vooren, in his publication “Making and Keeping Members – Direct Communication for Employers’ Organizations”, lists the following brief tips on member retention.



## BEST PRACTICES

### KEEPING MEMBERS

Encourage members to call or e-mail instead of writing when they have a problem or are looking for more information.

Encourage your colleagues to come up with ideas to improve service vis à vis members.

Solve the problems a member might have **immediately**.

Motivate you colleagues to go to great lengths to retain members. It is much easier to hold onto a current member than it is to find a new member.

Invite members to take part in group discussions that allow them to vent their opinion about the services.

Make sure that all staff who answer the phone can immediately get help or information when they don't know what to do in a certain situation.

Train all employees who are in written or verbal contact with members to be polite and sympathetic.

Find out how you can help members to discover the full range of your services. Service is the key to success.



## THE OPTIMIZING SUBSCRIPTION INCOME CHECKLIST

- Is your fee structure transparent and perceived as fair by members?
- Is your calculation formula auditable?
- Do members know what they get and don't get as a member service?
- Is your formula self-revising for cost increases?
- Do a small proportion of your members provide the vast majority of your income?
- Do complex companies pay a fair fee – or can HQ operations “hide” subsidiary companies?
- Are the member services genuinely services that a majority of members want and take up?
- Do you give incentives for early payment?
- Do you have rules for leavers and joiners?
- Does your “membership year” arrangement help your cash flow and financial planning?
- Do federations pay fair fees?
- Can you accurately profile your membership to identify areas of representational strength and weakness?
- Do you have a membership strategy for increasing revenues in areas where you already have strong representation?
- Do you have a strategy for membership growth in areas where you are less strong from a representational point of view?
- Do you have processes in place to track turnover and ensure member retention?



## Section Five

# Building service income



**KEY QUOTE**

“Your brand’s power lies in dominance. It is better to have 50% of one market instead of 10% of five markets.”

*Al Ries  
Chairman of Ries & Ries  
Author of  
Positioning: The Battle for your Mind*

One of the very few areas relating to employers’ organizations where plenty of literature has emerged in recent times is that of generating service income. The reason for this interest lies in the “three revenue building paradoxes” explained in section two. The essence of paradox three is that employers’ organizations need to make a profit on services in order to cross subsidize advocacy activities.

For the benefit of readers starting with this section, paradox three states:

*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. To do so, the organization will enter a competitive environment where it must vie for business, typically with lawyers, specialist consultants and accountants. 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 based on the organization’s “not for 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.*

It is likewise worth repeating here the two consequent underpinning notions relating to service provision:

- **Decisions to provide additional services must be ruthlessly financially driven.**

Sources of employers’ organization revenue other than membership must be profitable. There is absolutely no point providing services beyond those essential to the membership deal, even if members want them, unless they more than cover the cost of their provision.

- **A sustainable comparative advantage for an employers’ organization is most likely to be generated by a factor that private sector competitors cannot replicate.**

In a competitive environment, employers’ organizations can only beat specialist providers if they can identify and exploit a comparative advantage. The key point of differentiation between an employers’ organization and its competitors is likely to be associated with the nature of the employers’ organization itself. Service differentiation will derive initially from the position of unique privilege the organization enjoys either as a successful advocate or multi-employer negotiator, and from the relationship it builds with its members.

The present section is organized under four headings: building on strengths, examples of services offered by employers’ organizations today, sounding out the market and service delivery alternatives.

## Building on strengths

Much of the literature on service provision in employers’ organizations suggests that they should look for gaps in the market i.e. identify services that their members would like to buy and then provide them. For most employers’ organizations this analysis is over simplistic. Employers’ organizations are not by nature entrepreneurial organisms staffed by people talented in identifying and filling niche markets. Employers’ organizations have very specific objectives and typically offer services in order to fund their basic *raison d’être*. Most mission statements of employers’

organizations start from the basis of either improving the environment in which businesses operate through effective advocacy or conducting multi-employer collective bargaining on behalf of their members. It is in either or both of these two contexts that additional services are likely to be regarded positively by members. In service provision, the employers' organization is logically constrained to build on its established strengths.

The effect of this on the determination of what services to offer is substantial. It suggests that the starting points are the organization's mission and key strengths rather than a random review of members to find out what they want to buy. Only after the organization has proved itself an excellent service provider in one area can it move on to develop its offering. The following example is based on a real case study.



### BEST PRACTICES

#### BUILDING ON STRENGTHS – STEP BY STEP

***An employers' organization developed a series of training events designed to bring members up to speed on the content and likely effect of new laws they had advocated. Having received positive feedback from those attending the programmes, the organization found it possible to follow this with other services in the specific area where it had run successful courses – these were compliance auditing and consultancy. Additionally, and having built "brand recognition" as an excellent training organization, they were able to run a wide range of training events on other issues.***

The fundamental approach of "building on established strengths" suggests that best practice benchmarking should be undertaken with care. Just because employers organization "A" has managed to build a very successful training calendar offering events that range from blue collar worker training in safe working practices up to part time MBAs in cooperation with a reputable university does not mean that employers' organization "B" can begin its service offering by opening a full service training school. Just because employers' organization "C" has a successful business in auditing quality standards does not make this a suitable first business offering for employers' organization "D". The offer has to start in the right place i.e. from a recognized organizational strength, and then build out.

These lessons are borne out by empirical research on service take-up from employers' organizations. In the 2003 employers' organization surveys mentioned earlier, companies were asked which service providers they used for training, employee relations, human resource management, management services, and financial issues.

At the aggregate level, and by some distance, the most common source of external advice and assistance is "consultants", followed by "lawyers". Although employers' organization members purchase many external services, very few are bought from employers' organizations themselves. Where members choose to buy services from employers' organizations, by far the most popular area is employee relations. The only organizations to approach market dominance, however, were those operating in countries where the current or historic system of collective bargaining provided a dominant role for the employers' organizations. Outside these countries, and in countries where collectivism is less strong, the field of employee relations is dominated by consultants and lawyers. Encouragingly, those organizations that secured a strong niche in the employee relations market were able also to make successful inroads in the areas of training and human resource management. Those without a strong base were significantly less successful.

It seems that in both theory and practice, the starting point for an employers' organization is the identification of key strengths. These strengths vary by organization, but are likely to include:

- **ADVOCACY POSITION** – enjoying a privileged advocacy position with legislators that gives them particular influence, makes them privy to information and allows them to develop high levels of expertise in the areas in which they work;
- **COLLECTIVE EMPLOYEE RELATIONS** – having relations with employees and trade unions that put them in a position of knowledge and expertise;

- **LOYAL MEMBERSHIP** – maintaining a large membership, the organization can build upon established relations with members based on excellent levels of service provision and trust.

It is only after the initial and successful exploitation of these skills that the organization can begin to branch out into other areas of service offering.

The following chart gives examples of first and second generation services that have spun off from the recognition and exploitation of an initial organizational strength. The examples are based in each case on real employers' organizations currently offering third generation services built on sequential exploitation of strengths.

