

**DEVELOPING LEADERSHIP  
FOR ASSOCIATIONS IN LOCAL GOVERNMENT**

**in Central America and South America**

**Report prepared for:**

**The Office of Housing and Urban Programs  
U.S. Agency for International Development**

**Prepared by:**

**Mark Keane, consultant to  
International City/County Management Association (ICMA)**

**July 1992**

**Contract No. PDC-1008-C-00-9091-00  
Request for Services # 53**

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IN CENTRAL AMERICA AND SOUTH AMERICA

**OVERVIEW**

National and regional associations of local government officials can be important catalysts for sustained change in the professionalization of government. The association can help institutionalize the process of decentralization by providing support and relevant information, on a continuous basis, to those people who are literally on the front lines of city management and administration. Such associations can also, if managed well, offer a number of other significant benefits ranging from membership services and networking opportunities to advocacy for local government issues at the national level. The key to realizing this potential, however, is improved management. Accordingly, there are a number of fundamental principles concerning the association's goals, management structure and finances that must be addressed if the association is to be effective.

The following proposal outlines an on-going municipal association training program designed to address these principles. The program is designed as a series of separate modules that cover a range of issues important to association management. These include defining association goals and responsibilities, developing membership outreach and support techniques, and addressing the short- and long-term financial administration of the organization.

The module approach also provides for maximum flexibility in the training process. Individual modules can be added or deleted from an overall program depending on the needs of the participants and the goals of U.S. A.I.D. officials. Furthermore, with this flexibility training programs can more easily be tailored to the particular needs of each association. One association may, for example, have budget concerns while another may require assistance in government advocacy. The module approach thus ensures that each training session has maximum relevance to the target audience.

Finally, the training program is designed so that it may be held in the in the United States or overseas, again depending on the needs of

the participating audience. ICMA recommends that the initial training seminar be held in the U.S. with subsequent and possibly more targeted sessions held in Latin America. Training would be held in the United States in affiliation with some of the leading public administration schools in the country. Administrators and professors at the graduate level are available from such programs as the University of Georgia, University of Kansas, Syracuse's Maxwell School and George Washington University (George Washington was the site of the first program in the United States devoted to association management). When conducting training overseas, ICMA will identify experienced trainers to tailor a specialized program within the module framework, which is described in further detail in the body of this proposal. In each case, the training program as designed should combine a comprehensive approach to association management with the flexibility needed to address the specific and changing needs of the participants involved. With this in mind, the program can become an ongoing resource for U.S. A.I.D. in its efforts to work with local government officials.

## **BACKGROUND: WHAT IS AN ASSOCIATION?**

Associations come in many forms designed to reflect the constituencies they serve. These include trade associations (which have companies as members), professional associations (whose members are individuals), and those that reflect a combination of the two. The national and regional associations in Latin America tend to reflect this combination. Since the municipalities are the members, the associations are primarily designed to serve these corporate entities. However, those that participate in the association's functions are individual city officials. Furthermore, as these associations expand, they may choose to admit individual Affiliate Members in addition to the incorporated municipalities. An effective model for this combination is the League of California Cities. This association acts as an umbrella organization for cities as a whole. Members include both cities and individuals who themselves represent a range of municipal departments from finance to city management. The League, for example, has a City Manager's Department that acts as a sub-association for individual city managers. Similar associations might actually be called federations since they are composed of groups of associations belonging to a parent organization.

As the Latin American municipal associations expand and become more inclusive, they may be able to draw on the California model. As such, ICMA hopes to draw from the League of California Cities in its training programs for Latin America. Before elaborating on the specific needs of these associations, however, it seems appropriate to provide some general background on the basic models of associations in the United States. When designing its training program, ICMA will try to draw from the best aspects of these models in presenting workable options for the future.

As stated, trade-related associations are made up of corporate members, although an individual is usually designated to represent the company in the association. These associations are generally organized to help companies by providing services such as monitoring government regulations, conducting industry research, collecting information, conducting educational programs, etc. In professional societies, the individual professional, such as a mayor

or city administrator, is the member. Programs are designed for the benefit and advancement of the professional. Typical services include education and accreditation programs, government relations, publishing and other activities. In either case, however, the members themselves are involved, to at least some degree, in the activities of the association. They may, for example, become involved through committees and advisory groups with the development of association services listed. Such an approach not only maintains involvement by the membership in the association, but helps the association keep in touch with the members' needs. Without such interaction, which can take place at a number of levels, the association may become disassociated from its membership and this, in turn, will reduce its overall effectiveness.

Another important aspect of the association is its organizational structure which will ultimately affect the operations of the association as a whole. An effective association will, for example, have an organizational structure that encourages involvement by the members (whether corporate or individual) in the policy aspects of its operations. (It should be noted, however, that members are not generally involved in the day to day operations of the association which are reserved for the executive director and staff, as described below). As such, associations may draw on their members in an array of areas, particularly at the board of directors and advisory committee level. Associations therefore differ from business corporations not only in their purpose but also in their operations. Unlike a corporation, which has one chief operating officer or chief executive officer who answers to the board of directors, an association generally has two lines of leadership. It has both a chief staff executive and a chief elected leader at the top. The chief executive - generally called president or executive director - is responsible for the day-to-day functioning of the organization. The elected leader - the chairman or president - is elected by the membership for a one- or two-year term and serves as the representative leader of the members and advises on policy matters. The chief paid executive will be responsible to the board of directors, which in turn is responsible to the members. Committees, task forces, and other groups report to the board of directors.

Like membership involvement in the delivery of services, this organizational structure serves a dual purpose. Not only does it institutionalize interaction between the association staff and members, but it provides a "ladder of involvement" for members

which accords a sense of prestige to that involvement. In other words, members may become committee officers and then work their way up the leadership ladder from committee chairman, to board member, and then to executive officer.

Here, it is important to note once again that in Latin America the municipalities, rather than individuals, are the effective members of the association. This difference, however, does not preclude the general guidelines for involving membership in association operations. Municipal representatives can serve on executive boards, staff committees and make recommendations for the kinds of services the association should offer.

Finally, because the association will have its own unique set of goals as well as its own structure, as described above, it also has its own measures for success. Although associations must be concerned with finances and cash flow, they are not in business to make a profit. Unlike businesses, therefore, which have a clear bottom line, an association's effectiveness is measured by how well it meets the needs of the members. Member satisfaction in turn may be measured by successes in educational programming, training, public relations, legislative battles and other activities. To achieve these successes, the association must again rely on its members. In sum, what makes an association an association and not a business is its unique purpose, structure and operation. By understanding these traits and working with them, the association can make a concerted contribution to its given field, in this case the professionalization of local government.

## PROPOSAL GUIDELINES

This training proposal has been designed with the following guidelines in mind. These guidelines are further elaborated upon in the body of this text.

1. Strong competent local governments are essential to effective democracy, especially in countries shifting from authoritarian centralized control to free market economies and open political systems.
2. The most important single institution for helping local government development is a voluntary association formed and controlled by local governments to serve their mutual interests. Such an institution can provide a venue for local governments to present their concerns to the national level in a unified fashion as well as a focal point for local officials to share information and experiences.
3. The elected leaders and the staff of such associations need and want help in learning the most effective methods for serving their members, the local governments. USAID and ICMA can serve that need with a leadership development program which takes into account the fact that an association of cities is a considerably different kind of organization from the local governments it serves. Effective association management requires that its leaders adopt a new paradigm of leadership and service.
4. Finally, throughout this paper, the proposal will draw on an assessment of the experience of associations in Honduras and Ecuador, the regional Central American associations (FEMICA), as well as reference to associations in Eastern Europe.

## 1. LOCAL GOVERNMENTS AS ESSENTIAL TO EFFECTIVE DEMOCRACY

"Decentralization" is widely advocated as the answer to a variety of problems concerning the functioning of national and local government. These problems include those associated with domination from the center, authoritarian rule non-elected officials, a lack of initiative in society, a lack of any coordinated attack on critical problems, and the overburden of excessive "bureaucracy."

True, there must be a **push** from the center, a conviction on the part of the central government that local problems are best solved at the local level. But a successful strategy will also include every reasonable effort to motivate a **pull** from the local level. This, in essence, is simply a market oriented approach to the reform of intergovernmental responsibilities that focuses on shifting the emphasis to a bottoms up philosophy.

In a visit to any nation where one gets out of the capital and major cities, it is obvious what vast differences there are among the communities that comprise the country. They differ radically in size, in climate in economic development and in the nature of employment skills, in the ethnic and social customs, and even in the language and political traditions. Underlying all these obvious differences is a common yearning to control one's destiny, to have an influence on decisions that have an impact on life in the community.

A central national government has a tendency to impose uniformity, to prescribe for all what seems to have been the best way for some, and then, of apparent necessity, to mandate regulations that attempt to force compliance. It certainly seems more tidy, more efficient, to go that way.

But from the local level, people continue to insist on their way, seemingly without any logic. Eventually, they may succumb to control from the center, and with it goes their initiative, their creativity, their resourcefulness, their sense of designing and controlling their own destiny...the right to make their own mistakes.

From the central government view, they are frustrated by the lack of cooperation and apparent resistance and may react with more regulations and punitive measures. The system falls of its own weight. Local democracy and freedom for local elected officials to decide and implement as much as possible of the needed public services is a far better way.

## **2. ASSOCIATIONS AS INDEPENDENT SOURCES OF SUPPORT TO LOCAL GOVERNMENT DEVELOPMENT**

Central governments have great difficulty understanding local governments, even given the best of intentions. Local governments tend to reciprocate. This leads to an inevitable struggle over policies and resources, which can and should be a healthy atmosphere for progress and better service to citizens. The problem, however, is that this struggle generally does not take place on a "level playing field."

Resources are coveted by the central government that raises them, while troublesome responsibilities are off-loaded down to the local governments. Mostly small in population and spread throughout the country, the cities are frequently too weak to press the central government for the needs of their citizens.

The solution in most countries is the formation of a union of cities, a consolidation of their forces into an association that is designed to work for their mutual interests. It is, in its most successful form, entirely independent of the central government.

There are many elements in the strategy to achieve local self government empowerment, including through national municipal legislation, the political reward system, etc., but clearly the greatest potential lies in supporting a counterforce to central authority in the form of local government associations, organized and controlled by them.

The leaders of such an association will not wait to be invited to the decision-making process when vital local government issues are on the table, but will take the initiative to be part of the process. City leaders will not wait for good workable ideas to come their way, but will find them and test them through the coordinating influence of their association. Local governments will not be dependent on the largesse of the central government for their budget revenue, but will insist on the power to levy and collect taxes and fees locally to support local services.

In many cases, these goals are ideals. National municipal associations in other countries must work within existing frameworks that may necessitate compromise with central government officials and other groups. These ideals are nevertheless essential if the association as a whole is to have definition and purpose. Municipal associations can work toward greater involvement in legislation that affects cities and encourage information sharing among members so that workable ideas can be found and tested. The ultimate goals, as far as the cities themselves are concerned, are primarily twofold: to have an association that can meet the particular needs of its members; and be a unifying entity, such that the member cities benefit in real terms through the support of the association and through collective representation at the national level. In each case, the association can serve as an independent source of support to local government

development. Setting goals will be further elaborated upon in a subsequent module.

