



START of a NEW SERVICE by an Employers' Organisation:

Guide for preparing a feasibility study

by

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Foreword:

Why a feasibility study is needed?

Employers' organisations must provide services to their members: members expect that as a return for payment of the membership fee. It is one of the ways to gain their confidence, to increase the membership and hence to improve the organisation's representativeness.

The decision to set up a new service has to be taken by the board of the organisation, at the request of the assembly of members, and this decision has to be prepared by the staff of the organisation.

For this the board has to appoint a project-manager who will be assisted by a steering committee in preparing the feasibility study for setting up a new service for the members.

This feasibility study has to give a complete and realistic overview of the conditions, the assumptions for a successful start of the new service.

As the decision to be taken by the board will have an impact on the future of the organisation, it has to be carefully prepared: that is why it cannot be done in a hurry, but it has to be the outcome of serious research and reflection by the project manager(s) and the steering committee.

That is why a feasibility study is needed before a decision can be taken by the board to set up a new service for the members.

As the aim of DECP is to assist employers' organisations in the partners' countries of The Netherlands, we thought it can be a useful tool for its partners to prepare a specific handbook on how to prepare a feasibility study for a new service by an employers' organisation.

There are a lot of similarities with handbooks for preparing a business plan for business start-ups. But there are also specificities for the start of a service by an employers' organisation, and it is the aim of this handbook to identify them.

DECP is ready to assist its partners in preparing such feasibility studies!

R. de Leij,
Director DECP

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Introduction

How should employers' organisations prepare a feasibility study?

A feasibility study is a compilation of a narrative and of several worksheets.

The aim is to give the decision-maker a complete and realistic picture of a new project, with the main assumptions and possible problems for successful implementation.

The preparation should be done step-by-step, not in a hurry, but after considering and evaluating the factors and data carefully. Indeed the study must be consistent and convincing. It is not unusual that some parts, during the progress of the study, will have to be redrafted, as new facts and conclusions will arise.

In addition, only questions that apply to the type of service to develop have to be considered: the others may be skipped.

The "executive summary" should not be longer than 2-3 pages and, as a conclusion, should be written at the end, once all the other chapters are completed.

As a service by an employers' organisation is meant first and foremost for the members, it is important to have a complete and clear view about their expectations, as what kind of service they should want, expect, the price or contribution they are prepared to pay, the timing, quality, etc. This is the purpose to be achieved by the "marketing plan" of the study.

Once this is well known, the operational plan can be worked out: about the staff, (manpower plan), the offices and its accommodation, the equipment and tools, and other running costs.

A new service also means a specific management team and rules for the governance, i.e. the relations with the organisation's board: the board of the federation will fulfil the role of a "general assembly" of the new service-entity and has to supervise the activities of the management team put in place to run the service.

And finally, the new project will need some financial support for the start-up and running of the service: important is to know what will be the break-even point, when the costs will be covered by the earnings from the new service.

It is recommended to start with a **pilot project** and, after having learnt the lessons of the first steps, to develop the activities. That is why a credit balance above the break-even point is needed, which can be used for ensuring the

sustainability of the new service: that amount should be used for the further development of new activities for the members.

Nevertheless, a feasibility study should not generate “euphoria” and be limited to optimistic messages: it has to be realistic and thus to take into account possible risks, threats and problems that can occur and the study has to explain how the management will face such events.

Preparing a feasibility study that has to be presented to the board of an organisation is a similar effort as if it were to be presented to an investor or a banker who has to be convinced to step into the new project: the board has to be convinced, as the investor or banker has to be. They are entitled to be sceptical and to expect a critical analysis of the study.

But the better the study, the more complete, consistent and realistic, the better the successful implementation.

Good luck,

J.M. Standaert,
Special Advisor

EXECUTIVE SUMMARY

(Logo of federation)

Name of Federation: _____

Address: _____

Tel.: _____

Fax: _____

E-mail: _____

Web address: _____

Contact person(s): name and positions

(if any: direct phone and fax numbers, and e-mail address)

1. Description of the project:

(description of the nature of the project, unique features, objectives or expected accomplishments, needs, etc.)

