



Trainer Manual

Managing Business Membership Organisations

This trainer manual was developed by:



Alexanderstr. 10, D-53111 Bonn
Tel: +49 (0) 228 98238 – 0
E-Mail: info@sequa.de
Internet: www.sequa.de

Authors: Rolf Speit, Consultant
Jürgen Henkel, sequa GmbH

Curriculum Design: Christine Falkenberg, sequa gGmbH
Alok Kesari, sequa gGmbH, Liaison Office India

Methodological Design: Elke Demtschück, Consultant

On behalf of :

MSME Umbrella Programme

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

B-5/1, Safdarjung Enclave, New Delhi 110 029, India
T : +91 11 4949 5353 | F : +91 11 49495391 | Email : amit.kumar@giz.de

Responsible

Amit Kumar

New Delhi, May 2013

Copyright @GIZ

Disclaimer:

This manual developed by named authors do not necessarily reflect the views of the GIZ . The information has been created and compiled from reliable documented and published references/resources, as cited in the publication.

Table of Contents

Contents	Page No
Introduction to the Manual	1
Training Schedule	5
Session 1: Introduction to BMO Management	7
Overview	8
Trainer Instructions	9
Background Readings	10
Charts	12
Session 2: Organisational Structure and Functions	17
Overview	18
Trainer Instructions	19
Background Readings	20
Charts	26
Participant Handouts	30
Session 3: Strategic Financial Management	31
Overview	32
Trainer Instructions	33
Background Readings	35
Charts	42
Participant Handouts	48
Session 4: Strategic Planning Part 1 (Day 1)	49
Overview	50
Trainer Instructions	51
Background Readings	52
Charts	58
Participant Handouts	62
Session 4: Strategic Planning Part 2 (Day 2)	63
Overview	64
Trainer Instructions	65
Background Readings	66
Charts	67
Participant Handouts	71

LIST OF ACRONYMS

ACCI	Afghanistan Chamber of Commerce and industry
AGI	Association of Ghana Industries
AGM	Annual General Meeting
BCC	British Chambers of Commerce
BDI	Bundesverband der Deutschen Industrie
BDS	Business Development Services
BMO	Business Membership Organisation
CAF	Charities Aid Foundation
CD	Capacity Development
CEO	Chief Executive Officer
CFIF	Cebu Furniture Industries Foundation
CIM	Corporate Identity Management
FCRA	Foreign Contribution Regulation Act
FIEPE	Federação da Indústria do Estrado de Pernambuco
GSWF	Ghana Sovereign Wealth Fund
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HRD	Human Resource Development
HRM	Human Resource Management
IFC	International Finance Corporation
ILO	International Labour Office
ITC	International Trade Centre
M&E	Monitoring and Evaluation
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
PR	Public Relations
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
UNIDO	United Nations Industrial Development Organisation
US	United States
ZDH	Zentralverband des Deutschen Handwerks

Introduction to the Manual

Introduction to the Manual

Background

This trainer manual was developed by sequa gGmbH within the project 'Capacity Development of Business Membership Organisations in India' which is part of the MSME Umbrella Programme implemented jointly by GIZ (German Society for International Cooperation), office of DC MSME & SIDBI in India.

The term “Business Membership Organisations” (BMOs) refers to various organisations where companies or individual entrepreneurs and sometimes other business organisations are members. This trainer manual was developed by sequa gGmbH within the project 'Capacity Development of Business Membership Organisations in India' which is part of the MSME Umbrella Programme implemented jointly by GIZ (German Society for International Cooperation) & DC MSME & SIDBI in India.

BMOs advocate the interests of their members and respond to their needs by delivering required services and information. A general distinction is to be made between business associations and chambers. Worldwide there are different types of associations:

- Trade or industry associations (in many cases referring to one industrial sector or cluster)
- Small Scale enterprises' associations
- Business Women's organisations
- Industrial estate associations
- Employers' associations
- Apex bodies / Federations (formed by other BMOs at lower administrative levels)

Beside the associations most of the countries have chambers of commerce and industry representing the business communities in a district or region (and sometimes of sectors, too). India and other countries follow the tradition of British economic policy where chambers can be established under private law while in several European countries like Germany, Austria, Italy, France and Spain chambers have a public law status with obligatory membership of companies. These countries do also have chambers for various sectors and professions like skilled crafts, agriculture as well as for lawyers, doctors, architects and other occupations.

Objective, scope and target groups

The objective of this manual is to support and guide trainers in providing management training to BMO representatives in management positions being Presidents, office bearers, committee members and administrative staff like General Secretaries and department leaders (if any in a BMO). The training material can basically be used for all BMOs but the main target group in India are leading representatives of BMOs and here especially of industrial associations on district level.

This training manual was developed to improve the availability and quality of didactic material on improving the effectiveness of BMOs in different countries. The manual is meant to be used as a guide and source book providing theoretical and practical knowledge how to develop and implement appropriate management tools in a BMO. It provides practical assistance and valuable inputs for implementing training workshops and seminars. And it conveys theoretical and practical knowledge on how to provide for a good management in BMOs.

This training forms part of the National Training Programme 1 (NTP 1) in India and consists of 5 modules with various subjects to be dealt with in a 5-days training. BMO management in its different aspects is taking one-and-a-half day. The other areas are income-generating services, access to public support schemes, business responsibility and advocacy. NTP 1 will be followed by National Training Programme 2 with introduction of new topics and deepening understanding of existing ones.

Some previous publications have addressed the topic of management of associations and chambers in a rather general or abstract manner. However, the core challenge for the BMOs lies in finding ways to translate a theoretical management concept into concrete steps of building up an internal structure which will contribute in the best way to satisfy the role and to provide the services which are expected from a BMO by its member enterprises and the public.

Not every recommendation will be applicable to every BMO. National or organisational differences, especially with regard to the specific stage of a BMO's development, will always have some bearing on the concrete form in which management is provided and the process by which it is introduced. Similarly, the proposals made for solving the problems most commonly encountered in management, will not lead to a clean sweep of every single problem. However, they have been tried and proven in practice, as have all other recommendations made in this manual.

How to use this manual

The structure of all modules follows one pattern so it will be easy for a trainer to make use of the manual and to get prepared.

The training schedule gives an overview on the number of sessions forming the training module, their sequence, main topics to be dealt with, the duration of the sessions and the proposed time. If a training is scheduled for half a day, it can be run in the morning or the evening, depending on local preferences. The training schedule helps the trainer to better imagine the course of the module and the areas covered.

Each training session is divided into the chapters:

- A. Overview
- B. Trainer Instructions
- C. Background Readings
- D. Charts
- E. Handouts

Session overview

The 1-page summary sheet gives information on the time needed for that particular session, a brief overview on the basic content of the session and the methods to be applied, defines the learning objectives for the participants and finally enumerates the materials required to run the session.

Trainer instructions

These instructions are the screenplay of each session and give the trainer detailed information on each step of moderating and organising the course. This information is complemented by a time frame for each step and the written material to be used, whether being trainer's reading, charts or handouts.

Written Materials

There are 3 types of written materials:

Trainer's readings give background and further information on contents of the session to be moderated. They have been elaborated to support the trainers in their preparation before the workshop. They give theoretical and practical information on the most important topics covered by the different sessions.

Charts are slides to be presented with a projector in order to visualise the most important points during each session. They are meant to facilitate the participants' learning process and the discussion with the group.

Handouts are a means to retain learning. Thus, important charts, tools to be used or parts of trainer's reading are distributed as handouts to course participants. In some cases the handouts are utilised during the training session, in other cases they are taken home to be used in participants' working places.

Training Schedule of Day 1: BMO Management

Session	Topics	Duration	Proposed Time
Inaugural session and warming up	Welcoming of participants by host, quiz and sequa	60 min.	9.30 AM - 10.30 AM
	Coffee / tea break	15 min.	10.30 AM– 10.45 AM
Session 1: Introduction to BMO management	<ol style="list-style-type: none"> 1. Introduction to management training 2. Main management challenges 3. Some facts on current situation of BMOs in India 	45 min.	10.45 AM– 11.30 AM
Session 2: Organisational structure and functions	<ol style="list-style-type: none"> 1. Structure of a BMO 2. Typical challenges for Secretariat staff and possible solutions 	60 min.	11.30 AM – 12.30 PM
Session 3: Strategic financial management (part 1)	<ol style="list-style-type: none"> 1. Financial sustainability as the objective of financial management 2. Strategic options for balancing the financial situation of a BMO 	30 min.	12.30 PM – 1.00 PM
	Lunch break	60 min.	1.00 PM – 2.00 PM
Session 3: Strategic financial management (part 2)	<ol style="list-style-type: none"> 3. Strategic options for balancing the financial situation of a BMO (cont.) 4. Revenue sources 5. Budgeting 	60 min.	2.00 PM – 3.00 PM
Session 4: Strategic planning (part 1)	<ol style="list-style-type: none"> 1. Importance of planning 2. Definitions 3. Steps in strategic planning: preparation and situation analysis 	30 min.	3.00 PM – 3.30 PM
	Coffee / tea break	15 min.	3.30 PM – 3.45 PM
Session 4: Strategic planning (part 2)	<ol style="list-style-type: none"> 4. SWOT-analysis and strategies derived from SWOT 	75 min.	3.00 PM – 3.30 PM 3.45 PM – 5.00 PM

Training Schedule of Day 2: BMO Management

Session	Topics	Duration	Time
Session 4: Strategic planning (part 3)	5. Steps in strategic planning: vision, mission, values	45 min.	09.30 AM - 10.15 AM
Session 4: Strategic planning (part 4)	6. Steps in strategic planning: strategic objectives, strategic actions, action plan	45 min.	10.15 AM – 11.00 AM
	Coffee / tea break	15 min.	11.00 AM - 11.15 AM
Session 4: Strategic planning (part 4)	7. Steps in strategic planning: strategic objectives, strategic actions, action plan (cont.)	55 min.	11.15 AM – 12.10 PM
Session 4: Strategic planning (part 5)	8. Steps in strategic planning: implementation and follow-up 9. Final wrap up	35 min.	12.10 PM – 12.45 PM

The background is a solid red color with two large, curved, overlapping shapes in a slightly darker shade of red, creating a sense of depth and movement. These shapes are positioned in the upper and middle portions of the frame, leaving the bottom portion clear for text.