### **3. DEVELOPING EFFECTIVE LEADERSHIP**

**The association of cities is a considerably different kind of organization from the local governments it serves; it requires its leaders to adopt a new paradigm of leadership and service.**

The mayors and city council members who are elected to lead their associations of cities find themselves in charge of an organization that bears little resemblance to the cities they lead at home. They are required to travel to other parts of the country for periodic meetings, taking time away from their pressing duties at home. They are confronted with problems different in kind and scope from their nagging hometown problems. It is a difficult shift in mindset to address the problems of a strange organization with a national constituency and a totally different agenda.

Mastering the art of governing their cities is challenge enough. To that is added the perplexing responsibility of creating a mission, a set of goals, a professional staff and an action plan that will serve all the cities of the country.

In his definitive work, Leadership Papers, John Gardner describes the tasks of leadership as "envisioning goals, affirming values, motivating, managing, explaining, achieving a workable level of unity, serving as a symbol, representing and renewing." All of these responsibilities are laid on the leadership of an association. They need the opportunity to absorb the feeling and to come to an understanding of how these tasks can be adapted to their lives and their duties. A leadership development program is that opportunity.

Gardner adds: "To exercise leadership today, leaders must 'institutionalize' their leadership. The world is too complicated, the issues too technical, the pace of change too swift to expect that a leader, no matter how gifted, will be able to solve the problems facing the system over which he or she presides. So we design an institutional system--a government agency, a corporation--to solve the problems..." An association of municipalities is such an institution, uniquely designed to solve a certain set of problems.

Those who choose to lead such an important institution need all the help they can get. As such, the leadership development aspect of this program will work toward institutionalizing such leadership.

# GENERAL ASSESSMENT OF ASSOCIATIONS IN HONDURAS AND ECUADOR

## 1. HONDURAS

**General background of local governments.** The country has very little experience with local self-government, having been strongly centralized until the 1927 laws were changed in 1990. Accordingly, the country still retains considerable central control of local personnel systems, and military and business are very powerful. Nevertheless, there is a concerted effort to decentralize to the local level. The primary objective of municipal reforms in Honduras is decentralization of governmental authority and responsibilities from the central government to the municipalities. One rationale behind this shift is clearly economic, in the sense that the central government simply cannot afford to run every level of government from the center. A second rationale, however, appears to be the perception that governmental and economic power must be distributed so that no one level of government can totally dominate.

Mayors and councils are elected on a slate with the President — up or down together — with the next election to be held in November, 1993. Accordingly, local elected officials still retain strong ties to the central government. The mayor presides at council meetings as well as being the chief executive of the municipality. Therefore, no council-manager form of government exists. However, some mayors have appointed what they call city managers to focus on the administrative functions of municipal management. Municipalities have authority for property, sales and income taxes, and they are authorized to receive from the central government a form of general revenue sharing as of April 1, 1992, though this has not yet been translated into a real flow of funds.

U.S. A.I.D. and ICMA have been working to encourage local government management through technical assistance, training and some limited capital investment projects for municipalities. This Honduran Municipal Development Program was started in April, 1991, with 14 selected municipalities, representing 80 percent of the total local budgets of the country. Four on-site municipal pilot projects are underway operated by ICMA staff.

**The Honduran Association of Municipalities (AMHON)** has as its primary mission the representational role (sometimes referred to as lobbying) with the central government, with basic new laws and policies being adopted, amended, and interpreted at a great rate. AMHON's second priority is to establish a credible image and to support the association by starting a solid communications program with members. The association's third priority is technical assistance, which initially means collecting data and answering questions from members. The association appears to have a good staff of 5 on board. The central government has a technical assistance section in the Department of Interior (Gobernación) with about 30 employees which could be used to supplement AMHON's activities. However, this section must inevitably serve the central government's priorities rather than those at the local level.

Total budget of AMHON is about \$200,000 and the association hopes to raise about 70 percent of this from their own sources within three years. A basic law requires municipalities to pay to the association as dues 0.5 percent of revenues which would then go to their regional association. Accordingly, there appears to be very strong legal support for the concept of municipal associations, but this has yet to be put in full practice.

**Training for Association Leadership.** The need and potential payoff is widely recognized and supported.

A goals setting session was conducted by ICMA with the AMHON Board in June of '91 and was coordinated by an ICMA staff person from Washington.

The president of AMHON seemed to like the preliminary outline of the training program which was submitted last August and which Mario Pita and Mark Keane (ICMA consultant) reviewed rather thoroughly with him. There was some doubt expressed concerning the inclusion of a section on ethics. Instead, it was suggested that training be geared to the practical needs of the association, such as lobbying, communication, etc. While the president appeared to want to move ahead with the program, there was a potential problem in that terms of the current Board expire in November, 1992. Timing is therefore an issue here. Therefore, it might be wise to have the AMHON Executive Director introduced to best practices in the United States before the actual Board training session.

Furthermore, AMiHON is becoming more involved in sponsoring seminars for regional groups of mayors. A municipal association training program could thus be a logical extension of this outreach. The organization recently put together a major national conference with attendance from almost every city in Honduras and which also included the president of Honduras and several key cabinet ministers as participants.

**Training mission of the new regional AID office in Guatemala.** ICMA has also recently become more involved with the association of municipalities for Central America—FEMICA. ICMA has helped the FEMICA director organize seminars in each of four countries in Central America in July, 1992. AID has already had three regional seminars for mayors from Central America and ICMA assisted FEMICA in organizing its successful annual congress in Nicaragua, August 20, 21, 1992. To the extent possible, ICMA will work through FEMICA to facilitate training efforts in the region.

## **ECUADOR**

**General Background of Local Governments.** The U.S. Agency for International Development's Regional Housing and Urban Development's South American Office (USAID/RHUDO) has expressed very strong support for transferring government authority from the center out to the municipalities. In fact, any effort to achieve the USAID Mission's goals in other sectors must have substantial elements of support for, as well as assistance from, the various local government entities.

USAID/RHUDO is committed to supporting the large (\$300 million) program of the World Bank and Interamerican Development Bank for developing infrastructure of municipalities (PDM). This program is administered through the Bank for Economic Development of Ecuador (BEDE) and a variety of other players have been brought into the process who will provide training and technical assistance through contracts with BEDE.

As far as the PDM program is concerned, it has such stringent requirements for loan applications from the municipalities that the program itself runs the risk of becoming a disincentive to

decentralization. The Ecuadorian Association of Municipalities (AME) and the German Technical Assistance Agency (GTZ) have organized training and technical assistance programs to counter this bottleneck by helping municipalities to develop their own skills and competencies. These latter programs are designed to not only enhance the development of infrastructure, but to strengthen the capacity for self-government as a whole.

In general, a serious need exists for local infrastructure, with a focus on water and sewer systems, public markets and slaughterhouses and basic improvements in road maintenance. There is initial support from the private sector for these efforts and public-private cooperation should be encouraged.

**Association of Municipalities Ecuador (AME)** There are approximately 180 municipalities in Ecuador and they are required by law to make payments to support AME. These payments total about \$750,000 per year which is a substantial amount for a small country with low salary levels. Mandatory dues are a joy to association managers, but of course they run counter to the concept of a market-oriented organization that must serve the needs of its members to survive.

The annual AME conference comes at the end of August, following municipal elections on May 17 and there will then be a new governing structure, which could lead to a new Executive Director. The Executive Director has been in office for 12 years (three terms) and also serves as director of the IULA (International Union of Local Authorities) office in Quito.

The association is organized to try to meet the objectives of an American construct of USCM (the U.S. Conference of Mayors), NLC (the National League of Cities—primarily an urban policy and lobbying organization), and ICMA (city management professionals—primarily training, research and technical assistance). No small order to do all this.

**Other Training Programs.** The following organizations are all competent in providing professional training/technical assistance programs to local governments and are potential players in any new training programs.

The mayor of Quito has organized an strong training operation for the city's 7000 employees under a very competent director. They not only have an extensive variety of programs for their city employees but are also providing some training for 50 other cities in Ecuador and have just entered into a training arrangement with 15 South American countries to provide some training for them. The director is prepared to offer training to all the country's newly elected local government officials after the May 17 election.

The leader of GTZ, the German technical assistance agency, is quite an asset to local government. He heads an organization somewhat akin to an AID mission, although it is more independent of the government and is directly involved in local government service. He has 80 employees (4 Germans), who offer technical assistance in the cities in all phases of the application process for the PDM loans. His philosophy is that he must help them build their own competence. Approximately 115 of the 180 cities in Ecuador are involved in this process. The GTZ program is subsequently funded by BEDE with a \$4 million grant and has been underway since October, 1991. One of GTZ's roles is to help the cities organize community meetings to decide on priorities for development projects.

**A SPECIFIC LEADERSHIP DEVELOPMENT PROGRAM  
FOR ASSOCIATIONS IN THE COUNTRIES OF  
CENTRAL AND SOUTH AMERICA**

**BASIC CONCEPTS OF THE PROGRAM**

1. The leadership development program is comprehensive and ongoing. It is not limited only to a training seminar, nor will seminars follow a fixed design.
2. The program will be designed differently for each association within general guidelines, based on negotiations aimed at meeting their particular needs and constraints; the program will be incorporated in a Memorandum of Agreement with each association.
3. The overall objective of each program is to introduce the participants to the best practices and the most relevant information sources in the U.S. and other countries, empowering them to choose their own course of action and achieve improved performance and self-sufficiency in an expedited time frame.
4. The program will aim at board members and the chief appointed executive of the municipal associations. The program will also target, as appropriate, key staff members of the association.
5. The leadership development program for each association may include some or all of the following:
  - A. A course in association management offered in the U.S. by ICMA in collaboration with an appropriate university.
  - B. Study tours to the United States to visit the headquarters of appropriate associations, such as the ICMA, the National League of Cities, the American Society of Association Executives, etc.
  - C. Seminars, workshops, study sessions and problem-solving sessions conducted in the host country by association management experts.

D. An internship in the U.S. with an association by a staff person who would return to become the ongoing development officer for the association. The internship might include participation in a U.S. association management seminar.

E. Attendance at state or national association conferences in the U.S.

6. Although the initial participants will represent associations of local governments, the program may be expanded to include the development of associations of local government professionals, such as city managers, finance officers, public works officials, etc.. Again, the League of California Cities may be an effective model in this case. Modified programs can be designed for such professionals as the need develops.

## SEMINARS, WORKSHOPS, STUDY SESSIONS PROBLEM-SOLVING SESSIONS

The words used above to identify the training program may appeal more to busy elected officials than "training classes," "courses," "lectures," etc., and the distinction in words is important. Similar efforts in the U.S. at interesting elected officials in similar programs have been most successful using these titles.

Further, these words connote some of the important ingredients of this form of leadership development: short, targeted, conveniently located, timed to fit the calendars of busy people, participatory, aimed at specific problems.

These sessions should be quite different from the typical classroom experience. The participants must see themselves as controlling the process of their own learning. They must have clear objectives to start with and be able to point with some pride at what they learned and accomplished when it's over.

What follows is a series of work modules. The modules can be taken in short bites, one or two at a time, fitting in a day before or after a regular or special meeting of the Board. If the leaders find it possible, it would be best to cover it all in a session of two or three days.

MODULE	SUBJECT MATTER
I	The Elected Board of Directors
II	The Appointed Chief Executive and the Staff; Organization and Personnel Administration
III	Membership: How to Get It, Keep It and Organize It
IV	The Goals of the Association and the Strategic Plan
V	Communications
VI	Policy Development and Lobbying
VII	Financial Management
VIII	Building an Entrepreneurial Association

## TRAINING PROCESS FOR SEMINARS

An effective seminar requires the use of a variety of techniques, adapted to the characteristics of the trainees, the depth of knowledge to be covered and the time available. The following are examples of the processes that would work best, followed by examples of how they might be used in this specific leadership development program.