2. Strategic direction:

(specify the stage of the project: start-up, growth, turn-around, etc. and the long-range direction)

3. Stakeholders:

(specify all the stakeholders involved, the benefits and competitive advantage of the project for each stakeholder, a summary of the announcement policy, pricing, etc.)

4. Management:

(information on the backgrounds and responsibilities of the management staff)

5. Financial forecast:

(information on revenues, net income, assets, liabilities, etc.)

6. Financial arrangements:

(Specify the amount of capital needed, how it will be financed, etc.)

Sources of start-up capital:	Amount:
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(date of the document)

Project management:

The board of the Federation (name) appointed on (date) as **project-manager**:

Name: _____

Function: _____

Qualification: _____

Expertise: _____

And as members of the **steering-committee**:

Name: _____

Title (function): _____

Name: _____

Title (function): _____

Name: _____

Title (function): _____

Name: _____

Title (function): _____

Name: _____

Title (function): _____

In addition, following experts were consulted: (list of experts).

The steering committee had regular meetings on (dates).... The present feasibility study was approved on the meeting of (date)....

1. The project:

1.1. Name, description of the new service:

1.2. Objectives of the new service:

Long term: _____

Short term: _____

1.3. Following activities will be provided:

1.4. The customers will be:

1.5. The service will satisfy the following needs of the customers:

1.6. Benefits of the new service: _____

1.7. The service will be financed by: _____

1.8. Manpower involved:

Experts: _____

Employees: _____

1.9. Equipment needed: _____

1.10. Form of the service:

The service will operate as a _____

The reason for choosing this form is: _____

1.11 International cooperation:

ILO, ITC, IOE: _____

EU, BUSINESSEUROPE: _____

DECP, USAID, etc.: _____

2. The service

- In depth description of the new service, and each activity/output envisaged.

Activity 1:

Activity 2:

Activity 3:

Activity 4:

3. Marketing plan

3.1 Market research:

3.1.1. Economics: facts about the market for the new service, as:

- Total size of market,
- Intended share
- Target market, growth and opportunities,
- Barriers to entry
- How to overcome those barriers
- Factors which can influence the new service:
 - Technology
 - Regulations
 - Economy
 - Etc.

3.1.2. Product:

- Features and benefits (of each activity)
- Support service: follow-up, etc.

3.1.3. Customers:

- Characteristics of members,
- Idem of non-members
- Survey among members, about price, interest, expectation, etc.

3.1.4. Competition:

- List of major competitors
- Competitive analysis table (see table 1): followed by your conclusions on competitive advantages and disadvantages

Table 1: Table on competitive analysis

Factor	My service	Strength	Weakness	Competitor A	Competitor B	Importance to customer
Product/activity						
Price						
Quality						
Selection						
Service/delivery						
Reliability						
Expertise						
Reputation						
Location						
Appearance						
Sales method						
Credit policies						
Discount						
Advertising						
Image						

In column “importance to customer”, estimate the importance of each competitive factor to the customer: 1 = critical, 5 = not very important

3.2. Marketing strategy:

3.2.1. Promotion:

Table 2. Promotion costs:

Type of promotion	Details	Costs	
		Per month	per year
Logo (house style, identity)			
Flyer			
Folder			
Catalogue			
Mailing (DM)			
Advertisement (in Newsletter)			
Fairs			
Visitors, delegates, hostess			
Website			
Telemarketing			
Other actions			
Totals		0	0

3.2.2. Pricing:

- List of tariffs for each activity
- Discount for members?
- Other incentives?

Table 3: Turnover forecast:

Months activities	1	2	3	4	5	6	7	8	9	10	11	12	Annual Totals
Activity 1:													
Quantity													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 2:													
Quantity													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 3:													
Quantity													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 4:													
Quantity													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 5:													
Quantity													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0

In addition, information should be provided about:

- draft job descriptions
- selection and recruitment policy
- training programmes
- statute: full time, part-time, interims, etc.
- kind of contracts: labour contract (for employees), interim contract (for temporary workers) or service-contracts (for self-employed, as for external experts, trainers, etc.)
- working time (business hours, holidays, etc.)