KEY ORGANIZATIONAL STRENGTH	INITIAL SERVICE PROPOSITION	SECOND GENERATION SERVICE OPTIONS	THIRD GENERATION SERVICE OPTIONS
<b>ADVOCACY POSITION</b>	Training employers in the content and application of new laws.	<ul style="list-style-type: none"> <li>■ Compliance/ diagnostic auditing in the specific area;</li> <li>■ Consulting on application of specific law;</li> <li>■ General training in employment law.</li> </ul>	<ul style="list-style-type: none"> <li>■ More general diagnostic auditing;</li> <li>■ Human resource strategy consulting;</li> <li>■ Management of a training agenda.</li> </ul>
<b>COLLECTIVE EMPLOYEE RELATIONS</b>	Conduct of multi-employer collective bargaining.	Conduct of general wage and salary surveys.	Design of remuneration and benefits programmes.
<b>LOYAL MEMBERSHIP</b>	Offering "member to member" discounting arrangements.	Negotiating a range of discounts on behalf of organization members.	Using the membership list as a commercial tool for third party suppliers.


**PRACTICAL EXERCISE**

As a practical exercise you should consider your organization's mission and strategy and the unique strengths it has built up. List these strengths and consider the first, second and third generation possibilities for service offerings.


**KEY QUOTE**

"There are always opportunities through which businessmen can profit handsomely if they will only recognize and seize them."

*J. Paul Getty  
US businessman  
61892 – 1976*

## Services offered by employers' organizations today

Many publications list alternative services that can be offered by employers' organizations as a kind of "menu" approach. Services are most generally in the broad areas of:

- Advice;
- Consultancy;
- Information provision;
- Training;
- Representation;
- Legal representation; and
- Publications.

The arguments above suggest that the best approach is hardly ever to look at what others have done successfully and then to copy their approach. However, having identified the organizational strengths most likely to deliver comparative advantage in the marketplace, it is useful to look at what other employers' organizations have done in similar situations and how their service offerings have evolved over time.

The following pages contain a series of real life examples of services and the marketing tools that support them. It is not intended to be an exhaustive list of ideas. It is however instructive in the sense that it demonstrates in various areas how real employers' organizations have successfully built on their organizational strengths.



### BEST PRACTICES

***The Jamaican Employers Federation (JEF) built an impressive training calendar starting with its expertise in employee relations and turning this over time into a more general competence in training provision of all kinds. The training competence has been further developed by moving into the design and implementation of bespoke training products for individual companies. A fuller picture of their offering is at [www.jamaicaemployers.com](http://www.jamaicaemployers.com) from where the following samples are drawn.***

**JEF**
**JAMAICA EMPLOYERS' FEDERATION**

- Using Customer Service Skills to maintain the competitive edge
- Leadership Skills For Supervisors
- Fundamentals of Human Resource Management
- Records Management
- Occupational Health & Safety at the Workplace
- Improving Management Skills For The New or Prospective Manager
- Effectively Managing the Pension Trust: (The Role Of the Pension Fund Trustee)
- Monitoring Performance – Performance Management & Appraisal
- Communication Skills for Frontline Staff
- Understanding Labour Laws
- Industrial Relations
- Inventory & Warehouse Management
- Today's HR Professional: From Administrator to Strategist
- The Changing Role Of Today's Secretary
- Management & Interpersonal Skills For Administrative Professionals
- Technical Report Writing
- Compensation & Benefits Management: The Team/Performance Based Approach
- Effective Presentation & Communication Skills for Managers & Supervisors
- How To Manage Workplace Negativity
- Juggling Competing Priorities in Today's New Work Order



## BEST PRACTICES (cont.)

*JEF produces an annual training calendar comprising many hundreds of events. As an example, the calendar for the month of June 2004 is illustrated below.*

<b>2</b>	<p><b>Strategic Outsourcing: The New Topic For Sustaining Competitive Advantage</b> Who should attend: Individuals at the Senior Managerial level and Executives at the Policy level in the Manufacturing or Service Industry who are interested in exploring the benefits of outsourcing;- The issues and challenges.</p>
<b>3</b>	<p><b>Strategic Thinking on Training &amp; Development: The Line Manager's Survival Guide</b> Who should attend: Directors and Line Managers with functional responsibility for Training and Development.</p>
<b>8</b>	<p><b>Communication Skills For Frontline Staff</b> Who should attend: Supervisors, Secretaries, Receptionists, Clerks, Security Personnel, Hotel Front Desk and Guest Service Staff, Cashiers, Sales &amp; Counter Clerks.</p>
<b>8</b>	<p><b>Industrial Relations Modular Course: (8/6-29/7) (Evenings: Tuesdays and Thursdays)</b> Who should attend: Directors and Line Managers with functional responsibility for Training and Development.</p>
<b>8</b>	<p><b>Industrial Relations Modular Course: (8/6-29/7) (Evenings: Tuesdays and Thursdays)</b> Who should attend: Directors and Line Managers with functional responsibility for Training and Development.</p>
<b>15</b>	<p><b>Assertiveness Training For Managers</b> Who should attend: Experienced Managers and seasoned Professionals who wish to build on their strengths, improve communication effectiveness, and sharpen conflict resolution skills.</p>
<b>22</b>	<p><b>Cross-Functional Communication – Strategies for Workplace Effectiveness</b> Who should attend: Anyone who must relate to other individuals in order to successfully accomplish his/her job.</p>
<b>24</b>	<p><b>ANNUAL GENERAL MEETING</b> – Launch of Salary Survey 2004.</p>
<b>29</b>	<p><b>Using Customer Service Skills To Maintain the Competitive Edge – Best Practices</b> Who should attend: Customer Service Managers, Administrators, Supervisors, Sales &amp; Client Service Representatives, and Field Service Managers/Representatives.</p>
<b>30</b>	<p><b>How To Conduct An Effective Training Needs Analysis</b> Who should attend: HR Practitioners, Training Officers, OP Specialists and anyone responsible for determining micro and macro training needs within their organizations.</p>



## BEST PRACTICES (cont.)

**ECOP, the Employers' Organization of the Philippines offers a variety of services but is well known for provision of pay and benefit data built out of the research facility established to provide information and support for its advocacy programme. Check them out in more detail at [www.ecop.org.ph](http://www.ecop.org.ph)**



### Business Critical information resource

ECOP provides materials which process and package information in support of ECOP issue/policy positions in public and private sector forums and direct action services for members and the employers sector in general.

### ■ SURVEYS & STUDIES

ECOP provides both members and non-members alike with comprehensive information which can be accessed free-of-charge and/or at market-competitive prices, with special rates for ECOP members and other types of incentives for research study participants.

**Below is a list of the latest SURVEYS available:**

- Employment Status Survey for the 1st, 2nd and 3rd Quarters of 2002
- SME National Survey 2003
- Collective Bargaining Agreements Survey Report 2003
- Corporate Compensation Survey 2003
- Corporate Compensation Survey 2002

### Providing relevant up-to-date information

ECOP has a wide range of informative materials covering important business issues. These materials can be accessed free-of-charge or at market-competitive prices to both members and non-members.

### ■ ECOP LIBRARY



## BEST PRACTICES (cont.)

*The Employers and Manufacturers Association of New Zealand (EMA), and member of Business New Zealand has developed a range of discounts negotiated with suppliers of key business products and services aimed at the small to medium sized company that cannot place orders large enough to generate large discounts.*



EMAdvantage is EMA's loyalty programme and member advantages network. As an EMA member you can receive the benefits of special offers on a range of business products and services provided by other EMA members. You can also give your sales a boost by offering discounts and special rates to other EMA members through this programme.