Session 1: Introduction to BMO Management

Session 1: Introduction to BMO Management

A Overview

Time:	45 min. (10.45 Am – 11.30 AM)
Overview:	The introductory session deals with advantages of good BMO management and the challenges, participants have to face in their own organisations. By that way the trainer comes to better know the background of the participants, and they share their situation with their colleagues from other BMOs. The information collected might be used in other sessions (e.g. strategic planning) for further discussion. Then some basic facts on the current situation of BMOs in India are presented, based on a GIZ survey. The session closes with the vicious circle of poor BMO management and the advantage of participating in accreditation schemes.
Learning objectives:	<ul style="list-style-type: none">• Participants identify main challenges in their BMOs and compare these to others.• Participants get to know some characteristics of BMOs in India.• Participants are aware of the advantages of accreditation schemes for BMOs.
Materials required:	Background readings 1 to 2 of session 1 Charts 1.1 – 1.7 Handouts for participants Projector Flipchart Pin-board or Whiteboard Brown paper Cardboard cards Marker pens

B Trainer Instructions

Session 1: Introduction to BMO Management

TIME	METHODOLOGY	MATERIALS
10 min.	<p>1. Introduction</p> <p>After the inaugural session and some warming-up exercises, open the training on BMO management with some welcoming remarks. Then explain that during this part in NTP 1 basic elements of BMO management are dealt with as well as some specific subjects. These will be expanded in subsequent NTP 2 training. Briefly demonstrate chart 1.1 with a diagram of the various specialised trainings that can be booked separately in addition or as a substitute to NP 1 and 2.</p> <p>After that, present the workshop programme of this one and a half day training within National Training Programme 1 (chart 1.2).</p>	<p>Chart 1.1</p> <p>Chart 1.2</p>
35 min.	<p>2. Advantages of good BMO management and current BMO challenges</p> <p>Ask participants for the benefits of good BMO management and write answers on the board. After having collected a number of answers for around 5 minutes, summarise and, if possible, cluster them.</p> <p>Then ask for challenges, participants have to face in their own BMOs related to management issues (might be inactive office bearers, low income, members with little initiative, lack of professional knowledge of staff etc.) write key words on cards and cluster them afterwards.</p> <p>Then present some facts on the current situation of Indian BMOs based on the GIZ survey (charts 1.3 and 1.4). The training programme was designed to overcome the challenges identified. To summarise the results, briefly introduce the vicious cycle of poor BMO Management as in chart 1.5.</p> <p>Finally, explain that a realistic view on the own BMO is the first step to participate in an accreditation scheme (chart 1.6) and show the advantages as in chart 1.7.</p>	<p>Cards Pin-board or Whiteboard Background Reading 1.1</p> <p>Background reading 1.2</p> <p>Charts 1.3 and 1.4</p> <p>Chart 1.5 Charts 1.6. and 1.7</p>

C Background Readings

Background Reading 1 of Session 1: Introduction to BMO Management

World Bank Group: Building the Capacity of BMOs: Guiding Principles for Project Managers, 2005, p. 53 – 56 (in parts)

BMO Management

BMO structures in many countries are of very limited use for SME development. On the one hand, numerous organisations are willing to act as chambers, federations or business associations, but they are also wasting resources by competing with each other and are too weak and unstable to represent SMEs effectively. The established larger BMOs, on the other hand, are often dominated by large-scale enterprises because they are easier to organise and bring in more economic power and political influence.

Based on that BMOs should develop their organisational strength and management capacities to become more effective and ensure their long-term prospects. Better organised BMOs are more focused, enjoy greater membership participation and improve their public recognition and acceptance. They are able to fulfil their responsibilities for the whole –small and large – business community and can therefore be regarded as genuine representatives of the private sector.

Bad management practices and organisational weaknesses will be reflected by the following typical problems of BMOs in different countries:

- Low membership
- Poor leadership (lack of mission statement and strategic planning)
- Lack of administrative skills
- No clear-cut division of tasks between honorary representatives and secretarial staff
- Negligible influence on government policy
- Weak communication and public relations
- Unattractive services
- Inadequate funds and income generation

It is important to realize that these problems should not be seen in isolation: by reinforcing each other, they cause a vicious circle of poor BMO management. The central problem of many BMOs lies in the lack of knowledge of what they should do now (mission) and what they want to become in the future (vision). In the absence of a meaningful mission and vision, BMOs will attract only a few members. Thus, they often have to cope with insufficient financial resources that in turn limit the scope for good services and advocacy. Without attractive benefits of membership, however, companies will abstain from joining the BMO or decide to quit. Therefore, efforts to strengthen a BMO's management capacity have to be given consideration in the course of every donor intervention, even when the primary objective of the promotional activity is to enhance service delivery and/or policy advocacy.

Capacity building is a gradual process. Therefore, BMO management capabilities will also develop incrementally.

Background Reading 2 of Session 1: Introduction to BMO Management

Extract from a Working Paper of sequa for BMO promotion in India (2009):

4) Entry points and lines of action for strengthening the competencies of BMOs for technical assistance

There are huge differences in status and performance between individual BMOs in India. *Identified weaknesses of Indian BMOs in general, at least of such organisations on local level, lead to major starting points for promotional actions:*

Weaknesses	Possible actions in response
Lack of clarity of purpose	<ul style="list-style-type: none">- Workshop(s) with BMO board and committee members on vision, mission and longer term targets of their organisations- Interviews with member companies and non-members about their demands concerning BMO services
Lack of governance / organisation	<ul style="list-style-type: none">- Introduction of leadership methods similar to management schemes in enterprises- Training of BMO secretariats in fields like work planning, membership administration and accountancy- Consultancy on how to improve collaboration between BMO secretariat and office bearers
Low quantity and quality of services	<ul style="list-style-type: none">- Workshops for MSMEs in management, marketing, technical issues- Training of BMO staff on how to deliver relevant services for MSMEs
Limited lobbying power on a broader scale (beyond local level)	<ul style="list-style-type: none">- Workshops for BMO staff and office bearers in professional PR work- Networking with other BMOs for common advocacy in crucial economic policy questions

D Charts

Session 1: Introduction to BMO Management

Chart 1.1 Training Modules

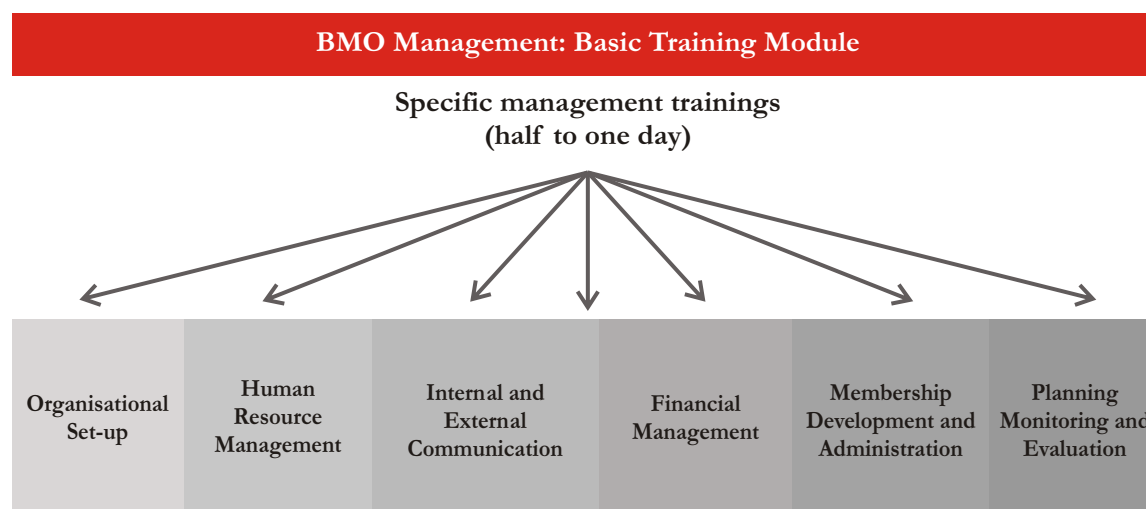


Chart 1.2: Training Schedule of Day 1: BMO Management

Session	Topics	Duration	Proposed Time
Inaugural session and warming up	Welcoming of participants by host, giz and sequa	60 min.	9.30 AM - 10.30 AM
	Coffee / tea break	15 min.	10.30 AM– 10.45 AM
Session 1: Introduction to BMO management	1. Introduction to management training 2. Main management challenges 3. Some facts on current situation of BMOs in India	45 min.	10.45 AM– 11.30 AM
Session 2: Organisational structure and functions	1. Structure of a BMO 2. Typical challenges for Secretariat staff and possible solutions	60 min.	11.30 AM – 12.30 PM
Session 3: Strategic financial management (part 1)	1. Financial sustainability as the objective of financial management 2. Strategic options for balancing the financial situation of a BMO	30 min.	12.30 PM – 1.00 PM
	Lunch break	60 min.	1.00 PM – 2.00 PM

Chrt 1.2: continuation

Session	Topics	Duration	Proposed Time
Session 3: Strategic financial management (part 2)	3. Strategic options for balancing the financial situation of a BMO (cont.) 4. Revenue sources 5. Budgeting	60 min.	2.00 PM – 3.00 PM
Session 4: Strategic planning (part 1)	1. Importance of planning 2. Definitions 3. Steps in strategic planning: preparation and situation analysis	30 min.	3.00 PM – 3.30 PM
	Coffee / tea break	15 min.	3.30 PM – 3.45 PM
Session 4: Strategic planning (part 2)	4. SWOT-analysis and strategies derived from SWOT	75 min.	3.00 PM – 3.30 PM 3.45 PM – 5.00 PM

Chart 1.2: Training Schedule of Day 2: BMO Management

Session	Topics	Duration	Time
Session 4: Strategic planning (part 3)	5. Steps in strategic planning: vision, mission, values	45 min.	09.30 AM - 10.15 AM
Session 4: Strategic planning (part 4)	6. Steps in strategic planning: strategic objectives, strategic actions, action plan	45 min.	10.15 AM – 11.00 AM
	Coffee / tea break	15 min.	11.00 AM - 11.15 AM
Session 4: Strategic planning (part 4)	7. Steps in strategic planning: strategic objectives, strategic actions, action plan (cont.)	55 min.	11.15 AM – 12.10 PM
Session 4: Strategic planning (part 5)	8. Steps in strategic planning: implementation and follow-up 9. Final wrap up	35 min.	12.10 PM – 12.45 PM

Chart 1.3 – Some facts on BMOs in India

Some facts on BMOs in India (1):

- Out of 99 associations that participated in the survey, only **22%** have formulated vision and mission statements
- **83%** do not provide any kind of training to their staff
- Though 65 associations have **full time employees**, most secretariat staff lacks technical qualification and knowledge to carry out regular functions efficiently
- Most of the BMOs depend heavily on income from membership subscription for their activities, performance and survival which is not a healthy situation
- More than **60%** of the associations refused to provide details of their financial positions

Chart 1.4 – Some facts on BMOs in India

Some facts on BMOs in India (2):

- The number of associations which provide fee based services through internal and external expertise is very less, 28% and 37% respectively
- Aware of the government schemes and subsidies is relatively high (76%) ; however, many of them (nearly 60%) have neither used nor have been involved in implementation of any of the schemes.