### **Lectures**

The most common, traditional and conventional method of transmitting knowledge. Academic. The easiest. But in many respects the least effective learning technique.

Usefulness depends on the knowledge and skill of the instructor and the nature of the subject matter. Guest instructors sometimes most effective.

A good variation involves presentation of oral reports by trainees, based on an issue in the course of study.

### **Readings with class interaction**

Requires appropriate printed materials. Gets the trainee actively involved in their learning process. Examples are Case studies, Class analysis of comparative data and reports from associations.

### **Self Discovery**

Role playing is typical of this approach, used for example in analyzing how to conduct a board meeting or a staff meeting, or how to react to members' complaints at meetings or by telephone. Another technique available in some university settings is the computer simulation. The individual trainee, for example, can participate through the computer program in the decision making process of a governing board.

### **Field trips**

Some seminars can be designed to include inspection tours to a site that illustrates in practice a principle studied in the classroom. These can be association offices, marketing offices in a private business, etc.

### **Action Planning**

Each of the modules concludes with each trainee designing a plan to adapt the particular topic to the particular association in the home

country. This of course is a technique to require conceptualizing how to immediately apply the new knowledge.

### **Follow-up reporting and analysis of results**

Each trainee will be informed that he will participate in a continuing process of learning after returning to regular duties on the job. They will each be expected to report back to the training staff what they have applied in their jobs and what they found relatively useless. Their learning will help modify the program for future participants and will help to hold their learning curve to the upgrade.

At the George Washington University's School of Government and Business Management, home of the only master degree program in association management in the country, the seminar techniques outlined above were used in the regular classroom sessions for those students. Nearly all the students working towards a degree were middle-level managers in one of the thousands of associations headquartered in the Washington area.

Such a classroom arrangement could work well for this leadership development program. Field visits and guest speakers could easily be arranged in that setting. The emphasis would be on association management, with relatively little emphasis on local government.

A very good option to consider is the University of Georgia which has probably the best Institute of Government in the United States. It has strong institutional relations with local governments, with the Georgia association of cities, and with the state government. They frequently produce training materials and conduct seminars for the International City/County Management Association. It is a training oriented institution, with outstanding residential and seminar facilities and equipment. The staff is in daily contact with local government officials, and conducts training programs at the university and in the field for all kinds of local government personnel, including the elected mayors, council members and city managers. In many respects, the Central and South American countries are a closer parallel to one of our states, like Georgia, than they are to our national government in Washington.

The University of Georgia option would provide an institution with primary focus on local government, as contrasted with The George Washington University, with emphasis on association management.

The University of Georgia (at Athens, Georgia) is not too far from Atlanta which might be of some special interest as the site of the 1996 Olympics.

## MODULE I

### THE ELECTED BOARD OF DIRECTORS

**The trainees:** The full Board of Directors and the chief appointed executive.

**Time Recommended:** Full day.

#### **Objective**

Establish a clear understanding of what the Board is trying to accomplish and how it plans to achieve it.

**Issue:** Does the Board understand and is it committed to the concept of service to members as the dominant characteristic of the association? (See Module III)

**Issue:** Does the association have a clear statement of its goals? If not, how will it develop such a statement? (See Module IV)

**Issue:** Does the Board understand "fiduciary responsibility," and how it should influence their conduct? Has the Board made arrangements for regular independent audit of the association's record and performance?

**Issue:** What must Board members do, beyond participation in Board meetings, to be effective leaders in a voluntary democratic association? How can Board members be effective "followers"—that is, to listen to the membership and understand what they expect?

**Issue:** How can individual board members best relate to the rest of the board in an open, creative and cooperative style.

**Issue:** What is unique about the role of the chairman of the Board? How can he lead the Board to efficiently making the decisions essential to Association effectiveness, while at the same time allowing opportunity for participation?

**Issue:** What procedures help insure effective Board meetings; how can communications best be carried on between meetings; how should the Board work with the committees they appoint?

**Issue:** Should the Board appoint an "executive committee," and if so, exactly what responsibilities and authority should be delegated to it and how will the Board exercise final control?

**Issue:** How can the Board evaluate its own performance and effectiveness, and does the Board have a definite system of regularly evaluating the performance of the chief executive?

**Issue:** Does the Board control its agenda, while allowing the chief executive to exercise his initiative? Are minutes of official meetings recorded accurately and officially approved?

**Issue:** What is the Board's plan to implement these policies?

## MODULE II

### THE APPOINTED CHIEF EXECUTIVE AND THE STAFF; ORGANIZATION AND PERSONNEL ADMINISTRATION

**The trainees:** The appointed chief executive officers

**Time recommended:** Half day. (Note: for the Board of Directors, or at least the executive committee, this is a high priority for a session of one hour)

**Objective:**

Explicitly examine the personal qualities and the formal and informal processes that produce outstanding association executives.

**Issue:** Just what is it that the chief appointed association executive does? Be specific in terms of what that person does in relation to staff, Board, members, government, and other external organizations.

**Issue:** What is the ideal process for selecting the chief executive? How is his performance evaluated, and how is good performance rewarded, poor performance corrected? Who has the authority to fire him? How can the Board ensure that the executive is thoroughly professional and ethical.

**Issue:** What authority can best be delegated and what must be retained by the Board?

**Issue:** How can the executive learn to discover and define problems and opportunities and to present the Board with creative recommendations for solutions/

**Issue:** What is the most appropriate relationship between the Board and the chief appointed executive in preparation of the agenda for meetings, in making policy decisions, in appointing and directing staff, in making long range plans and preparing the annual budget, in maintaining contact with members, etc.?

**Issue:** What are the personal qualities you visualize for the perfect chief executive, and what is the relative importance of each? Go beyond the obvious into such qualities as integrity, creativity, strategic vision, etc.

**Issue:** How can mayors, council members, chief executives and other municipal representatives participate most effectively and with the greatest personal satisfaction in the work of the association?

**Issue:** What should be the over-riding and secondary factors in selecting staff and in fixing the organizational pattern?

**Issue:** What combination of salary, working conditions and benefits is most likely to produce the highest quality of staff for the association?

**Issue:** What changes should we make in the organization?

## **MODULE III**

### **MEMBERSHIP HOW TO GET IT, KEEP IT AND ORGANIZE IT**

**The trainees:** The chief appointed executive and, at an in-country seminar, the key staff.

**Time recommended:** Half day.

#### **Objective**

Adopt a vision of total commitment to member service and design an action plan to achieve it.

#### **Issue: Who are the members?**

Although technically the members of the association are the municipalities, it is obvious that only people can participate in the activities and represent their municipalities in official functions: the mayors, the other local elected officials, the appointed chief executives, and any others officially designated to represent the municipality in any association activity.

Although the dues are paid from the municipal funds, all these officials will usually act as though they have paid them personally. They are the ones who must be satisfied that they are getting the service they want from the association. These officials, therefore, are the members.

#### **Issue: What is the appropriate role of the members?**

Example: the elected mayors and council members adopt the official legislative policies on behalf of municipalities and represent them before the national legislature and executive agencies.

#### **Issue: How can members most effectively participate?**

Defining the roles, the organization, the assignment, the accountability and the evaluation of membership committees, task forces, policy study groups, representatives to national agencies, other associations, etc.

Building participation around issues of concern to only part of the membership, such as resort communities, mining communities, those especially concerned with industrial development, etc.

Forming affiliated societies of city managers, public works directors, finance officers, etc.

**Issue: How can members be recruited and motivated?**

**Issue: What are the most effective formulas for setting dues?**

**Issue: How can the attitudes of members about their association be evaluated?**

**Issue: What specific action plan will best respond to these issues for the association in my country?**

**MODULE IV**

**GOALS OF THE ASSOCIATION  
AND  
THE STRATEGIC PLAN**

**The trainees:** The executive Board and the chief executive.

**Time recommended:** Three full days, a day at a time, separated by intervals to allow for study and thought.

**Objective:** Establish clear goals based on past experience and on the current expectations of the members, and adopt a strategic plan to achieve these goals.

**Issue:** What is the best process for developing goals and a strategic plan that will enlist the broadest understanding and support of the Board, the members and the staff?

**Issue:** What is the role of local governments (LG's) in our country? and what is their relationship to central government?

**Issue:** In what ways should the role of LG's and their relationship to central government change?

**Issue:** What are the services provided to members by the association and how have they helped improve the effectiveness of LG's? In what ways has the association failed to help as much as they might?

**Issue:** What kind of help do LG's need now that might be provided by the association?

**Issue:** What support services are being provided to LG's by other organizations and how will that affect our goals?

**Issue:** What are the principal obstacles that the association will face in achieving its goals?

**Issue:** What additional resources will be required to achieve the goals and how will the resources be raised?

**Issue:** What is the specific time schedule for accomplishing each objective that leads towards the achievement of the goals?

**Issue:** How is the annual budget tied to the strategic plan?

**Issue:** How will the goals be regularly and systematically reviewed and revised to meet changing conditions?

**Issue:** How can the association set an example as an organization of the highest integrity and effectiveness?

**Issue:** What is our strategic plan?

## MODULE V

### COMMUNICATIONS

**The trainees:** the chief executive and all the staff; the Board on broad policy decisions.

**Time recommended:** half a day, plus frequent half-hour sessions on special topics for current emphasis.

**Objective:** With communications being the very essence of organizational effectiveness, the entire staff needs to be drilled on the attitudes and techniques that are necessary to maintaining the strong support of members.

**Issue:** Is there any element of the entire association program which is more important than communications?

**Issue:** What are the primary groups of people that must be identified and targeted with some form of communications? For example: Members, non-members who are potential members, the Board, committees, regional organizations, government departments, local and national print and broadcast media, the national legislative body, donors and foundations, specific prominent individuals, the general public-citizens of the communities, etc.

**Issue:** Which groups have the highest priority and what tools can be afforded for reaching them most effectively?

**Issue:** How can you get feedback after you cast your communications bread upon the waters? How do you know whether it reaches anyone, whether it modifies their opinions or actions in any way? How can you conduct regular surveys to evaluate the effectiveness of your communications program?

**Issue:** Have arrangements been made to train your principal spokesman on techniques of effective communications, such as radio and TV appearances, speeches, etc.?

**Issue:** What will be our plan for improving communications with all the major groups we work with?

## MODULE VI

### POLICY DEVELOPMENT AND LOBBYING

**The trainees:** The Board, the chief executive, and relevant staff.

**Time Recommended:** Half a day.

**Objective:** Effectively advocate the views of the members by making their positions known to legislators and other appropriate government officials.

**Issue:** What positions should be adopted by the full membership at a conference, and which should be approved by just the Board, or even by a policy development committee? What flexibility can be delegated to other than the full Board in making changes and adjustments in adopted policies as negotiations evolve? Are there certain basic overall policies and goals which can serve as the guiding philosophy for specific legislation?

**Issue:** What staff should be assigned to policy development, and what is their most appropriate relationship with the Board and other elements of the adoption process?

**Issue:** Have you identified the most effective and influential members for official appearances on each policy issue?

**Issue:** What kinds of member networks should be established on a geographical basis (legislative districts) and on the basis of policy issues?

**Issue:** How can the citizens of your communities (property owners, business people, labor, neighborhood associations, etc.) become involved in the process of educating government officials about the importance of your official proposed policies to them? Are some kinds of rallies or demonstrations appropriate, and how can they be organized?

**Issue:** What relationship have you established with the media for getting your policy proposals brought to public attention?

