

Benchmarking of Business Chambers and Associations as a Tool to Stimulate Change Processes

By Simone Lehmann and Rainer Mueller-Glodde

Benchmarking is a powerful tool to improve business chambers and associations¹ in developing countries. A framework of benchmark criteria was developed to reflect key elements of successful business chambers, tested in reference to known chambers in Brazil and Sri Lanka and then applied in Vietnam. It was new to the Vietnamese culture to compare the performance of a group of business chambers and discuss the results. This article details out this intervention that resulted in the stimulation of learning processes and changes for each business chamber and for the chamber system as a whole.

When working with business chambers in development cooperation the decisive question is on how to stimulate its leaders and members to improve the chamber's performance. The most common approach carried out by technical consultants refers to international standards concerning services, lobbying and organisation of chambers. The technical advisors try to convince the chamber leaders to improve their organisation by showing them international best practice. But frequently chambers are rather reluctant concerning changes in their organisation because of traditions, culture, history, economic reasons and politics. The local context may differ considerably from international conditions. A solution can be to demonstrate the performance of other chambers in the same local context.

Comparisons are one inherent element of the Nucleus Approach²: A "Nucleus" is a working group of entrepreneurs (e.g. carpenters, hotels) within a business chamber, which is moderated by a chamber employed counsellor. Within a Nucleus the entrepreneurs compare their enterprises through discussions, cross visits and mutual evaluations. These comparisons enable the entrepreneur to "benchmark" her/his enterprise, often for the first time. These results stimulate upgrading activities in most cases.³

Development cooperation programmes applying the Nucleus Approach work with groups of business chambers. Meetings, trainings and counselling of groups of chambers provoke comparisons and lead to gradual changes.

¹ A "chamber" is defined as an aggregation of enterprises in one geographical and administrative area. "Associations" are organized sector wise. The considerations in this article refer to both. In order to ease the reading we use the expression "chamber" for both. In Vietnam above defined chambers are called "associations" even if they are multi sector chambers in one province.

² For more information please visit www.Nucleus-International.net

³ The Nucleus Approach was evaluated systematically by Rainer Müller-Glodde/Simone Lehmann: GTZ ESSP Sri Lanka - Impact Analysis 2005 and 2006 of the Application of the Nucleus Approach, Promotion of Small and Medium Enterprises (SMEs) and Organizational Development of Business Associations and Chambers, Kandy, Bonn, Dakar 2007. Please download the document: www.nucleus-international.net/Nuc_English/E01_Nuc-Approach/E01-01_Download/E_Download.htm

A more methodical comparison is a benchmarking executed by a neutral external person or team. The decisive point is the definition of the applied criteria for business chambers and of scores. In order to sustain the benchmarking as a quick and moderately expensive tool it is necessary to keep it simple, easy to handle for the users and easy to understand for the benchmarked organizations⁴.

The criteria correspond to the products of business chambers and the conditions under which they are produced. The individual scores have been encountered in practice in business chambers in Latin America, Africa and Asia.

The Benchmark

	Criteria and Scores	Assumption
G	Democratic governance and independence from government	
G1	<p>Level of member ownership, participation and democratic procedures, control, transparency and accountability</p> <p>Score Description</p> <p>1 Very low: no elections, no general meetings; the president dominates “his /her” chamber; low or no participation of members in chamber committees and internal discussions; chamber is a closed organisation for a local elite</p> <p>3 Medium: democracy and member participation elements exist</p> <p>5 Very high: bottom-up democracy; intensive participation of the members in decision making with equal voting rights for all members; limitations to re-election of the board of directors</p>	The more members actively participate in the activities of their chamber/business association, the more impact this generates on the development of member enterprises and the business environment. The chamber becomes more efficient.
G2	<p>Governmental influence on policies, operating, staffing and finances</p> <p>Score Description</p> <p>1 Very high: the chamber is a prolonged arm of the government to control the entrepreneurship; government staff is the board of management</p> <p>3 Medium: the chamber depends on government subsidies; the government influences staffing;</p>	The more business associations/chambers depend on government the less they are independent in decision making.

