

Pricing models of Employee Assistance Programmes: experiences of corporate clients serviced by a leading Employee Assistance Programme service provider in South Africa

Submitted by:

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DEDICATION

This work is dedicated to:

My children; Sibahle and Buhle

My parents; My late father Lizo Herbert Cekiso and Nowanele Matilda Cekiso,

To all my brothers and sisters

Mostly, the work is dedicated to all the EAP Practitioners, service providers and corporate clients who are determined to enhance the lives of the workforce through provision of quality EAP.

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DECLARATION

I **Neliswa Albertina Cekiso**, student number **26410029** is a student enrolled with the University of Pretoria for a degree/qualification in MSW (Employee Assistance Programme) with a title of a mini-dissertation, on **Pricing models of Employee Assistance Programme: Experiences of corporate clients serviced by a leading Employee Assistance Programme Service Provider in South Africa**, declare that this mini-dissertation is my original work.

Where a secondary material is used, this has been carefully acknowledged and referenced in accordance with university requirements.

I understand what plagiarism is and am aware of university policy in this regard.

CEKISO, N.A.

Date

ABSTRACT

Pricing models of Employee Assistance Programmes: experiences of corporate clients serviced by a leading Employee Assistance Programme service provider in South Africa.

Pricing models is one of the sub-standards in programme design amongst the standards outlined in the Employee Assistance Programme Association of South Africa (EAPA-SA). According to EAPA-SA (2010:5), costing an EAP should be based on sound financial principles. Such costing will ensure the best possible application of financial resources with the objective of justifying the balance between expenditure and benefits. However, pricing is identified as a challenging area in the EAP field. Corporate clients are faced with a situation where EAP service providers bid for one contract, selling EAP services which are of a similar nature using varying pricing models with different prices. Such price competitiveness leaves the corporate client with no reason not to overlook the financial consequences of choosing one service provider over the other, since price becomes the critical deciding factor in purchasing decisions. The pricing issue in the EAP field and the impact on pricing models used prompted the researcher to pursue the study to understand the processes and complexities involved in the pricing models in the EAP field. The study focused on two samples which comprised of participants from corporate client who had terminated contracts with a leading EAP service provider, as well as participants from this leading EAP service provider.

The research findings indicate that contracting in the EAP field is a complex process owing to a number of factors that have to be considered before contracting. The complexity impacts strongly on the choice of the pricing model eventually chosen for contracting purposes. The views shared by both groups of participants indicate that there are internal and external factors that influence the choice of a pricing model. These are the factors that must be considered when making decisions as to what should be made available to employees and to the company for the effective implementation of Employee Assistance Programmes. Informed by these factors, the researcher developed a guideline that could be applied in practice as a standard EAP pricing model.

KEY CONCEPTS

Employee Assistance Programme

Pricing

Pricing models

Service Provider

ACRONYMS

AG- Auditor- General

CFO- Chief Financial Officer

CPI- Consumer Price Index

EA- Employee Assistance

EAP- Employee Assistance Programme

EAPA- Employee Assistance Programme Association

HR- Human Resource

MBHO- Managed Behavioural Health Organizations

SA- South Africa

SLS- Service Level Agreements

S1- no place of publication

Sa- no date of publication

sn- no publisher

UK- United Kingdom

CHAPTER 1

Executive summary: This chapter provides a brief background to the study on the experiences of corporate clients serviced by a leading EAP service provider in relation to the pricing models used in the field of Employee Assistance Programmes (EAPs). The experiences are drawn from the sample of participants from corporate clients who terminated contracts with a leading EAP service provider as well as participants from this leading EAP service provider. The rationale behind two target group of participants is informed by the fact that the researcher wanted a balanced view in order to get a holistic picture of the complexities in pricing models used in the EAP field. The rationale for the two target groups is also informed by the principles underpinning the systems theory. Systems theory is the theoretical framework that is the foundation for the study. Furthermore the experiences of corporate clients are informed by the actions of a leading EAP service provider. It was therefore significant for the researcher to explore all sources of information thus targeting two groups of participants. The chapter also states the purpose of the study, along with the motivation, which is based on problem identification (rationale of the study). Also stated are the research problem, the research methodology chosen and the designs followed in the study. The chapter also gives a perspective on the practical application of the research methodologies, as well as the theoretical frameworks.

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Employee Assistance Programmes (EAPs) evolved during the mid-20th century out of alcoholism intervention in the workplace by fellow employees and unions. However; employers realized the benefit of EAPs in the workplace beyond the scope of alcoholism. The benefit of EAPs was identified after companies experienced the loss of valuable employees together with their skills and the resources invested in them. This was owing to illness and personal problems that are, in fact, treatable by means of counseling and early intervention programmes.

Companies began to perceive EAPs as an anchor in producing a healthy, productive workforce that maximizes profits for companies. As a result of this benefit, EAPs have been increasingly in demand, as demonstrated in the vast growth that has

taken place in the EAP field globally. South Africa has also seen growth in EAPs manifesting in different forms of service delivery models to address the needs of companies and their employees. The service delivery models are internal, external, or a combination of these (EAPA-SA, 2010:4).

These service delivery models have financial implications for companies, as proper budget planning is required that takes into cognizance the various pricing models available in the EAP field. Peters (1999:84) identifies the growth of EAPs in the South African context as being external, although the Programmes initially started as internal model Programmes. The author further identifies challenges faced by such external models, such as when the EAP vendor (service provider) finds it difficult to integrate with the culture of the company with which it is contracting. The challenges encountered make it difficult for the EAP service provider to serve the company effectively.

The researcher is of the opinion that such a difficulty might be exacerbated by companies' (corporate clients') internal processes which are sometimes not known to the contracting EAP service provider. On the other hand, the challenge might be emanating from competition from EAP service providers, who often compete in the same bid, offering differing quotes on the same service requested by the corporate client. This might pose a challenge for the corporate client, who has to make a decision on the best EAP service provider to meet and serve the needs of the company. As far as the EAP service provider is concerned, decisions are to be made on the pricing model which will best meet the service requirements and eventually provide a comprehensive service offering that will meet the employees' needs.

The importance of understanding corporate clients' needs and the provision of value-based services is cited by Mann (1996) as quoted by Peters (1999:84), who argues that clients (corporate clients) want value for their money. Clients will not pay for services that cannot be justified and they will not work or contract with vendors who cannot meet their needs. The researcher is of the opinion that, despite the principle of paying for value, EAP service providers are confronted by the challenge of pricing. The challenges in pricing seem to be driven by what pricing constitutes in the implementation of a model for such a service. The challenge becomes more complex

in situations where a client is quoted differently for the same service.

There are other complexities involved in the contracting process. Survival in the face of growing competition in the EAP field is seen in EAP service providers lowering costs in order to acquire contracts from potential corporate clients. However, low bidding has implications in terms of service offering which might not be known at the time of contracting. Sharar (2004:6) looks at the implications of low bidding, indicating that certain aspects are not known to the buyer. Services are squeezed to keep the costs within the contractual agreement, which constitutes an unethical practice on the part of the service provider.

Rosenberg, as quoted by Lee (2005:40), takes the argument further by identifying pricing challenges in the EAP field. The author states that the price issue has encouraged employers to make their choice based on how little they have to pay, thus losing sight of the programme's original mission, which is early identification and intervention to maximize employee productivity and effectiveness in the workplace. The author's argument indicates that as much as EAP service providers are to blame for lowering costs, as indicated previously in Sharar's argument, purchasers also play a crucial role in influencing pricing. This is a clear indication of the systems theory's interplay as service providers are influenced by the decisions and choices made corporate clients during purchasing processes.

Sharar and Hertenstein (2006:33) elaborate on the problem of pricing, citing the dilemma that faces corporate clients during procurement processes. These authors state that corporate clients are faced with a situation where EAP service providers bid over one contract selling similar EAP services using differing pricing models. These authors further state that such competition among EAP service providers and varying prices leaves the corporate client/ buyer facing the financial consequences of choosing one service provider over another. In this instance, the price issue becomes the critical deciding factor in purchasing decisions.

The researcher is of the opinion that the increasing competition among EAP service providers owing to the growing demand of the Programme has triggered a price war. It is thus important for EAP service providers to consider the implications of their

pricing model and the impact on contracting in the EAP field.

There are some concerns about the issue of pricing and pricing models used in the EAP field when it comes to existing contracts, and sometimes the premature termination of contracts. In broadening the perspective and gaining a better understanding of the subject of pricing and to understand the complexities in the pricing models in the EAP field, the researcher consulted with the Chief Executive: Operations for one of a leading EAP service provider in South Africa. It was discovered that the subject of pricing is the greatest challenge in the EAP field, as pricing a product is perceptual in nature.

The view was supported by a statement that EAP service providers decide what to charge based on the internal processes (input) known to providers themselves. Prices among the competitors vary. Furthermore a provider might have used a different pricing model for the intended contract, which might result in price variations among the providers generally. Another challenge realized during the consultation process was the lack of transparency among EAP service providers which sometimes leads to situations where EAP service providers are not giving an honest quote when making submission for a bid.

The issue of transparency is associated with procurement processes and awarding of a tender which is often based on the lowest bid (price) submitted by the EAP service provider. Prices are sometimes lowered to obtain a contract. However, this might compromise the quality of service and further impact negatively on the Programme. The selection criteria of the EAP service provider based on how little the buyer/corporate client has to pay is not necessarily a guarantee that the selected provider will deliver the best product. Subsequently the negative outcomes might dent the image of the programme.

It was against this background that the researcher identified the need to pursue this study on the pricing models used in the EAP field, to explore these internal and external processes that impact on pricing. The researcher is of the opinion that pricing is critical in the EAP field, as it is a determinant of the value attached to the programme. Cram (2006:1) perceives pricing as significant to positioning the brand

or product, as consumers associate quality with a price tag. However, in instances where there is fierce competition between different brands, a commodity market emerges. Subsequently consumers fail to see any significant difference between the qualities of various brands, resulting in purchasing choices based on the service provider who is the cheapest at the time (Garbor, 1988:308). This commodity market seems to have emerged in the EAP field, where corporate clients seem unable to see the difference in service offering when they are evaluating proposals by various EAP service providers.

1.2 THEORETICAL FRAMEWORK

Business Dictionary..., [sa] defines a system as an organized, purposeful structure that consists of interrelated and interdependent elements that continually influence one another directly or indirectly to maintain their activity and existence of the system, in order to achieve the goal of the system. Taking into consideration the definition of theory and applying it into the choice of best theoretical framework that will enable the researcher to explain data gathered through the research process; the researcher chose the systems theory.

Goldenberg & Goldenberg (1998:20) describes a systems theory as a way of conceptualizing seemingly unrelated phenomena and understanding how together they represent interrelated components of a larger system. A system represents a complex of component parts or interacting elements that may together form an entity. In order to fully comprehend how the entire unit operates, it is important to look beyond the functioning of the separate parts.

The definitions clearly indicate the significance of understanding a phenomenon under investigation within the context of other related entities that influence the phenomena under study. Within the context of the study on the pricing models used in the EAP field which is a complex field; it is important to understand that this system is influenced by a number of interrelated and interdependent elements namely; the service providers, competitive environment, corporate clients and their employees.

In order to gain a broad understanding of the complexities in the pricing models used in the EAP field the researcher had to explore all the elements involved within the system of pricing namely, a leading EAP service provider and the corporate clients who terminated a contract with this leading EAP service provider. The exploration was on the internal and external factors that influence pricing models.

1.3 RATIONALE FOR THE STUDY

Pricing models in the EAP field are complex owing to the seriousness of the pricing problem in the EAP field. Sharar (2004:6) argues that the seriousness of the pricing problem is seemingly aggravated by fierce competition and the oversupply of EAP service providers. This seems to have caused many EAP service providers to submit unrealistically low bids.

The author further identifies some unethical behaviours/misconduct in which some EAP service providers engage in order to recoup budgetary shortfalls due to submission of low bids. Such unethical behaviours/misconduct are identified in instances of tight managing of costs by providing fewer services within the capitated rate structure. The result is a failure to conform to quality standards, as clients are channeled to less expensive telephone interventions or are given even fewer counseling sessions, despite their problems requiring more sessions.

Sharar (2004:7) elaborates, saying that pricing should reflect the differences and successes that are achieved by the service providers during the internal processes that go into some products and services. The argument is supported by EAPA-SA (2005:12), where it is stated that the goal of pricing is to ensure the best possible application of financial resources by justifying the balance between expenditure and benefits. The researcher is of the opinion that there should be transparency as to what is included in the price to be charged for a particular service, taking into consideration the client's needs. The arguments raised indicate that pricing is significant to both corporate clients and service providers. Moreover, the lack of criteria in practice for pricing models in the EAP industry results in pricing discrepancy in the EAP field. To concur with this argument; Cram (2006:4) also identifies that pricing is a number one profit determinant. However, owing to a lack of

systematic analysis, such profit potentials are left unrealized.

The problem statement for the study was thus formulated as: “***The lack of scientific data on typical pricing model practices in the EAP field results in a lack of uniformity which impacts negatively on the professional standards of the Employee Assistance field***”.

In order to have a greater understanding of the problem of pricing in EAP field, the researcher thought it appropriate to pursue the study to understand the complexities in the pricing models in the EAP field.

1.4 GOAL OF THE STUDY

Fouché and De Vos (2005:104) define a goal as the broader, more abstract conception of “the end toward which effort or ambition is directed”. The purpose is the dream that one wants to achieve or attain and the objectives are the realistic steps one has to take within a particular time span in order to attain the dream. EAPA-SA (2005:7) describes a goal as a broad general description explaining the purpose of the standard while Reid (2000:61) describes goals as being conceptual, ultimate and more abstract.

These authors seem to share the same view when it comes to goal definition. That is seen in the abstract, broad terms within this definition, which will require the formulation of objectives that will be more concrete, measurable and attainable in realizing the dream. The researcher thus defines a goal as a long-term process intended to achieve the desired outcome or task at hand.

The **goal** of the study on which this research report is based was “***to explore the complexities and processes involved in the pricing models of the EAP field***”.

1.4.1 Objectives of the study

Reid (2000:61) indicates that objectives are important, as they should specify the measurable outcomes of the study, as well as defining the research methodology

and how the researcher will evaluate what will be achieved. Fouché and De Vos (2005:104), explain an “objective” as the steps one has to take, one by one, realistically at grassroots level, within a certain time span, in order to attain the “dream”, which is the “goal”.

The researcher will define the objective as a specific action the researcher undertakes. This will guide the researcher step by step in reaching the desired outcome, or goal.

The objectives of this particular study were:

- To explore, from a theoretical point of view, occurrences regarding pricing models within the EAP field;
- To explore the current occurrences with regard to pricing models of the EAP from the viewpoint of EAP service providers;
- To explore the factors that motivate corporate client/ consumers to choose or terminate the existing contract of a service provider, opting for another service provider;
- To explore the internal and external constraints of the marketing environment that has an influence in the pricing of EAP products and determines the pricing of EAP service delivery models;
- To define a guideline for service providers that could be applied in practice as a standard EAP pricing model.

1.5 RESEARCH QUESTION

The research study was exploratory in nature, so the researcher used a research question instead of a hypothesis. Babbie (2004:88) explains that exploratory studies help researchers to find at least appropriate answers to some of the questions and concerns that are raised in the research question. The choice of a research question in this study was motivated by Bickman and Rog (1998:71), who argue that “research questions help the researcher to specifically state what is it he/she wants to understand by doing the research. What is it that is not known? What questions will the researcher attempt to answer and how are these questions related to one

another?”

The researcher concurs with the argument by Neuman (2000:21) in which the author explains that exploratory researchers are creative, open-minded and flexible, because they adopt an investigative stance in exploring all sources of information. A research question rather than a hypothesis was chosen to serve as a guideline for this qualitative study. The research question enabled the researcher to develop the semi-structured interview schedule with questions that assisted the researcher in identifying themes and sub-themes from the data collected during the interviews.

The research question formulated to explore the complexities and processes involved in the pricing models of the EAP field was: ***What are the complexities confronting a leading EAP service provider in South Africa regarding the pricing models used for pricing EAP services?***

Relative to this research question, the data collected reflects information from Senior Corporate Well-being consultants (from a leading EAP service provider) as well as information from corporate clients who had terminated a contract with a leading EAP service provider.

1.6 RESEARCH APPROACH

The researcher adopted the qualitative approach for this study. This approach is the most appropriate in this case as qualitative data is richer in meaning and detail than in the quantitative approach (Babbie, 2004:24). A qualitative, as opposed to a quantitative approach, seeks to understand the individual's perspective through deep detailed interviews and observation, while quantitative research is less concerned with such rich data and descriptions.

Marshall and Rothman as quoted by Fouché and Delport (2005:74) have given some guidelines on situations where qualitative approach would be the preferred choice. One of the guidelines advises that when the research delves in depth into complexities and processes, then the qualitative approach is the most appropriate. Since this study focused on exploring complexities and processes involved in pricing,

the researcher aligned herself with the views shared by the authors and adopted a qualitative approach as appropriate for the study.

Denzin and Lincoln (2000:8) also state that the qualitative approach implies an emphasis on the qualities of entities, on processes and meanings that are not experimentally examined or measured in terms of quantity, amount, intensity or frequency as is the case with the quantitative approach. Shaw (1999:13) clarifies the researcher's role in a qualitative approach, which is to gain a holistic overview of the culture and context under study.

A qualitative approach to this study was justifiable, as the research study is exploratory in nature and has used a research question instead of a hypothesis. The researcher's choice was further motivated by the complexities and processes involved in the pricing models in the EAP field. Such an understanding had to be established by means of in-depth investigation, which could be achieved only by using the rich data collection methods of a qualitative study.

In this instance, the researcher engaged participants from corporate clients who terminated contracts with a leading EAP service provider as well as participants from this leading EAP service provider. The researcher is of the opinion that such an intense interaction would not have been achieved had the qualitative approach not been adopted.

1.7 TYPE OF RESEARCH

Bickman and Rog (1998:x-xiv) argue that applied research uses scientific methodology to develop information to help solve an immediate societal problem. There are few or no experimental controls. The research aims to contribute to practical issues of problem-solving, decision-making, policy analysis and community development. On the other hand, basic research is firmly grounded in scientific method but with the goal of creating new knowledge about how fundamental processes work with the high level of control that is often provided in a laboratory environment. This view is supported by Neuman (2000:23), who argues that basic research advances fundamental knowledge about the social world; with special

focus on refining or supporting theories that explain how the social world operates, what makes things happen, why social relations are a certain way and why society changes.

Based on this distinction between basic and applied research, the researcher viewed the research project as applied research. The choice was motivated by Fouché and De Vos (2005:105), who explain applied research as the scientific planning of induced change in a troublesome situation. In this study, the researcher attempted to address the immediate problem faced by professionals in the EAP field, which is mainly that of pricing.

The researcher used the principles of applied research to bring about information that will help EAP service providers and corporate clients in decision-making processes for the pricing models used in the EAP field. It is envisaged that the findings of the research might contribute to the development of some guideline for EAP service providers which could be applied in practice as a standard EAP pricing model. The results of the research could possibly minimize some of the complexities associated with pricing models in the EAP field.

1.8 RESEARCH DESIGN

Mouton (2001:55, 56) defines research design as a plan or blueprint for how the researcher intends to conduct the study. The researcher defines it as a map that will guide the research process, with special focus on how the researcher will find answers to the proposed research questions.

In this study the researcher used qualitative research designs, as the research approach is qualitative in nature. The choice of the design was motivated by Neuman's argument (2000:122) in which he describes qualitative research designs as soft data based on impressions, words or sentences that rely on interpretations by the researcher, creating an element of flexibility for qualitative researchers. In this study, such soft data was gathered in the form of face-to-face interviews which the researcher conducted with the participants from corporate clients who terminated contracts with a leading EAP service provider as well as participants from this

leading EAP service provider. The purpose of the interviews was to understand the complexities experienced in relation to pricing and contracting in the EAP field.

The information received from the participants required detailed examination by the researcher of various words and concepts. This was done by means of data analysis, which culminated in this research report. The strategy used by the researcher is supported by what Neuman (2000:122) says in explaining that qualitative researchers use a transcendent perspective, applying logic in practice. This also requires the detailed examination of cases.

Fouché (2005:268) states that qualitative researchers use various designs. Creswell as quoted by Fouché (2005:269) identifies five strategies of inquiry that could be used to design qualitative research. These are: biography, phenomenology, grounded theory, ethnography and case study.

In this study, the researcher used a case study, as it presented an opportunity for the researcher to learn about the complexities and processes involved in pricing. The choice of this design was motivated by Creswell's (1998:61) explanation in which he describes a case study as an exploration or in-depth analysis of a bounded system or single or multiple cases over a period of time. Neuman (2000:32) further elaborates that cases can be individuals, groups, organizations, movements, events or geographic units. Fouché (2005:272) supports the view by asserting that a case being studied may refer to a process, an activity, an event, a Programme or an individual or multiple individuals.

In this study, the cases explored by the researcher were collective cases, as they were comprised of corporate clients who terminated contracts with a leading EAP service provider and Accounts Managers of this leading EAP service provider. The exploratory study was done in the context of the processes of pricing models and contracting in the EAP field. The corporate clients were represented by the EAP Coordinator /Human Resource Manager. The participants were selected according to certain characteristics they had in common, which in the main came to the desire for a healthy and productive workforce that could be achieved by contracting the services of an EAP service provider.

Using the method of collective cases and applying the principles of systems theory, the researcher was able to compare the data presented by participating Account Managers with data presented by participants from corporate clients in order to get a holistic picture of the complexities of pricing and contracting in the EAP field. The researcher used two sets of data-collection tools, seeing that there were two different groups of participants. The use of the two different tools enabled the researcher to make the comparisons asked for in the questions put to participants from a leading EAP service provider, and those put to the participants from corporate clients. The researcher agreed with the purpose of collective case studies, which Mark as quoted by Fouché (2005:272) explains by stating that cases are chosen so that comparisons can be made between cases and concepts.

The researcher also took advantage of the benefits of collective case studies, which Neuman (2000:32) describes as a design that helps researchers to connect the micro level (actions of the individuals) with the macro level (larger scale social structures and processes). During data analysis, the researcher was able to identify how the pricing models used in the EAP field impacted on contracting and service offerings.

1.8.1 Data Collection

With collective case study as a design, the data was collected by means of semi-structured, face-to-face interviews with five (5) corporate clients who had terminated contracts with a leading EAP service provider and five (5) Account Managers from this leading EAP service provider. The corporate clients were represented by EAP Coordinators/ Human Resource Managers. The central phenomena under study were complexities experienced in relation to contracting and pricing models used in the EAP field.

The semi-structured interview schedule, which consisted of face-to-face interviews, enabled the researcher to answer the research question, which was:

What are the complexities confronting a leading EAP service provider in South

Africa regarding the pricing models used for pricing EAP services?

A digital recorder was used to record the interviews, with field notes taken during the interview proceedings. The researcher tried to minimize the noise level to ensure that it did not interfere with the resulting recordings that were to be transcribed into transcripts. The researcher read the transcripts in order to understand and internalize the information shared by the participants.

1.8.2 Data analysis

De Vos (2005:333) describes data analysis as the process of bringing order, structure and meaning to the mass of data collected. It is a search for general statements about relationships among categories of data. In this study, the researcher used each question put to the participants in the semi-structured interview schedule and analyzed the responses to develop themes and sub-themes. Creswell, as quoted by De Vos (2005:334), argues that the data analysis and interpretation adopted by the researcher can best be represented in an analytic spiral. This means that the researcher moves in analytical circles to come to an answer and an understanding of the themes and categories emanating from the data.

The researcher followed the nine-step process of qualitative data as indicated by Creswell (1998):

- Planning for recording of data;
- Data collection and preliminary analysis;
- Managing and organizing data;
- Reading and writing memos;
- Generating categories, themes or patterns;
- Coding the data, testing the emergent understandings;
- Searching for alternative explanations;
- Representing, visualizing (report writing).

Step 1: Planning for recording of data

According to De Vos (2005:334), this is a critical step as it requires the researcher to systematically plan how the recording will be done before data collection commences. This may otherwise appear intrusive, interfering with the natural flow of information. In preparation for this phase, the researcher informed the participants prior to the interview about the procedures that would be followed during the interview. These included recording the interviews with a digital recorder and taking the field notes that would be captured during the interviews.

The researcher prepared the same introductory information for all the participants for purposes of briefing them on the proceedings of the interview. An informed consent document was also explained and given to the participants to read, understand and sign as an agreement with the processes to be followed as part of data-collection.

Step 2: Data collection and preliminary analysis

According to De Vos (2005:335), data analysis in qualitative inquiry necessitates a two-fold approach, which is data analysis both on-site and off-site. Based on the responses provided by participants during the interviews, the researcher conducted on-site analysis. This was done by probing answers provided by the participants, which gave the researcher an opportunity to seek clarity and further allow the participant to elaborate on the subject under discussion. The off-site analysis was conducted by reading field notes, listening to recordings and reading the transcripts over and over again to have an in-depth understanding of the discussion in order to identify themes, sub-themes and categories.

Step 3: Managing and organizing data

This step of analysis is conducted off-site, away from the research field. The researcher listened to the recordings and read the transcripts. The reading process was aligned to the questions as set out in the semi-structured interview schedule as a way of identifying gaps in the available data, and to confirm that the available data corresponded to the goal of the study. The research question was used as a yardstick to measure and help the researcher identify the gaps in the data collected. The process enabled the researcher to make an inventory of what she had or did not have in terms of the required information. Subsequently the researcher could identify

that the majority of participants from both a leading EAP service provider and the corporate client who were interviewed for this study were not involved in the initial stages of contracting. This meant that these participants could not provide information on the motivation for the choice of the pricing model used for contracting. This phase of data analysis is linked to the next phase, which is reading and writing memos.

Step 4: Reading and writing memos

This is the process of familiarizing oneself with the information collected. As a process of familiarization with the data collected, the researcher read the field notes and the transcripts of the interviews, and listened to the tapes that had been recorded. Marshall and Rossman as quoted by De Vos (2005:337) assert that reading and re-reading forces the researcher to become familiar with the data in intimate ways.

In this study, the process of reading and writing memos enabled the researcher to identify themes and patterns that were helpful for further probing to explore the complexities in pricing models used in the EAP field. The process also enabled the researcher to make connections between words and concepts that were emerging from the study, such as, inter alia, the cost of EAP services, low bidding and price wars, quality of services, credibility of service providers, transparency and ethical issues. These words and concepts made it easy for the researcher to generate themes and sub-themes from the massive amount of data collected.

Step 5: Generating categories, themes or patterns

Marshall and Rossman as quoted by De Vos (2005:337) assert that this is the most difficult, complex and ambiguous phase of data analysis. The researcher managed to simplify the process by classifying the qualitative information into themes and sub-themes, as data was analyzed according to the questions that were guided by the semi-structured interview schedule. The process enabled the researcher to find relationships and attach meaning between common terms as emanating from responses provided by participants. The researcher could identify and make linkages between the answers provided by participants to different questions posed. John and Lofland as quoted by Babbie (2004:370) suggest six different ways of looking for

patterns in a particular research topic which help the researcher to make sense of the data collected. Those are:

- a. Frequencies in terms of how often the occurrences of the phenomena under study are seen;
- b. Magnitudes in terms of determining the levels and the extent;
- c. Structures existing within the phenomena under study and relatedness among the variables;
- d. Identification of processes among the element of structure to understand if there is any order in terms of occurrences;
- e. Identifying causes;
- f. And lastly, the researcher will look at the consequences.

In this study, the researcher examined the frequency of the use of the price and how it is perceived by participants from a leading EAP service provider and the corporate client. Examination of the phenomena revealed how price has been used in a highly competitive field such as EAP, leading to price wars among EAP service providers. The analysis further revealed the impact of price on service offering and how that affected the value attached to the Programme. Pricing and competition, coupled with the criteria used by corporate clients on selecting and contracting with EAP service providers, seem to have exacerbated the complexities encountered in the pricing models used in the EAP field.

Step 6: Coding the data

De Vos (2005:340) explains coding as a representation of operations by which data are broken down, conceptualized and put back in new ways. Marshall and Rossman as quoted by De Vos (2005:338) argue that the tough intellectual work of analysis is generating categories and themes. The researcher has therefore managed to simplify the work by tagging the participants with a code number in order to trace the response to a particular question. Colour coding and abbreviations of the key words of the information emerging from interviews were also used to organize and to group data. The process also made it easier to make comparisons and discern relationships based on the data presented, thereby generating categories, themes and patterns.

Step 7: Testing the emergent understandings

This step was both critical and useful for the researcher, as it facilitated an in-depth understanding of the coded data. The step enabled the researcher to evaluate whether the data presented provided some answers to and an understanding of the cases under study. The researcher searched for real patterns and evaluated the usefulness of such themes for the study.

Step 8: Searching for alternative explanations

The researcher regards this stage as an affirmation of the discoveries from the study. This was done through validation by the literature review of the findings from the qualitative data.

Step 9: Report writing

The research report and findings are presented in terms of the themes identified from the interviews conducted by using the semi-structured interview schedule.

1.9 PILOT STUDY

Fouché and Delport (2005:82) describe a pilot study as the dress rehearsal for the main investigation. It is a small-scale implementation of the planned investigation in an attempt to bring possible deficiencies to the fore timeously. Strydom (2005a:205) asserts that a pilot study is one way in which the prospective researcher can orientate around the research study. Huysamen as quoted by Strydom (2005a:206) further explains the purpose of a sample as a way of investigating the feasibility of the planned project and to bring possible deficiencies in the measurement procedure to the fore. In this study, the semi-structured interview schedule was used to gather information on the complexities involved in the pricing models used in the EAP field.

1.9.1 Feasibility of the study

Strydom (2005a:208) describes the feasibility study as an overview of the actual situation where the prospective investigation will be executed. The author further states that the feasibility study is especially important when it comes to the practical

planning of the research project in terms of aspects such as transport, finance and time factors. Other factors that have to be considered are the venue and the accessibility of the respondents.

The study was feasible, based on the following:

- There was a minimal cost involved in terms of travelling and accessing participants involved in the study;
- In order to have easy access to participants and to minimize disturbance in terms of routine functioning of the companies where participants are employed, the researcher conducted the interviews at the participants' offices. She further requested participants to provide the convenient time for scheduling the interviews.
- Permission was granted by the University of Pretoria to proceed with the studies, after the researcher had proved her competence, by submission and approval of the research proposal. The permission to conduct the empirical research was also granted by a leading EAP service provider as well as by the corporate clients who had terminated contracts with a leading EAP service provider. The letter granting permission is attached as an annexure to the research report.