4.2. Location:

- offices:

description of:

- main offices
- external office
- temporary offices (rented, conference halls, etc.)

- amount of space,
- facilities
- lay-out
- accessibility: parking, public transport, etc.
- utilities

Table 5: Office costs:

Items	Subscription	Rent/leasing	Monthly	Yearly
offices				
main office			0	0
external offices			0	0
temporary offices				
maintenance			0	0
utilities:				
power				0
gas				0
water				0
heating/oil				0
telecom				0
waste collection				0
cleaning				0
local taxes				0
insurances				0
warranties				
Totals:	0	0	0	0

Table 7: Depreciation

Investment item	Value	Years of use	Annual depreciation
Buildings			
Office equipment			
Vehicles			
Tools			
Total depreciation			

4.4. Other resources, other running costs:

- International and national information and documentation
- Subscriptions for professional publications, etc.
- Memberships of national and international organisations (and other costs linked to this membership)

Table 8: other running costs:

Item:	Monthly	Yearly
Documentation		
National		0
International		0
Subscriptions:		
Publications		0
Memberships		0
Professional organisations		
membership		0
conferences		0
seminars		0
Bank costs		0
Other indirect costs		0
Total:	0	0

4.5. Legal environment:

- licensing and bonding requirements
- permits
- quality requirements (ISO 9000)
- international and national regulations
- Environment, health and safety regulations
- Compulsory insurances
- Procurement rules: competitive biddings
- Corporate governance rules:
 relations between management and board
 conflict of interests
- Power of attorney and signatures (competences)
- Service contracts (with clients)

4.6. Credit policy:

- Towards members: discount (max.?), for multiple users?
- Towards non-members
- Procedures for checking payments in time: phone-calls, warning letters, involvement of attorney?

5. Management and organisation

Management:

The manager(s) of the new service will be:

Name:

Competencies:

Name:

Competencies:

Relevant experiences:

Relevant experiences:

- Organisation chart, showing management hierarchy and who is responsible for key functions.
- Position description of key employees.

Professional and advisory support:

- Board of directors
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

6. Financial plan:

6.1. Start-up expenses and capitalisation:

Before the start of the new service, start-up expenses have to be foreseen.

It's important to estimate them accurately and to decide how to get sufficient capital. Avoid underestimation!

In addition, it's also recommended to foresee a separate line for contingencies (up to 20%).

Table 9: Finance needs

Finance Needs	Amount	
Investment:		
• Land		
• Building		
• Equipment		
• Miscellaneous (or contingencies)		
Total investment:		
____ months of staff costs:		
____ months of operation costs		
Working capital		
Total finance needs:		

In case the growing activities of the new service, will require additional investments, a similar forecast of the planned investments linked to the growth of the activities, should be prepared, together with a plan of the financial resources needed and how they will be funded and reimbursed.

6.2 Financial resources

Table 10: Financial resources

Financing scheme	Amount
Equity capital	
Loan	
Grant	
Micro-credit	
Total financing:	

6.3. Debt scheme

Table 11: Debt scheme

Instalment period		1	2	3	4	5	6	7	8
<i>Loan</i>									
Instalment	a								
interest	b								
<i>Micro-credit</i>									
Instalment	c								
Interest	d								
<i>Debt service</i>									
instalment	(a+c)								
Interest	(b+d)								
Total debt service									