⁴ By the end of the nineties, the Brazilian Fundação Empreender (Entrepreneur Foundation) applied a benchmarking system for business chambers which derived from one for bigger companies. It proved to be too complex.

	Criteria and Scores	Assumption
	<p>the government stipulates services</p> <p>5 Very low: the chamber is independent from government in its operation and financially</p>	
N	Number of SME members	
N1	<p>Number of membership fee paying SME members</p> <p>Score Description</p> <p>1 below 100 members</p> <p>2 101 to 250 members</p> <p>3 251 to 500 members</p> <p>4 501 to 1,000 members</p> <p>5 above 1,000 members</p>	<p>Business associations/chambers with mainly SME members are in general able to professionalize with more than 100 to 200 members, because the more entrepreneurs pay a reasonable membership fee the more likely it is that the chamber is capable to contract enough staff. In addition, the more members a chamber has the more lobby power the chamber gains ("Law of big number").</p>
N2	<p>Membership fee system</p> <p>Score Description</p> <p>1 All members pay the same amount. This practice favours big enterprises compared to SMEs</p> <p>3 There are membership fee categories in reference to the size of the enterprises but relatively SMEs pay more membership fee than bigger enterprises</p> <p>5 A tier membership fee system reflects the economic strength of the members. Per employee, per turnover or per profit unit bigger and smaller enterprises pay the same amount. The relative financial burden through the membership fee is equal for all members.</p>	<p>Only a tier membership fee system keeps the entry barrier for SMEs low and provides the necessary income for the business association/ chamber.</p>
N3	Coverage ratio: ratio of members to non members in the sector/geographical area	<p>The more entrepreneurs of a geographical area or</p>

	Criteria and Scores	Assumption
	<p>Score Description</p> <p>1 1% of all potential members are members of the business chamber</p> <p>2 2 to 5% of all potential members are members of the business chamber</p> <p>3 6 to 10% of all potential members are members of the business chamber</p> <p>4 11 to 20% of all potential members are members of the business chamber</p> <p>5 above 20% of all potential members are members of the business chamber</p>	sector are organized in a business chamber the more influence it has.
F	Finances	
F1	<p>Financial sustainability</p> <p>Score Description</p> <p>1 The chamber mostly depends on external subsidies from government and/or donors</p> <p>3 Maximum of 30% of the income are subsidies, the other 70% come from membership dues, sponsorships, other income generating activities and service fees</p> <p>5 The total income is self-generated by membership fees, service charges and other income generating activities. There are no subsidies to finance operating costs including rent</p>	The less a business chamber depends on external means the more it is independent in its provision of services and lobbying.
Q	Honorary and professional staff	
Q1	<p>Number of professional staff</p> <p>Score Description</p> <p>1 1</p> <p>2 2 - 3</p> <p>3 4 to 6</p> <p>4 7 to 12</p> <p>5 13 and above</p>	The more (qualified) staff a business chamber has the more specialists provide specific services. Moreover chances increase that staff do not only execute tasks delegated by the board of directors but are also decision takers and have defined tasks.