1.9.2 Testing of the data collection instrument

According to Strydom (2005a:210), in order to test the data collection method and for the pilot study to be effective, the pilot study must be executed in the same as the main investigation. In this study, the researcher identified two participants from a leading EAP service provider as part of piloting the data collection tool. Testing the data collection enabled the researcher to revise the instrument based on the gaps that were identified in the tool during the piloting phase.

1.10 DESCRIPTION OF THE RESEARCH POPULATION, SAMPLE AND SAMPLING METHOD

For this study, the research population was comprised of the corporate clients who had terminated contracts with a leading EAP service provider during 2007 to 2010.

The participants were EAP coordinators, and, in their absence, Human Resource (HR) Managers and/or Procurement Department officers responsible for the tenders, EAP coordination and termination of contracts.

The sample size was based on the list of corporate clients obtained from a leading EAP service provider. There were thirty (30) names of corporate clients who had terminated their contracts. The researcher sent out electronic communications to request permission to hold and set up interviews using the email addresses provided by a leading EAP service provider. The follow-up was to be done telephonically. The researcher was confronted with the challenge of accessing the companies in the face of delivery failures. Telephone follow-ups were made but they also failed, as there were no responses. Two (2) companies declined to participate in the study, giving no clear reasons, while others promised to come back to set appointments, which unfortunately never happened. The researcher eventually interviewed five (5) corporate clients.

The experiences encountered by the researcher in trying to access participants brings to light the views shared by Patton (2002) as quoted by Strydom and Delport (2005:328). The authors argue that, in qualitative research, there are no rules on sample size, indicating that, in a qualitative study, sample size is determined by the purpose of the enquiry, and, as long as the saturation point has not been reached, the researcher can expand on the size of the sample. The researcher realized during the interviews with participants from corporate clients that she had reached saturation point, as the information shared by the fourth participant was more or less the same in terms of the frequency of responses provided on the same questions posed. The researcher is of the opinion that further interviews would not have revealed any new data over and above what was already available.

The research population was also comprised of Senior Corporate Well-being Consultants (Account Managers) from a leading EAP service provider. These participants are responsible for acquiring new contracts, renewing existing contracts and terminating or closing existing contracts from 2007 to 2010. No participants from a leading EAP service provider were sampled, since there was already a limited number of available Senior Corporate Well-being Consultants. The researcher therefore interviewed five (5) participants, excluding the two (2) participants who

formed part of the sample.

The sampling method used in this study was purposive sampling, which is described as a type of sampling where the researcher selects the units to be observed on the basis of own judgment, which will be most useful and representative (Babbie, 2004:183). To be specific in the formulation and criteria used in choosing the units for the study, the researcher focused on those participants who were responsible for acquiring new contracts, managing the accounts, renewing existing contracts and terminating or closing existing contracts. These participants were from a leading EAP service provider and corporate clients served by the selected service provider who had terminated their contracts during the year 2007-2010.

The rationale for this criterion was based on the fact that these participants were confronted with the specifics and realities of pricing models based on complexities involved in pricing.

1.11 ETHICAL ASPECTS/ISSUES

According to Strydom (2005c:57), ethics are defined as a “*set of widely accepted moral principles that offer rules for, and behavioural expectations of, the most correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students*”. Mouton (2001:231) asserts that this could be achieved by developing a code of conduct or ethics which researchers should abide by. Such codes are enforced through professional associations, universities and technikons, and, in some cases, the funding agency.

In this study, the researcher observed and applied the following ethical aspects based on their applicability to the study:

1.11.1 Informed consent and voluntary participation

Babbie (2004:64) argues that the ethical norms of voluntary participation and no harm to participants have become formalized in the concept of informed consent, which means that their voluntary participation in research projects is based on a full

understanding of the possible risks involved. Strydom (2005c:59) further explains that obtaining informed consent implies that all possible and adequate information on the goal of the investigation, the procedures which will be followed, the possible advantages and disadvantages as well as possible dangers to which participants may be exposed are explained to the participant.

To comply with the ethical aspect of informed consent and voluntary participation, the researcher provided participants with information and a form during the interviews explaining the goal of the research and the data collection instruments used in gathering information. The participants were requested to sign the consent form after they had read and understood it.

At the outset of the research proceedings, when the researcher was seeking permission to conduct the empirical research, she gave a leading EAP service provider the assurance that the findings of the research in the form of the research report would be provided while preserving confidentiality as to the details of the research participants.

1.11.2 Confidentiality

Neuman (2000:99) defines confidential material as information that may have names attached to it, while the researcher holds it in confidence or keeps it secret from the public. Babbie (2004:66) explains further, stating that it is essential that the researcher makes a promise not to identify such information publicly.

This was a significant ethical issue in this study, as pricing is a sensitive subject and service providers would not want to jeopardize competition by revealing too much about their pricing models. It was therefore important for the researcher to provide the assurance that the information shared by participants would be treated confidentially. She did this by committing herself in a written statement that under no circumstances would she share research findings containing details of participants with the corporate clients. The identification details of the EAP service provider would also be protected. Confidentiality was reiterated at the outset of the interviews.

1.11.3 Actions and competence of researcher

Strydom (2005c:63) states that researchers are ethically obliged to ensure that they are competent and adequately skilled to undertake the proposed investigation. In the absence of these, the subjects would be harmed, as they would be exposed to danger that the researcher is not even aware of. The researcher's competence to conduct the study was displayed when she passed a module on research methodology. The module guided her on how to conduct research. The researcher has also carried out the research process under the supervision of her supervisor at the University of Pretoria, who has provided the professional expertise, guidance and support during the research process.

1.11.4 Release or publication of the findings

Strydom (2005c:65) states that information must be formulated and conveyed clearly and unambiguously to avoid or minimize misappropriation by subjects, the general public and even colleagues. He further argues that respondents should be informed about the findings in an objective manner without offering too many details or impairing the principle of confidentiality. Babbie (2004:68) encourages researchers to be honest in reporting, to the extent of disclosing even the shortcomings of the study or any negative findings.

While requesting permission to conduct the research from the company where the research was conducted; the researcher explained in the letter how the reporting of the findings would be done. Participants were also informed during the interviews that the report would be made available to them should they wish to know the findings of the study.

1.12. DEFINITION OF KEY CONCEPTS

1.12.1 Employee Assistance Programme

EAPA-SA (2010:1) defines the Employee Assistance Programme as:

The work organization's resource, based on core technologies or functions, to enhance employee and workplace effectiveness through

prevention, identification and resolution of personal and productivity issues.

Googins and Godfrey (1987) as quoted by Holosko (1988:80) refer to EAP as “a set of policies and Programme procedures by which a work organization legitimately intervenes in treating the problems of employees that impact and have the capacity to influence job performance”.

Sloan Work and Family Research..., [sa] defines EAP as an employment-based health service Programme designed to assist in the identification and resolution of a broad range of employee personal concerns that may affect job performance. It is further stated that these Programmes deal with situations such as substance abuse, marital problems, family troubles, stress and domestic violence, as well as health education and disease prevention.

Against the background of these definitions, the researcher will define EAP as a work intervention Programme, directed by a set of ground rules, intended to assist employees who are confronted with personal and work-related problems that influence their social functioning and their job performance.

1.12.2 Pricing

The price may be seen as a financial expression of the value of a product to be bought or sold. For the consumer, such an expression will be based on the value to be enjoyed or benefits of purchasing a product (Pricing- introduction..., [sa]). Marketing- Price: Strategies and ..., [sa] looks at a price as the amount of money charged for a product or service or the value exchanged for the benefits of the product or service.

On the other hand, pricing is defined as a process to establish a selling price for a product (Pricing a Product..., [sa]). EAPA-SA (2010:5) standard further elaborates that the costing of an EAP should be based on sound financial principles with the goal of ensuring the best possible application of financial resources.

It is clear from these definitions that pricing takes into consideration a number of factors, such as costs, product and market. These factors are determined by other variables within the marketing field.

The researcher will therefore describe pricing as the process of determining the costs of input factors against the output, where there has to be a balance between financial or resource allocation and the final cost of the product or service. However it is important to note that pricing will also be influenced by other factors in the marketing environment, such as the perceived value/quality of the product or service.

1.12.3 Pricing models

Monroe (1990:283) defines a pricing model as an aid to help service providers and managers to determine the price of a new product, which takes into consideration price and other marketing mix variables where major determinants of price such as demand, cost and competition are taken into consideration and estimated over the product's estimated life cycle.

The researcher has noted that EAPA-SA (2005) and EAPA-SA (2010) uses the term pricing models and costing models interchangeably. For this reason, in the context of the study and to be in-line with the research topic, the researcher will use the term pricing models. An EAPA-SA (2005:12) standard explains that the pricing of EAPs should be negotiated and agreed upon between the service provider and the employer, after different models have been considered. EAPA-SA (2010:5) further cautions that all efforts should be made to discourage managers from dividing the cost of services by the number of clients who have used the service, thereby deducing that the service is too expensive.

The researcher concurs with these arguments and is also of the opinion that the clients should be assisted to understand the benefits of the service to be rendered by justifying the balance between expenditure and benefits. The client must be able to see the added value of the service that has been paid for. Based on the stated arguments, it is further observed that the definitions seem to demonstrate that the pricing model is about the formulas used to determine a price. The researcher thus defines pricing models as methods used by service providers to calculate the price of

the service or product to be provided based on input costs by the service provider and the needs of the client, taking into consideration both parties' financial resources.

Some of the pricing determinants will be presenting the problem and available resources where the total cost for the service, the fee, co-payment by the healthcare provider, co-payment by the client/employee and limited clinical services will be considered (e.g. some packages will provide assessment and referral while some will cover a limited number of sessions).

1.12.4 Service providers

EAPA-SA (2010:2) defines service providers as an agency providing professional services to clients and customers according to a formal contract. The researcher has identified that the term service provider is used synonymously with the term vendor. In the EAP field, the term vendor is more frequently used than service provider. In this context the researcher felt it appropriate to define vendor, which is the term used to refer to one who sells a product or service (Barker, 2003:454).

In this study, pricing models are implemented in the process of pricing services being sold to corporate clients, so it is important to note the two aspects highlighted in the above definitions: the provision/ selling of a service or a product; and a contract on the nature of services and other conditions which the seller has to explain to the buyer before reaching an agreement to purchase. Based on the significance of these definitions, the researcher thus defines service provider or vendor as a specialist who sells a product or service to a customer based on a contract or agreement to meet the agreed-upon expectations of the service to be delivered.

1. 13. LIMITATIONS OF THE STUDY

The researcher identified a small population for the study which was a particular EAP service provider and their corporate clients with whom they had terminated a contract. Out of thirty companies that terminated contracts, only five were available for the study, while others were not available/ declined to participate at all.

The corporate client participants interviewed were not involved in the initial phases of contracting, as most of them were fairly new in their positions. The same challenge was experienced with some participants from a leading EAP service provider. When it came to the leading service provider, the senior corporate Well-being consultants were also not initially involved with the contracting processes. However after they had identified the gaps in the contracts that they were managing they became more involved at the initial stages of contracting through engagements with business units. The lack of involvement at the initial stages of contracting was a limitation for the study since there were questions to which the participants could not respond.

Another limitation for the study on pricing models was the limited amount of literature available, especially in books. This contributed to the researcher's greater reliance on literature in marketing and EAP journals.

CHAPTER 2

LITERATURE REVIEW ON PRICING MODELS USED IN THE EAP FIELD

2.1 INTRODUCTION

Many companies perceive the Employee Assistance Programmes (EAPs) to be an anchor in producing a healthy, productive workforce, as EAPs are believed to increase the business ambitions of competitiveness in the global market by enhancing the social functioning of its employees. Based on this expectation, EAP services are in great demand, which is manifested in the vast growth that has taken place in the EAP field.

This growth, owing to the increased demand for the Programme, has triggered a price war among competitors, whereby some EAP service providers submit low bids in order to obtain contracts during the tender process. As pointed out in Chapter 1, pricing is identified as a problem in the field EAP field. The price issue has encouraged employers to choose according to how little they have to pay, but in the process losing sight of the programme's original mission, which is early identification and intervention to maximize employee productivity and effectiveness in the workplace (Rosenberg, quoted in Lee, 2005:40). While the argument raised by the author seems to point to the shortcomings of corporate clients when contracting with EAP service providers, the question that has to be explored is that of how the EAP service providers have managed to reach the lowest bids and what informed the pricing models that were applied in the preparation of a submission for a bid.

The literature review in this study will attempt to explore factors considered for pricing in the EAP field which subsequently impact on the choice of pricing models. Literature will be explored in the South African context. Unfortunately, such literature is limited so international literature will also be explored.

Marketing as a phenomenon will also be explored, since pricing and the pricing models used in the EAP field are linked to the company's marketing strategy. The discussion will therefore be on pricing as one of the marketing strategies in the

marketing mix.

2.2. MARKETING OF EAPs

Winegar (2002:65) identifies marketing, particularly the marketing and selling of EAPs, as a great challenge for EA professionals, particularly those who have to operate the business, address the demands by current clients and customers and seek new customers. The challenge is identified in the lack of skills or poorly-equipped professionals whose professional training and foundation focused entirely on the development of clinical skills, not sales. These professionals lack the skills and competencies required for the effective marketing of a product. However, the marketing and selling of EAP services is different for EAPs that are working in the Managed Behavioural Health Organizations (MBHO), since the role of marketing is assumed by the team of marketing and sales experts who have the necessary expertise in marketing.

There was a lacuna in the literature in terms of the marketing of professional services, in that this did not previously receive attention in literature. Marketing texts and writings confined their attention and most of their examples to the marketing of goods. However, as competition intensified in many parts of the marketing service sector, the importance of service marketing became recognized. This has resulted in the inclusion of recent texts and chapters on the subject of marketing professional services. These texts acknowledged the need to define the distinctive characteristics that differentiate products/ services from goods.

Despite the milestones that have been achieved in relation to the marketing of professional services, the researcher is of the opinion that the challenge of marketing and selling EA services and Programmes by non-specialist marketing and sales professionals (i.e. EA professionals) will probably be one of the factors that contribute to complexities encountered with pricing in the EAP field. However, in instances where EAPs are more fully integrated with managed behavioural healthcare which are identified by Blair (2004:33) “as having drifted away from the workplace to define themselves as health care service”, the challenge of marketing EAP will continue to exist. The researcher bases her argument on the opinion that

the expert team of marketing and sales staff from MBHO might know very little about the original mission of the EAP and might thus misrepresent the whole idea of EAP. Such misrepresentations are evident in insurance marketing, where EAPs form part of the package and, in some instances, are priced low.

Another challenge when marketing EAPs is identified by Jenkins (2008:112), who states that marketing a professional service like an EAP is very different from marketing a tangible product. The difficulty is associated with buyer anxieties and insecurities that can play a role in the purchasing decision-making process. The author mentions that marketing is the process of telling your story as an EAP to an audience that has listened to hundreds of similar stories. It is therefore important to consider that the buyers might want to confirm the current pricing on the contract they already have with the current EAP service provider. In other instances, buyers might have been told to go out there and look for the cheapest service provider because their company is considering cutting costs.

It is important, therefore, that the marketing strategy addresses the emotional and psychological concerns of potential buyers. The researcher is of the opinion that these concerns, which are not necessarily known to the marketer, contribute to the complexities experienced by EAP professionals in relation to the pricing models. The researcher maintains that it is important for EAPs to conduct extensive research in order to understand a company's needs. It is also important to understand a company's organizational culture and dynamics. This will ensure that the marketing strategy speaks directly to the needs of the client and addresses whatever concerns the company might have. Effective marketing of EAPs might change perceptions and certain buyer behaviours, which could impact on pricing.

A discussion on pricing as a marketing strategy follows, since price forms part of the marketing mix that informs the marketing strategy often adopted in the marketing of EAP services.

2.3 PRICING AS A MARKETING STRATEGY

2.3.1 Marketing defined:

Marx and Van der Walt (1989:25) maintained that marketing consists of management tasks and decisions directed at successfully meeting opportunities and threats in a dynamic environment. This is done by effectively developing and transferring market offering that satisfy the needs of consumers in such a way that the objectives of the enterprise, the consumer and society are achieved. Cowell (1991:43) provides a definition of marketing as defined by the Institute of Marketing: it is “the management process responsible for identifying, anticipating and satisfying customer requirements profitably”.

The definitions presented recognize the role of the market environment, which is characterized by the enterprise, management, the consumers and the wider society all of whom have the common purpose of benefiting profitably by the market offering. In the definitions, the role of management, which is seen as making the right decisions in order to provide and satisfy the needs of customers, is also identified as crucial.

Marketing is thus defined as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and services of value with others. Dodds (2003:3) argues that customers want to know precisely what they are receiving for their money which will constitute value for the service received. Based on these definitions, the role of pricing in marketing is significant. Pricing communicates a message about the product or it could be a strategic tool during marketing. Chatterjee (2002:12) states that marketers must be decisive as to how they manage the marketing mix, as this is also the total marketing management in itself. The researcher maintains that, in order to manage pricing, it is important to manage the elements of the marketing mix, as each element has an immense influence on pricing which subsequently impacts on the pricing model to be used. The discussion leads us to an exploration of the marketing mix and its impact on pricing models.

2.3.2 The marketing mix

Winer (2004:32) defines the marketing mix as the set of decisions about price, channels of distribution, product, communications and customer relationship management that implements the marketing strategy. The role of management in undertaking such decisions is identified as crucial.

The author further indicates that the marketing mix is composed of four elements, the product, the price, the place/distribution and promotion. The elements basically address what a company is going to produce, how much it is going to charge, how it is going to deliver its products or services to the customers and how it is going to tell its customers about its products or services. The discussion clearly indicates the significance of disclosure and transparency about the processes and procedures that will be followed by service providers in the production of goods or services.

In examining the marketing mix, as presented by Winer (2004), the author seems to focus on the traditional marketing mix that consists of four (4) Ps, where emphasis is placed on what the organization does to meet the needs of its target market. However, other literature (cf. Cowell, 1991:69; Jordaan & Prinsloo, 2001:34, Marketing Mix..., 2006) recognizes seven (7) Ps. This is based on the argument that today's market is far more customer-oriented and more sophisticated than ever before, hence the inclusion of the additional three (3) Ps into the traditional four (4) Ps. Those are: people, process and physical environment/ evidence.

These additional elements of the marketing process focus on people who have a significant role to play in the marketing of the brand, with their skills, expertise, attitude and behaviour, which are crucial to customer satisfaction. These elements have an impact on the pricing models, which are the main focus of the study. The researcher will briefly discuss the elements of the marketing mix with more emphasis on pricing, showing how these are used as a marketing strategy in EAP.

2.3.2.1 The product

Jordaan and Prinsloo (2001:111) use the term product to describe both tangible goods and intangible services. The authors argue that the term product is frequently used in a broader sense to describe either a product or a service.

Marx and Van der Walt (1989:9) argue that the product is the focal point of all marketing activities. This implies that the products/services form the central point of the organization's effort to satisfy the needs of its customers (Jordaan & Prinsloo, 2001:109). Raymond and Newman (2001:295) state that, in order to market EAP effectively, the agency that is doing so must be prepared to present clearly the product or service it has to offer.

In order to achieve this goal, the marketers must consciously plan the right product that will meet the customers' needs with the right quality, quantity, price and value attached. Jenkins (2008:24) acknowledges that clear communication of the value of the service to customers in the EAP field is a difficult task. The researcher is of the opinion that this is probably owing to the unquantifiable nature of professional services.

The researcher therefore maintains that EAP service providers, through effective communication and marketing of the product/ service, must enable purchasers to understand the benefits of EAP. Jenkins (2008:113) states that successful marketing requires not only understanding and the ability to describe your product in writing, but also an in-depth knowledge of what the target market needs. Selling value through an effective communication strategy whereby EA professionals have to get the "buy-in" of employers is important. Mann (1996) as quoted by Peters (1999:84) argues that clients want value for their money and they will not pay for services that cannot be justified, so they will not work or contract with vendors who cannot meet their needs.

The strong marketing strategy for a product in order to demonstrate its value and benefits is also demonstrated by Atkinson (2001), who argues that, despite the benefits of EAPs, numerous employees and employers fail to understand its value.

The argument is informed by the author's findings that a lot of employers refuse to believe or admit that their employees have problems with drugs, alcohol or other issues that impact on work productivity. The researcher is of the opinion that such perceptions might impact on the value attached to the Programme and might subsequently impact negatively on resource allocation, including the budget allocated to the Programme.

It becomes important, therefore, that during the marketing of the EAPs, the marketers make an effort to emphasize the benefits of the EAP for the targeted company, informed by the organizational needs which will be based on the needs assessment of a particular organization. Despite the good and effective marketing strategy in terms of the EAP; setting a product/ service at the right price has been a great challenge for many service providers. The challenge is associated with the distinctive characteristics that differentiate products/goods from services. Several authors (cf: Cowell, 1991:48; Palmer, 2000; Jordaan & Prinsloo, 2001:13) agree that the distinctive features of services are difficult to manage, thus making the marketing of services different from that of physical products.

The features that distinguish goods from services will be briefly discussed, demonstrating the challenges that are often encountered in marketing services. The discussion will indicate how the marketers could overcome such marketing challenges.

- **Intangibility**

Intangibility is the primary difference between goods and services. Services are in an abstract form which cannot be directly examined before being purchased. As a result presenting it is one of the attributes that can make it difficult for a consumer to comprehend what is being paid for.

Customers tend to rely on the information shared by those who have experienced the service. However, the challenge in shared experiences lies in the uniqueness of the service recipients and their different expectations, tastes and prior experiences. The other marketing implication posed by intangibility is the lack of physical evidence, as this increases the level of uncertainty with which a consumer is faced

when choosing between competing service providers. The researcher is of the opinion that this is one of the challenges and complexities with which corporate clients are confronted when contracting in the EAP field.

Marx and Van der Walt (1989:552) indicate that the consumer finds it difficult to visualize the advantages of the service to be provided. In order to address the challenges posed by intangibility, Palmer (2000) advises that service providers should introduce or add physical evidence, such as the development of a strong brand or particular corporate image which may reduce the likelihood of consumer uncertainty in making purchasing decisions.

It is important that the marketer finds ways of assisting customers to visualize the benefits of a service. Winegar (2002:67) indicates the importance of developing customer success stories without naming any identifiable individual client, to abide by anonymity and confidentiality clauses. Success stories serve the purpose of marketing EAP and boosting sales support. The stories assist the sales process by giving prospective customers some assurance through narrative story telling that the EAP is a credible service which has proved successful with a similar purchaser.

- **Inseparability**

Services are often produced, delivered and consumed all at once. There is constant contact between the service provider and the customer during the production process, which will inevitably influence the entire process of production as well as the final product. An example of the development of a particular Programme can be offered to a particular organization.

The development process will require the service provider to customize the Programme to meet the unique needs of a particular organization, which requires the constant involvement of the customer in need of that particular Programme. Jordaan and Prinsloo (2001:17) call this process a moment of truth because it presents the greatest opportunity for both gains and losses relating to customer satisfaction and retention, depending on the nature of the outcome of that particular interaction.

The authors indicate that the involvement of the customer in the service production

process implies that the service provider becomes part of the tangible cues that influence the customer's evaluation of quality. It becomes important, therefore, that service providers take extra care in the selection and training of their contact personnel, as variations in their behaviour could affect the customer's experience of the service, either positively or negatively.

The researcher's view on the process of customers' involvement in the production of a product is that it would take place on the selection of a possible service provider who has met the criteria set by the corporate client. It will therefore have its disadvantages if there is dissatisfaction with the engagement, as the contract has already been signed in terms of service delivery. In order to curb such unforeseen circumstances it will be important for the corporate client to have measures such as clauses in the contract to terminate the contract upon delivery of unsatisfactory service as per the specifications for such service delivery.

- **Heterogeneity**

Marx and Van der Walt (1989:553) argue that it is impossible for a service provider to standardize the quality of service inputs. The challenge leads to a situation where the quality of one particular service unit is not necessarily the same as that of the next unit. In essence this makes it impossible to exercise the same quality control in the same services.

Jordaan and Prinsloo (2001:21) explain that one of the reasons for this difficulty is that the service is largely produced and delivered by a human being. An individual brings their own attributes to the development of a product. A proposed solution tabled by these authors is to customize and standardize services. However, this would require intensive training of the contact personnel developing and rendering the service. Such training would be directed at developing a cadre of personnel who would render a quality service that is of the same standard. The researcher is of the opinion that service providers who do not invest in the capacity-building of their personnel risk providing a service lacking in proficiency and effectiveness, as well as being of a merely general standard.

- **Perishability**

Services are perishable and cannot be stored, which results in considerable fluctuations in demand (Marx & Van der Walt, 1989:553). Jordaan and Prinsloo (2001:22) indicate that the periods of increased demand would therefore not be handled through inventory, unlike tangible goods.

The authors identify certain problems that confront organizations, such as the lack of control to match service capacity and demand. In order to manage perishability problems, it is important for organizations to balance service supply and demand.

2.3.2.2 The place

Cowell (1991:72) argues that the location of service providers and their accessibility are important factors in service marketing. The author further explains that accessibility relates not just to physical accessibility but also to other means of communication and contact. Palmer (2000) explains that “the place decisions” refer to the ease of access which potential customers must have if they are to gain access to a service. In EAP, accessibility of services is manifested in various ways, such as face-to-face, and telephonic or even website consultations. It should be noted that, in EAP, the mode of accessibility is priced at a particular level, which will also determine the pricing model that will be proposed in the bid submission.

Jordaan and Prinsloo (2001:36) caution that the place or distribution strategy for services should be efficient, as several distribution channels could be employed, depending on the nature of the service and what customers value. This element requires an EAP service provider to explain all the available distribution or accessibility options to the customers, setting out all the pros and cons. A thorough assessment of the organization and its clientele should be conducted in order to give informed advice to the client. The researcher maintains that this is one of the crucial elements of transparency in contracting.

2.3.2.3 The promotion

According to Cowell (1991:72), promotions include the various methods of communicating with markets, and can be conducted by advertising, personal selling activities, sales promotion activities and other direct or indirect forms of publicity. Palmer (2000) identifies a number of distinctive promotional needs of services based on their distinguishing characteristics. In marketing services, it is important for the service providers to pay attention and take extra precautions when addressing promotional needs. Palmer (2000) lists reasons that highlight the significance of addressing services' promotional needs:

- The intangible nature of the service offer often results in consumers perceiving a high level of risk in the buying process. Promotion therefore must seek to overcome this challenge by developing strong brands, encouragement by word of mouth recommendation, promotion of trial usage of service and the use of credible message sources.
- The promotion of a service offer cannot generally be isolated from promotion of the service provider. Customers cannot sensibly evaluate many intangible services, so the identity and credibility of the service provider become significant and should be promoted.
- Visible production processes and service personnel become an important element of the promotion effort. Where service production processes are inseparable from their consumption, new opportunities are provided for promoting a service. The frontline staff become sales people for the organization.
- The intangible nature of services and the heightened level of fraud result in their promotion being generally more constrained by legal and voluntary controls than is the case with goods.

It therefore becomes important for the service organization to use promotion strategies that will communicate a strong message to its target groups in order to

influence knowledge, attitude and behaviour. Marketers should actively support a good service by communicating the benefits of that service to its target audience through appropriate types of communication channels and media (Jordaan & Prinsloo, 2001:36).

2.3.2.4 The people

Cowell (1991:73) argues that the secret of success in the service industry is the recognition that customer contact personnel are the key people in the organization. This requires marketing management to take an interest in employee selection, training, motivation and control. Jordaan and Prinsloo (2001:36) also assert that the organization's personnel form an integral part of the process of service delivery, as they act as marketers of the organization's offer, while their actions have a direct impact on the output received by the customers.

2.3.2.5 The process

Cowell (1991:73) states that the behaviour of people in service organizations and the process of delivering the service to the satisfaction of the customer's needs are critical. Palmer (2000) concurs, indicating that the production processes are usually of little concern to consumers of manufactured goods but can be of critical concern to consumers of high-contact services where the consumer can be seen as a co-producer of the service. Jordaan and Prinsloo (2001:36) further point out that the heart of the service process is the customer's experience during the interaction between the service provider and the customer. Weitz and Wensely (2002:270) recognize the effect of customers' experiences in relation to purchasing decisions. The researcher maintains that the customer's experience during the process of service offering by service providers determines whether the customer is going to renew the contract with the service provider.

2.3.2.6 The physical environment/ physical evidence

According to Palmer (2000), the intangible nature of a service is one of the challenges confronting service providers. The author argues that the difficulty comes

with customers' inability to judge a service before it is consumed, which increases the perceived risk of a purchasing decision.

Jordaan and Prinsloo (2001:35) state that the risk can be reduced by providing tangible evidence of the service to be provided. Such evidence can take several forms: brochures, the appearance of the personnel who will be providing the service, and the physical facilities and documentation associated with service offerings. The evidence presented may influence the customers in that they may relate the quality of these tangible aspects to the quality of the service to be received.

2.3.2.7 Pricing

Pricing is one of the major strategic elements of the marketing mix, as it is related to product positioning (Pricing Strategy..., [sa]). Cowell (1991:72) states that price considerations include price levels, discounts, allowances and commissions, terms of payment and credit. The author further states that price may also play a part in differentiating one service from another, thus influencing buyer behaviour. Palmer (2000) indicates that there are a number of points of difference with respect to the pricing of services in comparison with the pricing of goods. Those are:

- The inseparable nature of services makes the possibilities for price discrimination between different groups of users much greater than is usually the case with manufactured goods. Goods can easily be purchased by one person, stored, and then sold to another person.
- Many service providers experience a high level of fixed costs, resulting in a situation where service suppliers have considerable scope for charging different prices for what is basically the same service offer.
- Services are more likely than goods to be made available in distorted markets or in circumstances where no market exists at all. An example of this is public services, such as museums and schools, which have sought to adopt the marketing principles although they often have no control over the price element of the marketing mix.