Check out the EMAdvantage offers currently available at [www.emadvantage.co.nz](http://www.emadvantage.co.nz).

If you are not an EMA member [click here for more information about investing in EMA](#) membership.

### LATEST MEMBER DEALS



#### Want to make business easy?

You can now use professional online surveys, email marketing tools and more for special member rates thanks to the partnership between the EMA and uSuite. [Click here for more.](#)

**EMALife** cuts the cost of term life cover! The EMA is pleased to offer the lowest cost life insurance cover you or your employees can buy.



Telecom New Zealand has a wide range of communications solutions to help you take care of your business.

**Solutions** that have the potential to significantly increase profitability, productivity, customer service and loyalty.



## BEST PRACTICES (cont.)

***The London based CBI takes full advantage of its Central London office (where it hosts its own comprehensive series of conferences, training programmes and briefings) to offer a fully serviced conference service.***



### **CBI CONFERENCE CENTRE**

Combining a prime West End location, the prestige of the CBI name and a building that's a well-known feature of the London skyline, the CBI Conference Centre is a unique venue for a wide range of events.

At a glance:

- 10% discount on standard rates for CBI members
- Located in London's landmark Centre Point tower
- Conference and media room for meetings, speeches, presentations and televised events, accommodating 200 people
- Concourse for exhibitions, evening receptions and corporate hospitality for up to 325 people
- Meeting room for 75 that can divide into separate rooms holding 25 people
- Additional 12-person capacity meeting room
- State-of-the-art AV technology
- A range of catering options from light working lunches to buffets and restaurant quality meals
- Evening, weekend and hourly rates available
- An experienced team to manage security issues arising from high profile events and guests

### **Contact**

To enquire about availability or for more information please call etc venues on 020 7395 8096, or email [cbi.centre@etcvenues.co.uk](mailto:cbi.centre@etcvenues.co.uk)

To view virtual tours, picture galleries, floor plans and capacity tables, go to the etc venues website at [www.etcvenues.co.uk](http://www.etcvenues.co.uk)



## BEST PRACTICES (cont.)



*IBEC, the employers' organization of the Republic of Ireland built on expertise attained in the course of advocacy on complex European and national laws on health and safety to offer a range of member services as a part of its HRM and Industrial Relations service package.*

### HRM and Industrial Relations

The Occupational Health and Safety (OHS) Service assists members in creating and maintaining high standards of health and safety in the working environment. The Service provides information and advice on all aspects of safety legislation, occupational hazards and best standards for safety and health at work. Advice and information is given on such issues as accident prevention, claims for personal injury, preparation of safety statements, training needs and information sources.

- general safety and health audits of companies and organizations
- special audits such as noise, machinery safety, chemical handling and others
- in-company management and staff training courses tailored to your activities and needs
- public training courses, designed for safety representatives and safety officers, in first aid and on the new regulations and legislation affecting health and safety in the workplace
- public seminars on topical health and safety issues

A separate, more detailed brochure on IBEC's OHS Service is available on request

#### Your Questions Answered

The unit publishes a quarterly publication Health & Safety – Your Questions Answered.

#### IBEC Guide on Occupational Safety and Health

Whether you are a Safety and Health Officer, Health and Safety Manager, A Safety Co-ordinator, a Front Line Manager or have some involvement in health and safety, the IBEC Guide on Occupational Safety and Health is an essential tool for you. The publication covers six sections: safety and health overview, health and safety law, management of health and safety, physical hazards, health hazards and sectoral issues. There are also a number of appendices which provide a list of current legislation and numerous useful forms.

#### Download brochure

 [OHS Guide Application Form.pdf](#) [113 kb]

#### Wallchart

The **Occupational Safety and Health Guide Wallchart** contains information on the key pieces of legislation in this area. This attractive poster gives employers and staff easy access to the main provisions of the law in an easily assimilated format.

## Sounding out the market

Having decided on your areas of significant comparative advantage based upon unique organizational strengths and identified services you might offer, the next step is to check out the market and pricing. The only way to do this is to ask your members and then try your service out. Unlike many companies that wish to market test a new service, you have a group of loyal members who would like to see their organization succeed. If you have done your preparatory work well, organizing focus groups in the first instance

followed by a small member survey on service options should be relatively easy.

For a more sophisticated approach to market testing, the following paragraphs outline the main methods used and their advantages and disadvantages. The content is adapted from that published by the British Market Research Association (BMRA) in their researchers toolkit ([www.bmra.org.uk](http://www.bmra.org.uk)). If you are thinking about hiring a professional organization, it is a good idea to know the pros and cons of the various approaches that might be suggested.



### BEST PRACTICES

#### BASIC DATA COLLECTION METHODS

The following methods are used frequently by market researchers:

- Internet surveys
- Mail surveys
- In person interviews
- Phone interviews
- Disk-by-mail
- Panels
- Focus groups

#### INTERNET SURVEYS

Internet research makes data collection on the web simple, easy and effective. Interactive, electronic surveys can be targeted to specific groups or broadcast widely over the internet. Surveys can be conducted in multiple languages, results are fast and data collection costs are low.

##### *Advantages*

- Moderate cost. Data collection costs are reduced.
- Speed. Allows for quick collection of large numbers of interviews.
- Non-intrusive. Respondents can answer at their convenience.
- Access. Unique or hard-to-find respondents can be contacted.

##### *Disadvantages*

- Sample bias. While a growing number of people have internet access or use online services, many still don't. Non-users can't be represented in surveys.
- Non-response. It's easier to ignore a survey online than to ignore an interviewer on the phone. People may look and then choose not to complete the survey.
- Security. If the survey reveals sensitive information, it is more available to competitors than if a telephone interview is used.



## BEST PRACTICES (cont.)

### BASIC DATA COLLECTION METHODS

#### MAIL SURVEYS

A mail survey uses questionnaires sent to respondents through the mail. The questionnaire may be on paper or on computer disk or faxed to participants. The respondent fills it out and returns it. Mail surveys often include some gift or payment as an incentive to complete.

***For your assistance a sample survey design is included in The Effective Employers' Organization guide number two, dealing with strategy development.***

##### Advantages

- **Cost:** Mailing out a bunch of questionnaires is usually the cheapest way to do research.
- **Visual:** Pictures, drawings or graphics can be included in the mailing. These are sometimes helpful to explain or show concepts being researched.
- **Can do some complex tasks:** Rank-ordering lists or sorting items is possible when using mail surveys.

##### Disadvantages

- **Low response rates:** While there are some ways to enhance response, mail questionnaires are typically returned by less than one in five recipients. Bias may occur since the respondents can be largely self-selected.
- **Limited for unaided awareness or open-ended questions:** These types of questions are difficult to ask, and the quality of data can be compromised.
- **Turnaround:** Mail-outs typically take weeks or months. Phone surveys can be completed in days or even overnight.
- **Uncertainty about respondent qualifications:** Who really filled out the questionnaire? A clerk or secretary instead of the targeted executive?
- **Exposure to competition:** Of particular concern if researching new or confidential concepts. If a competitor gets your questionnaire, they can replicate your research by mailing copies to a similar population and processing the results. At the very least, they'll know what you're asking.
- **Data limitations:** Many mail-out questionnaires are returned with incomplete or obscure answers. These can't be clarified or probed. The usual action is to discard partials.
- **Length restrictions:** Without special care such as incentives or advance contact by phone, longer mail-out questionnaires are usually not returned. Also, questionnaires that look long or complex reduce response rates.