	Criteria and Scores	Assumption
Q2	<p>Quality of professional staff</p> <p>Score Description</p> <p>1 Very low qualification level: pure assistants to the president and board of directors, no management functions</p> <p>3 Medium level: small number of qualified staff members with management capacities</p> <p>5 Very high level: more than one third of the staff members with qualified management capacities, sector related knowledge, experience and entrepreneurial spirit. The chamber is managed like an enterprise</p>	<p>The performance of a chamber concerning sophisticated services and lobbying depends highly on the qualification of the professional staff. Honorary staff usually lacks time and know-how.</p>
Q3	<p>Quality of honorary staff: president, board of directors and other organizational units</p> <p>Score Description</p> <p>1 Very low: no leadership qualities, lack knowledge on functions of an chamber, low level of understanding economic coherences</p> <p>3 Medium: some leadership capacity, some knowledge on functions of an chamber, limited knowledge about economy and politics</p> <p>5 Very high: strong personalities, top leadership qualities, broad understanding of systemic competitiveness, successful and respected businessmen/women</p>	<p>Commitment and vision of the leadership is a very important if not the most important criterion to assess a business association/ chamber. Leadership depends on the cultural context of the respective society. Therefore there is no sub criterion "leadership" included in the benchmark. The leadership capacity is implicitly included in other sub criteria of this business association/ chamber benchmark.</p>
O	Office and equipment	
O1	<p>Quality and quantity of adequate office space and equipment</p> <p>Score Description</p> <p>1 Very poor: neither the office space nor the equipment is adequate</p> <p>3 Medium: some office space, no adequate space for events, medium type of equipment</p> <p>5 Very good: running of a "Business Centre"</p>	<p>If there is no office space and no equipment the organisation cannot perform.</p> <p>A business centre fills the business chamber with life.</p>

	Criteria and Scores	Assumption
	together with other entrepreneurial institutions, facilities for events, very well equipped	
A	Advocacy	
A1	<p>Internal discussions about improvements of the business environment</p> <p>Score Description</p> <p>1 Very low: no internal discussions</p> <p>3 Medium: some internal discussions which tend to be dominated by the president</p> <p>5 Very high: permanent internal discussions based on proposals and complains of members</p>	The more members express their problems and proposals in a well organized and qualified way the more the chamber enters into lobbying with topics reflecting members' demand. This increases the credibility of the proposals.
A2	<p>Cooperation with government and public administration</p> <p>Score Description</p> <p>1 Very low: no or almost no communication / cooperation, low or no contacts established</p> <p>3 Medium: ad hoc communication, no regular cooperation</p> <p>5 Very high: permanent communication on regular basis e.g. participate in public private dialogue for policy formulation and in committees on regular basis, privilege to participate in sector strategy development, high number of contacts established, communication strategy: promotion of win-win situations for both the government and the business community</p>	A business chamber without permanent contacts with public authorities has no chance to improve the business environment. The closer, better and more regular the contacts are, the higher are the chances to be heard and accepted by the public sector representatives.
A3	<p>Networking with other business associations/chambers, federations etc. in order to bundle lobbying power</p> <p>Score Description</p> <p>1 Very low: no cooperation with other business associations/chambers and a federation, the chamber works isolated</p> <p>3 Medium: limited cooperation with other business associations/chambers and federation based on personal relationships between presidents, other honoraries and chief executive officers</p>	<p>A single business chamber can only gain impact on its administrative (local) level. But many relevant issues are decided upon on state or national level.</p> <p>The more business chambers cooperate, the more chances they have to lobby</p>

	Criteria and Scores	Assumption
	5 Very high: institutionalized cooperation among business associations/chambers	successfully on all administrative levels.
S	Services	
S1	<p>Training and consultancy</p> <p>Score Description</p> <p>1 Very low: hardly any training and consultancy services</p> <p>3 Medium: sporadic training and consultancy services mostly initiated by individual board members</p> <p>5 Very high: training and consultancy products including a wide range of services</p>	The more qualified services a chamber/business association offers to its members the more attractive it becomes. It will then contribute to the development of the member enterprises and the local economy. This refers not only to training and counselling but also to other services which meet the members' demand such as registration, certificates and discounts.
S2	<p>Other services with a direct return for the members</p> <p>Score Description</p> <p>1 Very low: hardly any other services</p> <p>3 Medium: sporadic other services mostly initiated by individual board members</p> <p>5 Very high: institutionalized regular service products</p>	

Benchmarking exercise in Vietnam

In 2008 this benchmarking frame was used in order to stimulate a discussion of changes in Vietnamese business chambers.