The highlighted elements give an indication of some of the challenges by which service providers are confronted when it comes to pricing services as opposed to goods. Price is an important strategic issue, as it influences the marketing strategies and buyer behaviour in terms of the selection process of the service provider competing for the similar service offering. Cram (2006:1) identifies pricing as significant in positioning the brand or product, as consumers associate quality with the price tag.

The discussion on the elements of the marketing mix and the linkages to pricing clearly indicates that these are factors that should be taken into consideration by service providers when they are developing a pricing model. The marketing mix signifies both the internal and the external factors that the service provider must strengthen in order to deliver an efficient quality service. The following discussion identifies other factors that impact on pricing.

2.4 FACTORS IMPACTING ON PRICING IN THE EAP FIELD

2.4.1 The marketing environment

EAPs are operating in a complex environment. Both internal and external factors seem to aggravate the complexity in pricing, in particular, the processes involved in pricing which are sometimes known to the service providers but not to the corporate clients.

According to Marx and Van der Walt (1989:15), marketing takes place in a certain environment which influences the relationship between the marketer and the consumer. It is important, therefore, that the marketer takes cognizance of these environmental influences.

The marketing environment is the sum total of the factors or variables which potentially influence the marketing of a product or service (Marx & Van der Walt, 1989:35). These factors are internal and external. The researcher maintains that it is important to understand and define the market for EAP products.

Winegar (2002:66) indicates that the target market for EAP products is defined as

potential customers who have a need (recognized or unrecognized) for EAP services. These potential customers also have the resources to purchase these need-fulfilling services (EAP services). Kawasaki (1995:26) argues that it is important to define and know one's customers. The author has set out some questions that might guide service providers in gaining information about their customers. The questions are as follows:

- Who is using and who is buying your products?

Getting information on who uses the product or service informs the service provider whether to refine the service or product to meet the demand. It also informs on the level of expectation as per the expectation and the requirement of both the user and the buyer, as these could be different people. The service provider will have to conduct a research for both the user and the buyer. The researcher is of the opinion that answering this question facilitates an understanding of the organization needing to be served, as well as its organizational culture and dynamics. Furthermore, the answer will enable the service provider to tailor-make services to meet the specific needs of the particular organization.

- How are products in your category used by your customers?

The answers that could be discovered when probing with this question might reveal whether the designed service or product is used as it was intended and whether it meets the expectation of the customer. The service provider might discover that the assumptions that were the basis for the service or product development are no longer relevant to meeting the customer's needs.

- Are laws, regulations or societal pressures changing your market place?

The answer to this question might give a suggestion to the service provider to re-design or modify the service, product or Programme to meet the needs of the customers according to the laws and regulations. For instance, the EAP service provider must be conversant with the Occupational Health and Safety Act, the Labour Act, the Skills Development Act and other acts and regulations that have an impact on the employees' lives. The researcher also maintains that EAP service providers must be conversant with the Supply Chain Management Act and the Public

Finance Management Act, as these are relevant when it comes to procurement processes and contracting.

In expanding the knowledge and an understanding of the market in which EAPs operate, Winegar (2002:66) advises EAP professionals to use various ways of defining and segmenting markets for EAP services. First, the market may be defined by the size of the employer-purchaser and secondly it may be defined geographically. The advantage of the first segmentation is that the EA professional will assess the available resources of the purchaser against the total number of employees, and if the employer has fewer resources; the EAP professional will deal with this reality by offering less expensive services that deliver only core EAP technologies. The researcher is of the opinion that the significance of this segmentation is the impact this has on the choice of pricing model that will be advocated when contracting with corporate clients.

Jordaan and Prinsloo (2001:37) identify variables in the marketing environment that can create opportunities and threats, as they determine the nature and the strength of the competition in a given industry:

Customers: They form the ultimate target at which the organization aims its service offering. It is important, therefore, that service marketers become aware of and understand buyer behaviour, which plays a significant role in pricing. However, the subject of buyer behaviour in relation to pricing will be dealt with on page 49.

Intermediaries: These are organizations that compete against each other to provide the enterprise's services or that of competitors for service delivery. They are often negotiators between the producer of a service and its customers.

Suppliers: These are organizations that provide products/services or even financing the enterprise. The cost of the supplies needs to be closely monitored as it directly influences the profits of the organization.

Competitors: The competitive environment affects the number and type of competitors marketing managers have to deal with as well as the manner in which

they behave in the marketing environment. Competitors are also another crucial aspect of pricing, as they determine price variation when deciding on charging or setting different prices for the same product to different customers.

Young (2005:60) states that it is important for organizations (service providers) to become precise about their competitive position based on what the organization stands for. It is important to understand what the market objectives of the leading competitor are and to clearly state one's own marketing objectives, as this will influence and guide the pricing decisions.

Marx and Van der Walt (1989:63) identify different competitors in the marketing environment; those are:

Market leaders- Those who are always first with a specific market offering;

Market followers- Those who use “me too” strategies;

Challengers- Those who enter the market by starting price wars and using aggressive advertising campaigns;

Avoiders- Those who avoid confrontation and strive to attain a state of peaceful co-existence.

While considering these different competitors, Kotler and Armstrong (2006:307) also state that it is important to understand the different markets that exist in the marketing environment, as they influence the pricing decisions. The author identifies the following types of markets:

Pure competition: Commodity pricing is common in this market. Marketing research, product development, pricing, advertising and sales promotion play only a small role or none at all.

Monopolistic competition: While this market is characterized by many competitors, service providers are not particularly affected by competitors' pricing 'strategies, as buyers and sellers trade over a range of prices rather than a single market price. Price range occurs because sellers can differentiate their offers to buyers.

The last market is **pure monopoly** where there is one seller and no competition. The

service provider is the sole provider.

The views of various authors, as indicated in the earlier discussion on the different types of competitors and the different types of markets found in the marketing environment, clearly indicate the importance of understanding these factors during marketing. As customers form the ultimate target at which an organization aims its service offering, it is also important for service marketers to understand buyer behaviour. Subsequent discussion will therefore look at buyer behaviour, as it influences pricing and contracting.

2.4.2 Buyer behavior

Kotler and Armstrong (2006:310) state that marketers must consider the total marketing mix when setting prices. In essence, this means marketers must remember customers rarely buy on price alone. Customers seek products that give them the best value in terms of the benefits that will be received for the price paid. Ofir and Winer (2002:271) point out that when customers are confronted with a price or a set of prices, they process the price information and form preferences about the product service in question. The researcher is of the opinion that seeking the best value from the price paid and also processing price information clearly indicates the price judgments made by customers when making purchasing decisions.

Winer (2004:81) sensitizes marketers to understanding and analyzing customer behaviour. The author identifies five (5) questions that must be addressed by marketers when designing a service or product. Those are:

- Who are the current and potential customers for the product or service?
- Why do they buy?
- How they make purchasing decisions?
- Where do they buy the product/ service i.e. what channels of distribution are used?
- When do they buy?

The researcher maintains that, with the understanding derived from these questions,

service providers will be in a position to tailor-make a service offering for each corporate client. This will ensure that the service offering meets the specific needs of the client to be served. However it means a thorough assessment of clients who will benefit from the intended service offering.

Winer (2004:81) also emphasizes the importance of analyzing competitors' customers as this may go towards understanding why customers are buying one competitor's products instead of another. It is also important to analyze former customers. This means evaluation of the service offering, as this will help the service provider to understand weaknesses in their product of service operations. The author advises that answers to these questions might provide some ideas for stimulating brand-switching.

The researcher believes it is important to understand the impact by these elements (customers, competitors and different markets) on the pricing of services, particularly in the EAP field.

2.4.3 The impact of the marketing environment on EAP pricing.

There is a range of EAP service providers in the EAP field, which has intensified competition among EAP service providers. Such competition seems to have encouraged them to lower their prices in order to accumulate contracts. The practice of lowering prices in the face of increased competition in the EAP field compromises the original mission of the EAPs and the value attached to the Programme. This view is based on the perception corporate clients might have of EAPs, which could result in EAP becoming a commodity. Commodities are usually sold on a price basis by the service provider who offers the lowest price during the bidding process, and the price is often determined by the person or company who charges the lowest (Card, 2007:27).

The situation threatens potential chaos, which could possibly end in bad results for EAPs if it is not detected in time for them to come up with preventative measures and control mechanisms to restore EAPs to their core mission. The researcher is of the opinion that, in order for EAPs to work effectively and competitively in such a

complex environment, EAPs as a system within other systems in the business environment should consider applying self-organization principles in conducting business. Kelly & Allison (1999:4) explain that self-organizing systems use energy, material and feedback from their internal and external environments to organize themselves.

Self-organization takes place only under certain conditions in a state called bounded instability, which is described by complexity theorists as a state of being on the verge of chaos. In illustration of the complex environment in which EAP service providers operate, the researcher will use the theoretical perspective from complexity science, which advocates for complexity advantage. Complexity science is the name commonly used to describe a set of interdisciplinary studies that share the idea that all things in business organization tend to self-organize into systems (Kelly & Allison, 1999:5).

The systemic pattern seen in those businesses come from a simple set of rules applied over and over again to the latest results in a sequential process called recursion. Recursion manifests in the very small differences implemented at the start of the process and these small differences can produce large accumulated differences in later performance.

Kelly and Allison (1999:5) argue that complexity advantage addresses today's transition in business plagued by rapid change and uncertainty. With the complexities in pricing found in the EAP field, the researcher affirms that EAPs might benefit from the principles of complexity advantage by using complexity science to transform rapidly in the environment and search for new possibilities to address complexities associated with pricing.

One of the objectives of the study is to define a guideline for service providers which could be applied in practice as a standard EAP pricing model. In view of this objective, the researcher argues that businesses could reap the full benefit of complexity advantage by using the information emerging from the complexity sciences (Kelly & Allison, 1999:8). However, businesses must have the ability to use such information. This can be done in three ways:

1. Develop a mind-set and way of thinking about their business and the fitness landscape in which they compete;
2. Implement the complexity advantage steps and models in the business;
3. Understand why certain strategies and models work while others do not by examining current and past business performance.

In support of this argument, the researcher concurs with the argument raised by Card (2007:27), who advises specialists or experts in their field to break away from the commodity trap. One of the crucial elements in breaking away from the commodity trap is to differentiate the organization's services from those of the competitors. This can be done by creating a desirable difference for what the organization offers, which should reveal what makes an organization's services/product different or unique from those of the competitors. The author further states that this can be done by the organization declaring what it is not. People need to perceive the organization in question as a specialist and an expert in the field. People pay for value attached to services provided by experts, and specialists are perceived as carrying a body of intensive knowledge.

The researcher is also of the opinion that breaking away from the commodity trap can be achieved with effective marketing of services and changed customer perception. It is therefore important for service providers to understand the marketing environment and buyer behaviour, as these elements constitute the internal and external factors that impact on pricing and consequently on contracting with corporate clients.

2.5 THE STATE OF PRICING IN THE EAP FIELD

Cram (2006:4) argues that pricing is regarded as the number one profit determinant of the marketing mix. However, marketing executives deemed it less interesting and left the pricing decisions to financial analysts, who subsequently developed pricing strategies that were generally cost-based and barely influenced by marketers' understanding of customers and competitors. Such pricing strategies developed by financial analysts seem to aggravate the problem of pricing, which is currently

viewed as ineffective. The ineffectiveness is identified in the lack of systematic analysis in determining price, resulting in unrealized profit potentials of pricing.

The ineffectiveness of pricing strategies is also identified by Kotler and Armstrong (2006:309), who share the view that pricing is the number one problem facing many marketing executives, leading to the improper handling of pricing. These authors support their assertion by identifying some of the common problems marketing executives encounter:

- Companies are too quick to reduce prices in order to get a sale rather than convincing buyers that their products are worth a higher price;
- Secondly, companies opt for pricing that is too cost-oriented rather than consumer-value oriented;
- Lastly, companies look at pricing that does not take into consideration the rest of the marketing mix.

Doyle (2000:257) also points out that difficulty with pricing seem to emanate from the accumulation of information inadequate to inform price decisions. In the context of EAP and pricing strategies, Sharar and White (2001) perceived that the problem lies in the marketing of EAP services which seem to be fuelled by deceptive marketing strategies for accumulating contracts. Deception, in this context, refers to the different ways in which sales representatives refrain from telling the truth about their products and services and slash their prices. Such price-slashing may lead to the submission of low bids by Employee Assistance Programme service providers during tender processes.

These authors further point out that such action could lead to failure to conform to quality standards of service delivery, as clients would be channeled to less expensive telephone interventions or even cheaper counseling sessions, despite the fact that their problems would require more sessions. This is an ethical breach in terms of professional ethics because the service provider knowingly puts out a bid that is insufficient to fund the proposed Programme. In such situations, under-service and under-promotion are virtually guaranteed.

Farris (2003:24) maintains that some of the complexities of the marketing environment in pricing are seen in instances where corporate clients individually engage in and negotiate the prices of products and services they want to procure. This complexity is a challenge to the EA professional to convince the purchaser that an EAP is not just another benefit but is rather a vital strategic partner that produces a significant return on investment if properly promoted. To advance the notion of paying more for a quality service, Kotler and Armstrong (2006: 308) argue that service providers should be in the position to persuade their customers that paying a high price for the required service is justified by the greater value it delivers. In other words, the value of the product is greater than the price tag.

However, it is important to note the challenges that come with pricing services as opposed to goods (as previously discussed). Jordaan and Prinsloo (2001:16) assert that pricing services poses a problem, as there are no goods to cost and the cost element involved is mainly labour. These authors identify a problem with labour pricing, as it places a monetary value on time spent in the production of the services and this is difficult to evaluate.

The researcher argues that the pricing problem is exacerbated by the fast growth and competition among EAP service providers. Currently, companies face a fierce and fast-changing pricing environment, which leaves the companies with virtually no pricing power (Kotler & Armstrong, 2006:307). Consequently the companies are confronted with price-slashing, which hurts the business's profit. As indicated earlier, uniform pricing is somehow negated by the complex marketing world where corporate clients individually engage and negotiate the prices of goods or services to be procured. The researcher identifies this behaviour as one of the buyer behaviours of which marketers should take cognizance during sales and contracting.

Another complexity is that of international pricing, which requires marketers to take globalization into consideration, as prices charged in one market affect the prices that can be charged in others. There is another identified complexity in pricing which is manifested in the growing presence of EAPs in the managed behavioural care model, which seems to have led to the drop in EAP prices. In the managed behavioural model, the EAPs form part of the package (managed behavioural care

model costs). Farris (2003:24) observed that, in the past several years, EAPs have dramatically lowered their prices in an attempt to gain market share. The author further identified some worse occurrences when EAPs are sometimes being included at "no charge" if an employer purchases a disability plan or another service from an insurance company. In such instances, the cost of the EAP is absorbed into the other insurance product. The author argues that these "free" EAPs do little to promote their Programmes because any kind of use would erode their already slim profit margins.

Packaging an EAP with the costs of another managed behavioural care model seems to exacerbate losing sight of the programme's original mission. Traditionally, EAP was intended for the early identification of personal concerns, including, but not limited to health, marital, family, financial, alcohol, drug, emotional, stress or other personal issues that may affect job performance. Intervention was thus intended to maximize employee productivity and effectiveness in the workplace.

Maynard as quoted by Lee (2005:40) believes that EAPs are currently considered to be add-ons that are used as gate-keepers for the behavioural health benefit. The researcher maintains that arguments raised by these authors indicate a crisis that is facing EAPs in terms of pricing. The crisis is seen in the fierce competition resulting from price wars among EAP service providers. The researcher argues that, unless there is a change in how the EAPs are perceived by the corporate client, there will be serious challenges in terms of the value attached to the Programme, which will impact on the pricing of EAP services. In the researcher's opinion, as long as pricing is perceived to be ineffective, there will be an impact on the pricing models used in the EAP field.

The researcher will now consider the pricing models used in the EAP field. The discussion will uncover advantages and disadvantages to each of these models, but making sure that purchasers are fully informed in their decision-making.

2.6 PRICING MODELS USED IN THE EAP FIELD

Using a pricing model interchangeably with a costing model in EAPA-SA (2005) and EAPA-SA (2010) is a standard that must be adhered to by EAP practitioners, EAP service providers and EAP corporate clients. It is important, therefore, to know and understand the different pricing models used in the EAP field. Such knowledge and understanding form the basis on which to choose the best pricing model to meet the needs of the corporate client. Such information will also assist the corporate client in budgeting appropriately for the pricing model to be chosen for service provision. EAPA-SA (2010:5) states that costing an EAP should be based on sound financial principles and should have as a goal to ensure the best application of financial resources. The objective is “to justify the balance between expenditure and benefits”.

It is important for the EAP service provider to explain all the different pricing models in order to give the corporate client the opportunity of making an informed decision. EAPA-SA (2010:5) clearly outlines the criteria for costing models. The standard states that pricing of EAPs should be negotiated and mutually agreed upon by the service provider and the employer, after different models have been considered. The standard signifies the importance of corporate clients being conversant with pricing models.

The following discussion will therefore look at the different types of pricing models used in the EAP field. Literature (Farris, 2003:24-26; EAPA-SA, 2010:5; Attridge, Amaral, Bjornson, Goplerud, Herlihy, McPherson, Paul, Routledge, Sharar, Stephenson and Teems, 2010: 1-3) identifies following types of pricing models namely: capitated, pay for performance, utilization-based and value-based models. The discussion will consider each pricing model, define it and look at its advantages and disadvantages. The researcher is of the opinion that this discussion will help EAP practitioners and corporate clients to have a clear grasp of the distinctions between these pricing models. Subsequently, such an enhanced understanding will contribute towards an informed choice of the pricing model.

2.6.1 Capitated pricing defined:

Capitated or per capita financial structure, which is sometimes referred to as per employee per year (PEPY) or per employee per month (PEPM), is an approach that uses a total fee for all EAP services to the organization and simply divides the fee by the number of employees covered at the organization. The capitated pricing approach is perceived as mirroring the insurance-based pricing model used to purchase many other employee benefit services (e.g. health insurance, life, disability).

2.6.1.1 Advantages of capitated pricing

Most EAP services have historically been priced on a capitated model, which was more of a uniform pricing (Farris, 2003). Maynard as quoted by Lee (2005:40) explains that the capitated rate worked in the past since there was less competition among EAP service providers and the prices for EAP programmes were high. The capitated rate was also welcomed by employers (purchasers/ corporate clients), as it made their lives easier to plan a budget that was readily understood.

Many employers preferred a capitated pricing structure because it provided a consistent budget for EAP services. Among other reasons for preferring capitation was the fact that the price could be lower than other pricing approaches and it forced the EAP service provider to take the financial risk for the programme if the levels of use exceed what was anticipated in setting the price in advance.

The researcher maintains that, as much as the EAP service provider takes the financial risk, the purchaser of the programme also faces a financial risk if the use of the programme is low. The profits and losses associated with capitation are indicated by Farris (2003). The author states that the EAP is profitable on the contract in terms of capitation as it anticipates the level of use of the EAP and how much it will cost to provide that level of use. If that is at or below the level used to set the capitated price, then the EAP makes a profit or breaks even. But if the level of use is higher than the target level used to set the pricing, then the EAP loses money in servicing the organization. With capitated pricing it is thus very important for the EAP to be

able to make the right estimate as to how much the service will be used during the contract period. The researcher will now discuss some of other disadvantages associated with capitated pricing.

2.6.1.2 Disadvantages of capitated pricing

Literature shows that many EAP providers share concerns about the marketplace as a consequence of using the capitated pricing approach. It has been realised that capitation has resulted in what is called the “commoditization” of the EAP industry. This view is based on the concern that some purchasers and benefits brokers may view the EAP marketplace as offering an undifferentiated product that does not change much in quality or business value from one provider to another. This perspective has resulted in purchasing decisions on EAPs driven primarily by price, rather than decisions made by carefully examining the kinds of usage, the range of services, and the quality and effectiveness of the Programme.

Disadvantage for the consumer:

Capitation pricing can be perceived as creating a financial incentive for the EAP provider to deliver the least service possible. Thus, the less frequent the use of the EAP, the more money the EAP will make from the contract. However, this criticism breaks down at some point when there is so little use of the EAP. EAP is then considered ineffective and the service contract is not renewed by the purchaser.

The other disadvantage is that of session limits. Many purchasers are concerned about the contractual limits for the maximum number of sessions per treatment case for counseling sessions provided by the EAP. The specific number of sessions for the limit varies considerably across EAP providers, with a range of one to six sessions (or more). The purchaser should keep in mind, therefore, that it is the level of clinical need and assessed severity of the problem that primarily dictates when an individual user of the EAP will be referred to a more intensive and specialized provider. This determination can usually be made after a thorough assessment and one or two clinical sessions with an EAP counselor.

The most serious cases will be referred to more appropriate care (perhaps for clinical psychotherapy, psychiatric medications, substance treatment, or group therapy) before using the maximum number of clinical EAP visits. Thus, having a higher limit for clinical sessions is most important for individuals who should receive brief therapy and action planning from EAP counselors. The researcher maintains that it is important to conduct organizational profiling and assessment of clientele, including risks to which employees are prone. Such information would facilitate an informed decision on the number of sessions for which the purchaser can contract.

2.6.2 Utilization-based pricing model defined

In contrast to the capitation model, the utilization approach to pricing EAP services is a concept that ties the EAP's fee to the level of EAP use. The utilization-based pricing model is built on the belief that EAPs should be judged on Programme results and not just on price. Purchasers interested in this pricing approach need to recognize that a high level of EAP use should result in higher levels of positive outcomes for the organization. In practice, however, a utilization-based model is typically structured as two parts and is not purely based on use. The first part is a base fee that is determined at a per-employee per-month capitated rate (but one that is lower than in a full capitated contract) and a second part that includes various per-event fees for each clinical counseling session and/or other specific services.

2.6.2.1 Advantages of utilization-based model

The advantage of this model for the employers is that they pay for only the EAP services that are used. In instances where the EAP handles more cases and provides more services, the employer will pay more. This pricing model thus shares the financial risk of the programme between the employer and the EAP service provider. In this model, the combined PEPM and per visit fee can result in substantial variation in cost compared with standard fixed capitated pricing rates that are based on estimated average utilization. For example, if clinical use is low (1 to 3 percent), then the resulting fee will be lower; but if clinical utilization is high (6 to 8 percent), then the resulting fee will be higher than the typical capitated pricing model.

2.6.2.2 Disadvantages of utilization-based model

This pricing model has the disadvantage that it will be more difficult to plan ahead and budget the cost for the EAP. It requires well-defined reports of use that both the EAP and the organization trust as being accurate. Some of the utilization metrics that should be considered for this kind of pricing include the (a) number of EAP clinical sessions provided by telephone; (b) number of EAP clinical sessions provided in person; (c) total number of clinical cases provided; (d) number of management consultations provided; and (e) other services (e.g., critical incident support, training events, management consultations, and so on). However, the EAP field is confronted with the challenge of uniform standard, understanding and interpretation of utilization reports.

2.6.3 Pay for performance pricing/ Fee-for-service defined

Pay for Performance (P4P) is a fee for services model as the organization pays for each of the core services on a fee for service basis as provided to the client each month. This model is the newest and least often used pricing model. It is an approach borrowed from the medical care environment and it provides clinicians and facilities with limited financial incentives (essentially bonuses) for demonstrating improved treatment outcomes.

P4P, as it is normally called, ties the service provider to an agreed-upon set of metrics (e.g. quality of care, patient satisfaction, clinical outcomes) to financial incentives. The specifics of these Programmes vary, including the clinical areas targeted, the type of sponsor providing money for the financial incentives, the size of the incentive, and the formulas used for determining the incentive amount. P4P models are not full pricing approaches that cover all of the fees needed to purchase an EAP. Instead, they augment the more basic pricing model with additional fees that can be earned with certain behaviors.

2.6.3.1 Advantages of pay for performance pricing/ Fee-for-service

The benefit of P4P is seen in the designation of certain aspects of EAP use and operations, as the EAP provider must meet performance standards. The set standards can financially benefit both the purchaser and the EAP provider if the standards are achieved during the course of service delivery. Commonly-used operational metrics for EAPs are the average speed of answers, the percentage of calls into the service center that are abandoned before being answered, the average length of waiting time to see an EAP counselor, and the level of satisfaction for service users. The EAP provider can designate some portion of the total contract fee (e.g. 5%) that is linked to meeting the performance objectives. Performance guarantees are thus financial penalties for poor performance by the EAP rather than additional pay for good performance.

2.6.3.2 Disadvantages of pay for performance pricing/ Fee-for-service:

Despite their advantages, P4P models are affected by the same concerns that plague utilization-based pricing models. Generally, there is a lack of accepted methods across vendors and programme models for evaluating performance. For instance, employers who require "report cards" from their vendors typically ask for measures that are neither important nor relevant to outcomes, such as telephone response times in a call center or the level of client satisfaction with EAP counseling. A high performance rating on either of these measures does not indicate whether the troubled employee who accessed services actually experienced improved emotional health or productivity.

2.6.4 Value-based pricing / value-driven approach defined

Peters (1999:83) identifies what he calls a value-driven approach, which is based on the notion that the mere provision of the EAP service or product might not be enough to make the customer decide to continue its relationship with its EAP vendor. Peters' argument is based on the intense competition that has entered the EAP field, where customers have become more discerning about the service they buy. Clients want value added to the customer's operations, which will secure subsequent contracts.

Farris (2003:25) examines three models of the value-based pricing models which can be used by EAP service providers:

Per-visit model. In this model, an employer is billed for each clinical visit and work/life case. The rate billed for these services is marked up by 50 or 60 percent more than the actual cost. All account management services are built into a "per visit" rate; critical incident response, training, and other services can be included in the per-visit rate or billed on a fee-for-service basis.

Hybrid model. The hybrid model incorporates a "per clinical visit" fee plus a relatively low PEPM fee that includes costs for account management and work/life services. Critical incident response, training, and other services can be built into the PEPM fee or billed on a fee-for-service basis. The "per clinical visit" fee is marked up by 15 to 25 percent higher than the average actual cost of a visit. The monthly capitated fee can be set at a fairly low level, depending on the services included in the fee.

Target range model. The target range model features a PEPM fee plus a utilization adjustment fee. The PEPM fee is relatively low and includes all account management services plus clinical, work/life, and management consultation services up to modest, predetermined utilization targets. The PEPM fee may also include critical incident response, training, and other services. The utilization adjustment fee is paid only if actual utilization exceeds the utilization targets set for clinical, work/life, and management consultations.

2.6.4.1 Advantages of value-based pricing/ value-driven approach

Mann (1996) as quoted by Peters (1999:84) argues that clients want value for their money and they will not pay for services that cannot be justified, nor will they work or contract with vendors who cannot meet their needs. In support of this view, Farris (2003:25) also advocates for value-based pricing as a model that ties an EAP's fee to its accomplishments and utilization, thus creating an incentive for the EAP to be proactive and significantly affect an organization's health and productivity. The author further argues that, if utilization is low, the employer pays less; if the EAP is

successful in generating cases, the employer pays more.

2.6.4.2 Disadvantages of value-based pricing/ value-driven approach

The challenge that currently exists in the implementation of this model is the lack of agreed-upon standards for reporting EAP utilization. Farris (2003:25) argues that many low-cost EAPs create the appearance of a very well-used programme by counting routine phone calls and web hits. The outcome presents utilization reports in a convoluted format, making it even more difficult for an employer to understand how the EAP is affecting (or not affecting) the work organization's health and productivity.

The author advises that EAPs need to report clearly on each type of activity, i.e. clinical cases, work/life cases or management consultations, as the single utilization number cannot meaningfully capture either the variety of services an EAP provides or the breadth and depth of their impact. This requires EA professionals to write utilization reports in a concise presentation that is easy to understand.

Casio (2000:112) indicates that there are major problems when it comes to the evaluation of EAPs in quantitative terms. The author mentions several problems that contribute to this problem. The first problem is how to establish all Programme costs and benefits. The second is how to express and translate the costs and benefits into monetary values. The third is the lack of proper experimental controls that could be exercised to determine cause and effect relations between EAP involvement and one or more dependent variables. Dependent variables could be productivity, turnover, unemployment costs, and outpatient versus inpatient treatment for substance abuse, absenteeism, supervisors' time, accidents, training and replacements costs and the use of insurance benefits. The situation makes it difficult for employers to make an "apples with apples" comparison among programmes.

In order to account for the impact they have on clients' lives, EAP service providers must incorporate an information system that can trap factors such as insurance use, absenteeism, performance analysis, accidents and attendance data (Casio, 2000:112). Employers also need to be educated on how to interpret the reports and

be helped to understand the meaning and effect of utilization in each programme activity in order to understand the value of EAPs. An EAP can only make the case that its services are superior to those of a competitor and that it is not a commodity when a purchaser understands and appropriately values the different elements that comprise EAP utilization. This is the key to creating an EAP pricing model that does not have the incentive problems that are inherent in capitation.

2.9 CONCLUSION

The chapter provided perspective on internal and external factors that impact on pricing. The researcher unpacked the marketing mix with emphasis on the marketing of EAPs where EAP service providers have to overcome challenges presented by the marketing of professional services. The chapter also explained the different pricing models implemented in the EAP field, presenting the advantages and disadvantages of each model. It is critical to note in the pricing model the significance of organizational profiling and the nature of clients to be served, which will ensure the selection of the best pricing model to meet the needs of the client.

Important also regarding the selection of a pricing model is the delivery of quality service while demonstrating the value of the service to the client served. This view is based on the expectation by purchasers who want value for the service rendered while there is a demonstration of quantifiable returns on their investment. Sharar (2004:8) further advises that EAP service providers have to collectively create an infrastructure to define and improve quality. On the other hand, purchasers should be prepared to reward quality.

The researcher is also of the opinion that EAP service providers should uphold ethical standards by delivering quality EAP services. Such an action might change perceptions of the value attached to EAP. The value of the programme could lead to a brighter future for EAPs, when they could become highly priced, and that price would be accepted in the industry.

CHAPTER 3

EMPIRICAL RESEARCH FINDINGS ON PRICING MODELS OF THE EMPLOYEE ASSISTANCE PROGRAMME: EXPERIENCES OF A CORPORATE CLIENT SERVICED BY A LEADING EMPLOYEE ASSISTANCE SERVICE PROVIDER IN SOUTH AFRICA

3.1 Introduction

The Employee Assistance Programme has professional standards that act as guidelines for EA Programmes, setting an agreed level of best professional practice or ideal situation that must be adopted by those implementing EA Programmes. One of the professional standards of the Employee Assistance Programme on which the study focuses is programme design, with a sub-standard on pricing models. The terms pricing models and costing models are used inter-changeably in EAP literature. However, for the purposes of this study and to be in line with the title of the study, the researcher will use the term pricing model. According to the Employee Assistance Programme Association-South Africa (EAPA-SA; 2010:5), costing an EAP should be based on sound financial principles. Such costing will ensure the best possible application of financial resources with the objective of justifying the balance between expenditure and benefits.