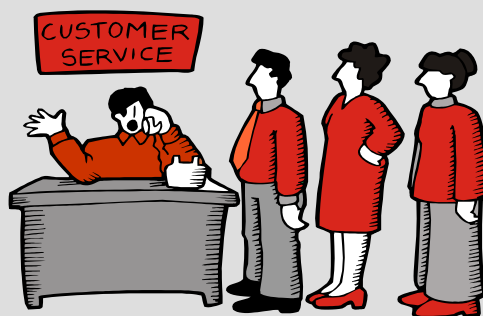


Chart 1.5 – The vicious circle of poor BMO management

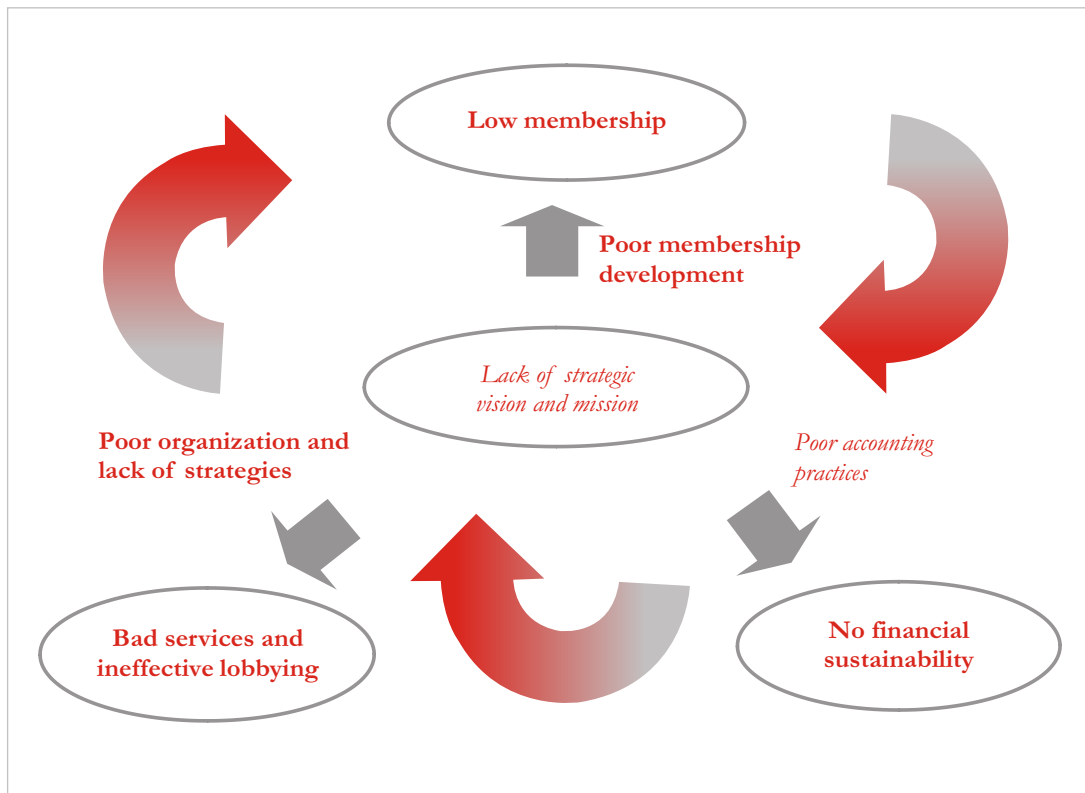


Chart 1.6 – Accreditation I



giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Accreditation

- What it is?

a mechanism for recognizing organizations (associations) that meet recognized standards. It could be a voluntary process based on peer analysis and review, in which consensus-based standards are developed to indicate quality practices in association.

Chart 1.7 – Accreditation II

Accreditation

What it can lead to?

- **Greater transparency** about the functioning
- **Distinction between** the different associations
- **Targeted capacity building** efforts through appropriate training and advisory needs / measures
- **Professional management** of the associations as a result of enhanced understanding about their strength and weakness

E Participant Handouts

Charts 1.1 to 1.7

The background is a solid red color with two large, curved, overlapping shapes in a slightly darker shade of red, creating a sense of depth and movement. These shapes curve from the top right towards the bottom left.

Session 2: Organisational Structure and Functions

Session 2: Organisational Structure and Functions

A Overview

Time: 60 min. (11.30 AM – 12.30 PM)

Overview: A well-defined organisational structure is a key ingredient to a properly functioning BMO that serves the interests of its members with commitment and effectiveness. Depending on the specific needs of the target group the trainer is dealing with, there are several alternatives to run that session. A discussion on concrete BMO management problems in smaller groups (alternative 1), work on case studies (alternative 2) or plenary discussion on the various roles and duties in a BMO (alternative 3) are possible. Working on the organisational structure and functions will make the various duties clearer and help the Secretariat staff to better define their own roles.

Learning objectives:

- Participants are familiar with the essential organs of a BMO as well as their tasks and duties and distinguish between them.
- Participants discuss main duties of Secretariat staff, identify challenges in their current jobs and possible solutions.

Materials required:

- Background reading 1 and 2 of session 2
- Charts.2.1 – 2.13
- Handouts
- Flipcharts
- Pin boards / Soft boards
- Projector
- Brown paper
- Cardboard Cards
- Marker pens
- Glue spray

B Trainer Instructions

Session 2: Organisational Structure and Functions

TIME	METHODOLOGY	MATERIALS
60 min.	<p>In the material part, you will find a number of charts and background readings on structure and functions of a BMO mostly for your own information.</p> <p>There are various alternatives to run the session, depending on the willingness of the participants to share and work on their own experience.</p> <p>Alternative 1: ask the plenary for 3-4 volunteers who are invited to describe a current management problem in their BMO which they would like to resolve. In a group discussion, their colleagues develop ideas and proposals on how to resolve these issues, acting as some kind of consultants. The volunteers then briefly describe their cases. The other participants decide on the case they want to work on and form smaller subgroups accordingly inside the training room or in some adjacent rooms if available. When the 3-4 groups have found their places, in each group the “case presenter” sits in the middle and gives again a brief description of his or her case. Then he or she has to remain silent. The other group members discuss the situation, focussing on possible solutions for around 15 minutes. Only after they have finished their discussion, the “case presenter” has the word again and shares with the group, which of the developed solution he or she found most interesting and promising and what he or she will be doing. Then all turn back to plenary and one representative of each group gives a brief summary.</p> <p>Alternative 2: If there are no volunteers, you describe 2-3 typical BMO situations (use charts 2.1-2.3 for that) and ask participants to name one case they would like to work on in a small group. Then form 3 parallel groups who will discuss the case and develop ideas and proposals on how to resolve the case.</p> <p>Alternative 3: you go through the chart with the key tasks of the secretariat with participants and ask them, which of these tasks they comply. You might prepare a typical job description for Secretariat staff afterwards with them. If you feel, participants need to know more about the various roles and functions in order to distinguish between them, and describe their own role better, you might go through charts 2.4 – 2.13, encouraging questions and further comments by participants.</p>	<p>Charts 2.1 –2.14</p> <p>Background reading 2.1 and 2.2</p>

C Background Readings

Reading 1 of session 2: Structure of BMOs

Source: UNIDO – BMO Toolbox. Tools and materials for Enhancing Business Membership Organisations (New York, 2008), p. 13 ff.

General Assembly and Board

The General Assembly is the highest authority within a BMO. It is the central body for decision-making and election of Board members. The General Assembly usually convenes in the Annual General Meeting (AGM). An AGM either is a meeting of all members of a BMO or an assembly of delegates that have been elected by the members before.

The Board governs the BMO. Usually, Board members are elected for a one- to two-year term. The President heads the Board. Vice-Presidents and the Treasurer are responsible for specific areas. As stipulated in the statutes a Board consists of 8 to 20 or even more members.

In many cases, statutes or bylaws of a BMO will only describe the duties of the Board, President, etc. in brief and general terms. More specific duties and responsibilities could be put into job descriptions. It is important that a more specific listing exists to guide and monitor the performance of a BMO Board, its President or other elected members.

The following table gives an overview of typical problems and possible solutions concerning the work of BMO Boards:

Problem	Solution
Board is too slow in decision-making	Reduce size of board; reduce its scope of responsibility; shift work to Committees (among others to Executive Committee); empower Secretary General to decide.
Scarcity of qualified board members	Establish 'grooming' pattern, i.e.: potential board members must complete a 'career' path within the BMO before they can move to higher positions.
Lack of continuity in Board policy	See 'grooming' pattern above; only elect 50 % of board members at any one time; keep past President(s) on the board.
Board/Committee work difficult to measure	Develop board/committee job descriptions and work plans ideally with performance indicators (see strategic planning). Evaluate work against indicators.