The benchmarking team visited selected provincial business chambers in four Vietnamese provinces and interviewed some of their member entrepreneurs with structured questionnaires that reflected the developed benchmark criteria. Moreover informal discussions were conducted with other institutions for external view collection.

The business chambers' performance was assessed using the instrument of benchmarking them against Vietnamese top performers. These top performers were selected during the process of data collection with the target to illustrate desirable future performance for provincial business associations.

The following figure 1 shows one example of the benchmarking exercise: business chambers in An Giang, Vietnam. There are considerable differences between the chambers concerning governmental influence, number of members, membership fee

system, coverage, finance and quality of staff in the An Giang province of Vietnam. All institutions show a relatively weak performance in the service area.



Business associations in An Giang

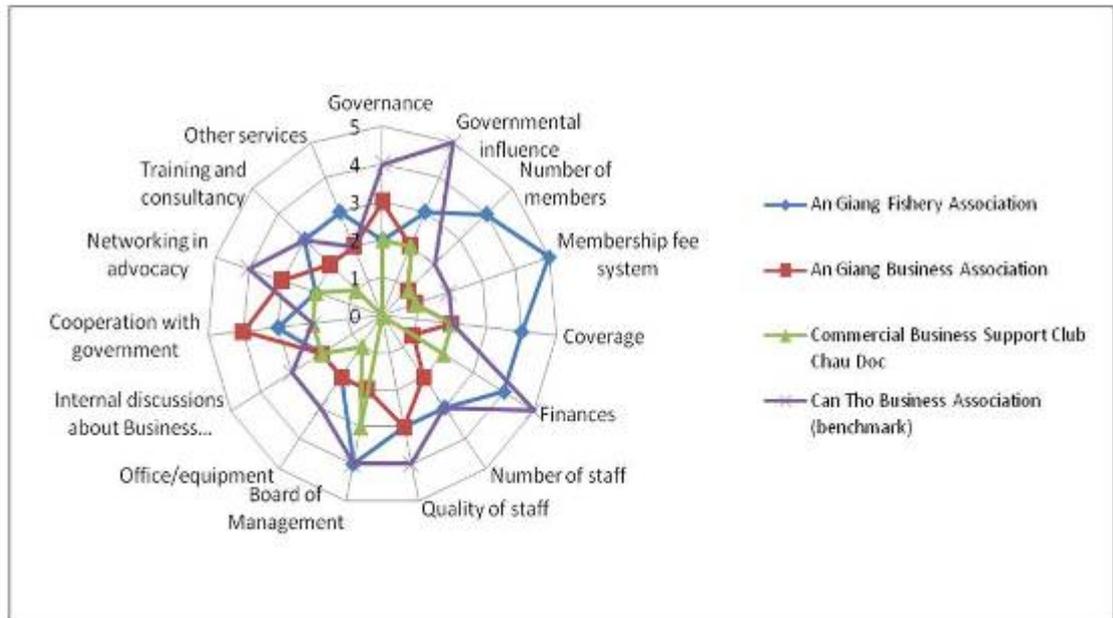


Figure 1: business associations audit and benchmark in An Giang, one Vietnamese province

Figure 2 illustrates the average performance of all benchmarked organisations which is strong regarding the engagement of the board of directors and the established contacts with state agencies. The weaknesses are in mostly all cases the lack of staff, office and equipment, the financial capacity and the relatively low number of members.