Realization of the mission of EAPs requires EAP practitioners and service providers to design programmes that will best serve the needs of corporate clients, while taking into consideration the resources that will be required to deliver to their needs. On the other hand, corporate clients should conduct comprehensive organizational assessment in order to have a clear understanding of the organizational needs and should plan accordingly in terms of budget allocation. The argument is based on the understanding that pricing models determine the actual price that EAP service providers charge for services to be offered to corporate clients.

Pricing is identified as a challenging area in the EAP field. The pricing problems seem to emanate from the increased demand for EAPs where there is price competitiveness during the submission of bids for the procurement of EAPs. Sharar

and Hertenstein (2006:33) elaborate on the problem of pricing, citing the dilemma that faces corporate clients during procurement processes. These authors state that corporate clients are faced with a situation where EAP service providers bid for one contract, selling EAP services which are of a similar nature using varying pricing models with different prices.

Such price competitiveness leaves the corporate client with no reason not to overlook the financial consequences of choosing one service provider over the other, since price becomes the critical deciding factor in purchasing decisions. The pricing issue in the EAP field and the impact on pricing models used prompted the researcher to pursue the study to understand the processes and complexities involved in the pricing models in the EAP field. The problem statement identified is: “The lack of scientific data on typical pricing model practices in the EAP field results in a lack of uniformity which impacts negatively on the professional standards of the Employee Assistance field”.

3.2 Theoretical framework

Relative to the argument of understanding pricing models implemented in the EAP field. The researcher targeted two group of respondents namely participants from corporate client who had terminated contracts with a leading EAP service provider, as well as participants from this leading EAP service provider. The rationale for two groups of participants (Group 1 and 2) is motivated by the complexities of pricing in the EAP field which will not be clearly understood if the researcher were to focus on one group. Corporate clients and EAP service providers are part of the system where the functioning of one entity affects the functioning of the other. It was important for the researcher to gather information from both groups in order to understand the interrelatedness within this system. The research findings will present a holistic view on the complexity of pricing in the EAP field as informed by views of both respondents.

3.3 Goal of the study

The main aim of the study was to explore the complexities and processes involved in the pricing models in the EAP field based on the experiences of corporate clients who terminated contracts with a leading Employee Assistance service provider in South Africa as well as participants from this leading EAP service provider.

3.4 Research approach

The researcher used a qualitative approach to this study, because it was exploratory and was guided by the research question instead of a hypothesis. The research question that guided the formulation and the structure of the semi-structured interview schedule is: “What are the complexities confronting a leading EAP service provider in South Africa regarding the pricing models utilized for pricing EAP services?”

Following the qualitative approach, the researcher engaged participants from a leading EAP service provider and participants from corporate clients whose contracts the EAP service provider had been terminated. The researcher is of the opinion that such an intense interaction would not have been achieved if the qualitative approach had not been adopted.

3.5 Type of research

The researcher adopted applied research instead of basic research. The researcher’s choice is motivated by Fouché and De Vos (2005:105), who explain applied research as the scientific planning of induced change in a troublesome situation. In this study, the research attempted to address the immediate problems faced by professionals in the EAP field by using the principles of applied research to bring about information that would help corporate clients in decision-making processes regarding contracting in the EAP field and choice of pricing models used in the EAP field. Subsequently, the research findings lead to recommendations that might contribute to the development of guidelines for EAP service providers which could be applied in practice as a standard EAP pricing model.

3.6 Population, sample and sampling method

As discussed earlier under the introduction of this chapter, the researcher used two groups of participants. Thus the research population was comprised of senior corporate well-being consultants from the leading EAP service provider and these participants are tagged as participants of Group 1. The participants are responsible for acquiring new contracts, renewing existing contracts and terminating or closing existing contracts as from 2007 to 2010. These participants were tagged Group 1 as they were source of information for the researcher in order to get into contact with corporate clients who had terminated contracts with this leading EAP service provider.

There was no sampling for participants from a leading EAP service provider, as there were already a limited number of available senior corporate well-being consultants. The researcher interviewed five (5) participants, excluding two (2) participants who took part in the pilot phase.

Regarding the corporate clients, the population was comprised of companies that had terminated contracts with a leading EAP service provider from 2007 to 2010. The participants were EAP coordinators and in their absence, Human Resource (HR) Managers and/or Procurement Department officers responsible for the tenders, EAP coordination and termination of contracts. These participants who are main focus of the study (in terms of their experiences on pricing models used by a leading EAP service provider) are tagged as participants of Group 2.

The sample size for this group of participants was based on the list of thirty (30) company names of corporate clients obtained from a leading EAP service provider. The researcher sent out electronic communications to the contact person for a leading EAP service provider, requesting permission to set up interviews. Emails were sent to given addresses with follow-ups conducted telephonically.

The researcher was confronted with the challenge of accessing the companies because of delivery failures. Telephone follow-ups also failed, as there were no responses. Two (2) companies declined to participate in the study with no clear

reasons given, while others promised to come back to make appointments, which they unfortunately did not do. The researcher eventually interviewed five (5) companies (corporate clients). The researcher's experience in finding the initially-planned sample of 15 participants from corporate clients and encountering the difficulty in accessing these participants brings to light the views shared by Patton (2002) as quoted by Strydom and Delpont (2005:328). The author argues that in qualitative research, there are no rules for sample size, as it is determined by the purpose of the enquiry. As long as the saturation point has not been reached, the researcher can expand the sample.

The researcher realized during the interviews with participants from corporate clients that she had reached saturation point, since the information shared by the fourth participant was more or less the same in terms of the frequency of responses provided on the same questions posed. The researcher is of the opinion that further interviews would not have revealed any new data over and above what was already available.

The sampling method used in this study is purposive sampling, which is described as a type of sampling whereby the researcher selects the units to be observed on the basis of own judgment about which will be most useful and representative (Babbie, 2004:183). To be specific, in the formulation and criteria used in choosing the units for the study, the researcher focused on those participants who were responsible for acquiring new contracts, managing the accounts, renewing existing contracts and terminating or closing existing contracts. These were participants from a leading EAP service provider and corporate clients served by the selected service providers who terminated their contracts during the years 2007-2010.

The rationale for this criterion was based on the fact that these participants were confronted with the specifics and realities of pricing models based on complexities involved in pricing.

3.7 Data Collection

In this study, the cases explored by the researcher were collective, as the set of cases was comprised of account managers from the relevant EAP service provider and corporate clients who had terminated their contracts with this leading EAP service provider. The exploratory study was done in the context of the processes of contracting and pricing models in the EAP field. The corporate clients were represented by the EAP Coordinator /Human Resource Manager). The participants were selected according to certain characteristics they had in common, which was the desire to have a healthy and productive workforce that would be achieved through contracting the services of an EAP service provider.

Using the method of collective cases, the researcher was able to make comparisons with the data presented by participants from account managers against data presented by participants from corporate clients. The researcher gained a holistic picture of the complexities of pricing and contracting in the EAP field. The data collection tools, which were a set of two, since there were two different groups of participants, enabled the researcher to make comparisons, as the questions put to participants from a leading EAP service provider correlated with the questions put to participants from corporate clients.

The researcher agreed with the purpose of collective case studies which Mark as quoted by Fouché (2005:272) identifies as an opportunity to make comparisons between cases and concepts. The researcher also took advantage of the benefits of collective case studies which Neuman (2000:32) describes as a design that helps researchers to connect the micro level (actions of the individuals) to macro level (larger scale social structures and processes). During the study, the researcher was able to identify during data analysis and interpretation how the pricing models used in the EAP field impacted on contracting and service offering.

Using collective case study as a design, the data was collected by means of semi-structured face-to-face interviews with five (5) account managers from a leading EAP service provider and five (5) EAP Coordinators/ Human Resource Managers from corporate clients who had terminated contracts with a leading EAP service provider.

The central phenomena under study were complexities experienced in relation to contracting and pricing models used in the EAP field.

The semi-structured interview schedule conducted with face-to-face interviews enabled the researcher to answer the research question: What are the complexities confronting a leading EAP service provider in South Africa regarding the pricing models used for pricing EAP services? A digital recorder was used to record the interviews, with field notes taken during the interview proceedings. The researcher tried to minimize the noise level to ensure that they did not interfere with the recordings. The procedure resulted in the recordings being transcribed into transcripts which the researcher read in order to understand and internalize the information shared by participants.

3.8 Data analysis

De Vos (2005:333) describes data analysis as the process of bringing order, structure and meaning to the mass of data collected. It is a search for general statements about relationships among categories of data. In this study, the researcher used each question from the semi-structured interview schedule proposed to the participants and then analyzed the responses to develop themes and sub-themes. Colour coding was used to identify themes emerging from the data and numerical coding was used to identify the participants. The process allowed the researcher to conduct analysis of the information provided by participants from a leading EAP service provider and those from the corporate client.

3.9 Research findings

The research findings are presented according to Sections A and B of the semi-structured interview schedule. Section A presents the biographical profile of the participants and Section B presents themes and sub-themes identified during investigation as informed by questions posed during the semi-structured interview schedule. Since there were two sets of semi-structured interview schedules according to the stratum of participants who were interviewed: senior corporate well-being consultants from a leading EAP service provider and corporate clients who

had terminated contracts with them. A comparative analysis of data provided by each group of participants was done to give an overview of a specific theme.

3.9.1: Profile of participants

Participants will be categorized according to their profile numbers in terms of their individual number. These participants will be grouped according to two groups. Participants from a leading EAP service provider will fall under Group 1 and those from the corporate client who terminated a contract with a leading EAP service provider will be Group 2. Participants from a leading EAP service provider are labeled as participants of Group 1 since they were entry point to get into contact with corporate clients. The rationale behind such tagging was also based on the fact that experiences of corporate clients are influenced by occurrences in the EAP field.

Table 3.9.1: Profile of participants from a leading EAP service provider as at 2011.

Participant	Qualification	Previous experience relevant to the current position	Current position	Number of years in the current post
1	Master's Degree in Social Work	Worked as a Clinical Case Manager in the Call Centre of a leading EAP service provider for a period of 3 years.	Senior Corporate Well-being Consultant	3 years
2	Master's in Business Administration. Has a Social Work Degree.	Worked as a counselor and therapist. Previously worked for a smaller EAP service provider.	Senior Corporate Well-being Consultant	5 years
3	Honours degree in Psychology.	Worked as an EAP practitioner for 5 years	Senior Corporate Well-being Consultant	18 months
4	Honours degree in Social Work	For 5 years worked as EAP practitioner, 3 years as an EAP manager.	Senior Corporate Well-being Consultant	3 years
5	LLB	1 year 2 months-responsible for financial and legal services, 9 months-responsible for account management. for a leading EAP service provider. Also worked for another EAP service provider.	Legal Specialist	1 month

Table 3.9.1 presents information on the profile of the participants from a leading EAP service provider based on their qualifications, previous experience relevant to the current position, current position and the number of years in the current position as at year 2011.

Table 3.9.2: Profile of participants from corporate clients who terminated contract with a leading EAP service provider as at 2011.

Participant	Qualification	Previous experience relevant to the current position	Current position	Number of years in the current post	Size of the company and type of business
1	Honours degree in Psychology Honours	Worked for 2 years at the call centre for the EAP service provider.	EAP practitioner	9 months	3800 employees Business: Financial
2	Bachelor of Technology in Human Resource Development	None	Special Programmes that deal with employee wellness, gender, disability, HIV and AIDS.	5 years	220 employees Business: Government sector
3	Bachelor of Social Work with postgraduate studies in HIV/AIDS, Human Resources Management and Industrial Relations	5 years in another financial institution, responsible for recruitment, HR and Wellness.	Head for Employee Well-being	5 years	23000 employees Business: Financial
4	B Tech	None	Rewards Specialist	12 years	827 Employees Business: Retail
5	Diploma in Public Relations Management	None	Internal Communications Specialist	2 years	740 employees Business: Retail

Table 3.9.2 presents information on the profile of participants from the corporate client based on their qualifications, previous experience relevant to the current position, current position, number of years in the current position and size of the company as well as the nature of business.

3.9.1.1 Discussion of data on profile of participants:

3.9.1.2 Qualifications of participants.

All the participants from a leading EAP service provider and from corporate clients have obtained a post graduate degree. The range of qualifications varied from Social Work, Psychology, Law and Human Resource Management. The researcher noted that participants 1, 2, 3 and 4 from a leading EAP service provider have a social work background, while participant 5 has a law degree. Participant 5 handles legal matters on the contracts.

It is worth mentioning that few participants have pursued further studies in the EAP field, even in short courses. This is significant for the study because people's skills, expertise and knowledge acquired through EAP short courses contribute to the satisfaction of clients' needs. Person/ People as one of the marketing mix elements place emphasises that training people is crucial if better results in marketing and delivery of quality service are to be sought. The researcher maintains that skills, expertise and knowledge alone cannot guarantee that contracts will be acquired, nor will these guarantee the renewal of contracts. It is important for organizations to invest in continued professional development or in-service training to ensure that they have the right people with the right attitudes and behaviour to sustain good working relationships.

The majority of participants from corporate clients have studied Human Resource Management. It has already been observed that one participant has a degree in Social Work and the others have a degree in Psychology. It was interesting to note that some of the corporate client participants with a Human Resources background viewed EAP as one of the human resource benefits that the employer makes available to its employees. It was also interesting that these participants did not have much insight into the EAP field except for counseling and the health awareness-raising tool.

The researcher maintains that EAP is more than counseling and health awareness-raising. EAP embraces the core technologies which must be implemented to reach the maximum benefit of the Programme. It is therefore important for senior and

executive managers to be critical of whom they appoint to coordinate EAP services. The danger associated with the appointment of an official without an EAP background is that the official might be only an administrator, lacking in the skill and expertise to interrogate the programme against the standards set out in EAPA-SA. When it comes to an understanding of the programme design and implementation according to the set standards, the appointed person might lack the know-how, as he or she might not have an in-depth knowledge and understanding of EAP.

3.9.1.3 Previous Work experience

Table 3.9.3: Previous work experience in relation to the EAP field.

Number of years	Participants from a leading EAP service provider	Participants from the Corporate client
0-2	2	4
3-5	3	1
6-8	0	0
9-11	0	0
12-15	0	0

Table 3.9.3 presents the participants' previous work experience. The majority of participants from a leading EAP service provider have more than three years' previous working experience in the EAP field, while the majority of participants from the corporate client have less than two years. The researcher noted that among the five participants from the corporate client, three participants have no previous working experience in the EAP field. However, these participants displayed a high level of commitment and desire to see EAP taken to greater heights in their departments.

3.9.1.4 Period of employment

Table 3.9.4: Period of employment in the current position.

Number of years	Participants from a leading EAP Service Provider	Participants from the Corporate Client
0-2	2	2
3-5	3	2
6-8	0	0
9-11	0	0
12-15	0	1

Table 3.9.4 presents a breakdown of the figures for the period of employment of participants in their respective current positions. The majority of participants from a leading EAP service provider have three years+ in their current position while a few have less than two years. The majority of participants from corporate clients have five years+ in their current position while a few have less than two years.

3.9.1.5 Positions held by participants

The positions held by participants from a leading EAP service provider are senior corporate well-being consultants, while the positions of participants from corporate clients varied from internal EAP Coordinator to Rewards Specialist and Internal Communications Specialist.

3.9.1.6 Size of the company and nature of business

The financial businesses have a high number of employees while retail has fewer employees. The size of the company and the nature of business become significant when it comes to the design and implementation of the pricing model. The approach differs from company to company. For instance, the findings indicate that the financial institutions are concerned about the well-being of their employees and therefore want to see the impact of EAP intervention. Their concern is driven by the fact that these employees are handling enormous financial sums, so their well-being is a priority. The pricing model to be advocated for financial businesses must be comprehensive, addressing all the risk factors that could affect these employees.

Another important aspect to take into consideration when dealing with different companies is the reporting system. The financial institutions are concerned about the return of investment in terms of programme outcomes. This requires the EAP service provider to report on business when reporting utilization and the value added by the programme. The size and nature of business is elaborated further in the discussion of data of the theme: Internal processes that influence the choice of a pricing model (page 86).

3.9.2: Qualitative data according to themes and sub themes

Table 3.9.5: Summary of themes and sub themes

Number	Theme	Sub-theme
1	Complexities experienced by a leading EAP service provider and corporate clients in relation to contracting for EAP services within the EAP field.	1.1 Competition 1.2 Price 1.3 Economy
2	Internal processes that influence the choice of a pricing model.	2.1 Company's budget 2.2 Size of the company 2.3 Utilization 2.4 Type of services 2.5 Relationship with corporate client 2.6 Other costs
3	Role players involved in the submission of a bid.	3.1 Internal role players 3.2 External role players
4	External processes encountered in the submission of a bid.	4.1 Procurement policies and procedures 4.2 The dynamics of selling and buying in the EAP market 4.3 Meeting clients' expectations
5	Influence of corporate clients on the choice of a pricing model.	5.1 Buyer behaviour
6	Criteria for selection and contracting with EAP service provider.	
7	Knowledge of the different pricing models used in the EAP field.	
8	Transparency of pricing models in the EAP field.	
9	Good standard practice in pricing models in the EAP field.	
10	Price variation.	
11	EAP prices.	

Table 3.9.5 presents themes and sub-themes generated through analysis of data collected from participants from a leading EAP service provider as well as corporate clients served by this provider. Presentation of data indicates responses from participants with some verbatim quotes where the researcher considered it necessary to share the direct views of participants. The following section thus provides in-depth discussion of the above-mentioned themes and sub-themes.

The discussion is informed by some experiences by participants from a leading EAP service provider who are employed as corporate well-being consultants. These participants are responsible for the management and renewal of accounts contracted with corporate clients who subsequently terminated their contracts with a leading EAP service provider. The data presentation and analysis will also be informed by the experiences of these corporate clients.

Theme 1- Complexities experienced in relation to contracting for EAP services in the EAP.

Participants 1, 2, 3, 4, 5 from a leading EAP service provider (participants from a leading EAP service provider will subsequently be referred to as participants in Group 1) indicated that contracting in the EAP field is a challenge, owing to many variables that are not known at the time of contracting. These variables are sometimes known to the EAP service provider but not necessarily to the corporate client or vice versa. These variables include internal and external factors experienced in the EAP field which impact on the process of contracting for EAP services.

The following sub-themes were identified in relation to complexities experienced during contracting in the EAP field:

-  Competition
-  Price
-  Economy

Sub-theme 1.1: Competition

Participants 1, 2, 3, from Group 1 identified competition in the EAP field as one of the external factors that confront a leading EAP service provider when submitting a proposal for a bid. The challenge is associated with the increase in the number of EAP service providers who compete primarily on price, subsequently undercutting prices to obtain contracts during the bidding process. Competition based on price in the EAP field is perceived as encouraging corporate clients to use price as a weapon to threaten termination of contract. It has been pointed out that corporate clients tend to seek the services of a competitor if the current service provider cannot offer a lower price.

The following responses from participants from a leading EAP service provider (Group 1) validate the intensity of competition in the EAP industry and its impact on both pricing and the delivery of effective services.

- *“I think in terms of getting a contract with the client it’s very difficult because you’ve got a lot of people trying to undercut the prices so if you know service provider is coming in at X amount, service provider B will come in X-plus or X-minus 3, you know, that type of thing” (Participant 3 of Group 1).*
- *“...And then obviously then there is sensitivity around (you know) price, I mean, because the market has changed, we’ve got many more players and like all the factors (you know) are not the same for everybody, the input factors are not the same you know” (Participant 2 of Group 1).*
- *“I mean, new providers want to go in at a cheaper price or a lower price, because they just want to attract the business, but it doesn’t necessarily translate into the deliverable action towards the end, (you know)” (Participant 2 of Group 1).*

In re-iterating the intensity of competition and its impact on pricing, other comments made by participants from a leading EAP service provider are as follows:

- *“....and then other things that, that has difficulty on renewal is competition. They always go to the competition for prices too and as a way of comparison, either in a tender process or just a normal renewal, they have a tendency of getting prices from all the service providers, ja (Participant 1 of Group 1)....”*

- *“So a client will say something like “oh I can get that at a cheaper rate” or “I got a better offer” or you know [chuckles] “is that your best price?”.*
(Participant 2 of Group 1).

Corporate clients also experience challenges when it comes to competitive prices asked by EAP service providers. Participants 1, 3, 4 and 5 from corporate clients (participants from corporate clients will be referred to as participants of Group 2) indicated that competitive pricing by service providers influences the decision-making process in the selection of a service provider.

These participants mentioned that one of the dilemmas during bidding evaluations is the highly competitive prices charged by EAP service providers with no differentiation in service offerings. It was indicated that some service providers include add-ons as a way of differentiating services where such add-ons come in the form of free-of-charge services. The situation results in contracting decisions based on a lower price and additional free services. Participants agreed that one aspect that sometimes helps is the value-add of the service offering and the quality of services.

Discussion of data:

The manner in which competition has unfolded in the EAP field seems to have encouraged price-slashing among EAP service providers. On the other hand competitive pricing seem to have encouraged corporate clients to find grounds for comparing prices among EAP service providers. The responses by participants from a leading EAP service provider in relation to competition clearly indicate that competing solely on price seems to impact negatively on the adequate provision of services to corporate clients. This assertion is identified in the responses of participants from a leading EAP service provider, who indicated that tough competition prompts other service providers to price low, which at times does not necessarily fulfill the organizational needs of the corporate client. Lee (2005:40) confirms the above findings, stating that the EAP environment has become so competitive that prices, which were so low to begin with, have not increased in years, making it difficult to provide services. The author further indicates that low price prompts EAP service providers to give as little service as possible. Hartley (2006),

on the other hand, identifies that EAPs worldwide seem to compete primarily on price, although there may be mention of advantages like superior quality or responsiveness during the bidding process. The author further points out that the problem is in the marketing and selling of EAPs, whereby price as the basis for competition has led to the predictable result that there is slow but steady pressure for EAP service providers to do more for less.

In their study, Burke and Sharar (2009:7) share views on the complexity of the competition in the EAP field. Participants in the study alluded to the fact that the EAP marketplace is extremely competitive, with EAP providers continually lowering prices to retain business. The results of the study also indicate the pressure on EAP providers to lower prices while service expectations from clients remain the same or else increase, creating an untenable position for EAP providers. This results in sacrifices being made by service providers in terms of profit margins in order to retain contracts.

Based on the findings in this study, the researcher has identified that EAP service providers in South Africa are also under pressure to deliver more quality services at minimal costs owing to corporate clients' resistance to price increases. The findings also indicate that service providers compete primarily on prices to ensure that business is retained, but with little differentiation in service offering. It is evident that competition in the EAP field influences how pricing is done.

Sub theme 1.2: Price

Participants 1, 2, 3, 4, 5 in Group 1 indicated that they perceived price to be a challenge when considering the renewal of contracts with existing corporate clients. The challenge comes with the latter's resistance to price increase when it is proposed during negotiation for contract renewal. Participants mentioned that corporate clients are price sensitive and are more inclined to demand an explanation of the added benefit and value that is brought about by such price increases. Participants indicated that price sensitivity on the part of corporate clients resulted in clients bargaining for low costs, while some clients threaten to go to other EAP service providers who offer cheaper rates. To illustrate price sensitivity and

bargaining over low costs, participants 3 and 5 from Group 1 made this comment:

- *“But then you’ve got other clients who every year would say to you, okay, doc, what am I paying for? Why am I paying for this? How is this increase in price relevant to what I got before? What’s going to be different? You know that type of thing. And then you’ve also got those people who will say to you, oh, but I can get this cheaper elsewhere **(Participant 3 of Group 1)**”.*
- *“...look, obviously clients are always price sensitive and I think that is the, in my opinion, that is the main factor that will make a particular corporate client decide who they will go with in terms of the service, the service delivery **(Participant 5 of Group 1)**”.*

A common concern shared by participants from a leading EAP service provider is that corporate clients “do not want to pay and yet they want more services”. This is a challenge for service providers, because services are costly and require more resource allocation in order to deliver quality services. To highlight the impact of pricing on service offering, participant 1 of Group 1 mentioned that,

- *“We struggle from year to year to get a sufficient price increase for us to maintain our work in an effective way. So we always struggle to get the right increase. We usually go for Consumer Price Index (CPI), or(?) medical CPI we use as a guideline, but then we usually get some resistance from the client because it’s usually 7 to 8% and they, they always try to bargain for less, ja. So that’s the first thing is price **(Participant 1 of Group 1)**”.*
- *“...then it can be a strategic decision to say you know, we would rather make our price less to win the client and make less profit **(Participant 1 of Group 1)**”.*

The complexities associated with pricing in the EAP field are also experienced by corporate clients. **A response from participant 1 of Group 2** indicated difficulty in justifying the costs of EAP services against expenditure which is often demanded by executive management. The participant maintained that this complexity emanates from the Executive Management Committee’s lack of clear understanding of what EAP entails. The participant’s recommendation is that costs for EAPs be presented so that they project the possible return on investment. Presentation on the value of EAP should be translated into monetary terms and business language that can be

understood by executive managers. However, a challenge can be identified relating to reporting on return on investment resulting in budget allocation for EAPs.

Discussion of data:

Complexities associated with pricing seem to be a challenge for EAP service providers and corporate clients. The responses by both groups of participants indicate that charging the right prices for ensuring comprehensive services is a challenge. Such challenges seem to emanate from price sensitivity, which tends to force service providers to price low.

In validation of this, Maynard (2003:2) mentions that EAPs have been caught in a deflationary spiral of decreasing prices while pricing affects everything conducted by EAPs, including service offering. The author points out that the ability for EAP service providers to charge reasonable prices for EAP services affects the quality of programmes, the livelihoods and professional esteem, and ultimately even the survival of EAPs as a viable concept. Jenkins (2008:43) seems to associate price challenges with pricing wars that compromise quality servicing, putting companies in the position to charge less while overhead costs are increasing. The author mentions that, as much as service providers are able to meet the needs of employees, they are beginning to compromise the level of service owing to economic factors that seem to drive prices down.

It is the researcher's opinion that price wars create an unfortunate situation for both service providers and corporate clients, since there are negative repercussions for both parties. Service providers find it difficult to render services effectively on a minimal budget. On the other hand, corporate clients realize that low pricing does not do justice to the intentions of EAP owing to limitations in service offering. The implications of service limitations and exclusions seem not to be seriously considered during contracting until clients are confronted with the realities of low pricing.

Sharar and Hertenstein (2006:39) take the argument further by identifying challenges that face the EAP field. The authors state that the greatest challenge facing the EAP field is finding avenues to help HR professionals and benefits managers to

understand and appreciate the potential of an effective EAP, and to overcome low expectations as to what an EAP can accomplish. These authors further identified that most purchasers are not in the position to understand that an EAP can be overpriced, depending on the outcomes the EAP achieves.

The researcher associates the challenge with the limitations of tender processes whereby service providers submit proposals without actually presenting their business cases and at times the lowest bid often wins. The researcher foresees a paradigm shift among purchasers in relation to low pricing, but that will require the influence of an Internal EAP coordinator on the Executive Managers, who are the final decision-makers. This assumption is based on the responses echoed by the participants from corporate clients who commonly agreed that the cheapest bid is not always the best in terms of service offering. However, senior managers take a lot of convincing before they agree on contracting with a service provider who has a highest bid.

The researcher finds that there is a link between price and budget allocation for EAPs. Budget allocation will be discussed under the sub-theme of company's budget and its impact on EAP. The researcher also identifies a gap in the EAP field. This is in the marketing of EAPs, which seems to impact on price. Jenkins (2008:21) states that there has been a failure to clearly and factually educate senior leadership on the value of EAP as an organizational assistance tool, as opposed to simply a behavioural healthcare benefit.

Sub theme 1.3: Economy

Participants 2, 3 and 4 from Group 1 mentioned that global economy is also one of the factors that contribute towards complexities in contracting with corporate clients. The complexity manifests if corporate clients become price sensitive when contracting with EAP service providers, owing to economic factors. One of the major economic factors bringing about a negative impact on contracting EAP services was the recession. Participants indicated that they witnessed the impact of the global economy on pricing when a leading EAP service provider had to reconsider and adjust the pricing model to accommodate corporate clients during the recession.

Participants indicated that their preferred model is capitation. However, this model had to be considered in order to respond to the financial difficulties experienced by corporate clients. Consideration was given to clients to ensure that a leading EAP service provider did not lose contracts.

Participants indicated that the impact of the recession was seen when some corporate clients cut out EAP services, while others considered terminating contracts since they could not meet contractual obligations to pay for EAP services. The impact of the economy on pricing as identified by participants from a leading EAP service provider is the budget allocation for EAP services by corporate clients. Participants indicated that they witnessed budget cuts for EAPs when companies experienced financial difficulties. This can be associated with companies' failure to prioritize budgets for EAPs.

Discussion of data:

The participants' responses show clearly that EAPs seem to be under threat of elimination or of facing budget cuts when companies are confronted with financial difficulties. The researcher maintains that the underlying reasons for this action are still uncertain, as it seems to contradict the original view held of EAPs. Historically, EAPs were founded on the assumption that there would be economic gains for companies through increasing productivity. Gornick and Blair (2005:3) describe employee assistance as "the work organization's resource that utilizes specific core technologies to enhance employee and workplace effectiveness through prevention, identification, and resolution of personal and productivity issues".

Pilette (2005:18), on the other hand, looks broadly at the benefits of EAP. The author states that EAPs make business sense for the organization since it not only benefits the employee but also the employer. The researcher maintains that in order to make these benefits known, EAPs have to undertake a number of processes. Kim (1988:172) identifies Programme evaluation as a significant process that provides vital information on the need, implementation and impact of the Programme.

The author identifies four types of evaluation. For the purpose of the study, the researcher will focus on the fourth type, which is economic efficiency. Economic

efficiency, which is the tangible way of calculating the economic efficiency of the Programme in terms of cost benefit or cost effectiveness analysis, is identified as crucial if EAPs have to survive budget cuts during difficult economic times. Maiden (1988:193) argues that EAPs must demonstrate their economic effectiveness and cost efficiency to remain a viable part of the organization rather than becoming a financial drain for which there is no return on the investment.