Committees

Committees that are made up of members are an important instrument for the functioning of BMOs. Usually, BMOs have a number of committees on various issues in place. Committees are appointed by the board or – depending on the statutes – elected by the general assembly. There are standing committees and ad hoc committees. Standing Committees deal with issues of a recurring nature (e.g. customs and taxes; finance and administration of the BMO, etc.) and therefore exist continually. Ad hoc Committees are established for a special reason, e.g. when the BMO wants to conduct a fair, an anniversary, work on a special issue for advocacy etc. Due to their nature those committees are dissolved when the task has been completed.

Depending on the given statutes, the BMO Board or President may – with the approval of the Board – appoint Chairpersons for Committees. These Chairpersons would then select Committee members (from the BMO members) and possibly also a limited number from the public, if provided for by the statutes. In many BMOs, Committees and their Chairpersons are elected by the AGM.

In difference to the above Committees, an Executive Committee is often established (according to the statutes and not elected) to function as a short-cut BMO unit to facilitate quick decisions. Members of such a Committee are usually the President, the Vice President and one or more other important Board members. The Secretary General should be included in this Committee in a non-voting role to give practical advice.

All Committees report to the Board, which may or may not adopt recommendations that have been developed by the Committee. The connection between Committees and the Secretariat is usually ensured by involving the Secretary General or an authorized staff person as non-voting Committee member.

The following table gives an overview of typical problems and possible solutions in the work with Committees:

Problem	Solution
Committees are slow to pick up BMO-relevant issues and in delivering results	Request Committees to submit work plans which should include issues (in addition to those given by the Board), targets, activities, time tables, budgets. Work plans should be approved by the Board. Request regular reports from committees.
Committees and/or their Chairpersons have their 'trusted' staff in the Secretariat and give him/her work orders (loyalty conflict! with Secretary General)	Nothing wrong with trust, but the Secretariat must insist on work procedures which ensure that Secretary General is responsible for work orders to staff. Board to design relevant rules for all Committees to that effect.
Committees and/or Chairpersons follow their own business interests and not those of the Board	See solution 1. If necessary, exchange Chairpersons and Board members.
Committees organise their own funding and staff and become independent from BMO	Nothing wrong with this in principle, but work must be in accordance with BMO interests. See solutions 1 and 3.

Secretariat

The Secretariat is the operative arm of the BMO. Usually, the Secretariat is headed by a Secretary General or Executive Director who is appointed by the Board (in a few countries he/she is elected by the BMO members, which gives him/her greater standing). The Secretary General or Executive Director is head of the BMO staff, hires the personnel and distributes the work.

The Secretary General may set up BMO divisions within the Secretariat to structure the work. These divisions should have their own targets (including financial targets!), work plans and, preferably, even

their own budgets for activities. A Secretariat Division budget would not include cost of personnel and other general costs, e.g. rent, electricity etc. These costs should remain with the Administration Division, which is usually located with the Secretary General's office. All divisions should report to the Secretary General. The Secretary General must find solutions against the tendency of divisions to act without much internal networking. The Secretary General will also – when required – appoint staff to support the Board and Committees and will have to ensure that this staff keeps him/her informed of the work of the relevant committee. Respective regulations should be included into the staffs' job descriptions.

The following table gives an overview of typical problems and possible solutions in the work of Secretariats:

Problem	Solution
President or Board hire staff (common in many developing countries) instead of Secretary General (loyalty conflict/'untouchable' staff)	Put right of hiring into job description of Secretary General. Have clear job descriptions for President and Board.
Secretary General has to ask approval of President or Board even for minor decisions (again, common in dev. countries). This issue often stems from the early days of the BMO when Board members still had an executive role. They don't want to relinquish it but have no time to still play the role effectively.	Empower Secretary General with proper job description that clearly assigns functions. Possibly also provide new title: Executive Director.
Complaints about the quality of the Secretary General (also widespread).	As Board members still want a share of power in execution, they do not look for high-calibre staff and advertise a low-salary job. Result: low qualification of Secretary General, poor work output. Therefore, change the job description and salary.
Secretary General changes with each new President. The new President may fear the experience/power of the present Secretariat General and wants to have a new one whom he can steer	Base all personnel decisions on objective job evaluations (see text on job assessment below). Contract Secretary Generals for longer time periods overlapping with Presidents' terms.

Reading 2 of session 2: Functional Relationship among the Organs of a BMO

Source: Afghanistan Chamber of Commerce and Industry – Executive Chamber Development Training Manual (Kabul, 2010), p. 26 ff. Please note that the reading, though referring to chambers, is of equal importance for industrial associations.

Functional Relationships

Functional relationship means how the various organs of the organisation behave and cooperate with each other. Worldwide chambers have adopted and practiced this behaviour and drawn up certain principles and rules. Some of those rules are contained in the by-laws of the chamber, whilst others are common sense and have emerged from long periods of practice. However, there is no 'golden rule' that fits any condition. Organisational behaviour is influenced by a number of factors, such as culture, tradition, historical circumstances, level of formality of the chamber, etc. The following relations are meant as a broad guide from international experience:

Relations of the Chairperson

In chamber policy

The chairperson as an individual has no authority to commit the chamber to any action or policy. The status of the chairperson is that of an individual acting in a legislative capacity. The right exists to exert influence with the Board for the approval of such action and policy as may be favoured. The authority does not go beyond the vote. The chairperson has to abide to the decisions of the Board in accordance with the by-laws governing such decisions.

To members of the Board

The chairperson is a co-partner with the members of the Board in seeking to improve the situation in the business community through activities of the chamber. The chairperson has the trust of the other members. The chairperson should be scrupulous in the disassociation of all personal interests from the chamber. The position has to be regarded as a public trust.

The attitude to other members should be one of tolerance for their viewpoints, conciliation for their differences, and zeal for the welding of diverse opinion into constructive policies for the common good. The chairperson should calendar the time to attend the maximum number of meetings.

To the public

The chairperson is the representative of the chamber, officially and unofficially, to the entire public. The chairperson is not authorised to speak for the chamber except on those matters where the chamber has a clearly defined and formulated policy. The chairperson should be ready at all times to defend the chamber against criticism, or where the criticism is justified, take steps to remedy the conditions by bringing it to the attention of the Board. The chairperson can frequently make a distinct contribution to the wellbeing of the chamber by bringing to the attention of the Board both the critical and constructive suggestions received by members or members of the business community and the public at large.

To chamber staff

Confusion and trouble can be avoided by proper understanding of the relationship of the chairperson to the chief staff of the chamber. The chairperson is not an executive officer. The chief staff should welcome advice and suggestions, but they are under no obligation to accept instructions from the chairperson and individual members of the Board. Individually, the status of the members of the Board is advisory with respect to the staff and legislative with respect to the organisation. Instructions from members of the Board can come only when they are embodied in the joint action of the Board.

Through the secretariat the chairperson has a permanent administrative machine to carry on the work of the chamber. The chief staff is the Board's counsellor and at the same time is responsible to the committee for seeing to it that the work of the chamber is carried on effectively and that its policies are executed.

To committees

The chairperson should consult with the Board in the creation of committees and the selection and appointment of members to these committees. Each member of the Board must take an active interest in the organisation of committees, as well as in the operation of these committees.

It is a common practice in chambers to appoint one or more Board members to each committee. This practice provides good liaison between the committee and the Board and a means of giving the Board full information of committee proposals, plans and problems. Such information not only aids members of the Board to make sound decisions, but helps motivate the action and cooperation that is so essential to the success of committee projects and activities.

All projects should be approved by the Board in advance. Such a requirement is a time-tested fundamental of good organisational practice.

Relations of the CEO

To the chairperson

The CEO must associate with people from all walks of life in many varied activities and personal relationships should be of prime importance.

The relationship to the chairperson therefore, should be one of confidence and complete understanding of the aims and objectives on a long and short-term basis, in the interest of the organisation and the crafts community as a whole. The CEO has a major role to assist the chairperson in every way, including the enhancing of this very important office, bearing in mind that he/she should show leadership him/herself and yet, not command.

Briefing on such items as meeting agendas, program of work and general activities prior to meetings is essential in order that the chairperson may be fully informed on all issues. Cooperation is an essential criterion in a successful and progressive Board.

To Board members

The CEO's relationship with the other members of the Board - although friendly should be courteous but business-like at all functions of the Board. By doing so, the CEO is able to exercise leadership roles at meetings and support the chairperson who chairs the meetings. While avoiding domination of proceedings at meetings, the CEO should be looked upon as an expert in all policy matters and decisions, which the Board might want to adopt. It should be borne in mind that the CEO is the administrator, whilst the Board's function is to develop and own policy. Any infiltration into normal management functions indicates a lack of proper orientation.

Board members, because of the limited time they can devote, expect the CEO to be oriented in business affairs and development. The CEO should ensure that meetings are well prepared and all transactions are properly recorded. Minutes must be accurate and business arising from the proceedings should be followed up in consultation with the chairperson prior to distribution.

All opinion offered by the CEO must be supported by fact. Knowledge provided in these fields must not detract from group participation.

To members

An efficient CEO who works in good cooperation with the chairperson will be regarded by members as a person of knowledge on a number of issues in the business community. Chairperson and members alike are aware that the office of the chamber is a focal point for data, information and resources for their concerns.

The relationship of the CEO with the members is therefore, one of information and communication. The CEO is responsible for the issuance of notices of meetings and their general content to ensure adequate attendance.

General meetings and annual meetings require time and effort for their successful planning and attendance. Establishment of a program, committee to provide necessary contact with the membership, special notice in the press, radio, and other means of communication are all parts of a well-established procedure.

The CEO therefore, must be an expert in his/her field, continually looking to advance ideas and to influence volunteer workers through a program of work and proper communication to the Board and general membership.