**Issue:** How can you establish your association as a dependable reliable source of accurate information about public policies related

to communities? How can you develop a reputation with government officials for integrity and credibility?

**Issue:** Are you prepared to give public credit and appreciation to legislators and executives who support the policies of your association?

## MODULE VII

### FINANCIAL MANAGEMENT

**The trainees:** The chief executive and key staff.

**Time recommended:** Full day.

**Objective:** Put in place the basic systems and processes that safeguard resources and produce accurate financial reports; but beyond that, develop systems that help create resources and new service programs.

**Issue:** What is the best form of annual operating budget and the best budget preparation process for our association? What is the role of staff and what is the role of the Board in its preparation and adoption? In what ways, if any, can the membership be involved?

**Issue:** What is a cash budget and what is a capital budget, and how do they relate to the operating budget?

**Issue:** Does the accounting system produce reports that tell each key staff person how his/her areas of responsibility are doing? Can they be understood by the Board? Can they be used by the chief executive to exercise ongoing control of finances?

**Issue:** Do the reports include a Balance Sheet, an Operating Statement and a report of Cash Flow?

**Issue:** Is the Board given reports, including graphs, that track the trends in the Fund Balance and Working Capital? Has the Board made arrangements for an annual independent audit of the accounts, where they select the auditor who reports the results directly to them?

**Issue:** Is the purchasing procedure open and competitive?

**Issue:** Does the key staff regularly meet to review together reports which show overall financial condition and pinpoint problem areas? Do the reports connect dollars to individual staff managers, showing profit or loss in the areas of their responsibilities?

**Issue:** Is the chief executive prepared to make cuts or other adjustments as necessary during the fiscal year?

**Issue:** What changes should be made in our financial management system and how will be accomplish it?

## MODULE VIII

### BUILDING AN ENTREPRENEURIAL ASSOCIATION

**The trainees:** Chief executive and key staff.

**Time recommended:** Half a day.

**Objective:** Visualize development of a creative, dynamic, self-supporting and permanent organization that is strong enough to survive and serve local governments through a future of rapid change.

**Issue:** Can you accept the concept of marketing in the association, much like a private business? Can you even accept the premise that recruiting and keeping members is a marketing process, and that members (like customers), therefore constitute the basic business of the association?

**Issue:** How would you develop within your staff a system for creating new products for a price, such as publications, training programs, local government data, officials' insurance programs, question and answer service, consulting, etc.? How would you create a system for motivating staff to take risks and develop their creativity?

**Issue:** How can you build the capacity to set prices for products—including membership dues, to develop sales promotions, to produce and deliver services effectively and to collect fees efficiently.

**Issue:** Has your accounting system developed the capacity to measure gain and loss derived from each product on a continuing basis?

**Issue:** Are we ready to become more entrepreneurial, and if so what steps are we prepared to take?

## IMPLEMENTATION

This report provides a framework for developing a comprehensive municipal association training program. The background material in the text and in Appendix A provide a foundation for course development and the module format offers flexibility in tailoring this and other material to the particular needs of the participating association representatives. If the report's general direction meets with the approval of U.S. A.I.D. staff and of local officials, then ICMA will proceed with implementation.

ICMA proposes that the initial training program be held in conjunction with a U.S. university and take place in the United States. This will allow for more control over the design and conduct of the course itself. ICMA will work closely with a university that normally offers Master's programs in public administration. As mentioned at the beginning of this paper, the potential programs include those at University of Georgia, University of Kansas, Syracuse's Maxwell School and George Washington University. The universities will coordinate training facilities, arrange housing and help to arrange trainers. The training seminar should last approximately one week. This should allow enough time to cover the material and yet fit in with the likely schedules of the participating officials.

Once the initial training program has take place, ICMA will conduct a brief review of the seminar, including feedback from the participants. After making any necessary changes, in cooperation with U.S. A.I.D. officials, ICMA will propose that future seminars be held in the Latin American host countries, when appropriate. ICMA would work through RHUDO, USAID Missions and local municipal associations to coordinate logistics as well as identify trainers and further tailor the program to the needs of the participants.

In short, as this will be a new training program, ICMA proposes a step-by-step approach to training design and implementation that allows for continuous feedback from each of the organizations involved. Once A.I.D. approves the general training concept, ICMA will arrange for a one week training seminar, with possible site visits, in the U.S. with a leading university in the field of public

administration. Detailed curricula and study materials for participants will be prepared in advance of the first seminar. Once the seminar is complete, ICMA will further tailor the program to be conducted overseas in Latin America. If successful, the training can be further modified for other Latin American countries or elsewhere, such as in Eastern Europe.

## **APPENDICES**

<b>Appendix A</b>	<b>Illustrative Sample Materials To Be Developed For Course Materials</b>
<b>Appendix B</b>	<b>ICMA Publications and References</b>

## **APPENDIX A**

### **ILLUSTRATIVE SAMPLE MATERIALS TO BE DEVELOPED FOR COURSE MODULES**

In order to provide more detail on some of the issues to be covered in the training modules, the following appendix provides additional information on a number of fundamental issues to association management. They are Strategic Planning, Budgeting, Finances, and Staff Organization. In the case of strategic planning and finances, the author has outline some general guidelines. In the case of budgeting and staff organization, source materials are included, after a brief introduction, as they provide at least an initial overview of the subject.

More detailed substantive materials will need to be developed for each of the modules as part of the preparatory work for the first U.S. seminar on association management.

#### **1. Strategic Planning (Module No. 4)**

For many organizations, a comprehensive strategic plan is the first set of guidelines that is developed after the group's goals are agreed upon. In addition, before drafting a meaningful budget, the organization must decide how it wants to use its money the strategic planning process is a useful tool. When developing a plan for the association, it is important to keep the following principles in mind.:

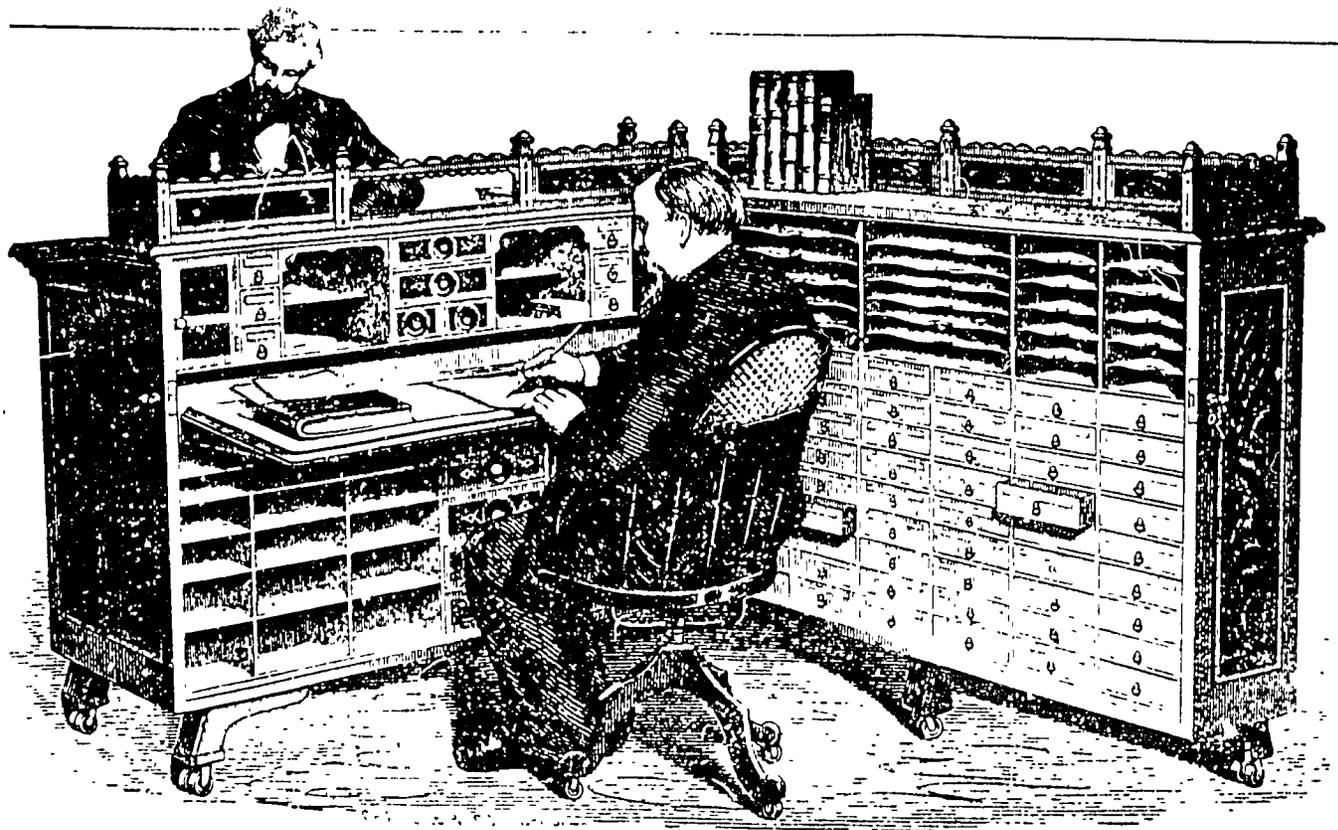
- a. Consider the factors most likely to impact the profession and identify needs which can be met by the association as defined by its goals.

- b. Evaluate the capability of current programs to address future needs.
- c. Determine and recommend strategies to meet needs not already met by existing programs.
- d. Examine the scope and requirements of new projects in relation to the association's organizational structure and provide recommendations for any additional resources which may be required.
- e. Establish and prioritize a schedule of goals for the implementation of stated objectives.
- f. Monitor the implementation of agreed upon goals.

*(The above principles are adapted from Policies and Procedures of Associations, 1982, by the American Society of Association Executives)*

## **2. Budgeting (Module No. 7)**

With a reasonable, agreed-upon strategic plan in hand, the association can proceed with the process of developing and managing an effective budget. Much has already been written on the budgeting process and this will ultimately be incorporated into the budget and finance module of the training program. Therefore, in order to avoid repetition of previous work present and to give an example of the kind of source material to be used in training, the following comprehensive article is incorporated into this paper.



The Bettmann Archive

# THE BASICS OF BUDGETING

By Malvern J. Gross, Jr., and William Warshauer, Jr.

**A** BUDGET, like motherhood, is something very few would argue against. Yet the art of preparing and using budgets in a meaningful manner is completely foreign to many nonprofit organizations. It is not that the association is unaware of their importance, but more that staff members may be uncertain of their skills in budgeting techniques and often are reluctant to use a budget as a tool to control financial activities.

The purpose of this article is to discuss the importance of budgeting, the art of skillfully preparing a useful budget, and, equally important, the art of actually using the budget to control.

A budget is a plan of action. It represents the organization's blueprint for the coming months, or years, expressed in monetary terms. This means the organization must know what its goals are before it can prepare a budget. If it doesn't know where it is going, obviously it is going to be very difficult for the organization to do any meaningful planning. All too often the process is reversed, and it is in the process of preparing the budget that the goals are determined.

So the first function of a budget is to record, in monetary terms, what the realistic objectives of the organization are for the coming year or years.

The second function of a budget is to provide a tool to monitor the financial activities throughout the year. Properly used, the budget can provide a bench mark that will alert the board when its financial goals aren't being met. For a budget to provide this type of information and control, four elements must be present:

1. The budget must be well-conceived and must be approved by the board.
2. The budget must be broken down into increments corresponding to the periodic financial statements.
3. Financial statements must be prepared on a timely basis throughout

# The Basics Of Budgeting

the year and a comparison made to the budget, directly on the statements.