The arguments raised by these authors seem to emphasise the position and possible gains of EAPs for work organizations. Taking into consideration views shared by both the participants and these authors, it is evident that the economy is one of the factors that historically contributed to the buy-in to the concept of EAP in the workplace. One factor was the perceived value of EAPs to bring back the troubled employee whose productivity was impaired. Further, the programme has been perceived as saving companies from the financial losses resulting from lack of productivity. However, if the gains of the programme are not clearly understood and known, EAPs will face budget cuts during an economic crisis.

In the analysis of the findings on the impact of the economy on EAPs, being informed about the historic view of EAPs and their historic economic benefit to companies, the researcher has concerns as to why EAPs are now first in line for budget cuts when companies experience financial difficulties. The finding raises questions about the perceptions and views held on EAPs by HR and executive managers. The researcher argues that answers to these questions could be answered by further research into return on investment, when scientific findings should be presented to build a stronger case for EAP pricing.

The researcher has identified that minimal research on return on investment is conducted. This gap in research seems to create questions by companies on gains presented by EAPs. For this reason there questions are raised when annual price increases are proposed in relation to contract renewals. On the other hand, EAP service providers submit low bids to obtain and sustain contracts.

The economy as one of the complexities experienced by participants from a leading EAP service provider leads the researcher to explore the internal processes that

influence and have an impact on the choice of a pricing model as perceived by participants from a leading EAP service provider. The researcher finds these processes significant for both the service provider and the corporate client, as they serve the purpose of transparency in contracting in the EAP field.

Theme 2: Internal processes adhered to in preparation for submission of a bid for a contract.

The theme presents responses presented mainly by participants from Group 1 since preparation for submission of bids for a contract are done by EAP service providers. Participants 1, 2, 3 and 4 from Group 1 mentioned that there were a number of factors to which they adhere when preparing a response to a bid. These processes also inform the choice of a pricing model to be used for that particular bid. Certain administrative processes are conducted internally. Administrative processes include consultation with a number of internal stakeholders to make sure that these stakeholders provide inputs in terms of their service offering, the resources required to render such services and the cost implications of such services.

These participants identified other variables which must be taken into consideration when contracting with corporate clients. The variables impact on price and subsequently influence the choice of a pricing model. They were identified as recurring sub-themes:

- ✚ Company's budget;
- ✚ Size of the company;
- ✚ Utilization;
- ✚ Service offering;
- ✚ Relationship with corporate client;
- ✚ Input factors.

Sub-theme 2.1: Company's budget

Participants 1, 2, 4 and 5 from Group 1 believe that a company's budget influences the choice of a pricing model. However, the budget is not always known at the submission of a bid or a proposal for the renewal of a contract by service providers.

Participant 1 mentioned that private-sector companies readily disclose their budget and what they can afford when purchasing services as compared to those in the government sector. Participants 1 and 4 indicated that some companies cut down on the EAP budget when they do not reach their profit margin. Participants indicated that such information is not known to service providers until the period of contract renewal when the client shares their intention of terminating the contract.

Discussion of data:

The participants' responses indicate that a company's budget allocation plays a crucial role in the choice of a pricing model. The finding implies that companies should have a clear understanding of organizational needs in order to allocate a satisfactory budget for EAPs. Budget allocation should be informed by the knowledge of possible pricing models to ensure the provision of a comprehensive service package for the organization. When participants indicated that some companies did not prioritize EAPs when budgeting, this raised the researcher's concern, as clear guidelines are stipulated by EAPA-SA (2010) in relation to the costing of EAP services. The guidelines should guide budget allocation for EAPs.

EAPA-SA (2010:5) state that a comprehensive budget should be compiled in alignment with the organizational budget. In view of the stated arguments, the researcher points out that there seems to be no adherence to EAPA-SA standards and guidelines for practice. The researcher takes the view that companies are probably not conversant with these standards and guidelines for practice when setting up EAPs in their companies. Or perhaps there are other factors, which might include problems in proper Programme design, subsequently leading to inadequate budgets being allocated for EAPs.

The problem of proper budget allocation for EAPs is identified by Burke and Sharar (2009:8), who state that EAPs are a low profile programme and low budget priority. The researcher is of the opinion that it is therefore easy to cut the EAP budget or even allocate insufficient resources for programme implementation.

The other finding that stood out in the study in relation to budget was the lack of budget disclosure by some corporate clients. The researcher maintains that lack of

disclosure hinders the process of selecting an appropriate pricing model by service providers to ensure that the needs of corporate clients are met. The researcher argues that budget disclosure enables the service provider to discuss openly with the corporate client the services that could be offered on the available budget. Disclosure further provides an opportunity for the service provider to tailor-make services that will accommodate the client's available budget. The service provider is also in a better position to further advise the corporate client (in cases of contract renewal) on how the programme will shrink from the original services that were provided for in the initial contract.

The researcher is of the opinion that disclosure of processes in procurement of EAP services is significant, as it alleviates fears of the unknown and uncertainties about services and costs. Transparency and disclosure of the budget by corporate clients is a good practice to follow as it encourages transparency. When one considers a pricing model knowing the budgetary limits of the company to be served, proper planning and adjustment of the pricing model to accommodate the available budget is possible.

The significance of transparency in contracting is emphasized by EAPA-SA (2010:5), where it is stated that the pricing of EAPs should be negotiated and mutually agreed upon by the service provider and the employer after different models have been considered and are found acceptable to all the role players. The researcher is of the opinion that lack of transparency might contribute to submission of unrealistic bids that do not meet clients' needs.

Sub theme 2.2: Size of the company

Participants 1, 3, 4 and 5 from Group 1 indicated that the size of the company is another element that is taken into consideration when choosing a pricing model. It was pointed out that the bigger the company, the cheaper the price per employee per month. However, companies with fewer employees pay more. The nature of the clientele to be served is also considered important in the choice of a pricing model.

Participant 3 stated that one of her corporate clients was contracted on capitation

although they were a small company. This resulted in mixed feelings about the renewal of the contract with this client, who believed that the company served experienced a loss, since there was no justification for major costs while there were a minimal number of employees using the service. Participant 3, on the other hand, believed that the capitation model was the best, as there was consideration of other factors, such as the nature of the client being served. Participants 4 and 5 from Group 1 mentioned that if the client is demanding owing to risk factors experienced by the company, capitation is the best model, as it has unlimited services.

Discussion of data:

Taking into consideration the size of the company and the cost implications, the researcher observes that there are varying degrees of expectation between large and small companies in relation to the cost implications of EAP pricing models. Burke and Sharar (2009:6) state that, although small companies are more likely to embed or opt for low cost EAP owing to limitations in their financial and human resources, their decision to have an EAP will be cost driven, while they also appreciate its value. Larger employers consider economics, while their driving force is the value added. Govender (2009:75) alluded to the size of an organization's work-force as a critical factor in the decision to have an EAP.

The size of the company and the type of organization taken into consideration when selecting a pricing model leads to the next sub-theme, utilization, as another factor to be taken into account by a leading EAP service provider when selecting a pricing model.

Sub theme 2.3: Utilization

Participants 2, 3, 4 and 5 from Group 1 stated that they calculated the utilization percentage together with other variables to determine the price formula for the pricing model. Calculation of utilization is based on the assumption that a corporate client will use X amount of services. Participants indicated that they considered the current utilization rate with existing clients. If more services were used, the corporate clients had to pay more, as the resources required for rendering services are costly. Regarding the choice of a pricing model in this instance, the capitation model will be

advocated, as it is a prepaid service that accommodates a variety of services to be offered. Participants further indicated that, in circumstances where utilization is low, based on the information from the evaluation report on existing clients, the client will be advised to consider comparing the service fee with the capitation model.

While participants from a leading EAP service provider indicated that utilization is the variable mostly considered when preparing pricing for renewal, **participant 1 from Group 2** expressed concern about the reporting of utilization by service providers. This referred to the lack of uniformity in the reporting system as well as the interpretation of utilization reports by service providers. The participant indicated that the lack of uniformity resulted in discrepancies among service providers, which led to questions on the credibility of utilization reports.

Participants 1 and 3 from Group 2 proposed that utilization reports should be written in business language that speaks to business units rather than social scientists. The argument was based on the view that the reports did not reflect the return on investment which the business units wanted to see. The proposal was that reports must demonstrate quantifiable results in terms of Rands and cents.

Discussion of data

As much as utilization is considered an important variable in the choice of a pricing model, responses from both service providers and corporate clients indicate a level of uncertainty as to how this important variable could best be calculated and presented. Literature indicates that reporting utilization is quite a complex issue. Hartley (2006:4) remarked that the EAP industry lacks uniformity on how to measure and report on EAP services. Sharar and Masi (2006:7) expand on the problem of calculating utilization rates. These authors state that, while there are no agreed-upon or standard definitions for calculating utilization rates, utilization reports are submitted to employers without indicating how the numbers were derived. Subsequently, the lack of uniformity and clarity on how to measure utilization reduces decisions about employers' performance to assumptions.

The researcher noted that an estimation of the utilization rate and charging according to this estimation has advantages and disadvantages for both service

providers and corporate clients. Participants from a leading EAP service provider indicated that when a pricing model such as capitation is based on the estimated utilization rate and few clients utilize the service, there is no refund for under-utilization. However if the client over-utilizes the service, an additional fee is charged. In circumstances where the client uses the service fully within the contracted budget, that becomes a win-win situation for both the service provider and the corporate client.

The scenario depicted here points out the discrepancies experienced with utilization. It is evident that utilization causes heated discussion in the EAP field, as there is no common understanding on the reporting and interpretation of utilization reports. The complexity comes with the difficulty of what should be included in the reporting of utilization and how this should be done. Jorgensen and Brooks (2007:16) state that the EAP industry has fallen into the trap of trying to communicate value simply by virtue of utilization and whoever produces the highest numbers at the lowest cost wins. Unfortunately this has not demonstrated value to companies, as it does not communicate what is done by EAPs in real terms, in a format that employers and human resource managers will understand, respect, appreciate and want. The author takes the discussion further, pointing out that the problem lies in the reporting tools used by EAPs where many of their reporting tools have not adequately met business reporting and communication demands (Jorgensen, 2007:24).

Based on the arguments raised by these authors, the researcher concurs with Christie and Harlow's view. These state that EAPs have, in many ways, become the casualty of their own reporting because they simply count how many use the EAP (Christie & Harlow, 2007:21). The argument indicates that, if EAPs want to make a strong business case, they should help those who purchase EAP services to make the link between EAP activities and business needs by formulating comprehensive and well-conceptualized reports.

The discussion on utilization of services and its impact on pricing models introduces the subject of the types of service required by the corporate client as another determinant of the pricing model.

Sub theme 2.4: Service offering

Participants 2, 3, 4 and 5 from Group 1 indicated that a pricing model takes into consideration the types of services required by the corporate client. This is because of the cost implications in such service offerings. These participants mentioned that among service offerings is a psycho-social service comprised mostly of counseling carried out on a face-to-face basis (80%). Participants indicated that this is an expensive model, as these services are rendered by contracted affiliates who have to be paid according to a particular benchmark. They further indicated that other service providers conduct telephonic counseling, which is a cheaper service. However, a leading EAP service provider believes in quality services, opting for face-to-face counseling.

Participant 4 from Group 1 believed that when considering a service offering for corporate clients, a leading EAP service provider should look at what was best for the client in terms of the quality of service. The participant further indicated that rendering quality service was expensive and corporate clients unfortunately seemed to prioritize price over the quality of the service.

Elaborating further on the prioritization of cost over quality, participant 1 from Group 1 commented that some corporate clients seemed willing to compromise the quality of the service when contracting. The participant indicated that this happened when corporate clients decided to exclude quality control measures in case management. A point in question could be the allocation of a case manager. This participant believed that a case manager oversees service offerings and compliance with ethical standards of service delivery. Views shared by these participants indicate that a leading EAP service provider prioritizes the provision of quality service. However, they encounter difficulties when trying to convince corporate clients on this point.

A further important dimension considered in the renewal of contracts is the evaluation of contracts in terms of the services offered. Participants 3 and 4 from Group 1 pointed out that the renewal process involves the evaluation process for the corporate client's contract. It also involves a review of the types of services the client had in the previous year along with the costs of such services. The result of the

evaluation informs the revision of the contract and subsequently the revision of a pricing model. An example of the revised pricing model was indicated in instances when clients were contracted on a 1:8-session pricing model. However, on review of the contract and client utilization, it was realised that the client was more inclined to 1:6 sessions. Therefore, with the contract renewal, the client was advised to contract on 1:6 sessions instead of the previous pricing, which was for 1:8 sessions.

Participants 1, 2, 3, 4 and 5 from Group 2 also viewed service offerings as significant when evaluating proposals submitted by service providers. These participants mentioned that they considered the comprehensiveness of the package, the value-add and cost implications when deciding on the service provider with whom to contract. **Participant 1 of Group 2** highlighted the significance of quality services that add value to the company. The participant indicated that one of the main reasons for her company's termination of the contract with a leading EAP service provider was the lack of value to the company added by the service offering. There was no justification for continuing to pay for services while the company was experiencing losses.

Participant 4 from Group 2 mentioned that her company signs the service level standard agreements when contracting to ensure that employees receive quality service. The participant indicated that the failure to meet service-level standards resulted in termination of the contract even before the expiry date.

Participant 3 from Group 2 indicated that the service provider failed to review the service offering and, as a result, the delivery of service did not meet the changing needs of the company. This participant related the experience to the low-cost contract the company had with the service provider. Owing to the nature of the contract, a leading EAP service provider was identified as lacking in flexibility and displaying unwillingness to accommodate the client on other identified needs. The participant shared what has been learned from this:

- *“If you're going to exclude certain things, in other words, if you're going to say, this price is so low but I just want to mention marketing, training, online, all of that's separate. They must understand what that means, that there are then other cost implications, otherwise it could impact the service ultimately*

(Participant 3 of Group 2)''.

The participant's statement indicates the importance of education and transparency about low-cost models and service offerings. The proposal must be clear about service offerings and exclusions. Service providers therefore ought to educate corporate clients about the implications of such exclusions.

Discussion of data:

Service offering is perceived to be significant by both groups of participants. A response by participants from a leading EAP service provider as indicated in the presentation of data indicates the importance of offering a comprehensive basket of services. It also indicates that service providers must be clear as to the mode of service offering (in this instance, face-to-face or telephonic), as the 'how' aspect determines how costly the service will be. The researcher maintains that the mode of service delivery should be taken into consideration by corporate clients when evaluating bids, as one service provider might appear cheaper than the other without necessarily looking at the mode of service delivery. For instance, some service providers will have an on-site clinic but others will not.

The researcher has also identified the significance of the evaluation of service offerings. Yamatani (1993:70) calls this evaluation programme adequacy assessment, as it examines the appropriateness of EAP in terms of service availability, usage and penetration rates. The author further explains that two major concerns are addressed in determining the adequacy of an EAP service, the extent to which an EAP offers the needed services and the extent to which those services are provided for those who need them the most.

The researcher concurs with the views shared by the author and is of the opinion that the process of service evaluation in terms of service offering is crucial. Service evaluation provides an opportunity to identify service gaps. It provides an opportunity for the service provider and the corporate client to review the pricing model and determine whether it still meets the needs of the company. On identification of other needs that were not part of the initial contract, this process allows amendment of the existing contract with allocation of resources to ensure the provision of

comprehensive service.

It was interesting to note that corporate clients' evaluation of service offering is informed by the experiences of service offerings by previously contracted service providers.

The participants' responses in relation to service offering and the quality of services that add value to their companies show agreement with Mann (1996) as quoted by Peters (1999:84). The author identifies the importance of delivering quality services that add value to companies. Clients want value for their money and they will not pay for services that cannot be justified, nor will they work or contract with vendors who cannot meet their needs. Masi, Jacobson and Cooper (2000:3) also maintain that those who purchase services are concerned with the cost and they want to know that what they are paying for is of value.

EAPA standards emphasize that when conducting costing it is important for service providers to meet the needs of stakeholders in terms of return on investment (EAPA-SA, 2010:5). The researcher maintains that the evaluation of service offering is crucial, as this also ensures that the service provider always meets the needs of the company.

The findings of the study in relation to service offering and how it is perceived by corporate clients is significant. The delivery of quality service that adds value to the company is the significant determinant, and failure to demonstrate these variables puts EAP service providers at risk of losing contracts. Nonetheless, how to evaluate these determinants is problematic unless measures are put in place at the contracting phase. The researcher is of the opinion that quality standards and value-added are subjective matters that will be determined by the recipient of the service. However, service expectations should be clearly outlined for both the service provider and the corporate client.

Sub theme 2.5: Relationship with the corporate client

Costing the pricing model for existing corporate clients takes into consideration the length and nature of the relationship with that particular client. The nature of the relationship as described by participants 1, 3, 4 and 5 from Group 1 is characterized by trust, honesty and openness. Indications that the relationship has been considered in the pricing model are manifested in the price charged to a particular client. Participant 4 indicated that there is a level of discount for such clients, which is not necessarily pointed out to the client, as discounts are worked into the pricing model. Participants 1, 4 and 5 mentioned that the consideration given to the existing relationship with corporate client is a strategic decision that serves the purpose of retaining the contract with the client.

These participants identified the benefits of a relationship with corporate clients. One of the benefits is observed during the renewal period. The participants indicated that long-term clients understand price increases, while new clients sometimes require justification. A long-term relationship in this instance is defined by a period of more than two years. Participants indicated that clients with whom there are long-term relationships seem to have an understanding of what goes into the pricing model.

Contrary to the benefits of a long-term relationship as perceived by participants from a leading EAP service provider, **participant 3 from Group 2** had a negative experience with a relationship their company had had with a leading EAP service provider. The participant mentioned that the contract lasted longer than ten (10) years and unfortunately the service provider did not meet the company's expectations. As a result, when it came to the period of renewal, they had to seek proposals from other EAP service providers.

Discussion of data:

The relationship between the service provider and corporate clients is crucial in the EAP field and such relationships must be perceived positively by both parties. The responses from data provided by the majority of participants indicate that, if relationships are perceived negatively, it is likely to affect the renewal of a contract. The importance of building strong relationships with corporate clients is corroborated

by Burke and Sharar's findings (2009), in which one of the participants in his survey shared the opinion that strong relationships with corporate clients lead to customer loyalty and long-term Programme retention.

During the interviews, the researcher observed that relationships are valued in the EAP field by both the service provider and the corporate clients. The researcher further observed that such relationships should be characterized by trust, honesty and openness and should go hand in hand with transparency in the pricing models used by EAP service providers. The researcher makes the statement based on the finding that the service provider will work out a discount and include it in the pricing model to be presented to the corporate client for renewal purposes, without necessarily informing the client that they are being granted a discount.

The researcher maintains that transparency on what goes into the pricing model should be shared with the client. Such information-sharing might be beneficial for the service provider, who might be required to give a discount which has already been included in the pricing model. The researcher also thinks that information-sharing would minimize some of the challenges experienced with price increase where price negotiations are concerned.

Transparency in the EAP field will be discussed at a later stage (page 115) when considering the transparency displayed by service providers in the choice of pricing models, as well as the level of transparency on the part of corporate clients when contracting with EAP service providers.

Sub theme 2.6: Input factors

Participants 1, 2, 3 and 4 from Group 1 indicated that there are direct and indirect costs to be considered when deciding on the pricing model. The clients are not necessarily aware of these costs as they are difficult to explain. Participant 4 in particular shared the opinion that corporate clients do not have to know all of these costs. The ones referred to include the profit margin that the service provider makes from the service offering, payments for overhead costs, which include the payment of affiliates who render required services, the call centre that is operational 24/7,

access to the website, infrastructure and after-hour counselors, as well as the account management.

Participant 3 also shared the difficulty of explaining certain costs to clients. The participant shared an experience of a client who wanted to know whether their company would be refunded, as only a few clients used the service. The client concerned was contracted on the capitation fee and the refund was unfortunately not possible. Participant 3's response illustrates the difficulty of explaining circumstances where clients are charged for over-utilization of services and yet are not refunded for under-utilization.

The other complex problem with input factors regarding service offering and the pricing model was identified by participant 2, who mentioned that input factors are not the same for all EAP service providers. The view was based on the belief that there is competition among the role players, who have dramatically changed the market in terms of contracting.

Discussion of data:

Responses on input factors indicate that there are costs that are difficult to explain when contracting with corporate clients. The difficulty stems from the inability to account for such costs, and yet the client has paid or is required to pay. For instance, how does the service provider account for the capitation fee when there is no refund for those employees who did not use the service? The researcher is of the opinion that it is important for service providers to practise a level of transparency and openness with clients and explain that some of the EAP services are payment for unforeseen circumstances, while others are proactive in nature.

While participants from a leading EAP service provider admitted that the above-mentioned costs are difficult to explain to corporate clients, the researcher argues that sharing information on costs displays the level of transparency that should be adhered to when contracting with corporate clients. The process enables corporate clients to clearly understand what goes into the pricing models. Transparency about costs might minimize the challenges and questions that are often raised when a price increase is proposed.

Transparency about the input factors involved when working out a pricing model is emphasized by Bradman, who states that capitation is a statistical and actuarial tool (Bradman, 2003:4). The author further states that there are many factors that need to be considered in arriving at an appropriate capitation rate, including prior usage, administrative expenses, payments to providers, case management costs, outsourcing costs, reserves and profits.

The researcher concurs with the author and maintains that there should be transparency about the costs involved in the pricing models used by EAP service providers. The researcher also argues that, if there could be more transparency about the costs associated with a particular pricing model, corporate clients might begin to understand the cost implications of pricing models and perhaps be more willing to pay without negotiating price cuts. The subject of transparency will be discussed later in the report (page 117). The researcher also thinks that the different input factors might lead to price variation among service providers.

Theme 3: Role players involved in the contracting process and their impact thereof.

Responses on data provided by participants 1, 2 3, 4 and 5 from Group 1 and Participants 1, 2, 3, 4 and 5 from Group 2 indicate that both internal and external role players are involved in the process of contracting.

Sub theme 3.1: Internal role players

Participants 1 and 4 from a leading EAP service provider pointed out that a number of role players are considered in the process of responding to a request for proposals and for renewals. They indicated that responding to a bid is teamwork, which therefore requires extensive consultation with all the relevant role players. Participants identified business units as one of the major role players as the business unit initiates a contract resulting in a situation where an account manager receives a contract with a price tag.

Participant 1 further indicated that, as consultants responsible for the management and renewal of contracts, they experienced difficulties with contracts initiated by business units. These arose because some of the contracts were priced either high or low and they would therefore require gradual adjustment during renewal. As indicated earlier, low pricing is done strategically to acquire new contracts and to enter markets where there are prospects of future business. The participant further indicated that they had identified the disadvantages of low pricing and is consequently persuading business units to price correctly from the initial contract because negotiations for price increases on existing contracts tend to be problematic.

Consultation processes with business units involve gathering information on the type of services required in the specification and their costs. This is in preparation for an appropriate response to the specifications of the bid and to prepare a pricing model that will respond to the resources required for rendering services. Consultation will be conducted with service experts, which includes psychosocial support, HIV/AIDS support, finance, legal help and training.

The department that deals with the pricing matrix ensures that the different pricing done by various business units is in line with the pricing model used by the company. The section further takes into consideration other aspects before deciding on the final pricing model. One of the factors taken into account is whether there is an existing relationship with the client, because that also influences the price. As indicated previously, clients who have a long-term relationship with the service provider are given a discount, although this information will not be divulged to the clients. This is because the internal process in which the service provider engages is part of their pricing before submission of the tender.

The other main role player identified by a participant from a leading EAP service provider is the financial director, who makes the final decision in determining the actual bidding amount. In the cases of new clients, the marketing department investigates who the client is, whether they are white collar or blue collar workers, the risk factors to which the client is exposed, the needs and expectations in terms of services required, and the environment and its geographical location. The legal

section is responsibility for advising on the legal aspects of the contract.

Participants 1, 2, 3, 4 and 5 from Group 2 also identified similar stakeholders with whom they consult when evaluating a proposal submitted by service providers. However, it is important to discuss the variation that exists among corporate clients as to who is consulted before decision-making on contracting. The difference comes about because of the different systems, particularly management systems and the level of delegation of powers given to departments within these companies.

Stakeholders commonly identified by the above-mentioned participants are EAP coordinators, Directors from operational support, those who are heading particular business units, Human Resource departments, Human Resource executives, supply chain management and finance. **Participant 1 of Group 2** mentioned the involvement of the legal section and the forensic department, as well as the importance of aspects like the advice and guidance provided by these stakeholders while contracting. As much as there is appreciation of the guidance and support provided by some internal role players, participants 1 and 3 shared some of the complexities experienced with the involvement of the Executive Committee (Exco) and Chief Executive Officers (CEOs). These participants mentioned that these role players seemed to lack an understanding of EAP and that their concern was more for the return on investment during EAP presentations.

Participants 1 and 3 of Group 2 identified the importance of educating company executives on the benefits of EAP. The importance of educating purchasers of EAP services was also identified by participants 1 and 4 of Group 1, who indicated that there seems to be a lack of knowledge on the prices and services provided in the EAP field. The contracting process gives an opportunity for EAP consultants to educate corporate clients about services and pricing.

Sub theme 3.2: External role players

Participants 1, 2, 3, 4 and 5 from Group 1 identified external role players with whom they are confronted when renewing contracts and submitting proposals. Participants 2, 3 and 5 said they engaged with an EAP or HR coordinator who was not the final

decision-maker for the document presented. These participants experienced this encounter as a challenge, as other engagements and discussions take place behind closed doors in the absence of the service provider. The blockage identified in these discussions is that the service provider is not in a position to defend or explain the proposed prices directly with the decision-makers because the EAP or HR coordinator acts as a “middle man”.

The influence of the external role player in contracting was identified in the response provided by participant 2 from Group 2. **The participant 2 of Group 2** shared the experience of the involvement of the Auditor-General (AG), who influences the choice of a service provider during tendering and renewal processes. The participant mentioned that the AG always questions the renewal of existing contracts with the same EAP service provider. Such enquiries are made despite the good service provided by such an EAP service provider. The participant further indicated that the termination of the contract with a leading EAP service provider was owing to the influence of the AG.

The participant further shared the opinion that there is no need to change a service provider who renders a quality service. Unfortunately, owing to procurement policies, they are forced to terminate the contract and consider other service providers. The researcher identifies procurement policies and procedures as among the external factors that impact on pricing. However, this will be discussed later (see page 103).

Discussion of data on internal and external role players:

In relation to internal role players, the research findings indicate that there is an extensive consultation process carried out for a leading EAP service provider when compiling a proposal for a bid. Corporate clients also engage in a similar process to get a buy-in by internal stakeholders before the final decision is taken to contract a particular service provider. Data presented by participants indicates the influence of the different stakeholders on the decision-making process. The researcher is of the opinion that the perceptions held by different role players regarding service offering and the EAP as a whole might impact on the resource allocations and other costs involved and might subsequently affect the choice of a pricing model.

In emphasizing the impact of other role players on EAPs when contracting, Carbone (2003:23) states that most benefit managers, Human Resource professionals and Chief Financial Officers (CFOs) are under pressure to show a return on investment for every Programme they sponsor, despite the slow economy. It therefore becomes significant for EAPs to prove to business leaders and other role players who decide on contracting the value of the service that has been provided (in the case of renewal) and the service to be provided (in the case of a new contract).

The researcher is of the opinion that role players have an enormous role to play and they can positively or negatively influence the process of contracting. Their opinion of the value of EAP is therefore important. The researcher identifies internal role players such as business units from a leading EAP service provider as people who are experts in their respective fields. They are knowledgeable about service offering, the required resources and the costs of rendering such services. These role players have expert knowledge of EAP, so their input is important and contributes towards the overall pricing model to be advocated to the corporate client.

In a comparison of role players from a leading EAP service provider with those of corporate clients, the latter are seen to have a combination of different role players. Some are not necessarily knowledgeable about EAP, and their main interest is in seeing the balance between cost and perceived or expected benefit and results (Lennox, Sharar & Burke, 2009). The researcher identifies the importance of educating these role players to curb one of the dilemmas facing the EAP field when selling EAP. Fauria (2009:13) states that EAP purchasers are not sufficiently informed to be able to distinguish different EAP models, so their decision-making during contracting is based on price.

The inclusion of business units by corporate clients during the consultation process for evaluation of a proposal is seen as significant. The involvement of business units presents an opportunity to gain a holistic picture of employees' needs, and to ensure that the inputs of business units are taken into consideration in the evaluation of proposals. The researcher maintains that the involvement of these stakeholders and their opinions might have a significant impact on which pricing model will offer better services to meet the employees' needs. Their inputs would serve as a baseline in

terms of evaluating the final service offering when it comes to the contract renewal period.

However, the researcher also discerns the advantages and disadvantages of involving different role players when selling and buying EAP services, as mentioned in the earlier discussion. The added benefit of consultation enables buy-in by the role players, who have the potential to positively or negatively affect the decision to procure and contract the services of one service provider rather than another. The involvement of these role players might create a sense of ownership for the programme, including its utilization should their input in contracting be taken into consideration.

Theme 4: External processes encountered in the submission of a bid and contract renewal.

The responses by participants 1, 2, 3, 4 and 5 from a leading EAP service provider and participant 2 from the corporate client mentioned the external processes that await the person responsible for selling or buying EAP services. These factors subsequently impact on the choice of a pricing model to be sold or procured. The following external factors have been identified: the company's budget, the size of the company, the economic climate, price, competition, understanding and meeting clients' expectations, procurement procedures and the dynamics in selling and buying in the EAP field.

The company's budget, the size of the company and the economic climate were discussed under the previous themes (themes 1 and 2) so the discussion of data in this theme will focus only on procurement procedures, the dynamics of selling and buying in the EAP field and meeting clients' expectations.

Sub theme 4.1: Procurement procedures for professional services

Participants 2, 4 and 5 from Group 1 and **participant 2 from Group 2** alluded to the complexity of procurement procedures, their impact on contracting and the choice of a pricing model. Participant 5 from Group 1 identified challenges presented by the

bidding process. The participant mentioned that the bidder is met by a number of processes while submitting a proposal to the prospective corporate client. First, there is the compilation of a bidding proposal in response to an advertised tender. The problem with such tenders is the lack of clear specifications on service offering, resulting in the compilation of proposals by bidding service providers based on assumptions. The participant further indicated that the lack of clear specifications from tender documents sometimes leads to insufficient information to meet the clients' expectations being offered on proposals.