D Charts

Session 2: Organisational Structure and Functions

Chart 2.1 – Organisation chart

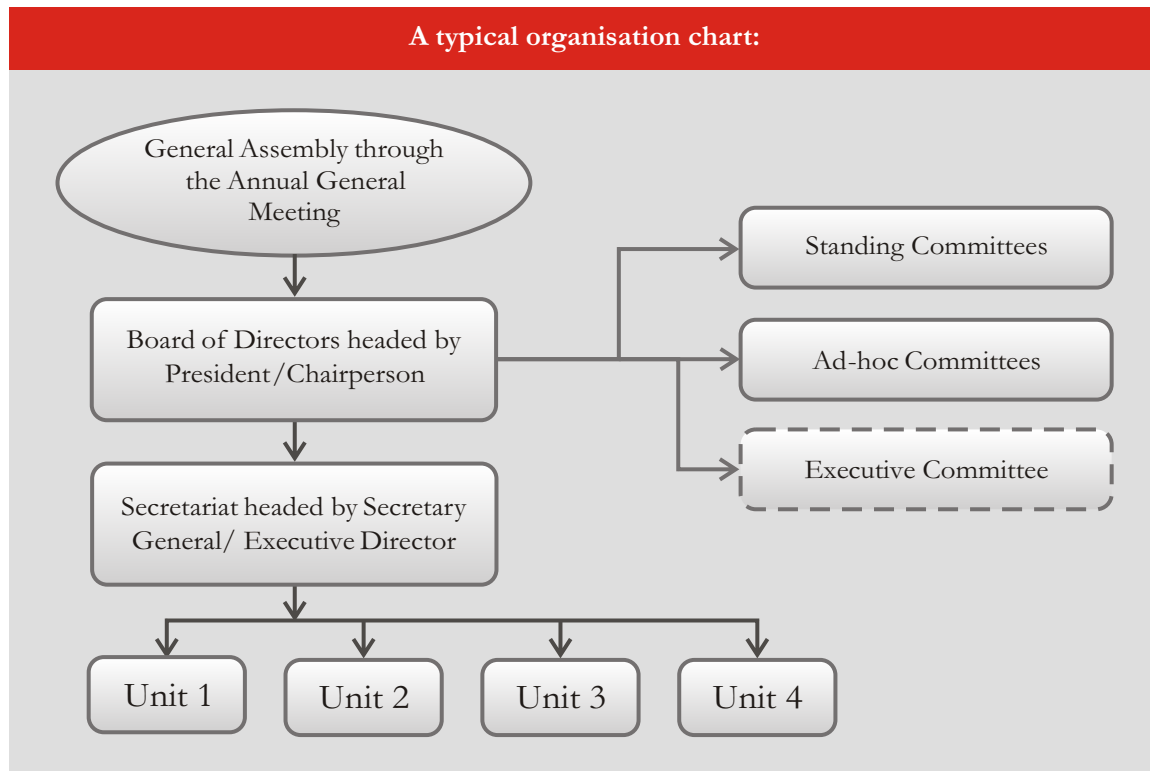


Chart 2.2 – Case study I

You are secretariat staff in a BMO. Your problem is that there are several committees in function and your office bearers schedule meetings without co-ordinating dates and hours between them.

Several times there has been confusion with the allocation schedule and the members who take part in these committees are quite unhappy with the situation.

Please discuss possible solutions with your group and present your ideas and proposals afterwards to the plenary.



Chart 2.3 – Case study II

You are working in a small BMO and have to fulfil a series of different duties. You try your very best, but feel you should acquire more knowledge to really perform well. But there is no money to pay training fees in your organisation and other persons hardly could take over your responsibilities.

What can you do?

Please discuss possible solutions with your group and present your ideas and proposals afterwards to the plenary.



Chart 2.4 - Key tasks of the Secretariat

Key tasks of the Secretariat:

- Implement policies laid down by the Board of Directors
- Achieve targets set by the Board of Directors and render periodic reports to the Board on its progress
- Pursue projects and activities that will enable the Chamber to attain its mission
- Monitor trends and developments in commerce and industry and alert members accordingly
- Provide secretarial support for Board and committee meetings and keep proper record of proceedings
- Make recommendations to the Board and members on policies and activities
- Handle the day to day operations of the Chamber

Chart 2.5 - Key tasks of the General Assembly

Key tasks of the General Assembly:

- Serve as the highest decision-making body
- Approve the statement of final accounts of the BMO prepared in conformity with the provisions of existing legislation
- Discuss and approve annual reports on the activities of the BMO
- Set the agenda for the BMO's policies
- Elect Board members

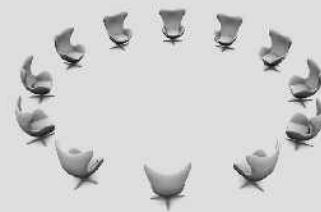


Chart 2.6 - Key tasks of the Board of Directors

Key tasks of the General Assembly:

Executive duties	Constitutional duties	Administrative duties
<ul style="list-style-type: none"> - Policy making - Target setting - Review of policies and directions 	<ul style="list-style-type: none"> - Admittance and termination of memberships - Management of funds and properties - Appointment of committees - Introduction of new bye-laws or amendments to the Constitution etc. 	<ul style="list-style-type: none"> - Supervision of secretariat; - Representation of the BMO with government, in public and private bodies, with other private business leaders.

Chart 2.7 - Key tasks of the Committees

Key tasks of the Committees:

Standing Committees	Ad-hoc Committees	Executive Committee
<ul style="list-style-type: none"> - Develop BMO policies in specific areas (for instance industry promotion, membership management) - Provide advice and supervision to the secretariat in the implementation of such policies 	<ul style="list-style-type: none"> - Carry out specific and time-bound tasks such as the organisation of a trade fair or advocacy on a current issue - Dismantled after the completion of the task 	<ul style="list-style-type: none"> - In case of BMOs with large boards, the Executive Committee serves as a “quick fix” organ to enable swift decision-making

Chart 2.8 - Comments on the organisational structure I

Comments on the organisational structure I:

- An Annual General Meeting (AGM) either is a meeting of all members of a BMO or an assembly of delegates that have been elected by the members before.
- Usually, Board members are elected for a one- to two-year term.
- The number of Board members can vary. Board members are responsible for different areas.
- Committees are appointed by the board or elected by the General Assembly.
- Usually, the Secretary General is appointed by the Board. In a few countries he/she is elected by BMO members.
- Ad-hoc Committees are dissolved after accomplishment of their task.

Chart 2.9 - Comments on the organisational structure II

Comments on the organisational structure II:

- The participation of the Secretary General or an authorized staff person as a non-voting Committee member ensures connection between Committees and Secretariat.
- The size of the Secretariat depends on the financial capabilities of the BMO.

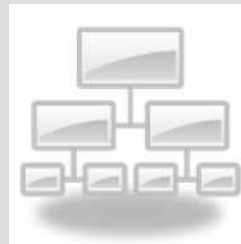


Chart 2.10 - Relations of the Chairperson I

Relations of the Chairperson I:

- The authority of the Chairperson in defining the association's policy does not go beyond his/her vote in the Board. The Chairperson has to abide to the decisions of the Board
- The chairperson should be scrupulous in the disassociation of all personal interests from the chamber. The position has to be regarded as a public trust.
- The attitude to other members should be one of tolerance for their viewpoints and conciliation for their differences.
- The chairperson is the representative of the association to the entire public. He or she is only authorised to speak on matters where the BMO has a clearly defined and formulated policy.

Chart 2.11 - Relations of the Chairperson II

Relations of the Chairperson II:

- The chairperson is not an executive officer. Instructions to the Secretariat need to be embodied in the joint action of the Board.
- The Chairperson as well as the other Board members should take an active interest in the organisation of committees, as well as in their operation.

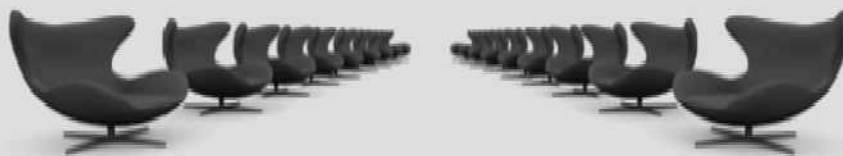


Chart 2.12 - Relations of the Secretary General I

Relations of the Secretary General I:

- The Secretary General has a major role to assist the Chairperson in every way, bearing in mind that he/she should show leadership him/herself and yet, not command.
- Briefing the Chairperson on such items as meeting agendas, programme of work and general activities prior to meetings is essential.
- The Secretary General's relationship with the other Board members should be courteous but businesslike.
- He/she should ensure that meetings are well prepared and properly recorded. Business arising from the proceedings should be followed up.
- All opinion offered by the Secretary General must be supported by fact.

Chart 2.13 - Relations of the Secretary General II

Relations of the Secretary General II:

- The relationship of the Secretary General with the members is one of information and communication. He or she is responsible for the issuance of notices of meetings and their general content to ensure adequate attendance.

E Participant Handouts

Charts 2.1 to 2.13

Reading 2.1

Reading 2.2

Session 3: Strategic Financial Management

Session 3: Strategic Financial Management

A Overview

Time:	Part 1:	30 min.	(12.30 PM – 1.00 PM)
	Lunch break	60 min	(1.00PM – 2.00 PM)
	Part 2:	60 min	(2.00 PM – 3.00 PM)

Overview: Prudent financial management is crucial for the long-term survival of any industry association. For many BMOs it is quite a challenge to generate enough income in order to finance all the activities that their members expect from them. On the expenditure side, members demand a high degree of transparency in all financial dealings. While it takes quite some time for any BMO to build a reputation as a respected partner for the industry, the government and other actors, any financial lapse might rapidly erode its standing. Hence, there is a dire need to adhere to principles of sound financial management.

This session starts by discussing a few principles and by defining the strategic objectives of financial management – the orientation towards financial sustainability. It then deals with strategic options for balancing the financial situation of BMOs which run into difficulties because their revenues do not match expenditures. A set of guiding questions, which help analysing the financial situation and taking appropriate actions for financial balance, is presented and discussed. The session ends with the introduction of functions and types of budgeting in a BMO.

Learning

- Participants are familiar with the strategic objectives of financial management.
- Participants are cognizant about the strategic options for balancing financial mismatches.
- Participants are acquainted with main functions and types of budgeting in a BMO.