4. The board and association staff must be prepared to take action where the comparison with the budget indicates a significant deviation.

Each of these four elements will be discussed in this article.

## Preparing a budget

It was noted above that a budget should represent the end result of a periodic review by the board of the organization's objectives or goals, expressed in monetary terms. Often the budget process is a routine chore handled by the treasurer to satisfy the board that the organization has a budget, which the board, in turn, routinely ratifies. Frequently, such budgets are not looked at again until the following year, at the time next year's budget is prepared.

This type of budgeting serves little purpose and is worth little more than the paper it is written on. A budget, to be effective, must be a joint effort of many people. It must be a working document which forms the basis for action.

Here are the basic steps that you should follow to prepare a well-conceived budget:

1. Prepare a list of objectives or goals for the organization for the year. For many organizations, this process will be essentially a re-evaluation of the relative priority of existing programs. Care should be taken, however, to avoid concluding too hastily that an existing program should continue unchanged. Our society is not static, and the organization that does not constantly re-evaluate and update its program is in danger of being left behind.

2. Estimate the cost of each goal listed. For continuing programs, last year's actual expense and last year's budget will be the starting point. For new programs or modifications of existing programs, a substantial amount of work may be necessary to accurately estimate the costs involved. This estimating process should be done in detail since elements of a particular goal may involve many categories of expenses and salaries.

3. Estimate the expected income of the organization. With many associa-

tions, membership dues and income from educational programs and conferences will be the principal sources of revenue. Careful consideration must be given to the expected economic climate in the industry or profession. A year in which business is down and money is tight will likely show members less willing and able to make dues payments and to attend conferences.

Often the amount of income will be dependent on how successful you are in selling your program. Possibly some of the programs can be expanded if they are financially viable, or contracted if they are not. Organizations are often overly optimistic in estimating income. This can prove to be the organization's downfall if there is no margin for error; realism must be used or the budget will have little meaning.

4. Compare the total expected income to the expense of achieving the objectives or goals. Usually the expected expenses will exceed income, and this is where some value judgments will have to take place. What programs are most important? Where can costs be reduced? This process of reconciling expected income and expenses is probably the most important step taken during the year because it is here that the program's blueprint for the coming year is fixed.

Give careful consideration to the reliability of the estimated income and expense figures. Is it possible that expenses have been underestimated or that income has been overestimated? If expenses have been underestimated by 15 percent and income has been overestimated by 10 percent, there will be a deficit of 25 percent, and unless the organization has substantial cash reserves, it could be in serious difficulty. If the organization has small cash reserves or has little likelihood of getting additional funds quickly, then a realistic safety margin should be built into the budget.

5. Submit the final proposed budget to your board or appropriate governing body for approval. This should not be just a formality but should be carefully presented to the ratifying body so that, once ratified, all persons will be firmly committed to the resulting plan of action.

The steps listed above may seem so elementary that there is no need to emphasize them here. But elementary as they are, they are often not followed and the resulting budget is of very little value to the organization.

There has been very little said about who should follow these steps in pre-

paring the budget. The preparation of a budget involves policy decisions. Staff and the treasurer of the budget committee should be involved. A budget committee should consist of individuals responsible for policy decisions. Usually this means that either the board should itself act as the budget committee, or it should appoint a subcommittee of board members.

This doesn't mean that the detailed estimated cost studies for various programs can't be delegated to staff members. But the decisions on the goals and their relative priority have to be a board-level function. Undoubtedly the board may rely on the paid staff to make recommendations, but the board is responsible for policy and the budget represents policy. This responsibility cannot be delegated.

## Monthly and quarterly budgets

Many organizations have no real difficulty preparing an annual budget. The real problem comes in trying to divide the budget into meaningful segments that can be compared to interim financial statements prepared on a monthly or quarterly basis. Some organizations attempt to do this by dividing the total budget by twelve and showing the resulting amounts as a monthly budget, which is then compared to actual monthly income and expenses.

While this is better than not making any budget comparison, it can produce misleading results when the income or expenses do not occur on a uniform basis throughout the year. Consider the abbreviated statement of the scholarship fund of a professional society in Table 1.

The logical conclusion that might be drawn from this statement is that the fund will have a surplus at the end of 12 months of approximately \$20,000 (four times the quarterly excess of \$5,000). If this conclusion were reached, the temptation would be to slacken off on unpaid pledge collection efforts and to be a little more generous in awarding scholarships. This would be a very serious mistake if, in fact, the normal pattern of pledge collections were such that \$36,000 should have been collected in the first quarter instead of the \$35,000 actually received. A monthly or quarterly budget can produce misleading conclusions unless considerable care is taken in preparing it.

## Where to begin

One of the best and easiest ways to allocate an annual budget into shorter

**TABLE 1**

	Three Months Ending March 31		
	Annual Budget	Annual Budget - 4	Actual
Contributions	\$ 120,000	\$ 30,000	\$ 35,000
Less Scholarships	(120,000)	(30,000)	(30,000)
Excess	—	—	\$ 5,000

periods is to first analyze the actual income and expenses for the prior year, and then allocate this year's budget based on last year's actual income and expenses.

To illustrate, assume the scholarship fund's income last year was \$100,000 but is expected to be \$120,000 this year. A budget for the new year could be prepared as in Table 2.

In this statement we have assumed that the increase in income of \$20,000 will be received in the same pattern as the prior year's income was received. If this assumption is not correct, then adjustment must be made for the anticipated income which will depart from past experience.

For example, if it is anticipated that a single gift of \$10,000 will be received in the first quarter and the other \$10,000 will be received in about the same pattern as last year's income, the calculations to arrive at a new budget would be somewhat different, as shown in Table 3.

If at the end of the first quarter, income of only \$35,000 had been received compared to a budget of \$43,000, it would be apparent that steps should be taken to increase contributions or the fund will fall short of meeting its budget for the year.

The expense side of the budget should be handled in the same way. Generally, expenses tend to occur at a more uniform rate, although this is not always so. In many ways the expense side of the budget is more important than the income side since it is easier to increase expenditures for things that weren't budgeted than to raise additional contributions. If the budget is regularly compared to actual expenditures for deviations, it can be an effective tool to highlight unbudgeted expenditures.

The budget should probably be prepared on a monthly rather than on a quarterly basis to reduce the time lag before effective action can be taken. If a monthly basis appears to be too cum-

**TABLE 2**

	Actual Last Year	Percent of Last Year's Total	New Budget
Income			
First quarter	\$ 30,000	30%	\$ 36,000
Second quarter	25,000	25%	30,000
Third quarter	25,000	25%	30,000
Fourth quarter	20,000	20%	24,000
	\$100,000	100%	\$120,000

**TABLE 3**

	Actual Last Year	Percent of Last Year's Total	New Budget Other Than Special	Special Gifts	Total Budget
First quarter	\$ 30,000	30%	\$ 33,000	\$10,000	\$ 43,000
Second quarter	25,000	25%	27,500	—	27,500
Third quarter	25,000	25%	27,500	—	27,500
Fourth quarter	20,000	20%	22,000	—	22,000
	\$100,000	100%	\$110,000	\$10,000	\$120,000

bersome, consider a bimonthly budget and statements. However, if your organization's cash position is tight, monthly statements become almost a necessity.

#### An example

The Upstate Business League is a good example of an organization that has to be very careful to budget its income and expenses. While the league has a beautiful headquarters building, including a fine education center, all of its money is tied up in these fixed assets and there is no spare cash to cover a deficit.

Accordingly, each fall when the board starts to wrestle with the budget for the following year, it is aware that it cannot afford the luxury of a deficit. Since the budget is so important, the entire board sits as a budget committee to work out the plans for the following year.

The treasurer, with the help of the executive director, prepares a worksheet in advance of the budget meeting. This worksheet indicates the actual expenses for the current year to date, the estimate of the final figures for the year, and the current year's budget to show how close the league will come. The board, through discussion and debate, attempts to work out a budget for the coming year. Table 8 shows the worksheet for the expense budget.

In looking at this worksheet, notice that the expenses are grouped by ma-

for function so that the board can focus attention on the activities of the league. The alternative presentation would have been to list expenses by type—salaries, supplies, etc.—but this doesn't tell the board how much each of the major activities is costing.

There are three columns for the proposed budget—the minimum, the maximum, and the final amount. As the board considers each item, it records both the minimum and the maximum it feels is appropriate. No attempt is made at the beginning to fix a final budget amount. Instead, all budget items are considered and minimum and maximum costs and totals are listed. It is only after all items have been considered and only after a preliminary review of potential income has been made that the board is in a position to make a judgment.

After the board has completed this worksheet showing final figures for the year the next step is to break down the budget into monthly budgets. As with many organizations, the league's expenses (and income) are seasonal. In this case, the budget is broken down into monthly segments assuming that the expenses will be incurred in the same pattern as they were for the current year, in the manner discussed earlier.

#### Interim financial statements

The most carefully thought out budget will be of little value if it is not compared throughout the year with the

# The Basics Of Budgeting

actual results of operations. This means that the interim financial statements must be prepared on a timely basis.

What is timely? This largely depends on the organization and how much slippage or deviation from budget the organization can afford before serious consequences take place. If the cash balance is low, an organization can't afford the luxury of not knowing where it stands on a timely basis.

Guidelines can be dangerous, but, in general, if an organization is unable to produce some form of abbreviated monthly or quarterly financial statement within 20 days of the end of the period, most likely the information is stale by the time it is prepared. If 20 days is the length of time it takes to produce an interim statement, then the board should plan to meet shortly after the 20th of the month so as to be able to act on deviations while there is still time to act.

## Importance of budget comparison

This is not to suggest that monthly financial statements are always appropriate for nonprofit organizations. But even if prepared on a bimonthly or quarterly basis, they still should be prepared on a timely basis.

The financial statement should also

show the budget for the same period of time. Interim figures for the three months cannot easily be compared to budget figures for twelve months. The budget must also be for three months. Last year's actual figures for the same period may also be shown, although this added information could detract from the reader's seeing the deviation from the current year's budget.

Table 9 shows the Upstate Business League's statement of income and expenses for both the month of June and for a six-month period, with budget comparisons to highlight deviations from the budget.

This financial statement gives the reader a great deal of information about the league's activities for the two periods. It should have the effect of alerting the reader to the fact that unless something happens, there may be a deficit for the year. For instead of having a small excess for June, there was

a deficit of \$6,240, and instead of having an excess of \$7,500 for the six months, there was a deficit of almost \$5,000.

The board member reading the statement should be concerned about these deviations from the budget. This form of presentation makes it easy to see deviations. All unfavorable deviations can be quickly pinpointed and the reasons for them can be explored to determine the action that must be taken to prevent their recurrence.

Notice that both the current month and the year-to-date figures are shown on this statement. Both are important. The monthly figures give a current picture of what is happening, which cannot be learned from the six-month figures. If only the six-month figures were shown, the reader would have to refer to the previous month's statements showing the first five months to deduce what happened in June.