In agreement with the view presented by participant 5 of Group 1, participant 2 of Group 2 also indicated that, as corporate clients, they are sometimes not clear as to their needs in bid specifications. **Participant 2 of Group 2** indicated that when going through proposals by bidding service providers, they come across additional gratuitous services that were not among the specifications. The situation sometimes influences the decision to contract with such a service provider.

The second challenge identified by participant 5 of Group 1 is the attendance of briefing sessions that are also attended by other bidding EAP service providers. The participant had this say:

•“A lot is said during presentations and again a lot is not said and this requires a bidder to read between the lines as bidders do not want to ask a lot questions which might jeopardize competition by revealing so much about themselves. (Participant 5 from Group 1)”.

The researcher sees the dynamics of competition surfacing in this process, occasioned by small and big EAP service providers gathered in one room creating an opportunity for each service provider to assume how much the competitor will charge for the service. The assumptions made could lead to low pricing in order to acquire contracts. The researcher also finds this process interesting in the sense that the service providers do not want to expose themselves. Probing questions posed in briefing sessions are perceived by service providers as revealing a lot to their competitors. A critical analysis of the situation seems to indicate a lack of transparency among service providers. The researcher maintains that such a lack of transparency could have negative consequences, which might include the

submission of unrealistic bids that do not necessarily meet the needs of corporate clients.

It is worth mentioning a comment made by participant 5 from Group 1 in relation to the submission of realistic bids. The participant said:

- *“Before rushing off submitting the proposal document, get a better understanding of who the client is. (Participant 5 from Group 1)”*.

The comment seems to indicate that service providers sometimes submit bid proposals without always doing a background check on the company to be served. The researcher argues that organizational profiling and an understanding of a client’s corporate environment is important. The process brings about an understanding of the risk factors to which the organization might be prone and an understanding of its employees. Such knowledge will enable the service provider to submit a proposal that addresses the needs of the client’s organization.

The researcher discovered that it is not only service providers who experience complexities with procurement processes. The research findings indicate that corporate clients are also affected. The experience shared by participant 2 from Group 2 on the procurement processes illustrates the influence of supply chain management in the selection process for a prospective EAP service provider. **Participant 2 from Group 2** indicated that as much there is an appreciation of the advisory role played by supply chain management personnel in terms of guidance on the finer details of service procurement, there are frustrations that come with the selection criteria, which are based mainly on the lowest bid.

The other role player who influences the procurement process is the Auditor-General, who often queries the length of the contract and subsequently influences the renewal of contracts with the existing service provider. The participant’s experience demonstrated that the termination of the contract with a leading EAP service provider was heavily influenced by the AG. The participant confessed to being unhappy with the Auditor-General’s role, indicating that such interference resulted in companies like hers being channeled to other service providers in the data base whose credibility is not proven.

Discussion of data

From the findings of this study, it is evident that procurement procedures and the processes currently followed by supply chain management impact negatively on the selection of service providers and contracting with them. The negative repercussion can be seen when contracting with a service provider who has no credibility or track record of service offering in the EAP field. The result is contracting with inexperienced service providers just to comply with procurement procedures. The credibility of service providers with a good service record in terms of delivering quality work is one of the main elements considered in the selection criteria for contracting. The findings on the selection criteria for contracting will be provided later in the report (page 111).

A further problem with procurement procedures is going for the lowest bid in the selection and contracting with those service providers. Sharar and Hertenstein (2006:37) also identified the problem with procurement procedures as a process that seems to have encouraged service providers to bid low. These authors point out that the lowest price bid game seems “to be endemic and widespread in the procurement process, fueling a type of rhetorical marketing competition among EAP vendors themselves”.

The researcher has noted that the view observation made by these authors is echoed by the response from one of the participants from a leading EAP service provider. The participant’s experience clearly indicates that the bidding game is played carefully in order not to expose or reveal too much about the bidder’s own company. The researcher is of the opinion that assumptions made might lead to the submission of unrealistic bids.

Sub theme 4.2: Dynamics of marketing, selling and buying of professional services

The responses by participants 1 and 2 from Group 1 indicate that the dynamics of marketing, selling and buying EAP services become operational with contracting in the EAP field. Price sensitivity on the part of corporate clients is identified as one of the main complexities of marketing, as corporate clients have a tendency to make

comparisons among service providers for procurement. In doing so, corporate clients bargain for low costs when engaged in negotiations with service providers. On the other hand, EAP service providers give in through price cuts as this seems to be the only way to acquire contracts.

Competitive pricing and price-slashing in the EAP field is illustrated by an experience shared by participant 1 from Group 1, who was confronted by a competitor's letter on his client's table during the negotiations for contract renewal. The competitor was offering a lower price than a leading EAP service provider was offering. This encounter raised concerns for the participant from a leading EAP service provider, as questions had to be asked as to what services were being compromised to reach such a low price. The participant believed that it would be impossible to meet the client's needs at such a low price.

Alluding to the dynamics of selling and marketing EAP services, participant 2 from Group 1 indicated that EAPs are difficult to sell. The difficulty comes with the influence of consumers who have the power to discern what they want. Subsequently corporate clients influence service providers as to what they do in terms of service offering, how they charge and what they charge. The participant further elaborated that this situation makes it even more difficult to encourage repeat buying, since EAP services have unquantifiable value in comparison with selling products.

The challenge of unquantifiable value was also identified **by participant 1 from Group 2** who mentioned that financial directors want to see return on investment, and the value added to the company in monetary terms and in reporting. The participant pointed out that it is difficult to specifically determine the value of EAP and return on investment, as there are other elements at play within the work environment which could have contributed to the change in employees' behaviour. **Participants 1 and 2 from Group 2** identified another challenge by which they are often confronted when buying EAP services. The challenge is in the differentiation of services. The participants indicated that EAP services all look the same when presented in proposals, consequently leaving corporate clients to compare prices and eventually going with the lowest bid. It is important to mention, though, that price

is not the only consideration when contracting. **Participants 1, 2, 3, 4 and 5 from Group 2** pointed out other factors which will be discussed under the selection criteria used by corporate clients to contract with EAP service providers.

Discussion of data

The responses from both groups of participants point out a number of challenging issues, such as price sensitivity, buyer behavior and understanding of the value of EAP services. Farris (2003:24), alluding to the dynamics of marketing, selling and buying EAP services, states that one of the challenges confronting EAPs is the sales process. During this process, EAPs have to convince purchasers that EAP is not just another benefit Programme but is a vital strategic partner that produces significant returns on investment if properly promoted. The researcher is of the opinion that a great deal of effort should be placed on marketing EAP services and demonstrating the value of EAP.

Sub theme 4.3: Meeting clients' expectations

Participants 1, 2 and 5 from Group 1 indicated that it was difficult to understand clients' needs. There were varying reasons for this. Participant 5 said that the tender documents inviting bids do not provide every detail of what clients may need. The lacuna creates a gap in the possibilities for an appropriate response by service providers on how they would price appropriately. As a result, the final pricing is an estimated cost based on what the client has specified in the invitation for bids.

The lack of clearly articulated needs was also identified by **participants 2 and 3 from Group 2**. These participants admitted that some of their needs were not realised at the time of contracting and in some instances some needs were not known when inviting bids. It is only on receipt of the proposal that certain services are identified, and in most instances they are mentioned by service providers as add-ons or items free of charge. Participant 3 indicated that her company identified the need for other services during the term of the contract. The company's expectation was that the service provider would be flexible and accommodate the need, since such possibilities had not been anticipated in the initial contract. The failure of the service provider to accommodate the corporate client resulted in the termination of

the contract and there were no invitations for new bids. When it came to the new tender, the corporate client compiled a comprehensive package stating clearly-articulated needs to ensure that the shortcomings of the previous terminated contract were not repeated. To show that price plays a role in determining who to contract with, a leading EAP service provider was also invited to tender when the contract expired. They turned out to be the more expensive provider, and lost the contract.

Participant 2 from Group 2 mentioned that, on identifying additional services, she reached an agreement with the service provider that the required services would be available at an additional cost where there was an addendum to the existing contract. While this client is willing to pay for additional services, it was interesting to note that **participant 3 from Group 2** expected the service provider to add the additional service, such as an extra report, free of charge. The client maintained that a leading EAP service provider has systems in place, so generating an extra report is not expensive. In addition to this perception, the client expected the service provider to be considerate on account of the existing relationship.

Corporate clients seem to expect that, if there is an existing working relationship with a service provider, the latter should be flexible and be willing to accommodate the corporate client's emerging needs. Unfortunately the service provider had another opinion on the matter, which was that an additional report meant additional costs, as the contract is clear on the number of reports that will be issued to the client.

Participant 5 from Group 1 mentioned that, in order to ensure clear expectations when contracting, it is important for corporate clients to know what they want to make available to their employees. Furthermore, corporate clients should know that services are expensive. Participant 4 from Group 1 indicated that corporate clients have unrealistic expectations. The participant pointed out that corporate clients do not want to pay for services and yet they expect more service offerings from service providers. Participant 2 from Group 1 indicated that clients have limited understanding of the input factors that go into the price.

The responses of both groups of participants indicate that there are unspecified expectations from corporate clients in relation to service offerings. For the provider,

there are cost implications for such services; unfortunately some corporate clients do not seem to understand these cost implications (participant 3 of Group 2)

Linking to corporate clients' limited understanding of what goes into pricing and the costs involved, participant 4 from Group 1 made reference to experiences when the service provider makes services available despite clients' limited budget and clients over-utilize such services. This places an extra burden on the service provider, who subsequently incurs more costs.

Discussion of data

From the views held by different corporate clients on service expectations, it is clear that certain expectations are not clearly communicated to service providers and these can be attributed to the complexities of the procurement processes, which seem to have limitations when it comes to engaging clients, as communication is done by submission of proposals. Furthermore, the researcher is of the opinion that the expectations of the service offering that fall outside the scope of the contract contribute to complexities that have been experienced by both parties.

The corporate client entertains the perception that the service provider is unwilling to go the extra mile for the corporate client and the relationship is thus seen as inflexible and unaccommodating to the client's needs. On the other hand, the service provider thinks that utilization of resources is expensive, so such costs are considered when developing a pricing model for corporate clients.

The researcher identifies a number of factors relating to the clear articulation of organizational needs. First, it is the corporate client's unmet expectations which are not always clearly communicated during contracting or even in the bid specifications. However, the service provider is penalized for not meeting such expectations resulting in the non-renewal of contracts or premature termination of contracts. The researcher is of the opinion that this matter goes with transparency, openness, honesty and trust in a relationship.

Secondly, the process of contracting based on any additional services identified during the course of evaluation of proposals raises concern at the level of

understanding of organizational needs by corporate clients. It also raises concern at the level of the marketing of EAP services by service providers. The researcher considers that marketing contributes to a better understanding of EAP services and enables corporate clients to make informed decisions when writing specifications and selecting EAP service providers. The researcher further maintains that the choice to contract with a service provider who made provision for additional services disadvantages other service providers who complied with the bidding requirements.

Theme 5- Influence of corporate clients on the choice of a pricing model

Sub- theme 5.1: Buyer behavior

Participants 1, 2, 3, 4 and 5 from Group 1 said that corporate clients influence the choice of a pricing model. The leading EAP's service provider's preferred pricing model is capitation where the service provider will go with an ideal price in the compilation of a proposal. Participants indicated that corporate clients are price sensitive, so an ideal price is never determined, as clients negotiate by bargaining for a lower price. It is interesting to note that, although these clients are price sensitive, there is a tendency to push for more services to be included in the capitated contract, which sometimes compromises the profit margin of the service provider if the client is accommodated.

Participants 1, 2 and 5 from Group 1 also stated that price sensitivity seems to be the main basis on which corporate clients decide with whom they want to contract in terms of services required. **Participants 2, 3, 4 and 5 from Group 2** seemed to agree with this notion and further mentioned that the cost of a service is among the criteria they consider when contracting. Responses from both groups of participants indicate that price sensitivity leads to the comparison of expenses for service offerings among service providers.

Participant 3 from Group 1 mentioned that corporate clients tend to go for a lower price without necessarily considering the service offerings and the quality of such services. The participant further stated that EAP is one field that cannot offer low prices, because this would compromise people's lives.

Discussion of data

The researcher maintains that the process of comparing prices is complex, because comparison is subjective and perceptual in nature. The subjective nature of price comparison is associated with the criteria used by corporate clients to compare one service provider with another, and likewise such criteria vary from one corporate client to another. The subjective nature of price comparison is reiterated by a substantial number of participants from a leading EAP service provider, who maintained that the pricing model used by their company is very competitive. As a result, most of the clients contract with them. However, when corporate clients decide to terminate a contract, choosing instead a low-priced service provider, it raises questions about which services are being compromised by the competing service provider.

Based on the findings from the qualitative study, the researcher is of the opinion that buyer behavior, which is subjective in nature, as confirmed by the responses from both group of participants, has a major influence on contracting. It becomes important therefore that purchasers such as EAP service providers understand consumer behavior. Marx and Van der Walt (1989:71) maintain that understanding consumer decision-making is the most crucial aspect of marketing management. This helps the purchaser to understand why a consumer decides to purchase one product rather than the other. Such information and knowledge facilitates the whole process of marketing planning and also helps guide the development of a market offering.

Weitz and Wensely (2002:270) expand on this view of buyer behavior and subjectivity regarding price, mentioning that many customers actively process price information, which means that they are not just price takers. They continually assess the price charged for products, based on prior purchasing experience. The information on the criteria used to select and contract with EAP service providers shared by the majority of participants from corporate clients, and the cost of the service and the value attached which is informed by met or unmet expectations from previous contracts, came out strongly. Eventually these considerations become a deciding factor in a contract.

Based on the views shared by these authors, it is evident that corporate clients attach a certain meaning to price as informed by previous experiences. The researcher also maintains that the meaning of price is linked to clients' expectations in terms of service offerings. The discussion on meeting clients' expectations was presented in theme 4.

Theme 6- Criteria used by corporate clients to select and contract with EAP service providers

Participants 1, 2, 3, 4 and 5 from Group 2 mentioned a number of factors they use as criteria when selecting and contracting with EAP service providers. Those factors are the service offerings, the price of the offerings, the quality of such services and their perceived value and the utilization and credibility of the service provider. In terms of the service offering, participants **2, 3, 4 and 5 from Group 2** mentioned that they determined whether the service provider would provide a comprehensive quality service that added value to the company. Participants 1, 3, 4 and 5 from Group 1 also shared their experiences in relation to the criteria used by corporates when contracting. These participants indicated that service providers and corporate clients should understand that quality must be prioritized in service offerings. Clients should be willing to pay extra for quality services.

In view of the value added by service offerings, participants 1 and 3 from Group 1 remarked that, in the face of competition and price wars, it is important that service providers prove the value of their services. The perceived value becomes an advantage if the service provider has a history based on a working relationship with the client and the service provider rendered a quality service. Participant 4 from Group 1 further mentioned that the delivery of quality services requires resource allocation, including personnel. The experience of these participants is that a low price makes it difficult to provide comprehensive quality services. **Participant 3 from Group 2** alluded to the challenges associated with the criteria for contracting based on a low price. The participant had this to say:

- *“We got an extremely low price. The problem with that was, and I think which was not anticipated, was all the exclusions that came with that low price. It impacted negatively then on our utilization, even on the perception of the*

provider. So in a way it was negative for both parties. It was negative for both parties because we couldn't do what we really needed to do because of that limitation... (Participant 3 from Group 2)".

Discussion of data

The study undertaken by Jenkins (2008:42) agrees with the experiences encountered by the corporate client in relation to a low bid and quality of service. The author indicates that "EAPs are so focused on survival in a very tight and increasingly competitive marketplace that the drive to reduce costs of operation is affecting the delivery of services to the organization and the employee".

The study conducted by Burke and Sharar (2009:4) expresses views on the complexity of the competition in the EAP field. Participants in the study alluded to the fact that the EAP market-place is extremely competitive, with EAP providers continually lowering their prices to retain business. At the same time, service expectations from clients remain the same or else increase, creating an untenable position for EAP providers.

Based on the findings in this study, the researcher has identified that service providers in South Africa are also under pressure to deliver quality services, while they are confronted with the challenge of corporate clients who are price sensitive and often use price as a criterion in contracting. The researcher is therefore of the opinion that EAP service providers should strive for the delivery of quality service in the midst of unhealthy competition instead of lowering prices, which could subsequently have a negative impact on providing comprehensive services that meet the expectations of the client's organization.

The researcher noted that the criteria used by corporate clients are measured against their previous experiences of contracting with earlier service providers. The researcher noted that some corporate clients were not entirely clear about either their expectations or the services required. Their discovery of other services was made with the evaluation process of proposal when some service providers put add-ons into their service offerings. Such services are presented as free of charge and the corporate client suddenly realizes they would benefit from such services. They

therefore select and contract with the other service provider.

The researcher is of the opinion that this should not happen, as it is an additional service that was not specified in the bid specifications and seem to discriminate against other service providers who responded to the bid specifications. The action raises concern about the selection criteria used by corporate clients and seems to indicate a lack of adherence to bid specifications and clear criteria used for selection.

Theme 7- Knowledge of the different pricing models used in the EAP field.

Participants from a leading EAP service provider and participants from corporate clients who terminated contracts with this provider were asked to share their views on the different pricing models used in the EAP field. Participants 1, 3, 4 and 5 of Group 1 seemed well-informed on the different pricing models, although as a company they advocated for capitation. These participants emphasized the importance of educating corporate clients about the different pricing models, including their advantages and disadvantages. It was mentioned that such education should focus on the different levels of management, as there are always questions as to what constitutes payments. Although the service provider has some knowledge about pricing models, **participants 4 and 5 of Group 2** indicated that their understanding was limited.

Participant 5 from Group 2 specifically indicated that she was not aware that there were other models, as the service provider had exposed them to only one model. As a result, the participant did not know much about costing models. The participant's understanding was that they are standard across the board where service providers actually base costing on usage per employee per month. The participant further indicated that pricing is very complex for corporate clients to understand because service providers seem to base their calculations on an annual basis. The participant seemed not to be in favour of annual calculations as there are other factors that have to be considered, such as staff turnover and different crisis situations that affect companies at different times of the year, which impacts on utilization and would definitely affect pricing.

Participant 1 from Group 2 indicated that pricing models are all the same, although they look different on paper. Based on this experience, her company uses a combined model instead of charging a capitated fee. The participant mentioned that her company negotiates with service providers when it comes to a pricing model and this is identified as an advantage of not having an open tender when inviting proposals. The company approaches EAP service providers they believe will deliver the required services.

Discussion of data

The researcher noted these responses with concern because the findings indicate that there was no sharing of information on the different pricing models by a leading EAP service provider. Corporate clients seem to take what is given them without necessarily having options. On the other hand, corporate clients, especially those individuals responsible for contracting and management of EAP within the company, should educate themselves about pricing models.

The researcher maintains that corporate clients ought to know about the different pricing models so that they are in a position to choose the suitable pricing model to meet the organization's needs. Literature (Farris, 2003:24; EAPA-SA, 2010:5; Attridge, Amaral, Bjornson, Goplerud, Herlihy, McPherson, Paul, Routledge, Sharar, Stephenson and Teems, 2010: 1-3) indicates that popular approaches to the pricing of EAP services include the capitated approach, which is the most common, the utilization-based approach, the "pay for performance" and value based approach. Each of these approaches has its merits and its concerns. It becomes important that purchasers of EAP services are advised to consider which kind of pricing model is most likely to create the business incentives that match the goals to have the employee assistance Programme.

The advantage of engaging service providers for different pricing models is shared by one corporate client, who approached service providers for proposals other than the tender process. This allowed the opportunity for the corporate client to identify the preferred suitable pricing model. It was interesting to note that the service provider advocated for the capitated model with motivations that were not welcomed by the corporate client. The negotiation process culminated in the choice of a

combined model.

As much as tendering processes have limitations on the service provider sharing information on different pricing models, it is the researcher's opinion that the service provider should make the effort to share on different pricing models so that corporate clients can choose which pricing model will meet their needs. Furthermore, the researcher maintains that a knowledge base would minimize corporate clients' lack of understanding on the costs of EAP services, which was identified as a gap by participants from a leading EAP service provider.

Accounts management and the renewal process, which is the responsibility of corporate well-being consultants provide such an opportunity to educate corporate clients about the different pricing models. The education process goes together with the level of transparency on pricing models.

Knowledge of the different pricing models and sharing of such information with corporate clients is important and is in line with one of the criteria for costing models as outlined by EAPA-SA (2010:5). The standard states that pricing of EAPs should be negotiated and mutually agreed on by the service provider and the employer, after different models have been considered. These findings relating to knowledge about the different pricing models leads us to the discussion on transparency in relation to the pricing models in the EAP field.

Theme 8- Transparency on pricing models in the EAP field.

Participants 1, 4 and 5 from Group 2 indicated that there is some level of transparency among service providers on the pricing model used for contracting. However, such transparency is limited to the pricing model offered by the service provider, but not when it comes to other pricing models. Transparency was defined in line with the breakdown in terms of costs that informs the overall price, but not on the different pricing models, as previously discussed.

Participants 1, 2, 3 and 4 from Group 1 indicated that transparency is an important aspect of their relationship with corporate clients. Participant 3 mentioned that

transparency gives more credibility in the industry because there is room to manipulate figures if corporate clients do not understand what the pricing model entails. However, participant 3 also indicated that service providers are not as transparent as they should be, as some costs are difficult to explain, especially when use is low. Moreover, clients seem to find it difficult to understand the entire pricing model and the terminologies used.

The inability to explain certain costs to corporate clients was linked to questions raised by some corporate clients who wanted answers to why there is disparity in costs. It is explained that, when contracting, the terms state clearly that should the corporate client exceed utilization within the contracted service offering, there will be an extra charge. However, with under-utilization, there is no refund. These are challenges with which service providers are commonly confronted when explaining certain costs.

While transparency issues are observed in interactions with corporate clients, transparency among service providers has also been identified. Participant 5 from Group 1 mentioned that there is a lack of transparency among EAP service providers when it comes to their pricing models. The participant indicated that competitors are aware that others are working on capitation or a fee for a service but secrecy surrounds what the actual price will be.

Discussion of data:

From the findings on transparency in relation to pricing models and the cost of EAP service, it is evident that the pricing, marketing, selling and buying of professional services is a complex process. The researcher is of the opinion that such complexity is owing to the intangible nature of these services whose value is at times not immediate in comparison with the value of goods. The result is therefore the inability of a leading EAP service provider to share certain costs with corporate clients.

The researcher is of the opinion that corporate clients ought to take into consideration that EAP is actually a prepaid service for unforeseen circumstances, to ensure that should something occur, a service is available. The availability of services therefore means that a service provider is available 24/7 to address the

needs of clients. This is expensive; as counselors have to be readily available should there be such a crisis. The researcher would like to point out that this view should not be seen in the light of EAP as a reactionary service, seeing that there are other services that are proactive in nature. The costs should be clearly defined upfront.

The researcher is also of the opinion that it is important for service providers to strive to be more transparent when contracting with corporate clients, especially if the relationship is based on trust, honesty and transparency. In reflecting on the transparency issues that cloud the EAP field, Bradman (2003:7) mentions that it is high time that EAPs removed the smoke and mirrors atmosphere that currently pervades EAP pricing. The author advises that EAPs adopt comprehensive disclosure policies that will accurately represent the pricing bases for EAP services. The author further advises that such disclosures will allow purchasers to make apples with apples comparisons when purchasing EAP services.

Theme 9- Standard practice regarding pricing models in the EAP field.

Based on the complexities experienced in relation to pricing in the EAP field, participants were asked to comment on a good standard practice they would like to see implemented in the EAP field. This was a difficult question to answer for participants from a leading EAP service provider as well as corporate clients. However, the researcher identified some sub-themes, standardization and transparency that emanated from the responses: for example participant 1 from Group 1 mentioned that he would like to see some standardization that links up with EAPA-SA standards. The motivation for standardization is based on account of the reality that each company has its own working standard.

Taking the discussion on standardization further, participant 3 from Group 1 mentioned that there should be some common understanding on the costs of services in the EAP field. Common knowledge and understanding should be based on what a particular service costs. However, this is difficult to accomplish, as companies operate according to their own standards in terms of pricing. Participant 5 from Group 1 proposed that there should be a balance in terms of what the service

provider offers and the fee attached to such services. The participant further proposed that service providers should consider giving clients options in terms of a service package instead of pre-packed packages.

Participant 1 from Group 1 further indicated that transparency is another important aspect to be considered when looking at standard practice. The participant elaborated, stating that transparency is an important element seeing that the EAP field is such a competitive market owing to price-slashing. Participant 1 of Group 1 had this to say:

“...Transparency is very important I think because it’s a very competitive market and sometimes I will go to a client for renewal and I will give a certain price and then my competitor’s letter is already on her or his table with a very, very low price and then you ask yourself ‘but how do they get to that price?’ and then it’s not transparent in terms of what service is included and sometimes we lost clients like that and then they come back a year later and they said ‘but you know the service was not the same (Participant 1 of Group 1)”.

Participants 3 and 5 of Group 1 viewed good standard practice in the light of transparency in dealings between service providers and corporate clients. Participants 1 and 3 of Group 1 mentioned that transparency should go as far as giving an honest quote when submitting a proposal for bidding processes, ensuring that the client is clear on what to expect in the service offering. Participant 5 of Group 1 identified that promises made in the submission of a proposal are sometimes not met.

However, the researcher sees a challenge to what will determine an honest quote, as service providers might have varying reasons for submitting low bids. For instance, Participants 1 and 3 from Group 1 indicated that they would strategically submit a low bid with the intention of obtaining a contract, especially when it came to those corporate clients with whom they believed there was potential for a long-term relationship and long-term profit. The unfortunate aspect of this conscious decision to bid low is not known to the corporate client. The motive is known only to the service provider who has the intention of gradually increasing the price with the

renewal process.

Participants 2 and 4 of Group 1 indicated the need for differentiation, whether or not the pitch for the bid is based on price vis à vis the best quality service. This view is based on the observation that there is a trend to pitch on a price, which seems to contribute to price-slashing among service providers when they are submitting bids. Participant 4 of Group 1 mentioned that a leading EAP service provider prices the model according to the quality service that will be delivered and unfortunately corporate clients are interested in the price while the quality is secondary.

Corporate clients shared views on the standard practice they would like to see implemented in the EAP field in relation to pricing. **Participant 5 of Group 2** highlighted the importance of having pricing models that are utilization-focused in order to push the EAP service provider to make sure that EAP works for the contracting company. **Participant 1 of Group 2** indicated that the EAP industry has guidelines in place as set out by EAPA-SA (2010). However, there are still gaps such as the lack of a benchmark in terms of what corporates pay. This results in estimation when it comes to pricing.

The participant identifies that this gap is created by a lack of research, demonstrating the return on investment. The participant indicated that this lack of a benchmark causes confusion for corporate clients, as EAP service providers use different criteria for pricing. **Participant 3 of Group 2** mentioned that EAP is an expensive service and it becomes difficult to justify costs when utilization is low. It is important, therefore, that education takes place on what utilization entails and how it is calculated.

Discussion of data:

The statements were made in the light of standards laid out by EAPA-SA in relation to costing models which are currently being contravened, as service providers continue to under-cut prices. Price-cutting raises concerns as to how the EAP field will overcome the issue of non-compliance with EAPA standards in relation to costing models. Price-cutting also raises questions on how the EAP field will ensure that EAP remains relevant in a competitive and complex environment confronted by

challenges on contracting.

Based on the responses of participants from a leading EAP service provider, corporate clients have encouraged the bidding war with their tendering procedures. On the other hand, corporate clients believe the service offering from EAP service providers are the same, making it difficult for them to choose which service provider to contract with. Price thus becomes the differentiating factor. Comments made indicate that there is a great challenge facing EAP service providers in terms of what determines a good pricing, taking into consideration the input variables, which differ from one service provider to another.

The researcher has noted the challenge to the practical implementation of the standard of costing models as set out in EAPA-SA (2010:5), which states that costing of EAP should be based on sound financial principles, with the goal of ensuring the best application of financial resources. The objective, which is “to justify the balance between expenditure and benefits”, seems difficult to measure, as participants, particularly those from corporate clients, seem to struggle to justify to their executives the balance between expenditure and the benefits of the Programme. They linked the challenge to the reporting mechanisms where service providers’ reports do not speak business language in terms of the return on investment as well as the Rands and cents that a company invests in EAP.

This requires EAP service providers and corporate clients to consider seriously what the sound financial principles EAPs are with which they must comply when costing EAPs. Furthermore, the pricing model must take into consideration the costs of the quality service offering, where quality must be prioritized. The researcher noted with concern there is a tendency to bid low to obtain contracts in a competitive environment like the EAP field. Unfortunately such low bidding gives corporate clients the impression that EAP services are cheap and should not be expensive.

Once again, the researcher observes the challenge posed by tender procedures which minimize the opportunity of meaningful engagement between corporate clients and service providers. The challenge can be identified in the situation wherein the tender process encourages service providers to pre-pack service offerings, and

decide for the corporate client what will be offered, without necessarily providing an open and transparent process of engagement. Currently there are fixed prices to service offerings. Only in negotiations can one have the opportunity to cut out services that are deemed unnecessary and pay for what should be available for employees.

Another challenge, among others, to pricing in the EAP field is the lack of uniform standards in relation to the pricing of EAP services. The challenge is identified in the comment made by a corporate client indicating the lack of a benchmark in terms of pricing models used in the EAP field. EAP service providers seem to decide on their own standard of pricing, which causes confusion for corporate clients, who are confronted with highly competitive prices from competing EAP service providers. The lack of standard practice in relation to pricing is also seen in the attempts used by service providers to come up with their own benchmarks in terms of price increase.

Participant 1 from a leading EAP service provider mentioned that,

“....we can use medical CPI as a base for price increase because the majority of our affiliates or the majority of the, the payment off affiliates is going to psychologists. So that’s why we, we use that as a benchmark because it’s contributing to the inflation of the price but also that’s why we use a combination between CPI and medical CPI because there’s usually quite a few percentage marks’ difference, but then we kind of strike a balance between the two”.