Materials required: Background readings 1, 2, and 3 of session 3
Charts 3.1 – 3.16
Handouts
Projector
Flipcharts and flipchart paper
Marker pens

B Trainer Instructions

Session 3: Strategic Financial Management

TIME	METHODOLOGY	MATERIALS
5 min.	<p>1. Introduction</p> <p>Introduce the session by informing the plenary that the session will deal with the strategic objectives of financial management and common sources of revenue of BMOs. The session is divided into three topics (see chart 3.1). It will, first, define financial sustainability as the overall objective of financial management, second, discuss three strategic options of how to tackle financial imbalances and, third, briefly introduce the main revenue sources. Finally, functions and types of budgeting are introduced.</p>	<p>Background reading 1 Chart 3.1.</p>
55 min.	<p>2. Financial sustainability as the objective of financial management</p> <p><i>Trainer's input and plenary discussion:</i> Introduce this topic by saying that BMOs as non-profit organisations are not bound by principles of prudent financial management. The opposite is the case. As member-based organisations, they have a moral obligation towards financial responsibility and transparency. They also have to avoid high financial risks and should be geared towards financial sustainability (chart 3.2). Technically, financial sustainability might be defined as a situation, whereby the BMO's revenues exceed expenditures. This would enable the association to build financial reserves, so that any future financial crisis might easily be overcome by drawing upon its savings (chart 3.3).</p> <p>Then draw the attention of the plenary towards chart 3.4. The chart depicts a simple graph which demonstrates higher expenditures than revenues. Ask participants: <i>"If your BMO is in a situation like this, what can you do to balance your accounts? Please, respond in very broad terms."</i> Collect the answers and visualize them on flipchart. Then, go on with chart 3.5 which displays three options: An effort of the BMO to increase revenues, an effort to decrease expenditures or doing both at the same time. Then ask participants, whether they agree or whether they have to add something.</p> <p>After lunch</p> <p>Next, you go on with charts 3.6 to 3.8. These charts comprise a set of guiding questions that can be helpful in order to analyse the causes of the financial imbalances and take adequate actions. They are broken down into questions related to the expenditure side and others related to the revenues. Chart 3.9 provides a few hints related to financial restructuring which you could use for summarising.</p> <p>You could run this part as group work as well, with parallel group work on expenditures and revenues.</p>	<p>Background reading 2</p> <p>Chart 3.2</p> <p>Chart 3.3</p> <p>Chart 3.4</p> <p>Chart 3.5</p> <p>Chart 3.6-3.8</p> <p>Chart 3.9</p>

TIME	METHODOLOGY	MATERIALS
10 min.	<p>3. Revenue sources</p> <p>Trainer's input and plenary discussion: Proceed with the topic of revenue sources. Ask participants about their main source and take note of the responses on a flipchart. Then compare them with chart 3.10 displaying the five most common revenue sources of BMOs and hold a brief discussion on the sources which are missing in participants' organisations.</p> <p>The following charts 3.11 and 3.12, analyse the strengths and weaknesses of each revenue source in a generic manner. Interactively discuss the analysis and check whether the participants agree with the content. If anything needs to be added, feel free to do so in the presence of the participants.</p>	<p>Background reading 3</p> <p>Chart 3.10</p> <p>Chart 3.11 and 3.12</p>
20 min.	<p>4. Budgeting</p> <p><i>Trainer's input and plenary discussion:</i> Chart 3.13 presents an introduction into the function of the budget. It also describes the types of budgets that are required for financial control purposes (operating, capital and manpower budget). Charts 3.14 to 3.16 display formats or templates of the respective budgets. Please note that the items on the left-hand side of the templates need to be adjusted to the real sources of revenue and expenditures incurred by the associations. After having gone through the charts, ask participants whether they have anything to add or comment. You may also refer to the BMOs working with budgets about their experiences with budgeting.</p>	<p>Chart 3.13 up to 3.16</p> <p>Background reading 3</p> <p>Flipcharts</p> <p>Marker pens</p>

C Background Readings

Reading 1 of Session 3: Strategic Financial Management

Source: Sequa: Guiding Business Member Organisations. A Manual for Presidents and Directors of Business Membership Organisations interested in Strengthening their Organisation., Developed by Martin Wahl, Rolf Speit, Andreas Doble and Reyes Marinbo. Bonn 2004, p. 15 ff.

Prudent and Professional Management – Financial Management Aspects

Professional management is fundamental to ensuring an important role for the BMO in representing the interests of its associate members. There are various examples of BMOs that have had fantastic evolutions, doubling their number of associate members in a short time, after having been led by presidents who were both adept at and interested in new methods of administration. There are also examples to the contrary, BMOs that lost the support of their associate members owing to weaknesses in communication and organisation on the part of their leaders. It takes years to build up an organisation, but only a few months to destroy it completely. In order to ensure that presidents and other directors are sensitive to the need to “govern” a BMO in a professional manner, this part of the manual deals with the diverse managerial tools adapted to the reality of the organisations and with behavioural and personal attitudes that make a positive contribution towards a bright future for the organisation.

Revenue Sources

BMOs are non-profit organisations. However, they do require financial resources to fulfil their role of representing the associate members. A minimum structure of employees, equipment and office supplies are needed. There will only be extra resources to sponsor initiatives that are of interest to the associate members if the revenues are greater than the expenses.

The most common revenue sources are:

- Cooperation Programs
- Membership dues
- Donations
- Rents and investments
- Services

Cooperation programs: These are important for associations especially in developing countries, which often suffer from a very weak revenue base. Cooperation programs make some of the BMO's projects or those of its partners viable that, otherwise, could not be maintained. Cooperation partners can be multilateral and bilateral donor organisations which, in many countries, run programmes for the strengthening of business BMOs and associations. Some of them have a specific focus, which may be regional, sector-oriented (e.g. in the field of vocational and technical training, finance for SME, a certain branch of business) or gender-related (e.g. promotion women entrepreneurs) in nature. Formerly, donors tended to focus on a single partner organisation and supported it through direct transfers of money. As this led to a “spoon-feeding” mentality, most donors have changed their approach. Today, they cooperate with several partners at a given time (“multi-stakeholder-approach”) and provide financial support in exchange for tasks carried out or services delivered by the cooperation partners. This approach is performance-oriented and spurs competition among the participating BMOs.

Also of interest are the cooperation programs maintained by foreign universities, foundations, non-governmental organisations and large companies that have an affinity with the activities of the association. The disadvantage of such programmes is that they are of a limited duration, and therefore cannot constitute a permanent and reliable source of revenue. Nevertheless, by becoming a professional service provider within cooperation programs, a BMO can build recognition and “sell” this expertise to other potential partners.

Membership dues: These are fixed amounts charged monthly (or for longer periods) to all associate members and should be sufficient to cover the administrative costs of the BMOs. Their main advantage is that they are a stable and easy-to-administrate source of revenue. However, often they are relatively low. If they are raised without adherence to specific criteria, many associate members will generally stop contributing or make late contributions. When this occurs, it is difficult to take administrative measures to collect them, due to the small amounts involved individually, not to mention the mercantile character these measures would represent.

Experience shows that the membership dues are only regularly paid when the associate members recognize the trade association as an effective entity and receive satisfactory service in return. As we know, investors like to invest where they will realize a return, even if that investment is in the form of membership dues to trade associations. Thus, a BMO that wishes to reach a state of self-sufficiency solely through membership dues will need to either raise them or increase greatly its number of associate members. For this reason, a BMO has to offer something extra, something more than being simply the representative organ of a business community.

Few associations maintain a policy of charging differentiated membership dues, that is, contributions that are proportional to the size of the associate members. Micro and small businesses feel that they are being done an injustice when their contributions are equal to those of larger members. In truth, it is strange that a bakery should make membership dues in the same amount as those of a local branch of a large bank.

Donations: These are resources that are voluntarily provided by nongovernmental organisations, support organisations, large companies, foundations, service clubs (such as the Lions Club and the Rotary Club), etc. Their principal characteristic is that these funds are not required to be repaid, that is, these are “grace-funds”. Whenever they are made, they contribute significantly to the financing of the association's activities. On the other hand, donations are made only occasionally, and so do not constitute a regular part of the cash flow. Excessive donations, in many cases, put the independence of the association at risk.

Rents and investments: Some BMOs have well located, idle real estate at their disposal. Sometimes, these properties are highly valued for their commercial possibilities and a good financial result can be obtained through renting them out. Others have resources invested in the financial markets, guaranteeing extra monthly revenues in the form of the interests received. These revenues, though important to the monthly balance of the BMO's finances, have a finite duration, since the rents are generally long term and currently there are not any significant increases in their amounts. Investments also have a limited remuneration that cannot be increased through simple force of will on the part of the BMO or due to the necessity to cover unexpected expenses.

Services present many advantages over other sources. They contribute to an increase in the level of professionalism of the association and raise its representative power and the motivation of its employees. Because services are beneficial for the associate members, they motivate the members to

fulfil their obligations on time as they feel convinced they are paying membership dues to an organisation that is truly useful. Another great advantage is that financial self-sustainability guarantees the political independence of the association.

In addition to contributing towards financial self-sufficiency and addressing one of the main demands of its associate members, the service delivery brings other advantages:

- Increases representative power (larger numbers of associate members);
- Maintains the independence of the BMO;
- Produces resources to subsidize other activities;
- Motivates employees;
- Promotes loyalty of associate members.

Assessment of the Financial Situation and Assets

When taking a first look at the organisation's situation, the president should take the following measures:

MEASURES FOR RAPID ASSESSMENT OF BMO'S FINANCIAL SITUATION AND ASSETS

- Request from the accountant a copy of the balance sheets and trial balances from the last two administrations in order to analyse the organisation's assets and finances.
- Request from the executive director an analysis of all the BMO's bank accounts and obtain a statement for each one.
- Verify, together with the accountant and the executive director that values on the accounting statements conform to those of the organisation's accounting ledgers.
- Request from the executive director an analysis of all the accounts payable and accounts receivable.
- Procure the registers necessary to administrate the organisation's accounts;
- Acquire the federal, state and municipal clearance letters in order to verify that the BMO has fulfilled all its obligations up to that date. Only with the up-to-date certificates can the organisation receive public grants or grants from par governmental organs.