Average performance of Vietnamese provincial business associations

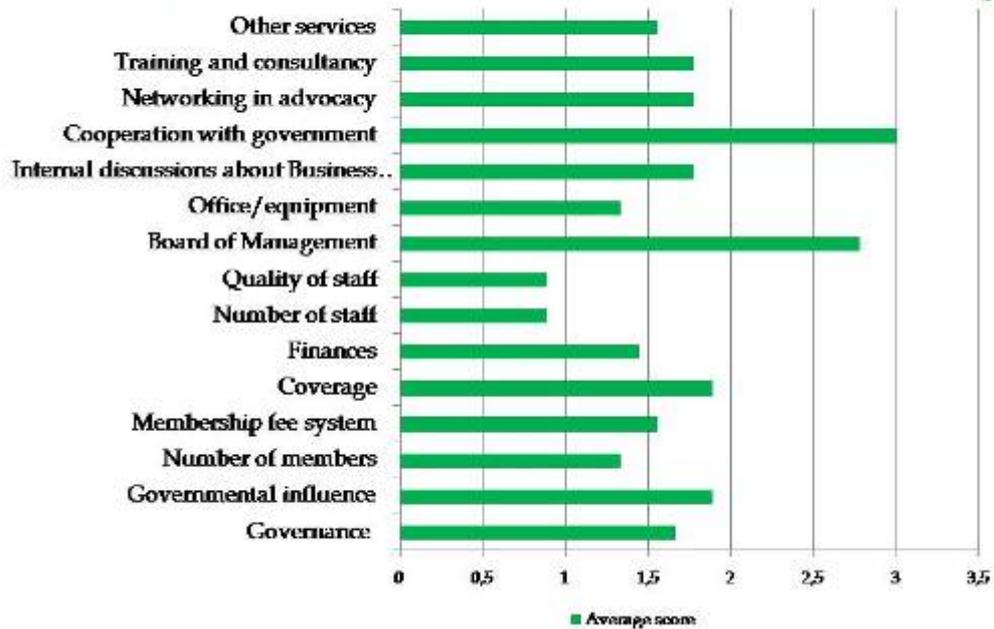


Figure 2: average performance of Vietnamese provincial business associations

The performance differences between the business chambers are illustrated in figure 3 where the best and the worst organisation of the exercise are introduced. While one business chamber provides a full set of chamber products to its members, another one hardly offers any benefits:

Differences between the performance of provincial business associations in Vietnam

Lowest score profile		Highest score profile	
Year of foundation	2003	Year of foundation	2003
Number of members	81	Number members	587
Number of membership fee paying members	0	Number of membership fee paying members	587
Potential new members (registered businesses)	2800	Potential new members (registered businesses)	All covered
Services	-	Services	Training, supply services, intermediary services
Fulltime staff	-	Fulltime staff	6
Permanent office	-	Permanent office	Yes, plus shop

Figure 3: differences in performance

Good and best practices as part of the benchmarking

During the interviews good and best practices of provincial business chambers were collected and presented to all benchmark exercise participants. Especially best practice examples were gathered to put the benchmarking exercise into the Vietnamese context and to enable less successful business chambers to learn from better performers.

Dissemination of results and feedback from participants

The character of benchmarking is competitive. Not only provincial but also national business chambers, state agencies and donors were attracted by the business chamber benchmark although the topic is generally considered as “unsexy”.

During two very well visited workshops the benchmark results plus good and bad practices and recommendations for improvements were disseminated on national and provincial level. The feedback from the participants indicates that the instrument can work successfully in the Vietnamese context.

- Many business chambers have already started to improve their performance in key areas e.g. by attracting new members, contracting staff and collecting the membership dues.
- The presentation of best practice was highly appreciated by the participants and there was general agreement that stronger business chambers can support the weaker ones in their development.

The benchmarking is regarded as extremely helpful and as a useful tool to facilitate a learning process within business chambers and for the whole chamber system.

Lessons learnt

- Chamber benchmarking should be done in a “quick and dirty” manner.
- The interviews and assessment should be carried out by the same persons. This increases chances that the performance of all participating business chambers is judged the same way.
In case this is not possible due to the large number of chambers it is an option to train an assessment team in order to assure that all team members score equally.

This article is based on a survey prepared for GTZ Vietnam: “Business Associations in Hung Yen, Quang Nam, Dak Lak, An Giang: Audit, benchmark and recommendations” (Lehmann Simone, Tang Van Khanh, Hanoi 2008)