The researcher maintains that the challenge might be addressed through the development of a standard guideline that will be implemented in practice in relation to the pricing models. Sharar and Hertenstein (2006:38) also identify three primary reforms that will enable the EAP field to break free from the commodity price-driven market.

First, both purchasers and EA professionals should be educated in selling and buying on the basis of compliance with quality standards rather than the lowest price. Secondly, the EAP field should conduct conclusive, evidence-based research comparing the effect of various EAP models and the costs of these models on

productivity losses and treatment outcomes. Lastly, there should be design and implementation of new pricing schemes that blend elements of capitation and fee for service with meaningful performance guarantees and risk-sharing. The researcher is of the opinion that these should be informed by some standard guidelines for practice which will include a regulatory framework for fee structure.

Theme 10- Price variation in the EAP field

The question was posed to participants of Group 1 in an effort to understand factors that contribute to price variation in contracting with corporate clients. Participants 1, 3, 4 and 5 of Group 1 indicated a number of factors that contribute to price variation in relation to the pricing model applied among different corporate clients. One of the factors mentioned is a strategic decision whereby the service provider will submit a low bid to obtain a contract with a corporate client. Low bidding is normally done with corporate clients who are believed to have potential for future business dealings. Participant 1 of Group 1, in particular, indicated that this is common in the industries where the EAP service provider is not yet prominent and would like to make a footprint in that particular industry.

With existing clients who have a relationship with the service provider the service provider takes into consideration the financial difficulties that the corporate client might be going through when the corporate client displays price sensitivity to the point of terminating the contract. Instead of losing such a contract, the service provider accommodates the client by lowering the price, making a sacrifice on the profit margin for that particular period with the hope of gradually increasing the price in future.

Participants 4 and 5 of Group 1 indicated that, in a marketing environment like the EAP field, service providers have to be considerate, have a good relationship with the internal coordinator and be willing to accommodate the arising needs of clients, otherwise there is the risk of losing contracts. The number of employees and differentiation in the services required by the client play a role in price variation.

Discussion of data:

The responses provided by the participants from a leading EAP service provider in relation to price variation in contracting indicate that clients' circumstances are taken into consideration when pricing is done. The researcher's opinion is that the consideration given to clients makes the pricing process subjective in nature and therefore raises questions of objectivity in pricing in the EAP field.

Theme 11- EAP prices

The question was directed to participants from the corporate client (Group 2) to explore their views regarding the price of EAP services. **Participants 1, 2 and 5** believed that EAP services are fairly priced. Participant 2 indicated willingness to pay more on the provision of comprehensive quality service. **Participants 3 and 4** believed that EAP services are expensive and they could be cheaper. However, participants 3 and 4 believe it is important to deliver the ultimate value for the service and in such case price increases are acceptable. The issue of utilization was introduced by participant 3, indicating the difficulty of paying and justifying the cost when there is low utilization.

Remarking on the expensive services, participant 4 mentioned that counselors charge their own high rates, which are perceived to be above medical aid rates, which is unacceptable.

There was a proposal that some of the charges could come out of the medical aid benefits, although that might result in the depletion of medical aid funds. The other proposal was to have a network of counselors as medical aids do, which could be an option, as there would be a benchmark and the charge would be less.

Discussion of data:

The responses shared by the participants who believed that EAP services are fairly priced, seem to express belief in the quality of services rendered and the value of such services. The relationship between price and perceived quality service is also highlighted by Burke (2008:17), who mentions that purchasers generally expect to pay an appropriate price for quality. The author supports the view with research

findings which show that a high price is perceived to equate with high quality while a low price means low quality. This view is, however, disputed by participants from a leading EAP service provider whose rationale for low pricing is based on a strategic decision to obtain a contract without compromising the quality of service.

3.9.3 Conclusion

The chapter highlighted research findings based on the data presented by participants from a leading EAP service provider and the corporate clients who terminated contracts with them. The research findings indicate that contracting in the EAP field is a complex process owing to a number of factors that have to be considered before contracting. The complexity impacts strongly on the choice of the pricing model eventually chosen for contracting purposes. The views shared by both groups of participants indicate that there are internal and external factors that influence the choice of a pricing model. The researcher maintains that both parties (clients and service providers) should take into consideration these factors when making decisions as to what should be made available to employees and to the company for the effective implementation of Employee Assistance Programmes.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS ON THE PRICING MODELS USED IN THE EAP FIELD.

4.1 Introduction

This chapter looks at the conclusions drawn out of the research study. The conclusions are drawn against the objectives of the study indicating how these conclusions relate to the main goal of the study. The study was motivated by the lack of scientific data on typical pricing model practices in the EAP field resulting to a lack of uniformity in pricing which impacts negatively on the professional standards of the Employee Assistance field. The conclusions and recommendations are structured according to the findings as they relate to the sections of the semi structured interview schedule where sub-themes were identified from data presented by the research participants.

4.2 Complexities in relation to contracting within the EAP field.

4.2.1 Conclusion on competition, price and economy

- The research findings indicate a correlation between competition and price. These variables (competition and price) seem to impact on one another.
- Tough competition amongst EAP service providers to acquire contracts encourages submission of low bids. The research findings indicate that low bids in most instances do not necessarily meet corporate clients' needs due to difficulty to provide adequate and quality services within the limited budget. Research findings indicate a correlation between low bidding and adequate provision of quality services.
- Price sensitivity by corporate clients where there is bargain for low price leads to subsidization of services to accommodate the needs of corporate client. Though subsidization has negative results in the form of profit loss for the leading EAP service provider, the service provider is under pressure to retain contracts. Thus the researcher concludes that competition is unhealthy when it forces service providers not to make profit, and again leads to submission of low bids that cannot allow adequate provision of quality services.

- Resistance and price sensitivity on price increase by corporate clients during renewal of contracts is associated with EAP service providers' inability to demonstrate return on investment which is often demanded by executive managers. Corporate clients experience difficulties to justify costs of EAP services to executive managers.
- Difficulties to justify costs of EAP services are associated with minimal research available on return on investment. As a result this puts EAP Coordinators at a difficult position to present data in business terms that is understood by executive managers. Data is presented in social science not in business terms making it intangible to demonstrate the value add of service offering.
- There is a close relation between pricing and the economy. Price increase as annually proposed by EAP Service providers is influenced by the Consumer Price Index (CPI). Therefore consumer price index must be taken into consideration by Corporate Clients when allocating budgets for EAP services.

4.2.2 Recommendations on competition, price and economy

- Corporate Clients, particularly executive managers who have to make final decisions on finances of the company need to understand that EAP as a professional service is an intangible type of service. Therefore the results of interventions are observed over a period of time. In essence; these requires the EAP field to have a standard practice of pre and post evaluations of the state of the organization in relation to the utilization of EAP services. This kind of evaluation should include programme costing in terms of rands and cents.
- There is a need for education on EAP services and its value to all the levels of management including executive managers. EAP should be presented as an organizational and strategic tool for return on investment in monetary terms than on social science terms. This level of education requires EAP professionals to learn business language and present data in such business language. Education and awareness will minimize the queries and justification for price increases during renewal of contracts.
- The education and awareness raising must be conducted amongst EAP

providers to promote quality and value of the service. The researcher is of the opinion that this approach will encourage EAP service providers to compete on quality of EAP provision when submitting bids. Subsequently, corporate clients might evaluate proposals based on the evaluation of the quality service promised by EAP providers than focus on lowest bid.

4.3 Internal processes that influence the choice of a pricing model.

- It is clear that there are internal processes that influence the choice of a pricing model that are not necessarily known by either the contracting corporate client or the EAP service provider. Lack of knowledge on the internal processes seems to create certain assumptions that could be clarified if there was better transparency between EAP service provider and the contracting corporate client. In relation to internal factors, the following conclusions are drawn; namely:

4.3.1 Conclusions on company's budget:

- Budget allocated for EAP services have a significant influence on the choice of a pricing model. The research findings discovered that there is lack of alignment of company's budget allocated to EAP services with organizational needs. There is even a lack of prioritization of EAP budgets. Thus EAPs are confronted with insufficient allocation of budget or even budget cuts on EAP services when companies face financial difficulties.
- Adequate budget allocation on EAP services goes together with organizational profiling that clearly articulates the needs of the organization in relation to EAP services.
- Budget allocation should be guided by company policies and strategies developed to guide the implementation of EAP. An EAPA-SA guideline guides companies on standards that need to be followed in the design and implementation of EAP. However, the study revealed that there is lack of adherence to EAPA-SA standards.
- Though there was no direct question posed on the knowledge, understanding and practical implementation of EAPA-SA standards except the "costing/pricing model"; the research findings discovered that amongst corporate

clients interviewed, there is not much knowledge and understanding of these important guidelines.

4.3.2 Conclusion on utilization

- Utilization is one of the most important variables taken into consideration when choosing the pricing model. However the study revealed that there is a level of uncertainty on how this variable is calculated and presented when reporting. The uncertainty emanates from the lack of uniformity on measuring and calculating utilization reports.
- Unclear interpretation of utilization reports result to discrepancy and ambiguity on reporting systems on EAP services. Such discrepancies raises a concern since utilization will determine budget allocation for EAP and eventually the pricing model that will be chosen for contracting.
- Utilization rate based on capitated fee as a pricing model poses challenges for both the leading EAP Service Provider as well as for Corporate Clients. The leading EAP Service Provider is unable to justify the costing model against utilization rate especially in circumstances where there is low utilization by clients and yet clients are not refunded.

4.3.3 Conclusion on professional relationship.

- Good working relationships are considered significant in any business if one wants to achieve the best results.
- Research findings discovered the importance of relationships between the EAP Service Provider and the Corporate Client. The manner in which the relationship is perceived by the Corporate Client has a major impact on the renewal of the contract. Participants from a leading EAP Service Provider and Corporate Clients whom they terminated contracts with emphasized the importance of an honest, trusting and transparent relationship.
- The relationship in this context as defined by corporate clients is characterized by flexibility, accommodating, being responsive and visible in service offering. Flexibility is seen in the light of being able to accommodate the arising needs of the client.
- The research identifies a gap in relation to building relationships that are

required by both parties (EAP service provider and the corporate client). The gap is in the invitation of proposals for bidding where there is lack of clear articulation of service specification resulting to undefined expectations. Due to cost implications associated with arising needs not covered in the contractual obligation; service providers are obliged to charge for such extra services.

- The study revealed that corporate clients are more prone to terminate contracts with a service provider when the relationship is perceived to be deteriorating with a number of unmet expectations in service offering.
- A leading EAP service provider considered the length of the relationship with a corporate client and used that factor to give a discount when costing a model, however this information is not known.

4.3.4 Conclusion on input factors

- Input factors include direct and indirect costs that are considered by EAP service providers when considering a pricing model. These input factors are not the same for EAP service providers as a result there is no transparency amongst EAP service providers on what goes into pricing. The study discovered that there are difficulties to explain certain costs included in a pricing model for instance the profit margin.

4.4 Internal processes that influence the choice of a pricing model.

4.4.1 Recommendations on Company's budget

- Corporate clients must ensure alignment of EAP budget with EAP policies and strategies that are developed to guide the implementation of Employee Assistance Programme.
- EAP policies and strategies must be effectively implemented with full support from executive management.
- Further research need to be conducted on what hinders effective implementation of these policies, strategies and guidelines. There seem to be an association between implementation of policies and allocated resources such as budgets.
- For effective implementation of EAP, EAPA-SA standards put clear guidelines however there seem to be a lack of compliance to these guidelines. Therefore

it is important that there is an awareness and education drive to inform important role players responsible for implementation of EAP policies in companies.

- There must be extensive education and awareness about factors that are taken into consideration when selecting a pricing model.
- Education and information sharing should put emphasis on EAPA-SA standards in relation to budget allocation for EAP services.
- EAP service providers must be transparent with corporate clients on these factors.
- The corporate client utilizing the information from profiling should be in a position to allocate appropriate resources to contract for a suitable pricing model.

4.4.2 Utilization:

- Utilization is an important variable for the EAP service provider and the corporate client. However this variable must be calculated interpreted and presented in a well-developed and recognized reporting manner.

4.4.3 Relationship:

- Transparency, honesty and respect for the contractual obligation from both parties i.e. the corporate client and the service provider is crucial. However to ensure that the relationship is clearly defined and that expectations are agreed upon; there must be clear service level agreements that are signed by both parties.
- Flexibility in service offering must be considered after both parties have explored, negotiated and agreed on all available options such as restructuring of service package or even payment of additional services not covered within the contractual obligation.

4.4.4 Input factors

- EAP Service Providers must be more transparent about the costs involved in a pricing model. Such transparency and disclosure might ease price sensitivity as clients will begin to understand costs involved in pricing before

bargaining for low costs.

4.5 Role players involved in the submission of a bid.

4.5.1 Conclusion on the role of different role players

- The study revealed the significant role played by different role players in contracting. However there are advantages and disadvantages in the involvement of these role players.
- The advantage is the positive influence and buy-in that is derived in such involvement.
- There is a strong sense of team work amongst role players in a leading EAP service provider whilst there are some weak links amongst the role players in corporate client. The strong team spirit in a leading EAP service provider could be attributed to the common goal and work efforts towards obtaining contract with potential corporate clients. With different role players within corporate clients an observation made is limited understanding and knowledge of EAP by other role players other than the EAP Coordinator. Executive managers and Auditor-General are identified as one of the role players that have an enormous role to play in decision making regarding contracting in EAP.

4.5.2 Recommendations on the role of different role players

- Engagement of significant role players with the purpose of developing an understanding of an EAP as a professional service is critical. This requires a well-researched and developed marketing strategy that will talk to the needs and expectations of these role players. The marketing strategy must be aligned to organizational strategic plan. This will ensure that there is a buy-in from these role players.
- Awareness raising and education should be in the area of EAP policies, strategies and guidelines to ensure appropriate allocation of resources. These role players must be educated about factors that are taken into consideration when choosing a pricing model and a choice of an EAP Service Provider to contract with. The developed understanding will ensure that there is informed decision made in matters relating to EAP services and contracting with a

particular service provider.

4.6 External processes encountered in the submission of a bid.

4.6.1 Conclusions on procurement procedures for professional services

- The study has revealed that there is a discrepancy between the bid specifications and submitted proposal. The discrepancy is identified in the articulation of corporate clients' needs in the tender document. Subsequently, such discrepancy makes it difficult for the bidding EAP service provider to understand and respond to the needs of the client on paper. The lack of specificity of expectations in terms of service offering in bid specifications and in the contract between the service provider and corporate client seem to impact negatively on the nature of the relationship and often result to non-renewal of contracts.
- There is a perception by some corporate clients that the leading EAP service provider was not flexible, accommodating to the arising needs that were not part of the initial contract. The expectation was made without necessarily expecting adding cost. Such unmet expectation resulted to non-renewal of contract. The unclear expectation is a typical shortfall of procurement procedures where corporate clients are not always clear of their expectation in bid specifications.

4.6.2 Recommendations on procurement procedures

- Corporate clients must conduct comprehensive organizational profiling and clearly articulates what they want to make available to their employees.
- To augment shortfalls that might arise out of profiling and needs assessment, there must be systems in place to have one to one sessions with prospective EAP service providers. This process will provide an opportunity for bidding service providers to present their business case and engage with the prospective corporate client.
- It is important that the call for proposal makes a clear distinction between core services and add-ons.
- There should be continuous evaluation of services during the course of the contract by both the service provider and the corporate client.

- Upon identification of gaps, discussions and consensus should be reached by both parties on how such service gaps will be addressed including discussion on costs implications. Evaluation process will create an opportunity to clear out unmet or unrealistic expectations in service offering.

4.7. Influence of corporate clients on the choice of a pricing model.

4.7.1 Conclusions on buyer behaviour

- There is a link between buyer behaviour and the criteria used by corporate clients to contract with a service provider. Purchasing past experience with other service providers is used as a frame of reference to evaluate and compare the prospective service provider. The learning experiences are used to guard against the shortcomings identified with the previous contracts. This finding re-emphasizes the significance of comprehensive service evaluation during the course of the contract as opposed to the end of the contract.

4.7.2 Recommendations on buyer behaviour

- EAP Service Providers must understand buyer behaviour and incorporate such understanding in the marketing strategy. Marketing must focus on the value attached to the programme using testimonials and success stories on the programme.

4.8 Criteria for selection and contracting with EAP service provider.

- Comprehensive service offering and credibility of service providers was identified as crucial in the selection process.
- Credibility is defined as a national foot print where there is standardized programme in terms of quality, efficiency and effectiveness across the board in service offering. Such credibility and standardization becomes significant in the financial sector which cannot risk having incapable and non-productive workforce. Credibility is measured by the quality of service offering, the nature of the relationship that is characterized by transparency, honesty, effectiveness of the programme and meeting clients' expectations.

4.8.1 Conclusions on the views shared by a leading EAP service provider on the selection criteria used by corporate clients.

- There is a discrepancy on the selection criteria specified on the invitation for proposals and the actual selection process. The inconsistency emanates from lack of adherence to the initial selection criteria which often results to unrealistic expectations.
- The research findings conclusively identified that corporate clients are easily influenced by add-ons during evaluation of proposal and therefore contracting will be based on add-on services.

4.8.2 Recommendations on the selection criteria in contracting EAP services.

- Service providers should strive to build their credibility through intensive processes in the selection and training of line functionaries who represents the image of the company.
- Training on customer care also becomes significant since relationships are a determinant of sustaining contracts.
- Line functionaries working in the EAP field must be knowledgeable and abreast with the design and implementation of EAP.
- Quality in service offering must be prioritized by the EAP service providers and the study revealed that provision of sustainable quality service is achieved through appropriate pricing and allocation of resources.
- Corporate clients must be more transparent on the criteria for selection of a service provider.
- Selection based on the lowest bid (price) must be avoided. Corporate clients are in a better position to influence paradigm shift in low bidding through strengthening transparent and consistent selection criteria that does not prioritize on price as a deciding factor.

4.9 Knowledge of the pricing models utilized in the EAP field.

4.9.1 Conclusions on knowledge of the pricing models used in the EAP field.

- There is lack of knowledge and understanding of the different pricing models utilized in the EAP field by corporate clients.

4.9.2 Recommendations to enhance the understanding of pricing models in the EAP field.

- An effort must be made by EAP service providers to educate the corporate client about the different pricing models, explaining the advantages and disadvantages for each model. Such information sharing will facilitate the process of making informed decision about the best pricing model or even a combined model that will meet the needs of the organization served.
- Corporate clients must also take responsibility of empowering themselves with knowledge on the different pricing models. Coupled with such understanding, corporate clients must conduct needs assessment of the organization in order to ensure that an informed decision is made on the selection of a best pricing model that will meet organizational needs.

4.10 Transparency on the implementation of the pricing models used in the EAP field.

4.10.1 Conclusions on transparency

- There is lack of transparency on the pricing models used in the EAP field. Such lack of transparency is coupled with insufficient information that is shared on the different pricing models; as a result deprive the corporate client to choose from a range of pricing models.
- Lack of transparency is also evident amongst EAP service providers who are reluctant to make known their pricing models to own competitors. Such lack of transparency seems to have perpetuated poor pricing that has resulted to low bids.

4.10.2 Recommendations on transparency

- Service providers must present all the different pricing models to corporate clients not necessarily the preferred pricing model. This is actually in compliance to the standards as set out in EAPA-SA. EAPA Committee must put systems in place to ensure that there is compliance to set standards.

4.11 EAP prices and price variation

4.11.1 Conclusions on EAP prices and price variation

- Research findings point to one critical issue in relation to these identified themes. Responses of participants indicate a lack of benchmark on how the standards as laid out in EAPA-SA standards should be applied. There seem to be difficulties on the implementation of the standards as service providers continue to set their own standards of operating including pricing. EAP prices and price variation links up with the conclusions drawn on the standard practice for pricing models in the EAP field.

4.11.2 Recommendations on EAP prices and price variation

- There must be guiding principles that will inform corporate clients on EAP prices. These principles will ensure that there is common understanding on factors that informs price variation in pricing within the EAP field.
- The guiding principles should form part of the documented guidelines to ensure transparency on pricing in the EAP field.

4.12 Standard practice for pricing models in the EAP field.

4.12.1 Conclusions on standard practice on the implementation of the pricing models in the EAP field

- There is a gap in relation to the practical implementation of pricing models in the EAP field. This gap has resulted to discrepancies in pricing.

4.12.2 Recommendations to address the practical implementation of the pricing models in the EAP field.

- EAP service providers and corporate clients must understand and follow the guidelines that the researcher has developed to give guidance on processes that needs to be undertaken by service providers to inform corporate clients about pricing models used in the EAP field. The developed guidelines also provide guidance to corporate clients on processes they must undertake to ensure that they pay an appropriate price for quality when contracting with EAP service providers. Developed guidelines equips corporate clients with necessary information on the factors to be considered when selecting and

contracting with an EAP service provider who will provide a quality EAP with a suitable pricing model.

CHAPTER 5

GUIDELINES THAT COULD BE APPLIED IN PRACTICE AS A STANDARD EAP PRICING MODEL

1 Introduction

EAPA-SA standards (2010:5) provide the benchmark and guidelines for practice in the costing models applied in the EAP field. However; there are continuous practical challenges that are manifesting in the implementation of these standards subsequently contributing to ineffective application and implementation. Amaral (1999:161) defines benchmarking as a systemic process for understanding the services that are recognized as representing best practices for the purpose of continuous quality improvement. Benchmarks are set based not on the highest achievable levels of service but on what one considers best practices.

With the implementation of the pricing models used in the EAP field, it is a challenge to define what the best practice is as various EAP service providers use own criteria and formulas in determining price of an EAP service. Lack of standard practice in pricing models used by EAP service providers has created a dilemma for corporate clients when they have to select and contract for EAP services. Lack of standard practice in pricing models also has negative impact amongst EAP service providers.

The negative impact is seen in the utilisation of own criteria which have led to price under-cutting amongst EAP service providers, resulting to submission of low bids during tender processes. The research findings (literature review on pricing models and empirical research on the pricing models) demonstrated the negative repercussions of low bidding. The impact of low bidding is seen in the inability of EAP service provider to provide adequate services to meet the needs of clients. On the other hand corporate clients face challenge of service limitations despite emerging needs of employees.

Based on the research findings it is clear that pricing in the EAP field is a challenge and as such raises concern for the corporate client as well as for the service provider in relation to pricing models used in the EAP field. Common areas of concern as

identified in the data from corporates clients who terminated contract with a leading EAP service provider as well as this leading EAP service provider are as follows: competitive pricing that result to price cuts, lack of differentiation in service offering by EAP service providers subsequently puts the corporate client in dilemma in terms of contracting, price sensitivity by corporate clients which seem to be motivated by lack of understanding of the costs of, as well as value of EAP services, transparency in bid quotations and service offering, calculation of utilization rate.

Analysis of the identified areas of concern points to a challenge confronting the EAP field which is in the marketing and selling of EAP services. Based on the comments and proposals made by participants from corporate clients and a leading EAP service provider the challenge can be dealt with through education and training on the pricing models used in the EAP field. Training must include factors to be taken into consideration in the selection of, and contracting with an EAP service provider. The information will empower the corporate client to understand what constitutes a quality EAP and further enable the corporate client to differentiate services, make an informed decision in the selection and contracting with an EAP service provider. Education and training must also be directed at EAP service providers to address challenges that are experienced in relation to pricing models used in the EAP field.

2. Purpose of the guidelines on pricing models

The research findings indicated a gap in relation to the practical implementation of the pricing models in the EAP field. Such gap resulted to some discrepancies in understanding the processes undertaken to inform the pricing models used in the EAP field. The identified gap necessitated the development of practice guidelines that could be applied as standard practice for pricing models of the Employee Assistance Programme.

For that reason, these guidelines are intended to give guidance on processes that needs to be undertaken by service providers to inform corporate clients about pricing models used in the EAP field. The guidelines will also provide guidance to corporate clients on processes they must undertake to ensure that they pay an appropriate

price for quality when contracting with EAP service providers. Subsequently corporate clients will be better informed and equipped on factors they need to consider when selecting and contracting with a credible EAP service provider who will provide a quality EAP with a suitable pricing model. The significance of these guidelines is based on the fact that procurement of an EAP is something that needs to be undertaken with appropriate planning, research and investigation. Therefore it is important to have relevant information to inform decision making processes. These guidelines will therefore focus at the following, namely: value of the EAP, EAP service package, costs of EAP services, what constitutes a quality EAP, pricing models used in the EAP field with advantages and disadvantages of each model.

3. Who should use these guidelines?

EAPA-SA (2010:5) clearly outlines the criteria for costing models. The standard states that pricing of EAPs should be negotiated and mutually agreed upon by the service provider and the employer, after different models have been considered. In view of that, employer (corporate clients) and the EAP service provider are the main parties when it comes to the pricing models used in the EAP field. They must be conversant and clear of what is expected of each other. Therefore the developed guidelines will be used by the EAP service provider and the corporate client.

4. Factors to be considered in the selection and contracting of EAP service providers

Corporate clients and EAP service providers must ensure that certain processes are undertaken in the marketing, selling and selection of an EAP service provider that will meet needs of the contracting organisation. The following guiding topics, informed by the research findings, will be discussed; namely: education and training, features that constitute a standard practice for pricing models in the EAP field. Education and training has sub-topics namely; value of the EAP, EAP service package, costs of EAP services and what constitutes a quality EAP. Features that constitute a standard practice for pricing models in the EAP field will cover standardization for EAP costs, transparency on service offering and utilisation; price vis à vis the quality service.

4.1 Education and training

Education and training of corporate clients is one of the important factors that must be prioritised in the EAP field. Training is one of the core elements of an EAP. Cagney (1999:60) states that consultation with, training of, and assistance to work organisation leaders seeking to manage the troubled employee, enhance the work environment, improve employee job performance, and outreach to and education of employees and their family members about EAP services is important.

Additional to training for corporate client, training for EAP service providers is also important. EAP service providers have internal role stakeholders who have a role to play in the compilation of proposals for bid submission. The importance of multi-disciplinary approach and teamwork is significant for the internal role players especially in relation to pricing models. Team members know the details of the specific services they are responsible for, the required resources to render such services and the necessary expertise required to execute those services. Therefore internal role players of the EAP service provider must be consulted in the preparation of proposal for bid submissions.

Some of the identified issues from the research findings that require education and training are as follows: value of the EAP, EAP service package, costs of EAP services, what constitutes a quality EAP, information on the pricing models used in the EAP field with advantages and disadvantages of each model. The following discussion will focus on the details of each identified area except pricing models used in the EAP field as it was discussed in Chapter 2 (2.6 in page 52).

4.1.1 Value of EAP services

Corporate clients want value for services they pay for. The value of an EAP will be derived with a full understanding of the concept of an EAP, meaning, what an EAP entails and what an EAP can do for the company. Lack of understanding of EAP has been identified as a challenge especially the value added to company by the programme. The lack of understanding has resulted to limited budgets allocated to

the programme or even budget cuts when companies are confronted with financial crisis. Knowledge and understanding of the value of EAP must be shared during the marketing of EAP. Information on the value of EAP must be shared with all levels including management and executive managers. The organisation must be assisted to understand and analyse organisational needs that will be addressed through EAP interventions.

Identification of the needs of the company through organisational assessment lays a foundation for proper programme design. Organisational assessment must inform programme planning which requires the involvement of all internal stakeholders. Programme planning enables the corporate client and the EAP service provider to design a programme that is properly resourced to meet organisational needs.

Education and training is a marketing tool that is fundamental for an EAP. Beidel (1999:91) states that the marketing of the programme and its services is the bread and butter of EAP. The author explains that marketing is not viewed only in promotion of services to the workforce but also in forming the foundation of expectations on which the programmes' effectiveness will be measured. EAP service providers as the marketer of EAP will be held accountable on the promises made on service offering and the envisaged outcome of the programme. It is critical thereof to have clear and distinct goals and objectives in marketing campaigns.

In execution of marketing plan, it is important that the EAP professional takes into account the organizational culture as it influences how things get done within the organisation, the processes that are being followed to get things done (Beidel, 1999:94). The author further explains that an EAP that understands these organizational determinants and taps into these cultural influences will have a better grasp of the strategies that are most likely to meet the EAPs' overall marketing goals and objectives.

Developing and building an effective EAP within an organisation requires a buy-in from all relevant stakeholders. Management including executive management plays a crucial role in terms of providing support in the establishment of an effective EAP.

The significance of the role of management is seen in the commitment demonstrated by the organisation in terms of resource allocation required to implement the EAP. According to Stoer-Scaggs (1999:37) developing an EAP reflects institutional commitment to the human and economic concerns of both individuals and organisations because it represents intent to improve quality of life for the entire workforce. However, management will not invest in a programme that cannot demonstrate its value. Attridge (2007:27) identified three themes that EAP service providers must explain to purchasers in order to tell the value of EAP services.

The first theme is reporting on utilisation. Utilisation basically measures how often EAP was used. The data presented should reflect activities that have taken place, examining the number of total EAP contacts, different channels used to reach the EAP and the frequency of such contacts, mix of service types used; various types of presenting and assessed problems, the source of referrals. Analysis of the presented data will give cues for future planning particularly budget allocation and even a choice of a pricing model that should be adopted by the corporate client to address the needs of employees.

Utilisation report must also explain the level of utilisation in specific months, quarters or semi-annually, depending on agreed periods for submission of reports. The report on level of utilisation can help to detect trends in particular seasons and such information will facilitate future planning in terms of specific programmes that must be implemented to address identified issues. Utilisation report must also explain if the EAP has met the expectation of the programme as initially agreed upon during programme planning and design. The report must also clearly state the level upon which such expectations are met. In order to provide this kind of report the EAP service provider must have a baseline that serves as a benchmark. In cases of newly established EAPs in the work organisation, the EAP service provider can use information of success stories from other purchasers of similar nature.

The second theme to measure value of an EAP is the outcome of EAP interventions in the workplace. Value is associated with satisfactory results that are achieved. It is associated with the price paid for the service against the quality of service received. Clients want value for their money, it becomes important therefore that clients know what they should expect from a contract with a contracting EAP service provider. Attridge (2007:28) states that the EAP service provider must demonstrate the effect of programme use on three outcomes namely, clinical, workplace performance and benefits integration.