Consolidating the results of these assessments permits the president to verify the organisation's situations regarding its assets and finances.

Administrative Expenses

Following the assessment of the organisation's condition concerning its finances and assets, it is important to verify its expenses. A typical example of main expenditures (are)... rent, personnel salaries, personnel labour expenses, consumables, newspapers and magazine subscriptions, taxes and other compulsory contributions, essential services, contributions and others.

Analysis of the BMO's Revenues

The third step of the financial analysis of the BMO is the assessment of the revenues. This procedure should take into consideration only those sources that are of a permanent nature, as only these may serve

for the financial and operational planning of the organisation. An impartial analysis will show the president and the directors of the Association the following:

- Which are the services and activities that continue to produce a deficit (make losses).
- Whether the current prices and membership dues are adequate, in terms of sustainability.
- Which services were producing deficits, but which have now entered a recuperation phase, and show a trend towards positive results.
- Which services and activities the association has to continue to render, though they are producing a deficit, owing to their importance, especially to micro and small businesses.

Reading 2 of Session 3: Strategic Financial Management

UNIDO – BMO Toolbox. Tools and materials for Enhancing Business Membership Organisations (New York, 2008), p. 24f.

Income and Financial Management

BMOs are non-profit organisations, but they have to cover their cost of operation. The contribution to total income of income sources varies greatly from one BMO to another:

- Small associations (particularly in developing countries) rely heavily on membership fees and donations.
- A BMO in Bangalore/India generates most of its income from renting out BMO-owned buildings/offices that have been built with earlier member donations.
- BMOs of the continental type draw a high percentage of their income from membership fees, because business enterprises must by law be BMO members, hence their membership is large and all have to pay membership fees.
- Governments in many countries support BMOs, e.g. by providing them with rent-free buildings; in other countries, even staff salaries (or a portion thereof) are paid by the state.
- Governments may also support BMO events, e.g. training of entrepreneurs. Government support for BMO programs is in most cases a result of good lobbying and of the quality of the BMO which strives for this support.
- Governments can also delegate functions to BMOs which are income-generating, e.g. issue of Certificates of Origin, licenses, permits, testing certificates for materials, etc. Delegation of government functions to BMOs is widely done in countries which have a continental type of BMOs.
- A high income from services is not easy to achieve, because BMOs have to compete with other business support providers (among them private enterprises) on the market.
- A BMO in Thailand derives its main income from organizing an annual football cup event. Other BMOs earn from golf tournaments. Both activities may be good as crowd draws and money earners but are not compatible with the main mission of a BMO: to support business enterprises. From this angle, earning income by conducting commercial fairs is a better alternative.

Some BMOs hesitate to charge members for BMO services (at all or above cost), because their understanding of BMO principles forbids 'profit making'. This attitude keeps BMOs chained to low income and donations, which are not a reliable source of income and which may come with 'conditions'. Government subsidies may also be given only to 'well-behaving' BMOs.

The only solution for BMOs to grow beyond the threshold of membership fee income without strings attached and within their vision is to develop business services which earn an income higher than the cost of these activities. When BMOs conduct income-generating activities, they will remain non-profit organisations because their aim will remain to be non-profit. A surplus income from services is meant to cover the costs of the BMO's operations and not to generate a profit for its members.

Financial Management of BMOs includes forward planning of expected income and expenditure, budgeting, as well as cash flow calculation, accounting of actual income and expenditure, preparing statements of accounts (e.g. on income, profit and loss, etc.) and balance sheets.

The actual bookkeeping and accounting of BMOs will depend on the regulations of the relevant country and for the relevant type of BMO (e.g. different for a larger BMO than for a small association). The prevailing regulations in each country will prescribe the books and records that BMOs have to keep and provide rules for tax-acceptable vouchers and receipts, for inventory as well as for profit and loss account statements, balance sheets and audit procedures.

A necessity in financial management is cash flow planning which projects the amount of incoming and outgoing cash on a monthly or weekly basis, so that BMOs retain liquidity.

Reading 3 of Session 3: Strategic Financial Management

Source: ZDH Partnership Program: Manual on Organising and Managing Chambers of Commerce and Industry by Judy Tan Lan Eng, Singapore, March 2000

Internal Controls

Internal controls are essential to ensure that the Secretariat operates efficiently within the framework of policy guidelines and regulations laid down by the Board of Directors.

These controls can be broadly classified under two general categories – financial controls and administrative controls. It would be practical to spell these out in an internal controls manual.

RULES APPLIED IN AN INTERNAL CONTROL MANUAL

Authority to incur expenditure (usually vested with the President, Honorary Treasurer, Chairman of Finance Committee, Secretary-General and Finance Director, etc. subject to different tiers of authorised limits)

Authority to make financial commitments on behalf of the BMO (usually vested with the President who is expected to obtain the Board's endorsement)

Operation of bank accounts (for effective control, usually 2 authorised signatories – the Secretary-General plus the President, Honorary Treasurer or Chairman Finance Committee, are required to jointly operate the account)

Petty cash (specify the staff in charge of petty cash, limit of amount in cash, procedures for topping up the cash and for making payments/reimbursements)

Proceeds from cash sales (e.g. from sale of directories) and issuance of official receipts (specify the staff authorised to sign receipts)

Cash reimbursements to staff for out-of-pocket expenses (e.g. transport costs) payments should be effected only if requests are submitted with supporting vouchers (bearing authorisation for expenditure by Secretary-General, Finance Director or heads of department)

Advances and reimbursements to staff for travel-related expenses (airfares, airport taxes, hotel, meals, registration fees where applicable)

Quotations and tenders (guidelines on invitations to quote or tenders for BMO jobs and acceptance of bids)

Financial Controls

Financial controls - these are foremost in importance in any BMOs. At the beginning of each financial year, the Secretary-General with the assistance of the heads of the various divisions or departments in the BMO should prepare an annual budget and submit it to the Finance Committee to endorse and recommend it to the Board of Directors whose approval is needed for the budget to be adopted.

Budget

The budget should comprise

1. An operating budget that envisages income and operating expenditure;
2. A capital budget to allocate funds for acquisition or replacement of capital assets;
3. A manpower budget to cover staff cost for the year (including provisions for new recruitment).

The Secretariat should operate within the approved budget and any deviation should have the prior endorsement of the Finance Committee. In addition, project budgets should be prepared by the organising division/committee and should be cleared by the Finance Committee for the approval of the Board.

Financial Planning

In the context of BMOs financial planning would likely encompass forecasting income, projecting expenditure and managing funds and cash flow.

Revenue-generation is important for the survival of a BMO. However, some basic services such as trade referrals, listing in the BMO's directory of members, secretarial support for meetings, etc. are expected to be rendered without charges to members: otherwise there will be no “perceived membership benefits” and this would have an adverse impact on membership retention and recruitment.

In cases where subscriptions are the main source of income, the BMOs will have to be diligent in building up their financial reserves because in a recession, membership attrition can be quite serious and the BMOs must have adequate reserves to see them through the lean times. BMOs could consult their members in the banking and finance sector on the advisability of investing their reserve funds in properties, government bonds or even stocks and shares.

Cash flow is another area where planning is relevant. It is common for BMOs to collect subscriptions on a bi-annual or annual basis, hence they are likely to be cash-rich in the months the subscription invoices are sent out (and paid) and cash strapped in other months. This should be taken into consideration when the BMO plans its expenditures e.g. if it is purchasing expensive equipment, it might wish to do so in the months when cash in hand is at peak. The BMO may want to influence the time of payment of fees by offering discounts for early settlement.

Collection of subscriptions and other dues from members present another problem for a BMO. While it cannot afford to carry a large bad-debt position, it also cannot afford to offend members by initiating litigation to recover outstanding dues. Some BMOs circumvent this problem by factoring out their dues.

D Charts

Session 3: Strategic Financial Management

Chart 3.1 - Topics

Topics:

- Financial sustainability as objective of financial management.
- Strategic options for balancing the financial situation of a BMO.
- Revenue sources
- Budgeting

Chart 3. 2 – Financial sustainability I

Financial sustainability as the objective of financial management

- BMOs are non-profit making organisations.
- As member-based bodies, they have a high moral obligation for dealing responsibly with all financial matters.
- This means that incurring high financial risks must be avoided.
- It also means that emphasis must be placed on financial transparency and controls.
- The strategic orientation should be towards financial sustainability.

Chart 3. 3 – Financial sustainability II

Financial sustainability as the objective of financial management:

- Financial sustainability = Revenues exceed expenditures in the medium- to long-run, so that financial reserves can be built to shield the organisation against times of financial difficulties.



Chart 3. 4 – Strategic options I

Strategic options for balancing the financial situation of a BMO:

- What do you do if your financial situation looks like this?

Revenues

Expenditures

Chart 3. 5 – Strategic options II

Strategic options for balancing the financial situation of a BMO II:

1. You try to increase revenues.
2. You decrease expenditures
3. You do both and balance.

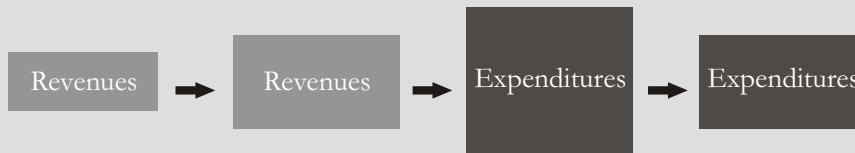


Chart 3. 6 – Guiding questions I

These guiding questions may help in identifying cost cutting and/or revenue increasing measures:

Analysis of expenditures:

- 1 Which are the key overhead cost items?
- 2 How can the overhead costs be reduced?
- 3 If overheads are reduced, what would be the effect on the overall cost situation?
- 4 Are staffing levels adequate? Can staff be reduced?



Chart 3. 7 – Guiding questions II

These guiding questions may help in identifying cost cutting and/or revenue increasing measures:

Analysis of Revenue

- 5 What will be the effects / costs of laying off people according to labour laws?
- 6 Which services are run at a cost? Can they be eliminated or are they vital for the BMO?
- 7 Which are other costly activities that may not be vital for the BMO?
- 8 Which loss-making activities or services have to be continued?