**BEST PRACTICES (cont.)****BASIC DATA COLLECTION METHODS****IN PERSON INTERVIEWS**

Data can be collected by sending researchers to conduct face-to-face interviews. As the questions are answered, the researcher records the responses on a questionnaire, enters them into a computer or tapes the interview.

*Advantages*

- In person: The respondent can see and be seen by the researcher. These interactions can be valuable in building rapport, eliciting cooperation and encouraging candour.
- Depth or length of interview: An hour-long interview in a respondent's office is expensive but usually pleasurable for the respondent. An hour interview on the phone can be too tedious. Probing or in-depth questions are generally more effective or easier to ask in person.
- Show and tell: A wide variety of visuals can be used—demonstrations, catalogues, videos, computer screens.

*Disadvantages*

- Expensive: While showing some resurgence, face-to-face interviewing has almost become extinct due largely to its high cost compared to telephone interviewing.
- Quality control: Supervising an in person interview is more difficult than monitoring telephone interviews.
- Slower: It usually takes more time to find and interview respondents in person.
- Less respondent anonymity: Some sensitive subjects may actually be better researched by phone than in person. There may be more pressure to give conventional or socially acceptable responses when being interviewed face-to-face.



## BEST PRACTICES (cont.)

### BASIC DATA COLLECTION METHODS

#### PHONE INTERVIEWS

The telephone has become an increasingly important method of collecting data. Computer systems and the availability of up-to-date lists of respondents meeting specified criteria have improved targeting. The interviewer records qualified respondents' answers on a questionnaire or at a computer terminal. New, automated phone interview approaches are developed regularly. Qualitative phone interviews (sometimes called executive interviews) consist of a structured but more open-ended discussion with the respondent. The interviewer uses a guide to provide interview direction and ensure important topics are covered. However, the interviewer may also add follow-up questions to probe and clarify respondents' answers and obtain in-depth information.

##### *Advantages*

- **Speed:** Phone interviews can be conducted very quickly. A large phone centre can generate many interviews within a short period.
- **Moderate cost:** Phone interviews are less expensive than in person interviews—but more costly than mailed questionnaires.
- **More personal:** The telephone has some of the attributes of a face-to-face interview. Respondent qualifications can be ensured, responses can be probed and clarified, and questionnaires completely filled out. Rapport creates greater cooperation.
- **Confidential.** Sponsorship or even the geographic origin of the survey can be well disguised.
- **Quality control.** Non-interruptive monitoring allows for close supervision of the interviewing process.

##### *Disadvantages*

- **Limitations on length.** Depending on the subject and audience, phone interviews longer than 30 minutes can be difficult or impossible.
- **No visuals.** While techniques can sometimes be combined (mail the concept drawings, ask the questions by phone), showing visuals, doing demos or other hands-on procedures is normally not possible by phone.
- **Cooperation barriers.** As more telemarketing and phone surveys are conducted, respondent cooperation is sometimes a problem. New technologies such as caller ID may increase these barriers.



## BEST PRACTICES (cont.)

### BASIC DATA COLLECTION METHODS

#### DISK-BY-MAIL

An emerging technique with application in some markets. A computer disk with a self-administered questionnaire programmed on it is mailed to respondents. They answer the questions on screen and return the completed disk. Often, a screening phone call is required to ensure that the respondent has the necessary equipment.

##### *Advantages*

- Fun for participants: While the novelty may wear off eventually, most computer users enjoy disk-by-mail interviews. Cooperation and response rates approach 80%.
- Good for long questionnaires: Disk-by-mail works when long interviews are needed. Some questions can be answered faster on a computer than when read over the phone.
- Fits special research designs: More sophisticated techniques benefit from being administered on a computer.

##### *Disadvantages*

- Requires equipment: Some respondents may lack the skills or equipment to do disk-by-mail. This technique is best for business or technical markets.
- Slow turnaround: Since calling, sending, filling out and returning are all required, disk-by-mail may take a few weeks longer than a phone interview.
- A security risk: In spite of protection, an expert could copy your questionnaire and send it to a competitor—just as with other mailed-out questionnaires. And the possibility of a computer virus may inhibit some from participating.
- More expense: Because of the multiple steps involved, disk-by-mail can be more costly than one-step methods.

#### PANELS

Usually consist of groups of people who supply information on a regular basis. Questions typically focus on subjects such as purchasing behaviour, purchase intention or advertising awareness. In some cases, panels are recruited simply to provide a group of qualified respondents who can quickly give input for questions about consumer preference or new product development. Occasionally a group of dealers may serve as panellists by reporting on sales, inventory levels and their views of market trends.

##### *Advantages*

- Quick or continual access: Panels offer ready and ongoing access to information. Since panellists are pre-recruited, researchers have a group of respondents available for questions on changes in product preferences or perceptions of an industry. And, since the panel can be revisited, changes can be measured over time.
- Less costly: Panels provide the opportunity to inexpensively develop a continuing or long-range view of the market, without needing to conduct multiple surveys.
- Shorter surveys: Respondents are familiar with the process and have background information on the product or subject.

##### *Disadvantages*

- Panel conditioning: One difficulty in using a panel is ensuring it remains representative of the market and members do not become professional opinion givers. Panellists must be rotated out and new ones added regularly.



## BEST PRACTICES (cont.)

### BASIC DATA COLLECTION METHODS

#### FOCUS GROUPS

Focus group research uses group discussions to learn about a topic. Eight to fourteen respondents are typically recruited for each session. Two or more focus groups are usually conducted to determine which results are consistent and therefore reliable. Different locations may be used to balance or minimize regional bias. Occasionally focus groups are conducted by telephone using conference calls. Groups can also be conducted online. Focus group discussions can last from about 30 minutes to two and one-half or even three and one-half hours. Focus groups are conducted by one or two researchers (or moderators). During the course of the discussion, participants are asked a specific set of questions. Focus group moderators listen carefully to the responses and ask follow-up questions to learn about the underlying issues, attitudes or beliefs. The discussions are later analysed to learn about participants' opinions, perceptions, reactions and points of agreement and disagreement. Traditional focus groups use a single moderator, are shorter and have fewer participants than dual moderator focus groups. Dual moderation is most effective for complex topics, technical markets or where intricate logistics are involved. Greater depth and more interaction between moderators and observers are characteristic of dual moderator focus groups.

#### *Advantages*

- **In-depth:** Focus groups can get at information that cannot be obtained in other ways. Participants not only discuss their own opinions, they also have an opportunity to react to the ideas of others. The give and take among focus group participants provides a powerful dynamic missing from individual interviews.
- **Hands-on:** There is also opportunity for extensive direct investigation. Products can be tried out, concepts reviewed and reactions observed and probed.
- **Timely:** Immediate. Post-group debriefings with moderators and clients can create shared insight and reduce selective hearing or premature conclusions.

#### *Disadvantages*

- **Misused:** There is often a temptation to consider focus group results as a substitute for survey data. Focus group research investigates the nature of attitudes and motivations, not their frequency in the population.
- **Misinterpreted:** Even experienced researchers can be challenged in determining which findings can be generalized from focus groups. Since they are so immediate, naive observers may be inclined to extract their own conclusions—perhaps reflecting their own bias.
- **Poorly managed group dynamics.** Conducting focus groups requires skill, insight and experience. Not everyone should be a moderator.