In relation to clinical outcome the EAP must demonstrate how employee health behaviours changed or improved as a result of the EAP use. This can be measured by the degree of change on the problem areas that were presented by employees. In relation to workplace performance outcome, EAP must demonstrate which employee work behaviours changed or improved as a result of EAP use. This is where employee work performance assessments become crucial. Change in work performance is best measured with pre- and post- assessment tools.

The last outcome which is benefits integration must be demonstrated through employee's actions and initiative of using other employer-sponsored health management programmes. These programmes are both on prevention and chronic/disease management. The outcome demonstrates the effectiveness of the EAP intervention because the employee independently seeks other programmes that will contribute to his or her comprehensive well-being after using EAP.

The third theme that explains value of EAP services is the business value. The EAP service provider must demonstrate how much the outcomes are worth, ideally by converting the outcomes into dollars. One of the challenges expressed by one of the corporate clients is that EAP service providers cannot demonstrate the return on investment in their reporting on utilisation because the reports are not presented in business language that is understood by executive managers. Attridge (2007:28) also identifies that one of the challenges facing clinically oriented managers of EAPs

who are creating outcome reports is how to present the results in a way that business leaders can understand and appreciate.

The author advises that reports must be presented in a strategic manner that explains the true comprehensive value of the programme. The report should present three outcomes that are important to employers namely; health care, human capital and organisational outcomes. Furthermore, the author states that the health care component includes the impact of the programme on medical, mental health, disability and workers' compensation claims. On human capital value component, the report must present the savings that an employer can expect when effective prevention and intervention services are conducted.

The organisational value component includes costs associated with workplace safety risk management, legal liability risk prevention, organisational culture change, improved workplace morale. Basically the report reflects the costs that affect the profit of the company. In order to provide concrete results on business value, EAP service providers must have a baseline on the financial costs to the company before the implementation of EAP. The baseline will serve as a benchmark against which the service provider through outcome reports will measure improvement in the workplace. The results will subsequently demonstrate return on investment.

The outcome based approach requires programme design and planning to be inclusive of programme evaluation. Programme evaluation is an important part in the EAP field as it enables corporate client to assess progress made in terms of executing programme objectives. Valuable information derived from programme evaluation enables corporate clients to acknowledge the value of the programme and the value added to the organisation.

The section on value of EAPs provided information on the importance of marketing the value of EAP in work organisation. Most importantly, the discussion highlighted

the significance of communicating value in a concrete, tangible manner that will be understood by the organisation served. The guidelines will now focus on the EAP service offering that must be understood by corporate clients.

4.1.2 Service package

Service offering is one of the selection criteria considered by corporate clients when selecting and contracting with an EAP service provider. Research findings identified that corporate clients are confronted with a challenge of service differentiation as a result of competition in the EAP field where service providers submit proposals with similar service offering. Thus the result is the selection of and contracting with EAP service providers mainly based on price. Jorgensen (2005:2) advises purchasers to compare the individual service packages and evaluate how the packages meet the organisational needs. Purchasers must resist simply choosing EAPs based on lowest price.

In addition the author proposes that purchasers must understand the details of each EAP package. The author asserts that a quality EAP will offer a fair price, a full-service package and responsive service. A full service EAP should provide comprehensive integrated EAP services that meet the needs of the organisation, the employees and their dependants. This means, there are critical components that will be offered by a quality EAP. It is important for corporate clients to take note of these characteristics when contracting for EAP services.

Cagney (1999:60) states that EAPs have distinctive characteristics that are not present in other delivery systems (behavioural health delivery systems). The first identifying feature is found in the definition of EAP as defined by EAPA. According to EAPA as quoted by Cagney (1999:60), EAP is defined as a work-site based programme designed to assist (a) work organisations in addressing productivity issues and (b) employee clients in identifying and resolving personal concerns (including but not limited to health, marital, family, alcohol, drug, legal, emotional,

stress, or other personal issues) that may affect performance. It is clear that the focus is on work-site problems as a trigger for case finding.

The other feature is in the core elements of EAP. The author identifies seven core components combined to create a unique approach to address work productivity issues and client concerns that affect job performance. Those are:

1. Consultation with, training of, and assistance to work organisation leaders (managers, supervisors and union leaders) seeking to manage the troubled employee job performance, and outreach to and education of employees and their family members about EAP services.
2. Confidential and timely problem identification/ assessment services for employee clients with personal concerns that may affect job performance.
3. Use of constructive confrontation, motivation and short term intervention with employee clients to address problems that affect job performance.
4. Referral of employee clients for diagnosis, treatment and assistance including case monitoring and follow up services.
5. Consultation with work organisations in establishing and maintaining effective relations with treatment and other service providers, and in managing provider contracts. This is crucial whereby the EAP service provider has sub-contractors providing services to the corporate client.
6. Consultation with work organisations to encourage availability of and employee access to health benefits covering medical and behavioural problems including, but not limited to alcoholism, drug abuse, mental and emotional disorders.
7. Identification of the effects of EAP services on the work organisation and individual job performance.

EAPA-UK (2011:2) also identified the above mentioned elements that will be found in a quality EAP. Additionally, EAPA-UK identified the importance of employing staff who are experienced in the delivery of short-term interventions. EAP staff is able to work effectively with the dual relationship between the corporate client and the employee. The speciality of EAP staff distinguishes them from any other form of mental health counselling, coaching or private counselling. The emphasis is on

employee work performance as a central theme that guides all programme practices and services.

The core elements indicate two levels of service delivery; to individual employees and work organisations. Jorgensen (2005:3) elaborates further by stating categories for EAP intervention services. Firstly, it is EAP services for the individual which will be clinical services. Secondly, it is EAP services for the organisation which will focus on consultation, training and evaluation.

4.1.2.1 EAP services for individual

These include:

1. 24 hour crisis telephone response
2. Confidential assessment and counselling services
3. Referral support, tracking and follow up
4. Emergency intervention/ critical incident stress management
5. Substance abuse expertise
6. Access to qualified EA clinical providers
7. Dependent and domestic partner coverage
8. Guaranteed confidential record keeping

4.1.2.2 EAP services for the organisation

These services will include:

1. EAP orientation for all employees
2. Supervisory-leadership training
3. EAP communication/ awareness materials
4. EAP policy development and coordination
5. Labour coordination
6. Management communication and consultation
7. Annual and periodic utilisation reports
8. EA programme evaluation
9. Client/ company satisfaction evaluation

It is important that corporate clients receive detailed information on how EAP services will be delivered. The information will ensure that a right choice is made in the selection process. Understanding service delivery mode is important as it impacts on pricing. The information on types of EAP services leads the discussion into delivery models of EAPs. EAPA-UK (2011:3) states three delivery models that vary in nature. Firstly, it is a full EAP service with key elements such as 24 hour telephone support, assessment and counselling services; assessment of needs; structured short term psychological interventions delivered both face to face and by telephone; case management and management information; management consultations; website information and services to support EAP with interactive content, fact sheets and online services.

The second delivery model is telephone and online services. In this model services that are provided are the same as the full EAP but are only provided by telephone or online. There is no access to face to face assessment or counselling.

The third delivery model is the embedded EAP. An embedded EAP is provided as a benefit or an add-on to a product such as health or disability plan package. The cost of EAP service is presented as free though the costs are embedded in the fees paid for other products purchased by the corporate client. The services provided in an embedded EAP may differ from other EAPs in terms of face to face session model. In comparison to other models; face to face counselling may be three to eight sessions depending on the nature of the contract.

EAPA-UK (2011:5) cautions that prospective EAP purchasers must clearly understand the counselling model that will be used by the service provider and how it is priced. As part of service evaluation, corporate clients must understand the level of usage of counselling sessions and the average number of sessions taken. This information could form basis for comparing one service provider with another.

4.1.3 Cost of EAP services

Provision of EAP services is costly. When purchasing an EAP, it is important that corporate clients understand exactly how the cost has been calculated (EAPA-UK, 2011:8). Costs of EAP services must be clearly communicated to executive managers who have a task of making a final decision on allocation of resources including adequate budget for EAP. EAP service providers must breakdown costs of each service so that corporate clients know exactly what to budget for and how much they will be paying for. Price breakdown also gives leverage to decide which services to contract on or cut out of the service package. Transparency on costs will minimise resistance to price increase which is often displayed during contract renewal. Transparency on costs also demonstrates credibility and accountability of the EAP service provider whom through cost-benefit analysis can demonstrate return on investment.

Costs breakdown for EAP services can include costs for on-site clinic, the infrastructure, payment of affiliates and staff, access to website, access to 24/7 telephone consultation, training, awareness campaigns etc.

4.1.4 What constitutes a quality EAP?

There is increased demand for accountability on service provision where value and quality of service must be demonstrated. Purchasers must be assured that they are contracting for quality EAP. The guideline presents a number of questions and concerns that must be answered by prospective EAP service providers. The questions will assist the corporate client in the assessment process of a quality EAP:

4.1.4.1 Understand details of each EAP package.

Corporate clients must understand the details of each EAP package. The knowledge and understanding must reflect an understanding of how the package can benefit employees and the organisation. The information will enable the corporate client to choose which EAP package will benefit the organisation. Terblanche (2010) states

that combination of EAP and wellness is a common practice in South Africa. If there is lack of understanding of EAP package and how it differs from wellness, corporate clients will not be able to make informed decision on how to blend the two programmes and get a comprehensive integrated programme.

4.1.4.2 What core components will be delivered?

Core components to be delivered will be determined by the needs of the organisations. These core components were discussed earlier under heading – service offering (4.1.2). It is important for corporate clients to understand the core components that will be delivered and their financial implications. Terblanche (2010) indicates that coverage of reactive and proactive components reflects good practice. Therefore it becomes important that service provision is not only seen as reactive in nature but also preventative.

4.1.4.3 What will be an extent of service delivery?

Corporate clients must understand the scope of service delivery. The scope of service delivery provides details on number of counselling sessions, number of trainings to be conducted, number of reports to be issued and their frequency. The extent of service delivery is likely to affect the EAP pricing. If these factors are understood upfront, resistance to pay high price for EAP including negotiation on price increase will be minimised.

4.1.4.4 How will the service be delivered?

Mode of service delivery varies from one service provider to another. Some EAP service providers use face to face, telephone and website based methods of service delivery whilst others mainly use telephone and website based methods. Corporate clients must understand the nature of the clients and the geographical location of the organisation. This information will enable the corporate client to decide which methods will be suitable to meet employee and organisational needs. It is also

important to note that mode of service delivery has cost implications and will affect pricing.

4.1.4.5 Who will deliver the services?

Jorgensen (2005:7) cautions corporate clients to watch out for EAP service providers who utilise unqualified or poorly trained, less costly staff to provide services. This caution is also applicable to affiliates who might be sub-contracted to provide services. The author states that some EAP service providers might sub-contract services to under-qualified affiliate providers at a lower rate. It is important that purchasers understand the structure of a prospective EAP service provider, staff qualifications their training and experience. Purchasers must enquire about the affiliates that might be sub-contracted and their level of qualifications, training and experience. The EAP service provider must be able to demonstrate how affiliates will be managed whilst rendering sub-contracted services. It is important to have clarity on this aspect to prevent a situation where a contracting corporate client will be caught in-between the EAP service provider (principal contractor) and the affiliate (sub-contractor).

4.1.4.6 Responsiveness and availability

Corporate clients do not want to be stuck with a non-responsive EAP service provider. Responsiveness and availability will be determined by how telephone access and intake system works; how calls are handled after regular business hours and during weekends, average time frames for scheduling of appointments including counselling appointments (EAPA-UK, 2011:9). The EAP service provider must also demonstrate how to handle crisis situations at the work place and how to deal with employees in crisis situation.

4.1.4.7 Credibility of the service provider

Credibility of service providers is one of the factors considered in contracting on EAP. How is credibility measured? Terblanche (2010) states that quality of services delivered is amongst factors considered in contracting. Furthermore, the author identifies some of the crucial indicators of a successful contract namely; communication, reliability of an account manager, on-site visits to corporate clients, involvement in preventative projects, advice through consultation on needs or trends identified in the work organisation which may impact on productivity and, intensified interventions in terms of prevention services.

According to the author, maintenance of communication between account manager and corporate client is one of the valuable indicators. Communication can be done in several ways personal, telephonic and electronically. Reliability of an account manager as indicator is demonstrated through a healthy, open and honest relationship between the account manager and the corporate client. The account manager is a link between the corporate client and the EAP service provider. It is important that this person is intensively trained as he or she portrays the image of the EAP service provider.

4.1.4.8 Accountability

Corporate clients must be conversant with professional standards and ethics that must be adhered to by EAP service providers and their affiliates. These set of standards must be used to measure malpractice and to hold practitioners accountable during service provision. There must be clear and documented information on quality assurance process, outcomes management, client satisfaction, risk management, information systems, operational and procedural standards.

Accreditation of service providers is one measure to ensure accountability. Drotos (1999:16) states that accreditation has to ensure that EAPs have met standards of

quality of services. Harms and Miller as quoted by Drotos (1999:16) defines accreditation as a process whereby an agency or association grants public recognition to an organisation that meets certain predetermined qualifications or standards. It is a voluntary peer review process that evaluates the quality of a program or an institution through the use of pre-established standards. The purpose of the accreditation organisation is to verify that an institution has well-defined, appropriate objectives and that it meets set standards.

Accreditation is different from credentialing and certification. According to Drotos (1999:17) certification recognises the competence of individual practitioners. Professional associations develop certification programs to meet several goals including increased visibility of the field, increased recognition of qualified workers in the field, improved performance and qualification of the membership and enhanced prestige of the association and its members. Employee Assistance Professional Association (EAPA) which is the largest membership organisation for Employee Assistance professionals serves as one of two member organisations for employee assistance professionals and has developed a certification procedure that includes years of experience, continuing education and a written exam. The other EAP member organisation is called Employee Assistance Society of North America (EASNA) and it accredits the entire Employee Assistance programs (Drotos, 1999:15). It is important to note that EAPA does not do accreditation.

What is the significance of accreditation and certification in the EAP field? These processes will ensure that there is accountability in service offering and that low cost EAPs that provide poor quality service are eliminated. Accreditation reinforces a commitment to enhance and monitor the quality of EA services to the consumer (Drotos, 1999:22). EASNA brochure (1995) as quoted by Drotos (1999:22) states that accreditation shows that your programme possess a body of useful knowledge, values and skills; has completed a specified period of successful performance; showed your programme has reached an approved level of competence; has been accepted as a member of a community of professionals recognised by experts from

similar purposes; created a vehicle for continuous quality improvement; attracts business from companies looking for accredited programmes.

4.1.4.9 Fair price sufficient to fund the proposed EAP services

Jorgensen (2005:7) advises that purchasers must carefully assess the adequacy of the compensation rate of required services to ensure that client care, access, promotion and workplace services are not threatened by rates too low to provide services.

5. Features that constitute a standard practice for pricing models in the EAP field.

5.1 Standardization for EAP costs

Standardization in this instance means common understanding of the costs of an EAP service. Common understanding of the costs of an EAP service will serve as a benchmark for corporate clients to differentiate under-priced services that will not be sufficient to fund the proposed services. Such standard might act as a deterrent against price slashing.

In the research findings, one participant from corporate client commented that there are guidelines as set out by EAPA-SA however, there are still gaps such as lack of benchmark in terms of what corporate clients pay. Lack of benchmark results in cost estimation when it comes to pricing as EAP service providers use own criteria when pricing. The other participant from a leading EAP service provider proposed that standardization can be linked to the existing standards in the costing of EAP services as provided for in EAPA-SA. Benchmarking requires EAPA to develop criteria on what is quality EAP and how much it costs to provide a comprehensive quality EAP service. This guideline has provided key areas on what constitutes quality EAP.

5.2 Transparency on service offering and utilisation

Linked to standardization is the issue of transparency. Transparency is one of the major concerns in the EAP field. The study revealed that there is lack of transparency during interactions with corporate clients. Research findings pointed out that EAP service providers must demonstrate transparency by sharing information on service offering including costs with corporate clients. Furthermore, information on different pricing models to be used to meet organisational needs must be explained with implications of each model. Such information sharing will facilitate the process of providing an honest price quotation when submitting bids. Corporate clients will be better informed and empowered to differentiate which quotation will best meet their needs.

Another area of concern in relation to transparency in the EAP field is the calculation and reporting of utilisation rate. Reports do not present enough information that demonstrates the return on investment. It is important therefore that the report must be written in way that enables the internal EAP Coordinator or HR Practitioner responsible for EAP to justify the balance between expenditure and benefits on the application of financial resources during the implementation of EAP. Lack of adequate reporting systems on the utilisation of EAP services poses a challenge for practitioners responsible for company's programme to convince executive managers to sustain and allocate sufficient resources to the programme.

The reporting tool to be used must be negotiated with the corporate client and be easily adaptable to meet the changing needs of the company served. In essence, this means the EAP service provider must be flexible and be able to accommodate the needs of the company served. Transparency will ensure that EAPs build a credible relationship with corporate clients; relationship based on openness, trust and honesty.

EAP service providers also lack transparency amongst themselves as EAP service providers are secretive about the actual price of a service which enabled them to reach a pricing model used during contracting. Secrecy results to submission of low

bids which at times cannot fulfil contractual obligation in terms of service offering. Bradman (2003:7) advises that EAPs must adopt comprehensive disclosure policies that will accurately represent the pricing bases for EAP services thereby allowing purchasers to make apples to apples comparison. EAPs must develop standard criteria for application of transparency in submission of proposal and quotes, service provision and in reporting of utilisation rates.

5.3 Price vis à vis the quality service

There is trend to pitch on price during submission of the bid for contracts. The trend is motivated by the selection criteria by corporate clients who often use price as differentiating criteria for selection of prospective EAP service providers. This selection criteria has encouraged EAP service providers to cut prices and submit low bids in order to obtain contracts. Selection based on a lowest price has disadvantages. Disadvantage is observed on the lack of provision of comprehensive quality service which is a result of a service provider's inability to allocate adequate resources for service provision.

One participant from a corporate client shared the negative experience encountered with a low-cost contract. The participant shared that the company's choice of a lowest price contract never met the organisational needs despite the emerging needs presented by employees. The participant advises that contracting should be based on comprehensive assessment and provision of quality services that meet the needs of the company. According to Terblanche (2010), price versus product is one of the factors influencing the contracting process.

Critical to the issue of paying for quality service; internal EAP Coordinator or HR Practitioner responsible for EAP in the company must be willing to motivate for selection of a highly priced EAP service provider. The motivation must be informed by the knowledge and understanding of the service package as well as credibility of the prospective EAP service provider to deliver services. On the other hand, EAP service providers must prioritise provision of quality service and that should come strongly during the marketing and selling of EAPs. Sharar and Hertenstein (2006:38)

identifies that EAP field is trapped in a commodity price-driven market. In order to break away from such market, the authors advises that both purchasers and EAP professionals must be educated in selling and buying on the basis of compliance with quality standards rather than the lowest price.

EAP service providers and corporate clients must demonstrate their commitment on quality standards thereby developing quality assurance standards that will be followed to ensure quality control in the provision of EAP services.

Quality assurance is the process and systems that need to be in place to ensure provision of quality services. In order to ensure provision of quality service, EAP service providers must create an infrastructure that will define quality and have standards in place that must be adhered to in providing such quality services. A quality control measure that can be adopted is the development and signing of service level agreements (SLA). SLA must be developed based on mutual agreement between the corporate client and the EAP service provider. SLA must clearly state measurable objectives with time frames on turnaround time for service delivery.

CHAPTER 6

CONCLUSION

The goal of the study which was to explore the complexities and processes involved in the pricing models used in the EAP field was successfully achieved. The researcher managed to explore the current occurrences with regard to pricing models within the EAP field in South Africa. Firstly, the goal of the study was achieved through literature review on the pricing models used in the EAP field. The researcher broadly explored the concept of marketing, selling and buying of EAP services as these factors impact on pricing models in the EAP field. Secondly, the researcher explored the experiences of corporate clients on the pricing models used in the EAP field.

In exploring the views of corporate clients, the researcher applied the principles of systems theory as a theoretical framework and basis for investigation. The theoretical framework guided the researcher to investigate two units of study. The first unit of study was participants from a leading EAP service who were key informants to access corporate clients that terminated contracts with this leading EAP service provider (Group 1). The second unit of study was participants from corporate clients (Group 2) who terminated contracts with a leading EAP service provider. Data analysis of the responses of participants from corporate clients and from a leading EAP service provider demonstrates the interrelatedness between these units and the impact one unit has on the other within the system which is the EAP.

The research study gathered valuable data on what participants perceived to be a standard practice that should be applied in practice in the EAP field. The study revealed deficiencies in relation to scientific data that will justify costs for EAP services. The deficiencies such as lack of benchmark in pricing and reporting on utilization continue to cause discrepancies on motivations to pay more on EAP services.

The achievement of the goal of the research study is measured against the following

objectives:

- To explore the factors that motivates corporate client/consumers to choose or terminate the existing contract with an EAP service provider, opting for another.
- To explore the internal and external constraints of the marketing environment that has an influence in the pricing of EAP products
- To explore the complexities and processes that takes place in determining the pricing models of the EAP field in South Africa.
- To define a guideline for EAP service providers that could be applied in practice as a standard EAP pricing model.

These objectives were all achieved through literature review and empirical research conducted with participants from a leading EAP service provider and corporate clients whom they terminated contracts. The research study further made recommendations on the critical issues raised on various themes that were identified in the study. Furthermore the researcher developed guidelines that could be applied as a standard practice for EAP pricing model.

Importantly to note in this study is that EAPs are encouraged to achieve the best results through promoting the provision of quality programmes and not simply on price. The quality of programmes should be judged on programme results which will be measured through outcomes for employees and the work organization. Emphasis is placed on corporate clients to consider several factors to determine the quality and value of the programme when contracting with service providers. The factors are provided in the developed guidelines in chapter 5.

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Appendix 1:
Semi structured interview schedule for corporate client

Appendix 2:
Semi structured interview schedule for service provider

Appendix 3: Informed consent

Appendix 4:
Approval by Ethics Committee (University of Pretoria)

Appendix 5: Letter from Editor

**UNIVERSITY OF PRETORIA
DEPARTMENT OF SOCIAL WORK AND CRIMINOLOGY**

SEMI-STRUCTURED INTERVIEW SCHEDULE FOR CORPORATE CLIENTS

Introductory information:

The interview which will be conducted according to the semi-structured interview schedule (**Section A-C**). The intention is to obtain data from participants (corporate clients whom had terminated their contract with the relevant EAP Service Provider) on their experiences in relation to pricing and contracting.

The information gathered through these interviews will assist the researcher to understand the complexities and processes involved in the pricing models utilized by EAP service providers in the EAP field from the perspective of corporate clients.

A digital tape recorder will be used to record the interview for the purpose of making transcripts and analysis thereof. Field notes may also be taken during the interview session. The interview will take approximately one (1) hour.

In addressing some of the **ethical issues** such as confidentiality and to protect the identity of the participants; the researcher will not attach the names of the subjects to the information received but use number or codes in the reporting of the findings of the research.

An 'informed consent form' which explains the goal of the study and other research processes will be provided to the participants to read and sign.

As all interviews will be conducted by the researcher herself, any concerns or lack of clarity will be addressed directly with the relevant participant.

SECTION A: BIOGRAPHICAL INFORMATION

1. Date of interview: _____ / _____ /2010
2. State your age:
3. Gender: (will be recorded by the interviewer during the interview)
4. State your marital status:
5. State your highest qualifications:
6. Current post position:
7. Previous work experience relevant to current post (please list all)

SECTION B: QUESTIONS RELATING TO CONTRACTING IN THE EAP FIELD

1. Please tell me about the complexities you have been confronted with as a corporate client when deciding on the EAP service provider to contract with?
 - Who are the different role players that you needed to consider in the process? (no names required)
 - What impact did these role players have in the submission of your specifications and selection criteria?
2. What constitutes your criteria with regard to the selection of the best EAP service provider to render EAP services?
 - How does your previous experience with EAP service providers influence your selection criteria to contract with prospective EAP service providers?

3. Tell me how the service provider has met your expectations in relation to the criteria/ specifications that you submitted when inviting the bids?
 - Could you define any criteria to determine your own level of satisfaction in terms of the service to be delivered against the cost of such service?
4. What have you learned about the criteria you used for choosing an EAP service provider?

SECTION C: INFORMATION ON PRICING MODELS

1. Please share with me your views on different EAP pricing/costing models in general.
2. What is your view on the specific pricing model utilized by your last EAP service provider?
3. Please comment on the level of transparency maintained by your last EAP service provider regarding the pricing models utilized when submitting quotations for bids.
 - Please comment on the different pricing models that were offered to you as a corporate client which might have influenced your decision to choose the pricing model that you eventually opted for when contracting with the EAP service provider?
 - What was the level of your understanding based on the information that was shared with you by the EAP service provider in terms of the price charged against the service you required?
 - What has been your learning experience regarding the pricing model that was offered to you?
4. What would you like to see happening in practice in relation to the EAP costing model that should be implemented by EAP service providers when engaging with corporate clients for the purposes of contracting?
5. What is your view regarding the price of EAP services?

State any comments/ recommendations?

UNIVERSITY OF PRETORIA
DEPARTMENT OF SOCIAL WORK AND CRIMINOLOGY

**SEMI- STRUCTURED INTERVIEW SCHEDULE FOR THE SERVICE PROVIDER:
A LEADING EAP SERVICE PROVIDER**

SECTION A: BIOGRAPHICAL INFORMATION

1. Date of interview: _____/_____/2010
2. State your highest qualifications:
3. State Current job title:
4. State previous work experience relevant to current post (please list all)
5. State number of years in current post

SECTION B: QUESTIONS RELATING TO CONTRACTING IN THE EAP FIELD

1. Please tell me about the complexities you have been confronted with as a service provider in relation to contracting with corporate clients?
2. Comment on the different role-players involved in the contracting process.
3. Comment on those internal processes that you need to adhere to when submitting a bid for a contract?
4. How do these internal processes influence the choice of a pricing model?
5. Please comment on the external processes you are encountering when submitting a bid for a contract?

SECTION C: QUESTIONS RELATING TO PRICING MODELS

6. What is your view on the different pricing models used by EAP service providers?
7. Please comment on transparency regarding pricing models used by EAP service providers
8. What would you regard as good practice in relation to the pricing models that you would like to see being implemented by the EAP providers?
9. What role do corporate clients play in influencing pricing models that will

produce high performance and good quality EAP services?

10. Which pricing model had been applied while the contract with corporate client A was still active?
11. Please comment on the motive for choosing that particular costing model.
12. What justifies price variation of the same product among different corporate clients?
13. How do you handle such price variations risking the contract not to materialize or to loose the contract in future?

Any other comments/recommendations?

25/08/2010

Our Ref: Prof L S Terblanche/N Cekiso
Tel: (012) 420-3292
E-mail: lourie.terblanche@up.ac.za

Dear Sir/Madam

INFORMED CONSENT FORM

Participant's Name:

Date:

Principal Investigator: Neliswa A. Cekiso

1. Title of Study: Pricing models of Employee Assistance Programmes: Experiences of corporate clients serviced by a leading Employee Assistance Programme Service Provider in South Africa.

2. Purpose of the Study: To explore the complexities and processes involved in the pricing models of the EAP field.

3. Procedures: The information will be collected by means of individual interviews that will be guided by the interview schedule. The interview will take approximately 1 to 2 hours. These interviews will be scheduled and conducted at the times convenient to the participants.

4. Risks and Discomforts: There are no known medical risks or discomforts anticipated, however, participants might experience fatigue during the interviews.

5. Benefits: I understand that there are no known direct benefits to me for participating in this study. However, the results of the study may contribute to the EAP field as the results might assist in the development of a guideline/ criteria which could serve as standard EAP guideline for pricing model that will benefit both the EA service provider and the corporate clients.

6. Participant's Rights: I may withdraw from participating in the study at any time.

7. Financial Compensation: I will not be reimbursed for my participation in the study as the researcher will travel to the venue convenient to me as a participant to be interviewed.

8. Confidentiality: In order to record exactly what I say in the interviews, I understand that a digital recorder will be used and such data and transcripts will be listened to and read only by the principal investigator and authorized members of the research team at University of Pretoria.

I understand that the results of the research will be kept confidential, but may be published for academic purposes in the form of masters' dissertation, but my records or identity will not be revealed. I also understand and agree to the submission of data to the relevant EAP Service Provider, but with the understanding that such data will be presented anonymously.

I understand that the data obtained during this study will be stored at the University of Pretoria for a period of 15 years.

I understand my rights as a research subject, and I voluntarily consent to participation in this study. I understand the purpose of the research, the processes and the procedures that will be followed. I understand that I will receive a signed copy of this consent form.

If I have any questions of concerns, I can call **Ms Neliswa Cekiso at 072 1432424** at any time during the period of the research process.

SIGNATURE OF PARTICIPANT

DATE

SIGNATURE OF INVESTIGATOR
MS N A CEKISO

DATE



SIGNATURE OF SUPERVISOR
PROF L S TERBLANCHE



12 October 2010

Dear Prof Lombard

Project: Pricing models of Employee Assistance Programmes:
experiences of corporate clients serviced by a leading
Employee Assistance Programme service provider in South
Africa

Researcher: NA Cekiso
Supervisor: Prof LS Terblanche
Department: Social Work and Criminology
Reference Number: 26410029

Thank you for your response to the Committee's letter of 13 August 2010.

I have pleasure in informing you that the Research Ethics Committee formally **approved** the above study at meeting held on 7 October 2010. Please note that this approval is based on the assumption that the research will be carried out along the lines laid out in the proposal. Should your actual research depart significantly from the proposed research, it would be necessary to apply for a new research approval and ethical clearance.

The Committee requests you to convey this approval to the researcher.

We wish you success with the project.

Sincerely

Prof. John Sharp
Chair: Research Ethics Committee
Faculty of Humanities
UNIVERSITY OF PRETORIA
e-mail: john.sharp@up.ac.za

Professor Karen Batley

BA (Hons), BEd, UED (UCT); MA (UP); D Litt et Phil (Unisa)
(Academic and language practitioner)

13-05-20

To whom it may concern

I have edited the thesis written by Ms Neliswa Cekiso and am satisfied that the standard of presentation is correct and acceptable. I am willing to answer queries relating to the editing.

KE Batley

Professor Karen Batley
(Academic & Language Practitioner)
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