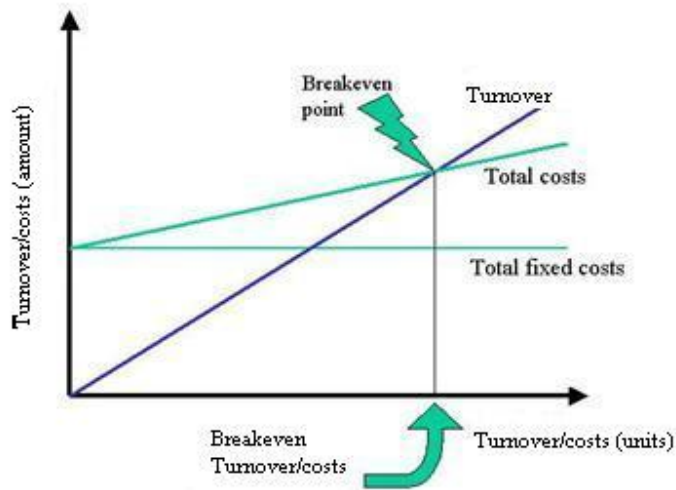
6.4. Monthly and yearly costs:

Table 12: Monthly and yearly costs:

Input	Costs per month												Per year
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Promotion													0
Staff costs													0
Offices													0
Equipment													0
Other running costs													0
etc.													0
													0
													0
													0
													0
													0
Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest:													0
Depreciation:													0
Total costs:	0	0	0	0	0	0	0	0	0	0	0	0	0

6.5. Break-even point:

Once all cost are known, as well the fixed costs and the variable costs, or the direct and indirect costs, it is important to know when, at which turnover amount, the new service can cover its costs and create an exceeding or a positive balance of turnover on costs.



The break-even point gives an indication about the break-even amount of costs and break-even amount of turnover (units), and thus also about the moment, when it is reached.

6.6. Sustainability:

The calculation of the break-even-point and in consequence the possibility of a positive balance of turnover on costs, will also give an indication on the sustainability of the new service.

Indeed, a positive balance (surplus) will not be returned to the donors or funders, but should be used for strengthening the capital needs of the new service, and should be used for further development of the service, with new branches, new activities, etc.

6.7. Turnover and costs forecast:

Table 13: Turnover and cost forecast: monthly based

	Per month												Per year
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Turnover													
Activity 1:													
Quantity:													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 2:													
Quantity:													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 3:													
Quantity:													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 4:													
Quantity:													0
Price/unit													
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Total:	0	0	0	0	0	0	0	0	0	0	0	0	0
Costs:													
Promotion													
Staff costs													0
Operation costs													0
Depreciation:													0
Interest:													0
Total costs:	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes (%)													0
Net balance:	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 14: 3 years forecast:

	1	%	2	%	3	%	4	%
Total turnover:	0	100	0	100	0	100	0	100
Costs:								
staff costs								
operation costs								
depreciation								
interest:								
total costs:	0	-	0	-	0	-	0	-
Gross balance:	0	-	0	-	0	-	0	-
taxes								
Net balance:	0	-	0	-	0	-	0	-

Remark:

The column with figures of the year 1 is the same as the Year-column of the previous table!

Comments:

Explain below the **assumptions** on which the above mentioned forecast is based:

Monthly and yearly figures should not be evenly spread, but be in accordance with seasonal variations, such as holidays, specific weather conditions, etc.

Turnover:

Expenses:

6.8. Cash flow:

Table 15: Cash flow plan:

	Per month												Total 12 months
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
1. Cash at the beginning of the month:													
2. Cash from turnover													
3. Any other cash in:													
4. Total cash in:	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Cash out for staff costs:													
6. Cash out for operation costs													
7. Any other cash out:													
8. Total cash out:	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Cash at the end of the month:	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 16: Cash flow for the loan period:

	Years							
	1	2	3	4	5	6	7	8
1 Cash at the beginning of the year								
2 Cash in from turnover								
3 Any other cash in								
4 Total cash in								
5 Cash out for staff/operation costs								
6 Taxes & any other cash out								
7 Total cash out								
8 Debt service								
9 Cash at the end of the year								

7. Table of implementation:

Based on a list of tasks and activities, a table should be prepared on the timing of the implementation in the coming weeks.

Table 7: draft table of implementation:

Nr.	Task	Days	Month 1				Month 2				Month 3			
			W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4
1														
2														
3														
4														
5														
6														
7														

Pilot service:

In order to limit the risks and treats, it is recommended to start with a **pilot service**, and once the activity is conclusive, i.e. has reached its “break-even”-point, even with a surplus, then further growth of the new service can be envisaged.