<b>Educational Activities</b>	
Income (excluding educational activities)	\$ 124,350
Expenses (excluding educational activities)	(144,350)
Excess of expenses over income excluding education	(20,000)
<b>Education</b>	
Gross income	\$ 164,200
Expenses	(148,860)
Net education income	15,340
Excess of expenses over income	\$(4,860)

<b>Income</b>	
Other than education	\$ 124,350
Education net income	15,340
Total income	139,690
Expenses	(144,350)

	Amount	Percent of Income
Income	\$344,000	100%
Salaries and wages	\$130,000	38%
Cost of materials	100,000	29
Equipment and supplies	62,000	18
Total	\$292,000	85%

	Variable Budget	Actual	Deviation from Variable Budget	Deviation from Original Budget Shown in Table 9
Income	\$75,000	\$164,200	\$(10,800)	\$(10,800)
Expenses	89,570	148,860	(9,290)	6,140
	5,430	\$-15,340	\$(20,090)	\$(4,860)

Likewise, to show only the month, with no year-to-date figures, puts a burden on the reader. Some calculating using previous monthly statements would be required to get a total and to see where the league stood cumulatively. Year-to-date budget comparisons are often more revealing than monthly comparisons because minor fluctuations in income and expenses tend to offset over a period of months. These fluctuations can appear rather large in any one month.

#### Educational activities

Income and expenses of the educa-

tional activities have been shown in gross terms in the statements. It would be equally proper for the league to show net income year-to-date for the league before the educational activities were considered. How this would look is shown in Table 4.

Another possibility is to show only the net income of the educational activities in the statements, perhaps in the income section. Table 5 shows how the statements would look, in condensed form.

Either presentation, or the one in Table 9, is acceptable. The appropriate presentation depends on the impor-

table of Fig. 1 shows the educational activities

#### Variable budget

One technique that is often used in budgeting an operation where costs increase as the volume of activity increases is to relate the budgeted costs to income. For example, the final expense budget (Table 8) and the relationship to budgeted income for the educational activities is shown in Table 6.

If all costs increase proportionately as income increases, it is a simple matter to create new budget figures each

**TABLE 8** The Upstate Business League  
Worksheet for Preparing 1980 Expense Budget  
(in thousands)

	Actual Current Year—1980			Budget Current Year	Budget for New Year—1981		
	To Date (10 Months)	Estimate Balance Of Year	Estimate For Year		Proposed Minimum	Proposed Maximum	Final
Services to members:							
Salaries and wages	\$ 94	\$ 6	\$100	\$ 92	\$100	\$130	\$110
Informational materials and supplies	28	—	28	26	28	30	28
Communications and other expenses	24	4	28	20	20	30	28
Maintenance of building:							
Salaries and wages	30	4	34	32	34	38	36
Utilities and supplies	20	4	24	16	26	26	26
Maintenance and repairs	16	—	16	18	16	18	16
General and administrative expenses:							
Salaries and wages	54	6	60	60	64	68	68
Office supplies and equipment	6	2	8	6	8	10	10
Property taxes	6	—	6	8	6	6	6
Legal and audit fees	14	2	16	16	16	16	16
Other	20	4	24	22	18	22	20
<b>TOTAL, excluding educational activities</b>	<b>312</b>	<b>32</b>	<b>344</b>	<b>316</b>	<b>336</b>	<b>394</b>	<b>361</b>
Educational activities:							
Salaries and wages	102	20	122	116	124	130	130
Cost of materials	80	12	92	106	94	106	100
Equipment and supplies	60	2	62	70	60	70	62
<b>TOTAL education</b>	<b>242</b>	<b>34</b>	<b>276</b>	<b>292</b>	<b>278</b>	<b>306</b>	<b>292</b>
<b>TOTAL EXPENSES</b>	<b>\$554</b>	<b>\$66</b>	<b>\$620</b>	<b>\$608</b>	<b>\$614</b>	<b>\$700</b>	<b>\$656</b>

# The Basics Of Budgeting

month based on actual income. Using the six-month figures shown in Table 9, our budget comparison for the educational activities for the six-month period would look like Table 7.

The significant observation here is that while the original budget comparison in Table 9 showed an unfavorable deviation from budget of only \$4,660, the unfavorable deviation using this variable budget is significantly higher: \$20,090. Obviously if the variable budget is accurate, the director has not been watching costs carefully enough.

The financial statements would show only the variable expense budget. The original expense budget would not be used. This kind of budget is more difficult to work with because each month the treasurer or bookkeeper has to recalculate the expense figures to be used based on actual income. At the same time, by doing so, a meaningful budget comparison can then be made. It is very difficult otherwise for the board to judge the results of the educational activities.

One final observation about this variable budget: Certain costs are not proportional to income. For example, the league cannot have less than one director and must prepare materials for educational programs no matter whether 50 or 500 people attend. Accordingly, in preparing a variable budget, sometimes the relationships that are developed will not be simple percentage relationships.

For example, perhaps the relationship of these costs will be \$5,000 plus five percent of total income over \$75,000. If so, then if income is \$35,000, the budget will be \$18,750 (\$5,000 + five percent of \$275,000).

## Narrative report explains deviations

You can see that much of the detail shown in the budget in Figure 1 has not been shown on the interim financial statement in Table 9. If the board felt it appropriate, supporting schedules could be prepared giving as much detail as desired. Care should be taken, however, not to request details that won't be used, since it obviously takes time and costs money to prepare detailed supporting schedules.

It may be that a more meaningful

supporting schedule would be a narrative summary of the reasons for the deviations from budget for the major income and expense categories. The executive director in the case of the Upstate Business League would probably be the one to prepare this summary.

The amount of detail and description that might be put in this summary would vary from account to account. Clearly the report should only discuss reasons for the major deviations. This report should accompany the financial statement so that questions raised by the statement are answered immediately.

This type of report can be as informal as you want to make it as long as it conveys why there have been deviations from the original budget. But it should be in writing to ensure that the board knows the reasons for deviations and to force the executive director to face squarely the responsibility to meet the projected budget. This report is a form of discipline for the director.

## Using the budget

The best-prepared budget serves little purpose if the board or association staff is unwilling to take action once it becomes apparent that expenses are exceeding budget or that income has not been as high as anticipated. To be useful, the budget must be a planning device that everyone takes seriously.

The association staff and board must be prepared to take action to modify their plans if it becomes apparent that the budget cannot be met. If your organization has substantial resources to fall back on, you can afford to accept some deviations from the original budget without serious financial consequences.

For most organizations, this is not the case. You must be willing to face unpleasant facts once it becomes apparent from interim financial statements that corrective action must be taken. Many budgets fail, not because there is not enough information available, but because the board and staff fails to take aggressive, corrective action. In these instances, the board is not fulfilling its responsibilities, and the budget is a meaningless formality.

## Developing a long-range plan

So far our discussion has centered on budgeting techniques for the current year. Almost as important, and quite related, are the techniques for planning even further into the future than the 12-month period most budg-

ets. Organizations must be constantly alert to changing conditions which may alter their goals or objectives and thus their sources of income. Otherwise they may find themselves in unexpected financial difficulty.

One of the more effective ways to avoid the unexpected is to prepare, and periodically update, a five-year master plan. The purpose of this five-year plan is to force the board to look ahead and anticipate not only problems but goals and objectives that it wants to work toward achieving.

The development of a five-year plan requires considerable effort. The treasurer can be the person who initiates and pushes the board toward developing such a plan but cannot single-handedly prepare it. As was pointed out earlier, to be effective, any plan of action involving the organization's program and allocation of resources must be developed by all of the people who will have to live with the resulting plans.

There is no standard way to go about preparing a five-year plan. Probably the best way to start is to set up a committee of about three people. As with the budget committee discussed earlier, the people chosen for this five-year planning committee should be people who are in policymaking roles within the organization. There is little point in putting a person on this committee who is not both knowledgeable and influential within the organization. Otherwise the resulting document will be of relatively little value to the organization.

**Setting Goals.** Before meeting as a committee, each member should be instructed to take five sheets of paper, each representing one of the five years. On each sheet the member should list all of the goals or objectives that are considered important for that year. The list can be specific or general. The important thing is to get down some thoughts as to what the organization should be doing during each year, particularly as they might be different from what is being done currently. No consideration should be given at this point to costs.

Once each member of the committee has independently prepared this conception of the future goals or objectives of the organization, the committee should meet and discuss these projections. There may or may not be initial agreement, and if not there should be extended discussions to try to establish a plan of objectives that all members can agree on as being rea-

**TABLE 9**

Upstate Business League  
Statement of Income and Expenses, and Comparison with Budget  
for the Month of June and the 6 Months Ending June 30, 1980

Month				6 Months		
Actual	Budget	Deviation Favorable (Unfavorable)		Actual	Budget	Deviation Favorable (Unfavorable)
Income						
\$21,400	\$17,250	\$ 4,150	Annual dues	\$ 85,470	\$ 94,700	\$ (9,230)
6,260	6,230	30	Initiation fees	21,420	13,500	7,920
4,620	4,830	(210)	Sale of materials	3,960	5,000	(1,040)
7,380	7,690	(310)	Other	13,500	10,300	3,200
39,660	36,000	3,660	Total, excluding education	124,350	123,500	850
30,700	32,000	(1,300)	Educational activities	164,200	175,000	(10,800)
70,360	68,000	2,360	Total income	288,550	298,500	(9,950)
Expenses						
21,910	18,200	(3,710)	Services to members	67,880	63,800	(4,080)
9,130	8,200	(930)	Maintenance of building	31,880	30,300	(1,580)
14,130	12,300	(1,830)	General and administrative	44,590	41,900	(2,690)
45,170	38,700	(6,470)	Total, excluding education	144,350	136,000	(8,350)
31,430	28,500	(2,930)	Educational activities	148,860	155,000	6,140
76,600	67,200	(9,400)	Total expenses	293,210	291,000	(2,210)
\$(6,240)	\$ 800	\$(7,040)	Excess of income over (under) expenses	\$ (4,660)	\$ 7,500	\$(12,160)

**TABLE 10**

Upstate Business League  
Master Plan—1982 Through 1986

	1982	1983	1984	1985	1986
Goals or objectives:					
Run management education program	\$ 17,000	\$ 22,000	\$ 25,000	\$ 27,000	\$ 30,000
Develop new minority education program	12,000	—	—	—	—
Run minority education program	35,000	35,000	45,000	45,000	45,000
Work with other leagues across country	—	12,000	15,000	15,000	15,000
Run branch office	8,000	15,000	20,000	20,000	20,000
Explore Project "A"	20,000	10,000	—	—	—
Run other programs	40,000	45,000	50,000	55,000	55,000
Purchase building for branch office	—	150,000	—	—	—
Total	132,000	289,000	155,000	162,000	165,000
Sources of income:					
Membership dues and fees	60,000	45,000	60,000	60,000	60,000
Special assessments	10,000	10,000	—	—	—
Building fund drive	—	150,000	—	—	—
Educational program fees					
Management	10,000	15,000	18,000	20,000	22,000
Minority business	30,000	35,000	45,000	45,000	45,000
Sale of materials	10,000	5,000	10,000	10,000	10,000
Other	38,000	40,000	45,000	45,000	45,000
Total	158,000	300,000	178,000	180,000	182,000
Projected surplus	\$ 26,000	\$ 11,000	\$ 23,000	\$ 18,000	\$ 17,000

sonable. If, after extended discussions, the committee cannot agree on these broad objectives, they should go back to the board for direction. All of this is done before setting costs. The organization must decide what its goals are before it starts worrying about costs.

**Estimating Costs** Once the committee has agreed upon objectives for each of the five years, then it is appropriate to start to estimate the costs involved in reaching each of these goals. This can be difficult because there are always many unknowns and uncertainties. Nevertheless, it is important that the best estimate be made by the committee. Clearly the treasurer is a key person in this estimating process. Among other things, it is up to the treasurer to try to budget for inflation and present the most realistic cost estimates.