## Service delivery alternatives

Many of the services outlined above require high levels of professional skill to deliver. Some will be readily available within the typical employers' organization, but second and third generation services are less likely to be. Often certain services can be provided by the staff of the organization. These are, however, normally limited to briefings, training courses, conferences and a certain amount of advisory and consulting work. So how does a small employers' organization with limited resources and an overworked staff develop and deliver excellent services?

Usually the organization brings in specialists on a fee paying (contracting out) or profit sharing (joint venturing) basis. Both of these options allow external expertise to be engaged that does not exist within the employers' organization, that is either not needed full time or is too expensive, and where retention will be difficult.

Joint venturing is more common with larger organizations and contracting out is often with small enterprises or even with individual consultants. Aside from this, the advantage and disadvantage of joint venturing over contracting out is that the risks and the profit are shared – the higher the risk, the more likely you are to joint venture. Joint venture or contract partners are often very keen to work with employers' organizations as you provide access to businesses that would be difficult and expensive to reach otherwise. The fee or profit share should recognize the value of what your organization brings to the partnership.

The key issue with allowing an external expert to represent your organization at important events is that of ensuring that the third party can provide the expertise and has both integrity and substance. Remember, your joint venture partner or outside contractor represents your organization and impacts upon its reputation just as much as one of your own staff.



### BUILDING SERVICE INCOME CHECKLIST

- Can you list the key organizational strengths upon which you base service provision?
- Do all the services you provide sit comfortably within your organization's mission and objectives?
- Do all your services make money?
- Do you have a longer term service provision strategy that plans to exploit second and third generation services in your areas of key organizational strength?
- Do you have a process for examining which services emanating from your organization's key strengths will be the most marketable and profitable?
- Do you currently use contracting out or joint ventures to supply services?
- Are you confident that your business partners enhance the reputation of your organization?

## Section Six

# Alternative sources of funding

Other than member subscriptions and service provision, there are other sources of income for employers' organizations. As they are more ad hoc by nature, they cannot normally be relied upon as core funding sources, but they can nonetheless be significant. Examples include sponsorships and endorsement fees, advertising in magazines and publications, legacies from old members and external grants or project income.

All these sources are used to a greater or lesser extent by employers' organizations and they are described briefly below.

### Sponsorships and endorsement fees

Sponsors can help support conferences, publications, physical assets like computers or televisions and websites. The employers' organization that invites sponsor income or contributions in kind must ensure that the credibility of the organization is not eroded but enhanced by its association with the sponsoring company. The sponsoring organization usually pays a cash sum or offers a product or service in return for prominent exposure at conferences, in the premises or in publications and access to the organization's mailing list.

For major events or publications, organizations frequently have a group of sponsors that may be ranked in order – Platinum, Gold, Silver, etc. reflecting the support they give. An employers' organization offering sponsorship opportunities should be very careful to offer opportunities on an even handed basis. If all members are given exactly the same opportunity, they cannot complain of favouritism being shown to a competitor.

Endorsement fees share many of the characteristics of sponsorship but need to be handled with even more care! Endorsement requires the employers' organization to recommend use of a product or service to members. With this in mind the issue of product or service quality and the difficulties of dealing with competing member interests are even more important. For this reason it is advised that organizations enter into endorsement arrangements only after careful consideration.

Similar, but less troublesome, than endorsement fees are the royalties received by those employers' organizations that negotiate discounts for members with important product or service suppliers. Normally discounts are offered to employers' organization members, but the organization itself receives royalties on the additional revenues generated from members. This kind of system does not require members or outside organizations to be treated selectively.

### Advertising

It is not unusual for the price of many newspapers and magazines to fail to cover the costs of production and distribution. Indeed there are many examples of so called "freesheets" that exist only on the basis of advertising. The same applies to the websites of popular organizations. There is no reason why the employers' organization should not seek to recoup part or all of the production and distribution costs of its magazine or website by selling advertising space to members and non-members.

On a small scale and low key basis you can manage the offer of advertising space to your member companies. On a larger scale, there are many agencies throughout the world that specialize in selling advertising space in published or electronic media.

### Legacies

A legacy is defined as "a gift of personal property by will". Legacies are occasionally in the form of sums of money left in trust, with the income generated from the principal being available to the organization for general use or for specific purposes. Legacies are extremely common in charities and educational establishments and many of these organizations have guides on legacies on their websites. If you have an interest in legacies or in including an offer on your website you should check one of these out. Try:  
[http://www.oxfam.org.uk/what\\_you\\_can\\_do/give\\_to\\_oxfam/legacy/how.htm#3](http://www.oxfam.org.uk/what_you_can_do/give_to_oxfam/legacy/how.htm#3)

## Grants

There are a variety of “technical cooperation type” grants available from organizations like the World Bank, one of the Regional Development Banks, ILO, European Union, specialized organizations and private foundations.

In order to secure grants it is necessary first to study the market and learn about the potential donors, their preferences, terms and requirements. Many donors have very specific areas on which they concentrate exclusively e.g. sustainable development, children, small businesses, youth entrepreneurship etc. You will need to take care to align potential donors against your organization’s strategic priorities and political positioning.

Having undertaken the generally significant amount of work involved in finding, applying for and securing a grant, it should be noted that project grants are conditional on successful completion of the project and often involve complex reporting obligations. A grant is NOT a free lunch. Only take on grants where the objectives of the donor and the project align with your own and will carry your own agenda forward. It is easy to get caught up in seeking large grants simply because of the finances involved. You will rarely make a profit out of external grants. This approach risks steering your organization off course and losing sight of the real priorities.

Advice on grants and donors suitable for employers’ organizations can be obtained from the Bureau for Employers’ Activities of the ILO, from the employers’ organization resource centre in UNICE and organizations like “The Foundation Center” that publishes a Foundation Directory and Grants Index for US donors [www.fdncenter.org](http://www.fdncenter.org). The foundation center is a paid for service, but contains a mountain of information and guidance for a relatively small subscription.

## State support

In some countries the state offers support to social partner organizations in the form of preferential fiscal treatment and direct grants. There is nothing wrong with employers’ organizations taking advantage of any funding opportunities provided by government. It must always, however, be remembered that the key role of employers’ organizations is to *lobby government* on behalf of their *member companies and organizations*. It has to be crystal clear to government and to members that the acceptance of state funding does not influence the views and behaviours of the organization.



### ALTERNATIVE SOURCES OF FUNDING CHECKLIST

- Do you obtain income from sponsorships or endorsements?
- Are these arrangements open equally to all your members?
- Does each of your sponsor or endorsement arrangements contribute to the image of your organization?
- Do you carry advertising in your publications and/or your website?
- Have you explored the opportunities for encouraging legacies to your organization?
- Does your organization make use of external grants?
- Do each of the areas where you have grants fit in with your organization’s mission and key objectives?
- Are your financial accounting procedures adequate to comply with donor reporting requirements?

## Section Seven

# The revenue building compilation checklist

The compilation checklist is perhaps at its most useful as a tool to audit existing arrangements in order to identify areas where improvements can be made. You can do this in two ways. First, and having read through the guide (if you didn't do this at the end of each section), you might now like to measure how your own organization shapes up with respect to revenue building. If you marked up the

checklists as you read through the guide, you might like now to check how you fared overall. Second, you can use the compilation checklist as a questionnaire for senior managers in your organization to help them think through how robust your current approach to revenue building is.