8. Critical risks and problems

A feasibility study has also to identify possible problems and risks which can endanger the start or the successful implementation of the new service.

The study has to give more explanation about those risks and problems, such as:

- Problems with funding
- Changes in regulations: new laws, international rules, etc.
- Delays in preparation, delivery of equipment, recruitment of qualified experts, training, etc.
- Lack of interests from members
- Competition, direct and indirect
- Tariffs/pricing
- Others:

The study should also indicate how the promoters of the new service will cope with those risks and problems and which alternative strategy or solution they envisage.

9. Presentation of the Federation (name):

1. *Structure and history:*

Name (of Federation): _____

address: _____

tel.: _____

fax: _____

email: _____

web address: _____

Legal form:

Membership

Presidency, board and management (list)

National and International affiliations:

Description of the history of the Federation:

Employees (number, skills, etc.):

Management and key personnel (number, experience, etc.):

2. *Activities:*

Description of the main activities for the members:

Description of Services offered to the members

Involvement in Social Dialogue:

Mission and objectives:

Mission statement, long-term goals and specific performance objectives:

Notes:

Notes:

Attachment 1: Useful publications:

Start your business: Business Plan

International Labour Office,
Geneva, 2003
ISBN 92-2-111637-9

How to prepare a business plan

A guide for start-ups and advanced private enterprises in countries in transition
United Nations, Economic and Social Council,
Economic Commission for Europe,
Regional Advisory Services Programme, Industry and Technology Division
IND/AC. 3/2
Geneva, 1996

How to draw up a business plan

European Commission, Directorate General 1A, Tacis
Brussels, 1996

Business Plan for a Startup Business

SCORE, Business Tools,
www.score.org

Attachment 2: Other recommended publications for Employers' Organisations

Erik Van Vooren, Director of the Direct Marketing Institute (Gent, Belgium)
Making and Keeping Members: Direct Communication for Employers' Organisations
ILO/ACT/EMP 33
Budapest, 2001

Bojidar Danev, Bisser Tzonev and a BIA Working Team:
Internet Guide for Employers' Organisations: The Case of BIA NET
ILO/SRO Budapest, 2001

Developing an External OSH Service – Opportunities for Employers' Organisations concerning Occupational Safety and Health
ILO/SRO Budapest, 2005

A Solution for Members of Employers' Organisations: Payroll Administration Services – How to Move from Informality to Formality
ILO/ACT/EMP 46
Budapest, 2005

Services of Employers' Organisations in the Transition Countries of Central and Eastern Europe – The Reference Book
ILO/ACT/EMP 48
Budapest, 2005

J.M. Standaert, Senior Specialist for Employers' Activities:
Collective Bargaining by Employers' Organisations – Some Key Success Factors
ILO/SRO Budapest, 2005

J.M. Standaert, Senior Specialist for Employers' Activities:
Lobbying by Employers' Organisations – Tools for Success in Europe
ILO/ACT/EMP 50
Budapest, 2006

M.P.H. Korten, Deputy Director DECP:
Increasing your revenues¹
DECP, 2007

M.P.H. Korten, Deputy Director DECP:
Lobbying by Employers' Organisations²
DECP, 2007

¹ See on website www.decp.nl/publications

² idem

H. Klooster, Former Director Communications VNO-NCW
*Effective Media Publicity by Business Organisations*²
DECP, 2007

J.M. Standaert, Special Advisor DECP,
*Governance of Employers' Organisations – Practical Guidelines*²
DECP, The Hague, 2008

Bob Koning (VNO-NCW), Théo-Jan Heesen (TrajectPlus), J.M. Standaert
(DECP)
*Occupational Safety and Health*²
DECP, The Hague, 2008

Roel Smit, Director of Hoeksjan Communications
*Effective Communication by Employers' Organisations*²
DECP, The Hague, 2009

J.M. Standaert, Special Advisor DECP,
*5 steps to set up an Employers' Organisation*²
DECP, The Hague, 2009

² See on website www.decp.nl/publications