After the committee has estimated costs for each objective for the five years, the next step is to add up the total to see how much income will have to be raised. Notice that until this point, no real consideration has been given to how the goal will be financed. This is important because in long-range planning an organization should set its objectives and then look for the means to reach them.

If the objectives are good ones which the membership will agree should be accomplished, the financial support should follow. An organization gets into difficulty when it does not periodically re-evaluate its direction and thus finds itself out of step with our rapidly changing society. So the procedure to follow is first to define the objectives and goals, then to evaluate the cost of each, and finally to determine how to raise the necessary income.

**Plan for Income.** This final step of determining how the income will be raised is usually not as difficult as it may seem, provided the goals and objectives are ones that the board and the membership believe are sound. It is possible that as the result of this five-year plan new sources of income may be required. Perhaps dues will be increased or perhaps a major capital improvement fund drive will be started. There are many possibilities.

The important thing is that the or-

ganization has no right to exist except as it serves societal or members' interests. So if the organization keeps up with the times it should be able to get sufficient support to achieve its objectives; if it does not, this is clear evidence that the objectives or goals are not sufficiently important to justify support. At that point the organization should either change its goals or should seriously consider the desirability of discontinuing its existence.

#### **Master plan should be reviewed**

The result of this whole process is a master plan that should guide the board in its planning. It should be reviewed at least every year or two and should be updated and extended so that it represents, at all times, a five-year plan for the future. Table 10 shows an example of a simple master plan for the Upstate Business League.

Note that on this master plan the league has indicated future expenses not in terms of the type of expenses (salaries, supplies, etc.) but in terms of the goals or objectives of the organization. This distinction is important because the league pays salaries and other costs only to further some goal or objective. Thus, in a master plan it is entirely appropriate to associate costs with each goal or objective. This means that a certain amount of allocation of salaries between goals will be necessary.

#### **A nontraditional approach**

Also, the format of this master plan did not start off with the traditional approach of showing income and then deducting expenses. Instead, the goals or objectives were stated first, and only after the organization agreed on what it wanted to do did it start to work on how to raise the necessary income. This point has been emphasized because the organization does not exist to raise money and pay expenses; it exists to accomplish certain objectives, and unless these are spelled out clearly and are constantly kept in mind, the organization may lose sight of the reason for its existence.

No attempt was made in this master plan to balance the amounts of income and expense except in a general way. In each year there is an indicated sur-

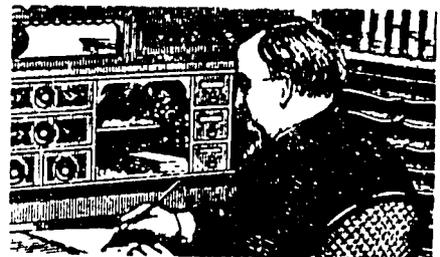
plus. This recognizes that while the board has made its best guess as to how it will raise its income, there are a great many unknowns when working with a five-year budget. As each year passes and this five-year plan is updated (and extended) the sources of income will become more certain, as will costs, and these figures will be refined and adjusted. The important thing, however, is that you have set down what you plan to do in the future and how you now expect to be able to finance such plans.

#### **Summary**

A budget can be an extremely important and effective tool for the board in managing the affairs of the organization. However, to prepare a meaningful budget the organization must know where it is heading and know its goals and objectives. Priorities change, and this means that many people should be involved in the budget preparation and approval process to ensure that the resulting budget receives the full support of the organization.

Once prepared, the budget must be compared to actual results on a timely basis throughout the year to ensure that the board knows where deviations are occurring. Equally important, the board must promptly take corrective action if unfavorable deviations occur. The foundations of a sound financial structure are a well-conceived budget, a timely reporting system, and a willingness by the association staff and board to take corrective action.

The importance of planning into the future cannot be over-emphasized. In this fast-moving age, worthy nonprofit organizations can quickly get out of step with the times, and when this happens, contributions and income quickly disappear. A five-year master plan is one technique to help ensure this won't happen. □



### **3. Finances (Module No. 7)**

The association's financial condition will ultimately determine whether that organization can continue operating. As a result, association finances are a fundamental concern of managers and members alike. The source of funds also helps to determine the association's degree of independence. In Latin America, associations receive funding from a number of sources which tends to make them have many masters. The Honduran Association of Municipalities (AMHON) is attempting to raise the majority of their funding from their own sources over the next few years. Such a move should also help to increase their independence and increase the credibility of the organization in the eyes of its members as well. One question that remains is how associations are supposed to raise such funds. Consequently, this is an issue that should be addressed in the training program. The following notes, however, provide a general outline of association funding approaches.

Traditionally, associations rely on two primary sources of funding. The first source is the use of member dues. Legislation in certain Latin American countries requires municipalities to a certain percentage from their general fund revenue as membership dues. While such funding may help to establish and/or stabilize the association, legislation mandated at the national level may change over time and leave the association vulnerable to revenue shortfalls. Therefore, it may be wise to try to implement a parallel dues structure targeted at individual members and with specific benefits tailored to the individual's needs. This approach would be further explored with U.S. A.I.D. officials and the associations themselves to determine the feasibility of such a proposal. If the approach is seen as feasible, there are a number of techniques that can be used to determine appropriate dues and the benefits that should be accrued from those dues.

The vast majority of effective associations combine membership dues with service fees to supplement their revenue stream. If managed well, membership dues can be used initially to develop specific services. Later, as the services expand, the fees from those services can be used to support member benefits. Some associations actually break down the direct and indirect costs of a member service and then price that service separately. By doing this, they produce a lower dues structure and provide valuable member

services that are priced according to their cost and their value to participating members. Some programs, of course, never make money. Such programs may be intentionally priced low or are included in dues because of their ultimate value in attracting or keeping members. If, as mentioned earlier, the association receives mandated dues from municipalities, this may take some initial pressure off the need to diversify revenue sources. Nevertheless, in the long run it is essential for the health of the organization to have a varied and constant source of revenue.

In devising fee programs, associations have developed a number of revenue options. These may include: the sale of publications; the organization of conventions, seminars and workshops with carefully calculated attendance fees to cover all direct and indirect costs to the associations; and certification programs for individual members in which the member may pay a fee to receive specialized training or skill recognition from the association.

When pricing association services, one should follow a number of key points:

- a. In calculating costs, be careful to include all potentially relevant costs such as rent, salaries, printing, postage, consulting services, phones, etc.
- b. After establishing a formula for setting prices, use it consistently.
- c. If the association has a national membership, consider regionalism in pricing to accommodate regional cost differences.
- d. Plan ahead. The associations that do the best job of pricing are able to set prices in conjunction with their long-range goals.
- e. After establishing prices, it is important to justify them to members. It is important to work with members of the board of directors in this regard.
- f. Offer discounts to members on special services. This helps to illustrate the benefits of membership. Try to set discounts as a set percentage.

g. Periodically review prices. Pricing is a cyclical process that require quarterly analysis.

h. Price products right the first time. Frequently changing prices usually presents more of a problem to members than an occaional healthy increase.

*(The above points are taken from Association Management, May 1982, by the American Society of Association Executives)*

#### **4. Staff Organization (Module No. 2)**

There are a number of approaches to the internal organization of an association. While many of the associations that U.S. A.I.D. is now or may be working with in Latin America and elsewhere already have internal organizatonal designs, the following information may be useful as guidance. Again, since much information has been written on the subject of organization, the following articles are simply reprinted here.

# Organization Charts— An Information Central White Paper



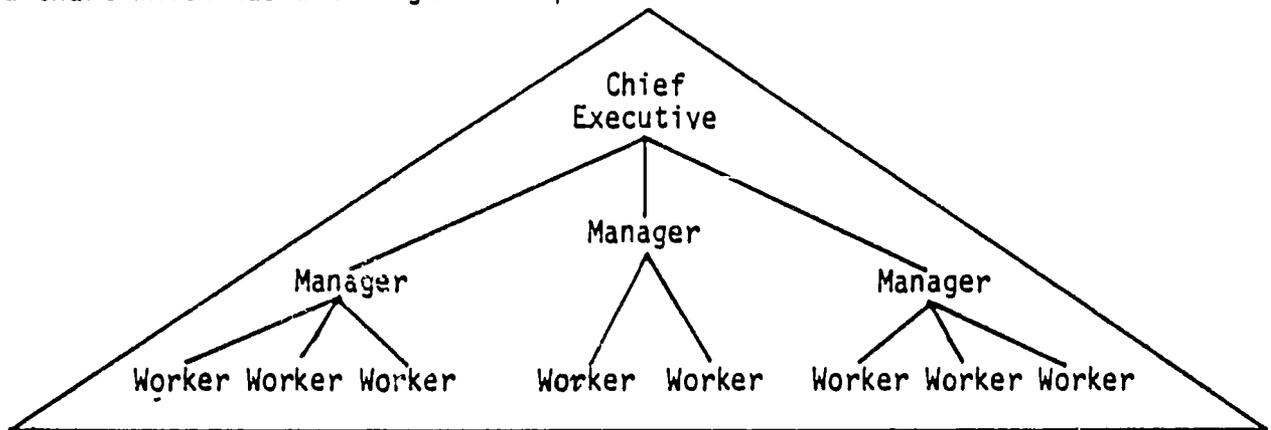
## ORGANIZATION CHARTS

An organization chart is a graphic way of depicting the relationships of each individual in an organization to other individuals. It is a picture of how authority and responsibility are divided up within an organization. It typically reflects:

1. Lines of authority.
2. Reporting relationships.
3. Levels of responsibility.

Generally each position within an organization is assigned a specific "box" on the chart. The boxes are arranged to show how each position relates to the others.

In traditional organizations, authority and responsibility flow in a descending hierarchy, and this hierarchichal structure can generally be best depicted in a chart which has a triangular shape.

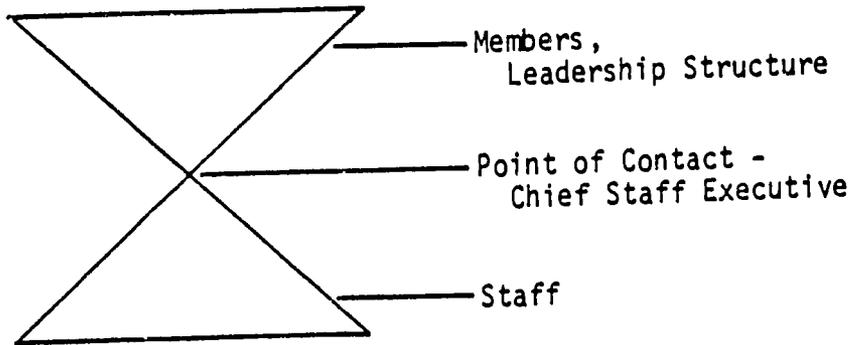


The individual at the top of the hierarchy carries all ultimate responsibility. The farther down the triangle a position is, the greater the diffusion of responsibility.

Although most association organization charts do appear triangular in shape, the "triangle" may not be the best reflection of real authority and power for an association.

An association is a uniquely complex structure, where decision making authority and responsibility is divided between two "groups" of individuals -- paid staff and members.

The actual relationship between individuals in most associations can be more accurately depicted as an "hourglass" or as two triangles, one on top of the other, with narrow points touching.