### THE EMPLOYERS' ORGANIZATION AND REVENUE BUILDING CHECKLIST



- Do you have a clear view of whether your membership strategy is based on revenue maximization or ensuring representivity?
- Do you have a clear view on whether advocacy work should be cross subsidized by service provision?
- Do you adopt a purely commercial approach to the pricing of services i.e. they must make a profit?
- Is free riding a major issue for your organization?
- Do you have a clear idea of your organization's source of comparative advantage in the provision of services vis à vis private sector competitors?



## THE CURRENT REVENUE MIX CHECKLIST

- Do you know exactly the proportion of your revenue that derives from subscriptions, services and other sources?
- Do you believe that your current revenue mix is appropriate?
- Do you believe that your current revenue mix is sustainable in the longer term?
- Can you list by sector and company size where your subscription income comes from?
- Do you know the annual running costs for your organization for providing membership based services?
- Does your revenue from membership cover the costs of membership based services?
- Do you know how much each of your services costs to provide and whether you make a profit on the services you sell over and above the membership package?
- Can you list sources and amounts of income from items other than subscriptions and service provision?



## THE OPTIMIZING SUBSCRIPTION INCOME CHECKLIST

- Is your fee structure transparent and perceived as fair by members?
- Is your calculation formula auditable?
- Do members know what they get and don't get as a member service?
- Is your formula self revising for cost increases?
- Do a small proportion of your members provide the vast majority of your income?
- Do complex companies pay a fair fee – or can HQ operations “hide” subsidiary companies?
- Are the member services genuinely services that a majority of members want and take up?
- Do you give incentives for early payment?
- Do you have rules for leavers and joiners?
- Does your “membership year” arrangement help your cash flow and financial planning?
- Do federations pay fair fees?
- Can you accurately profile your membership to identify areas of representational strength and weakness?
- Do you have a membership strategy for increasing revenues in areas where you already have strong representation?
- Do you have a strategy for membership growth in areas where you are less strong from a representational point of view?
- Do you have processes in place to track turnover and ensure member retention?



## BUILDING SERVICE INCOME CHECKLIST

- Can you list the key organizational strengths upon which you base service provision?
- Do all of the services you provide sit comfortably within your organization's mission and objectives?
- Do all of your services make money?
- Do you have a longer term service provision strategy that plans to exploit second and third generation services in your areas of key organizational strength?
- Do you have a process for examining which services emanating from your organization's key strengths will be the most marketable and profitable?
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## ALTERNATIVE SOURCES OF FUNDING CHECKLIST

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- Are your financial accounting procedures adequate to comply with donor reporting requirements?

## Section Eight

### What the business gurus say

Contributed by Professor Stephen Lee of Henley Management College, United Kingdom

This section of the guide surveys some of the key concepts and ideas developed in the academic literature associated with revenue generation and the management of customer relationships in the non-profit and professional association context.

#### Revenue generation in employers' organizations: A distinctive challenge

Building and maintaining a broad range of revenue streams within employers' organizations represents a distinctive and major challenge compared to revenue generation in the commercial context. In the latter case, revenue maximization is intimately connected with mission achievement and the long-term sustainability of the business – indeed, it represents the very *raison d'être* of the enterprise.

In contrast, in employers' organizations mission achievement will rarely be equated with revenue maximization. For employers' organizations, similar to other non-profit typologies, revenue generation is only a means to an end; never the end in itself.

Perversely, overt reliance upon revenue maximization improperly managed, can engender negative outcomes in the employers' organization context – diverting external stakeholder groups to alternate competitor organizations exhibiting less commercial inclinations, or internally, creating interdepartmental conflict over the apportionment of resources between commercial service provision and advocacy priorities.

Furthermore, unlike the commercial context, in the non-profit scenario that encompasses the legal and normative standing of the majority of employers' organizations, the rationale legitimizing the deflection of limited resources from service provision and lobbying to revenue development will have to be justified and won against powerful internal adversaries.

Great care must therefore be exercised in the planning, implementation and evaluation of marketing and sales campaigns.

Research demonstrates that too often, the non-commercial attributes of the organization associated with mission achievement, contribute in themselves to a lack of understanding of the revenue generation process. This is true despite the fact that it is necessary to support that mission achievement at both Board and senior management levels. Left unresolved this can lead to a concomitant lack of appropriate resource allocation to ensure that revenue generation can be managed effectively. A self-perpetuating cycle of cynicism followed by underachievement is always a risk.

Managers will need to find a balance between satisfying the short term needs of members and other revenue generating publics whilst ensuring that the overall legitimacy of the organization is not compromised through mission deflection or negative impact on reputation.

#### The need to know and understand your customers

Members, customers choosing to use the products and services of employers' organizations and those institutions providing additional sources of funding to them will all need to be considered as customers of the organization, each motivated by very different needs and responding to different types of benefit.

To understand and respond effectively to what members and other customers might perceive as valuable in their relationship with employers' organizations, it is important that we focus upon **their** needs and concerns rather than imposing our own ideas of those needs and concerns upon them.

The concept of **market orientation** developed by Kohli and Jaworski (1990) enables those responsible for revenue generation to achieve this aim by concentrating initial marketing activity around a commitment to promoting a customer and competitor focus throughout the organization and through the development of internal, inter-functional coordination of all marketing or customer/competitor intelligence.

**Customer focus** requires the organization to understand the needs and concerns of its customers to the extent that it can develop additional value for them in the products and services it offers. In employers' organizations where member benefits and additional services offered to members and non-members alike will often be intangible in nature, the creation of this value is closely associated with the quality of member and customer interaction with staff. The development of an appropriate service quality culture, systems to protect the delivery of that service and measures of performance, must be maintained.

Customer satisfaction is an important factor in determining future loyalty and with it the long-term sustainability of revenue streams through membership development and customer loyalty programmes. But when faced with a range of customer satisfaction levels, which customers should I be most concerned with?

Conventional wisdom indicates a concentration of marketing effort on members or customer segments exhibiting low levels of satisfaction (very dissatisfied, dissatisfied or neutral). Yet research undertaken by Jones and Sasser (1995) showed that in reality, higher levels of commitment and loyalty will actually be exhibited in terms of repeat purchase or willingness to pay a premium by the most satisfied segments (satisfied and very satisfied).

In research undertaken across a wide range of different sectors it became clear that customers exhibiting the highest level of satisfaction with the product or service (very satisfied) were up to six times more likely to purchase again (or at a higher level) than those at the next level (satisfied). It follows that if we can just lift the percentage of customers or members who are currently satisfied with our products and services to being very satisfied with them, we have the capacity to transform our revenue streams without the need to find a single new customer!

**Competitor focus** requires the organization to understand both the short and the long term capacities and aspirations of its competitors. How do competing associations structure and price their membership? How do they promote membership and any additional products and services made available to members or to broader publics?

Who is the market leader in our area of interest or in the different fields of endeavour we operate in? How are they performing now and in the past, relative to our own performance and that of our other competitors?

Are there different types of competitor organization operating in different types of revenue generating markets i.e. other employers' organizations, management consultancies and professional partnerships and other NGO's and non-profit organizations?

Often, those engaged in the non-profit and employers' organization environments view competition as a tainted word, but if revenue generation is to be managed effectively, member benefits and the additional products and services promoted must not be overtaken by competitive innovation.

**Interfunctional coordination** requires that employers' organizations wishing to manage revenue generation strategies effectively structure themselves internally so that they can best assimilate and share market intelligence about customers and competitors and respond accordingly to customer needs.

Organizationally, this assumes and will require close integration of the marketing function across the entire organization; it requires the development of positive relations internally across different departments where all share in the common aspiration to meet member/customer needs; and it requires identifying customer needs in all strategic planning and operational endeavour. Internal marketing strategies will meet external marketing plans through a commitment to excellence in customer relations management.

The benefits of this market orientation approach can transform the nature of the interaction between existing and prospective members, customers, business partners and donors. Rather than simply communicating the needs of the organization to others who might feel disposed to respond, market orientation ensures that existing and potential member and customer needs and wants are articulated and that product and service offerings are designed to meet or exceed them.

Transactions with members are displayed, are replaced with relationships, the quality and value of the latter being defined less in monetary terms and more in terms of the type of contact (i.e. close or distant, highly active or relatively dormant).

The targeting strategy of the employers' organization will consequently reflect the different values and needs being met by different products and services. It will not offer standardized responses across all the differing member and customer segments. Closer, more meaningful relationships with existing and prospective members and customers can then be developed based upon mutual exchange and value.

## A commitment to service quality

If service quality consists of “ the delivery of excellent or superior service relative to customer expectations” (Zeithamal & Bitner, 1996), then the measurement of any gap between the actual service delivered and the perception of that service will be important in determining future member/customer loyalty and commitment.

We can measure service quality and customer satisfaction in a number of different ways. The most simplistic is to count the number of complaints relating to each service, or element of each service. Clearly, only those most strongly affected by the service are likely to be motivated to complain or praise and our understanding of what might be done to improve service quality remains ill developed if we rely solely upon praise or complaints.

A more sophisticated and rigorous approach to measuring service quality is that developed by Parasuraman et al. (1988). They identify four key service gaps (together with a fifth, aggregate gap) which between them form the sum of the difference between the actual service provided by the organization and the perception of the service in the mind of the recipient.

- Gap 1: *Not knowing what members/customers expect.* The difference between actual member/customer needs and management perceptions of those needs.
- Gap 2: *Not using the right service design.* The difference between the management perception of member/customer needs and the actual level of the service standards put in place.
- Gap 3: *Not achieving the service standards set.* The difference between the service specification and actual service delivery
- Gap 4: *Not meeting the promised level of service in the actual performance.* The difference between the promises that we make to members and customers about the services offered and the actual quality and content of the service provided.

Using a research questionnaire known as SERVQUAL one can measure the expectation of quality at each stage in service delivery relative to the perception of the quality of the service received.

Having been adapted and tested in many different commercial and non-profit contexts the SERVQUAL research instrument provides a powerful means by which management can:

- track service trends
- analyse each dimension of all services provided and ascertain the relative importance of each
- inform future member/customer benefits segmentation by grouping those with similar expectations around specific service responses
- track and compare service performance across the whole range of service offerings
- benchmark service performance across departments and/or with competitors.

Five underlying dimensions emerge as important factors in the attainment (or otherwise) of service quality. Each should be a key factor for discussion, possible modification and enhancement within the marketing tactics of employers' organizations looking to develop revenue generation from satisfied members and customers:

- **Tangible elements** – the quality of any physical equipment associated with the service; the appropriateness of the environment within which it is delivered; the appearance of personnel, etc.
- **Reliability elements** – the degree to which the service can be delivered to the same desired standard again and again.
- **Responsiveness elements** – the degree to which those providing the service are proactive in helping customers and will augment the service if desired.
- **Assurance elements** – the competence, ability and politeness of those providing the service.
- **Empathy elements** – the relative degree of caring and individual attention given to members/customers.

## Segmenting markets and consumer needs

Whilst it would be nice to think that we can treat all our members, customers and supporters in the same way, we have already noted that their needs and wants and the benefits that they perceive as important will vary dramatically. Failure to account for this variation in the manner in which we present goods and services runs the risk of alienating particular groups of customers or member segments where a mass marketing strategy is adopted.

Similarly, we cannot expect to satisfy every customer need individually and hope to remain profitable, especially where membership pricing strategies will vary by banding in terms of capacity to pay the price (on the part of the member) and the range of benefits offered (by the supplier).

A balance has to be struck between financial viability and customization. This balance is achieved strategically through the concept of market segmentation.

Kotler (1991) defines market segmentation as “the task of breaking the total market (which is typically too large to serve) into segments that share common properties.”

Employers' organizations will need to segment membership grades or bandings to ensure that the most valued member segments – in terms of income generation, reputation advancement, or influence with key external stakeholder bodies – are provided with an appropriate level of benefits. Different member organizations will demand and require especially differentiated standards of care and support to reflect their importance to the organization and to keep them loyal and committed in the future.

It will be equally important for employers' organizations to distinguish between those grant making bodies (existing and prospective) that have the capacity to provide substantial grants on a recurring basis and those that cannot. Different strategies, alternate product and service specifications and tailored tactics can then be developed to ensure that customer needs are met profitably, segment by segment.

Elsewhere, it will be important to discern precisely what additional products and services would be useful to existing members, prospective members and non-members and the degree to which each category (and sub segments within each category) are prepared to pay for them. Crucial will be the determination of those products and services reserved only for members and the distribution of different benefit mixes across different membership categories or bands.

Segmentation begins with a detailed analysis of the needs and wants of the customer base – members, consumers of additional products and services and supporters.

From this information, clusters of similar needs can be identified amongst distinctive groups of existing and potential members/customer/supporters. Decisions can then be taken to exploit those needs through the development of a uniquely designed marketing mix, segment by segment involving the development of products, pricing strategies, channels of distribution and promotional tactics for tangible products, with the addition of people issues (service quality), process (management of value chains) and physical evidence to support tactics where services are offered.

The balance of judgement for senior management in identifying segments that are worthy of development rests between the economies of scale afforded by marketing tactics that are standardized across the customer base and the ability to save money through more effective targeting of the marketing mix to specific target groups.

## What makes a segment a segment?

Whether they are clusters of members, customers or supporters (existing or prospective), there are basic criteria that should be used to evaluate the potential offered by each possible identified segment, determining in each case whether or not segments will be vigorously pursued, left to the competition to develop or simply ignored or declined.

<b>Measurable</b>	The size and characteristics of the segment should be readily discernable and information about its nature should be achievable in a cost effective manner.
<b>Accessible</b>	Can we identify channels to service the segment effectively in a cost effective manner? Can we target the segment utilizing distinctive communication and promotional tactics to drive up customer response and satisfaction from the target audience?
<b>Substantial</b>	The segment must be viable. Either large enough in terms of sales volume or small in terms of high margins to warrant the cost and time associated with separate development.
<b>Appropriate</b>	In order to protect reputation – the single most important intangible asset of employers' organizations; segments must be determined as appropriate in relation to the mission and general objectives of the organization.

**Sustainable** Segments should be enduring over time and stable in order to support effective planning and forecasting. From a normative perspective it is increasingly important to concentrate recruitment and development on the right types of segment, those that share common core values and aspirations.