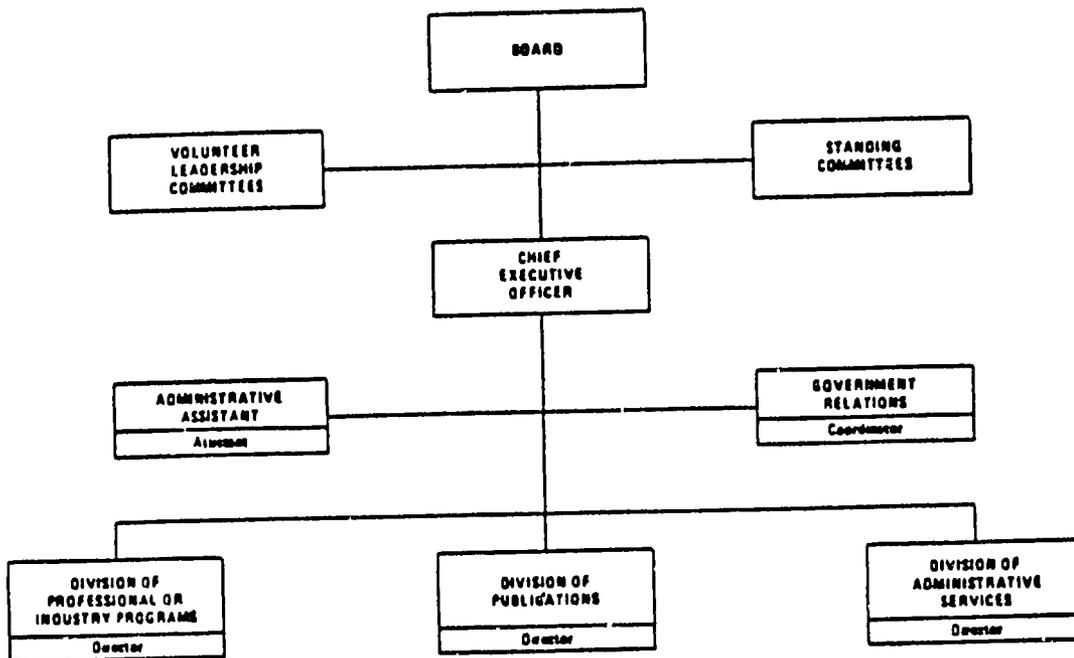
This shape would reflect a diffused power at the top of the organization chart -- the power of a large group comprised of "all members." The closer an individual sits to the narrow portion of the diagram or chart, the greater the individual responsibility.

Hence the Chief Staff Executive and the Chief Elected Officer would be positioned at the top and bottom points of the two triangles, each sharing ultimate responsibility for the success of the organization.

Other volunteer leaders and other staff leaders would be positioned according to the extent of their responsibility and authority.

In order to simplify the "picture" of the organization, many associations will create two or more organization charts. Some typical "pictures" include:

### 1. Overall Structure



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# Case Study on Organizational Planning



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by the National Association of Printers and Lithographers

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## INTRODUCTION

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### The Importance of Organizational Planning

The importance of organization in industry was established by Andrew Carnegie when he said, "Take away all our factories, our trades, our avenues of transportation, our money, but leave me our organization, and in four years, I will have reestablished myself."

One of the most neglected phases of modern industrial management is unquestionably that very vital and all-important one of organization. In the graphic arts industry many firms pay close attention to all phases of manufacturing and yet give little thought to organization. They will approve of the latest in printing equipment, platemaking methods and typesetting systems and yet, for one reason or another, fail to do anything about planning for better organization. There is a tendency to stay with the old form of organizational structure rather than change to a new and untried procedure. Firms tend to build up customary practices, and these traditions tend to maintain an organizational status quo.

There has been failure on the part of management to realize that organization is an active, living entity – not a passive, rigid concept. Organizing is a dynamic, not a static process with change the common occurrence rather than the exception. Changes in printing plants take place for many reasons, such as changes in product line, changes in equipment, changes in personnel and changes in the conditions outside the enterprise such as government controls and pressures. Progressive management recognizes the importance of organization planning and alters its organization in order to best meet the current requirements of its customers.

### Advantages of Good Organization

Organizing enables managers to enlarge their scope of operation, that is, it makes it possible for managers to accomplish much more than they could as individuals. It provides the means for using effectively the work of other people, and it sets the groundwork for the development of people. In fact, success in management requires effective organizing; failure to organize properly limits any manager's ability to manage.

Organizing provides a satisfactory climate for achieving an informed and satisfied work force. It avoids needless duplication of effort. It gets individuals to work effectively as members of a team, not separately as single individuals. It avoids confusion and misunderstanding as to who is to do

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what work. It prevents "buck passing," overemployment, and members of the group from wallowing in misinformation.

Fortunately, the growing practice of updating and improving a business' organizational structure at regular intervals is being recognized as advantageous. For example, in some companies, this task is assigned to one individual within the organization who works closely with the various management members, discussing possible organizational improvements with the managers who would be affected by such changes and encouraging them to offer their ideas and participate in developing needed organizational improvements.

## **Essential Factors of Effective Organization**

**APPROACH**—In organizing, modern graphic arts management must be concerned with (a) **WORK**—how to distribute it, (b) **PEOPLE**—who is going to do what work? (c) **RELATIONSHIPS**—what is the authority and responsibility among the organizational units formed by the work distribution? and (d) **WORK ENVIRONMENT**—what tools and work places will best contribute toward maximum work accomplishments?

**KEY PAPER**—In most firms, there is a key paper or set of papers about which the major operations of the enterprise revolve. In most lithographic plants, the key paper is the customer's order. This key paper forms the core of nearly all the work that develops in the enterprise. Trailing the movement of this document, or that required by employees working on it, supplies the clue as to what physical units should be related and in what sequence. Work activities other than those of the key paper exist, but they are usually related and subordinated to the key paper.

**HUMAN ELEMENT**—The graphic arts industry has experienced a staggering technical revolution in the last fifteen years. We have seen the development, introduction and use of offset printing, phototypesetting and editing, automatic film processors, roll film cameras, color scanners, automatic platemakers, web presses, computerized typesetting and high speed bindery equipment. The experimentation and technical revisions will continue as the computer continues to move to the foreground. In spite of all this modern equipment, the motivating power behind any organizational structure is the personnel of that firm. It is still people who perform the functions, assume responsibility and exercise authority. The prime importance in any business enterprise is the human element.

Even though advances have been made in technological education both at the high school and collegiate level, there is still a scarcity of quality workers coming into the graphic arts industry. This emphasizes the necessity for vigorous recruiting and selection policies by graphic arts firms. In addition, training and promotion of present employees becomes all the more important as new equipment, systems and procedures are introduced into the enterprise. The human element is a constant problem in all industry and must be understood and motivated through strong leadership and communication.

**COORDINATION**—Most printers and lithographers could experience an immediate increase in profits if they followed the Principle of Coordination which states: "The smooth, frictionless, effective attainment of the objectives of an organization is secured through the coordination of all activities performed."

Coordination means to combine activity into a consistent and harmonious action. The group must work in harmony and rhythm if the most effective operation is to result. Total accomplishment can exceed the sum of individual effort only when the effort of each person is coordinated with that of co-workers so that it is expended in the right way, at the right time.

**THE SYSTEM**—The manner through which coordination is achieved is the system. A system is the normal routine by means of which the activities of an industrial organization are carried on and controlled. To be effective, a system must be almost continuously employed to achieve results. Unfortunately, in many graphic arts firms, the system is crude and is built only as the need arises.

In such a situation, where routines are matter of record, the coming and going of employees produces little effect upon the results. If, however, business routines are not well established, but depend upon the personal knowledge of certain individuals, then the removal of such people makes a break in the routine.

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The task of organizing is to establish a system of activity groupings and authority relationships in which people can know what their tasks are, how their tasks relate to each other, and where authority for decisions needed to accomplish these tasks rests.

**ORGANIZATION CHART**—The organization chart is widely used and appropriate for communicating how the principles of organization work. An organization chart is a graphic representation of an organizational structure. It can be thought of as a picture of the structure; it shows the functional relationships and the existing lines of authority.

The drawing of an organization chart is simplified by using the outline approach. First, list the main functions; next, place those functions which are subordinate to the main functions under the proper main function in the outline list; then, place under each subordinate function the minor functions which properly belong under the respective subordinate function. In this way, a list is developed which shows the main functions, the subordinates under each main function, and the minor functions under each subordinate. This outline form is then transformed into the graphic form which makes up the organization chart.

The chart may also be prepared by starting with the person of highest authority in the organizational structure and working down by determining who reports to this top person and what responsibilities each person handles. This procedure provides the information for the first level of management below the chief executive and may be followed for each consecutive layer. From the information so gathered, the organization chart can be constructed.

**ORGANIZATION MANUAL**—The organization chart shows the outline of the organization, but it takes an organization manual to put flesh on the bones and to provide the next step in converting a static device into a dynamic, living organism. In the manual the duties of each member of the organization are described, together with given authority and responsibility. These are related to those of the other members of the organization to avoid overlapping or omission of activities and also possible conflicts between them.

To aid in the preparation of such manuals, job descriptions are useful in the work of organizing. While the format used for writing these descriptions varies, they usually contain a summary of the job functions, the work performed and sometimes include the qualifications generally considered essential. Such information is extremely useful in management because (a) the scope of the job becomes definite, (b) the identity becomes fixed, and (c) definite associations between job title and contents is established.

Organization manuals must be continually revised if they are to remain effective tools. The development and use of a manual of organizational procedure is strongly recommended as a supplement to the organization chart. Together they give the line of authority, show the relationship between that authority and responsibility, give a detailed schedule of duties and relationships and thus cover the essentials which must be satisfied in the design of an organizational structure.

**PROCEDURE MANUAL**—To complete the design of an organization, it is necessary to write up standard instructions to cover the established procedures for carrying on the detailed activity within an enterprise. Collectively, these standard instructions constitute the "system" through which continuous orderly performance is accomplished. Properly developed, it is a written code of practice giving the best known methods for performing a given activity or controlling a certain function. These best methods, when determined, are made into a permanent record and are applied to secure uniformity of performance throughout the plant. It tends to reduce gradual deviation from, or loss of knowledge of, the one best way of performing a task.

It is necessary to constantly check and revise the procedure manuals and to keep them up to date the same as organization charts and manuals. All three are essential parts to the organizational plan. The Chart is used to tell where in the organization a function is performed and by whom. The Manual explains what the nature of the function is and the duties and responsibilities involved. The Procedure Manual describes how and when it is to be performed.

## APPENDIX B

### ICMA PUBLICATIONS AND REFERENCES

The State Officers Handbook, June 1992

Presentation Outline, Rita Soler Ossolinski, to the Association de Municipales Hondurenas, Tela Honduras, June 28, 1991. (A one-day training seminar for the Board of Directors on the role and importance of Associations in sharing information, networking among officials, lobbying, etc.)

Cities International: Municipal Development Worldwide, Fall 1991, lead article titled "Creating a Strong Municipal Association."

Community Leadership Action Pak, 1989; key strategies and skills needed to make a board, commission or committee strong, efficient, and successful.

Ethical Insight. Ethical Action. The Ethics Factor Handbook, 1988; case studies, exercises, discussion questions.

## **PUBLICATIONS AND RESOURCES OF THE AMERICAN SOCIETY OF ASSOCIATION EXECUTIVES**

### Attracting, Organizing and Keeping Members

Principles of Association Management, 1988, Second Edition;  
consensus of the best thinking of association executives.

Association Management Magazine, a monthly publication of tips,  
techniques and news about associations.

Fundamentals: Marketing, developing a marketing plan, product  
pricing, etc.