**Unique** If the segment does not respond distinctively to the demands of the marketing mix there is no justification for a distinctive approach. In such cases resources can be saved because even though needs might be distinctive across identified segments consumer behaviour in terms of purchasing behaviour does not vary significantly in terms of product, price, channel or promotional variation.

## Criteria for segmentation

Whilst the particular criteria for segmentation will vary by market and broad customer type, the majority of options can be classified as follows:

<b>Demographic</b>	By age, gender, family life cycle, income, occupation.
<b>Geographic</b>	Traditionally a blunt instrument, but when overlaid with geodemographics can provide effective targeting of affluence and lifestyle indicators combined with location.
<b>Behavioural</b>	Customer benefits based segmentation, segmentation driven by brand loyalty or otherwise, usage rates – high, median and low purchasing behaviour.
<b>Psychological</b>	Segmentation based upon the interests, predispositions and cultural perspectives of target audiences. In consumer markets psychographic segmentation has become a powerful lifestyle tool to understand distinctive motivations.

In the non-profit context research indicates that it is possible to use many of these same criteria developed with consumer segmentation in mind when addressing the motivations behind organizational membership and purchasing behaviour.

In addition, the following criteria – based initially upon industrial dimensions such as size, type of function, purchase volumes and product type should be considered and then overlain with the behavioural characteristics of the decision-making units or purchasing departments concerned. A hybrid segmentation classification is thereby established reflecting both the type of business identified for potential support or membership and the manner in which it prioritizes its purchasing decisions (Bonoma and Shapiro, 1983).

**Demographic**

Industry type	Which industries should be targeted?
Company size	Should member banding be priced in relation to size? Should product design reflect company size?
Location	Should targeting be determined geographically?

**Operating variables**

Technology	Are there particular technologies important to client satisfaction?
User status	Are there heavy, medium and light users of projected services?
Customer focus	Do potential and existing customers maintain a narrow or broad focus for our products and services?

**Purchasing approaches**

Buying criteria	Do target organizations purchase on price, quality, volume, or service considerations? To what extent are tangible or intangible benefits of relative significance?
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**Personal characteristics**

Loyalty	Should distinctive propositions be developed for loyal customers?
Appropriateness	Do the brand values and reputation of target audiences affect segmentation?

This short review of the academic literature identifying key strategies associated with the effective generation of revenue income from membership schemes, the provision of additional products and services and grant based income for employers’ organizations is necessarily partial in nature. If you want to know more about the opportunities available and the research that underpins a more structured approach to revenue generation in employer organizations please refer to the further reading in section nine as a guide and introduction to the literature.

## Section Nine

# Further reading and links on revenue building and employers' organizations

### Business books and articles on revenue building

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Wilson R. M. S., Gilligan C. & Pearson D. J. 1994. *Strategic marketing*. London. Management. Butterworth Heinemann.

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## Revenue building books and guides related to employers' (and similar) organizations

<b>International Organization of Employers</b>	<i>The Service Role of Employers' Organizations</i> . IOE, Geneva, 2002.
<b>Gonzalez Marroquin</b>	<i>Guide to management of entrepreneurial organizations</i> . ILO, Costa Rica, 1997.
<b>Van Vooren, E.</b>	<i>Making and Keeping Members – Direct Communication for Employers' Organizations</i> . ILO, Geneva, 2001.
<b>O'Brien, J. F.</b>	<i>Organizing Information Services in Employers' Federations</i> . ILO, Geneva, 1991.
<b>De Silva, S.</b>	<i>Employers' organizations in Asia in the twenty first century</i> . ILO, Bangkok, 1996.
<b>New Zealand Employers' Federation</b>	<i>Seminar on the financing of employer organizations</i> . ILO, Geneva, undated.
<b>International Labour Organization</b>	<i>Report of the ILO Symposium on the Future of Employers' Organizations</i> . ILO, Geneva, 1999.
<b>International Labour Organization</b>	<i>Employers' Organizations and the Challenges Facing Business Today</i> . ILO, Geneva, 2003.

## Selected organization websites

### The Bureau for Employers' Activities at the International Labour Organization (ACTEMP)

[www.ilo.org/actemp](http://www.ilo.org/actemp)

ACTEMP – The ILO Bureau for Employers' Activities maintains close contacts with employers' organizations in all the member states of the ILO. The Bureau operates from ILO headquarters in Geneva and through a network of employers' organization specialists in the ILO's technical teams around the world. Its tasks are to make the resources of the ILO available to employers' organizations, and to keep the ILO constantly aware of their views, concerns and priorities. It promotes international cooperation amongst employers' organizations, and runs a programme of activities around the world.

The Bureau is available, through national employers' organizations, as a gateway through which employers can gain access to some of the best information available on human resources development, industrial relations and a host of other employment and labour market-related subjects.

The Bureau also runs a programme of technical cooperation which provides development assistance to employers' organizations in developing countries and countries in transition to a market economy. This work is mostly done through projects financed by the overseas development assistance funds of donor countries.

The ACTEMP website contains links to the national employers' organization in every member country of the ILO.

### The International Organization of Employers (IOE)

[www.ioe-emp.org](http://www.ioe-emp.org)

Since its creation in 1920 the International Organization of Employers (IOE) has been recognized as the only organization at the international level that represents the interests of business in the labour and social policy fields. Today, it consists of 139 national employer organizations from 134 countries all over the world.

The mission of the IOE is to promote and defend the interests of employers in international fora, particularly in the International Labour Organization (ILO), and to this end it works to ensure that international labour and social policy promotes the viability of enterprises and creates an environment favourable to enterprise development and job creation. At the same time it acts as the Secretariat to the Employers' Group at the ILO International Labour Conference, the ILO Governing Body and all other ILO-related meetings.

In order to ensure that the voice of business is heard at the international and national level, the IOE is actively engaged in the creation and capacity building of representative organizations of employers, particularly in the developing world and in countries in transition to a market economy.

## Websites for employers' organization case studies in section five of this guide

- [www.ecop.org.ph](http://www.ecop.org.ph)
- [www.jamaicaemployers.com](http://www.jamaicaemployers.com)
- [www.cbi.co.uk](http://www.cbi.co.uk)
- [www.ema.co.nz](http://www.ema.co.nz)
- [www.ibec.ie](http://www.ibec.ie)

## Other websites

- [www.cipe.org](http://www.cipe.org)

The Center for International Private Enterprise (CIPE) provides a wealth of materials on capacity development in business associations.

- [http://www.oxfam.org.uk/what\\_you\\_can\\_do/give\\_to\\_oxfam/legacy/how.htm#3](http://www.oxfam.org.uk/what_you_can_do/give_to_oxfam/legacy/how.htm#3)

A useful guide to the management of donations and legacies.

- [www.fdncenter.org](http://www.fdncenter.org)

A comprehensive listing of sources of national and international donor funding from US based foundations and organizations.



# The Effective Employers' Organization

**Guide One Governance**

**Guide Two Strategy**

**Guide Three Advocacy**

**Guide Four Revenue Building**

The **Effective Employers' Organization** package is designed to help executives, directors and managers in employers' organizations to build and run their organizations more strategically and more effectively.

It is aimed primarily at those setting up, building and managing national level employers' organizations in less developed countries and economies in transition.

It will however provide a wealth of advice for regional and sectoral organizations that exist to represent the interests of employers, and to national level employers' organizations in developed countries. This will be the case particularly where organizations are considering or undertaking a strategic review of the way they currently operate.



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