Chart 3. 8 – Guiding questions III

Guiding questions III:

Analysis of revenues:

- 1 Can prices for services rendered or membership fees be increased without running the risk of losing clients/members?
- 2 Which new services / activities can be developed?
- 3 Which existing activities / services can be increased for enhancing revenues?
- 4 What are existing and successful services / activities that the BMO can enhance in order to increase income?
- 5 Are there potential and promising new services or other activities that the BMO can develop?
- 6 Are there donor or government programs that the BMO can raise revenue from?



Chart 3. 9 – Hints

Hints:

Hints:

- Cost cutting can normally produce faster results than activities towards raising income.
- It is suggested to follow a two-pronged approach:
 - Cost cutting in the short-term.
 - Development of revenue-generating activities in the medium- to long-term.



Chart 3. 10 – Revenue Sources I

Revenue Sources:

5 pillars of revenues

Membership dues

Services

Fund raising/
donations

Government/
donor
programmes

Investment returns



Chart 3.11 – Revenue Sources II

Revenue sources – their strengths and weaknesses		
	+	–
Membership dues	A constant source of income.	Normally, a significant percentage of members does not pay dues.
Services	<ul style="list-style-type: none"> • Provide political independence • Can be lucrative, especially in the case of delegated functions (for instance certificates of origin). • Provide tangible value for members. 	<ul style="list-style-type: none"> • Can take time to develop. • Requires a high degree of professionalism on part of the staff.

Chart 3.12 – Revenue Sources II

Revenue sources – their strengths and weaknesses		
	+	–
Fund raising / donations	Usually, this source does not require a lot of effort.	Little predictability.
Government/ donor programmes	A BMO acting as intermediary can build its reputation towards business community.	Such programmes do mostly not finance a BMOs overhead costs and infrastructure.
Investment returns	Can be a stable source of income, for instance renting out property.	If it requires capital investments, it can diminish a BMOs liquidity.

Chart 3.13 – Budgeting I

Budgeting:
<p>Budgeting:</p> <ul style="list-style-type: none"> • A budget is a tool for expenditure control. Mostly done annually. • It allows the secretariat to operate within defined financial boundaries. • Any deviation needs to have the endorsement of the BMO’s authorized body (for instance Finance Committee). • The budget should comprise <ol style="list-style-type: none"> 1 An operating budget that envisages income and operating expenditure. 2 A capital budget to allocate funds for acquisition or replacement of capital assets. 3 A manpower budget to cover staff cost for the year (including provisions for new recruitment).

Chart 3.14 – Budgeting II

Budget format I:						
Financial Year 01/2012 - 12/2012: Income Budget						
Items	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
A. Income						
1. Membership dues						
2. Services						
2.1 -Trainings						
2.3 -Information services						
2.3 -Start-up advice						
2.4 -Legal advice						
2.5 -Fairs and exhibitions						
2.6 -Other services						
3. -Fundraising / donations						
4. Government / donor programmes						
4.1 -GIZ Umbrella Programme						
4.2 -Competitiveness Programme Gvt.						
5. Investment returns						
Total						

Chart 3.15 – Budgeting III

Budget format II:

Financial Year 01/2012 - 12/2012: Expenditure Budget

Items	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
B. Operating Expenditures						
1. Personnel						
1.1 Salaries						
1.1.1 Secretary General						
1.1.2 Staff 1						
1.1.3 Staff 2						
1.1.4 Staff 3						
1.1.5 Staff 4						
1.2 Social security						
1.3 Fringe benefits						
2. Office rent						
3. Consumables						
3.1 Office supplies						
3.2 Photocopies						
3.3 Fuel						
3.4 Photocopies						
3.5 Other consumables						
4. Services						
4.1 IT-subscriptions						
4.2 IT-maintenance						
4.3 Telecommunication						
4.4 Courier Costs						
4.5 Vehicle repairs						
5. Utilities						
5.1 Electricity						
5.2 Water						
Total						

Chart 3.16 – Budgeting IV

Budget format III:						
Financial Year 01/2012 - 12/2012: Capital Expenditure Budget						
Items	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
C. Capital Expenditure						
1. 2 laptops						
2. 2 flat screens						
3. Furniture for the meeting room						
4. LCD-projector						
Total						

E Participant Handouts

Charts 3.1 to 3.16

Reading 3.1, 3.2 and 3.3

Session 4: Strategic Planning Part 1 (Day 1)

Session 4: Strategic Planning

Part 1 (Day 1)

A Overview

Time:	Part 1:	30 min.	(3.00 PM – 3.30 PM)
	<i>Tea break</i>	<i>15 min.</i>	(3.30 PM – 3.45 PM)
	Part 2	75 min.	(3.45 PM – 5.00 PM)

Overview: Many smaller associations are not practicing strategic planning in a systematic way. They rather focus on planning for practical things, like planning an annual fair. These BMOs are at a disadvantage, because a strategic plan provides guidance for the overall change and broader improvement of an association. A strategic plan widens the perspective, because it asks fundamental questions such as “Where are we now?”, “Where do we want to be?” and “How do we get there?”. It deals with all major functions of a BMO in a holistic way.

The session starts with exploring the importance of planning. It defines strategic planning as opposed to annual or operational planning. Then, it describes all major steps that need to be followed in the design of a strategic plan. The session entails the group work exercises. In the first, the participants are acquainted with the SWOT – tool that can be useful for the situational analysis of the BMO. Second – definition of a mission and a vision statement, values of a typical industry association and third - strategic objectives, strategic actions as well as operational activities of a fictional action plan are considered the second day.

Learning objectives:

- Participants know the distinction between strategic and operational planning.
- Participants apply the SWOT – tool for situational analysis to BMOs in India and compare group results.
- Participants develop ideas on how to translate results of SWOT into strategies.

Materials required:

- Background readings 1, 2, 3 of session 4
- Charts 4.1 – 4.7
- Handouts
- Projector
- Flipcharts
- Pin boards
- Brown paper
- Cards
- Markers pens

B Trainer Instructions

Session 4: Strategic planning part 1

TIME	METHODOLOGY	MATERIALS
5 min.	<p>1. Introduction</p> <p>Introduce the session by informing the plenary that the session will deal with strategic planning. As many different aspects are to be dealt with, the session consists of 2 parts, the first one on that day and second one the following day. Explain then that planning is an intrinsic part of our life. It spans minor things, like planning for the preparation of a meal, as well as the major things, like politicians planning for a solution of the global economic crisis. Every BMO needs to plan, if it wants to progress. There are various levels of planning, and the session will start with the broader level – strategic planning. Briefly show the topics you will be dealing with in the session (chart 4.1). In order to encourage participants' involvement from the onset of this session, you may ask them, whether and how they do planning within their industry association.</p>	Chart 4.1
10 min.	<p>2. The importance of planning and definitions</p> <p><i>Trainer's input and plenary discussion:</i> Present charts 4.2 and 4.3, which explore the reasons for planning in general and explain how strategic planning is distinguished from annual or operational planning. Inform participants that many smaller BMOs do not venture into strategic planning in a systematic way and rather focus on planning for practical things, like planning an annual fair. This is a disadvantage, because a strategic plan provides guidance for the overall change and improvement of an association. A strategic plan widens the perspective, because it deals with all major functions of a BMO in a holistic way (display chart 4.4 and refer to the functions of the “BMO house”). Point out the interrelatedness of certain aspects, for instance how a vibrant association life can help you in securing a sound financial situation, which call for a strategic approach.</p> <p>Emphasize that, in two ways, communication plays an important role in strategic planning: (i) Internally, it provides an opportunity for members to take part in shaping the association's destiny and, hence, stimulates membership development. (ii) It can be used as a communication tool with government authorities and the media, thus enhancing the association's role in the public.</p>	<p>Charts 4.2 and 4.3 Background reading 1</p> <p>Chart 4.4</p>
5 min.	<p>3. Strategic planning</p> <p><u>Step 1: Preparation</u></p> <p>Trainer's input and group exercise: Then you start going into the basics of strategic planning by showing the planning model with an overview of each of the steps (chart 4.5). Use examples for each of the steps to make it better understood. Then briefly describe the first 2 steps, preparation and SWOT analysis in chart 4.6.</p>	<p>Background reading 2, 3 and 4</p> <p>Chart 4.5 and 4.6</p>
10 min.	<p>The square on chart 4.7 provides a visual demonstration of SWOT. Explain, that it is the acronym for strengths, weaknesses,</p>	Chart 4.7

TIME	METHODOLOGY	MATERIALS
30 min. group work; 30 min. for presentation and discussion	<p>opportunities and threats, which are internal and external, harmful and helpful aspects of the BMO. Such an analysis can serve as a starting point for the strategic plan. Make sure participants understand the distinction between internal factors (strengths and weaknesses) that can be influenced by the BMO and external factors (opportunities and threats which are beyond their level of influence. Use charts 4.8 and 4.9 with an example and ask participants for additional examples. Entertain doubts, questions and comments regarding the tool, before you lead over to a group exercise.</p> <p>After tea break</p> <p><u>Step 2: SWOT-analysis</u></p> <p>For the exercise you need to have prepared four large sheets of brown paper with the square displayed on it (you can use cards and glue them according to the square's structure). Form 3-4 groups, they can be mixed from various BMOs. Each group has the task of conducting a SWOT analysis. The question would be quite general: "What are strengths, weaknesses, opportunities and threats of BMOs in India".</p> <p>The groups write their responses on cards, and group them according to the structure on the brown paper. They have 30 min. time. After the group work, the output is briefly presented and discussed one group after the other. You are moderating the discussion. If you feel, there are wrong or misleading contributions you gently intervene in order to keep the discussion on track.</p>	<p>Charts 4.8 and 4.9</p> <p>Pin boards Brown paper Marker pens</p> <p>Cards Glue 4 sheets of brown paper with the SWOT square displayed on it</p>
15 min.	<p>Finally, ask for strategies that can be derived from the SWOT. Introduce chart 4.10 with an overview of various strategies e.g. the ST-Strategy (use strengths to reduce threats) or WO-Strategy (overcome weaknesses by taking advantage of opportunities) and give some examples.</p>	<p>Chart 4.10</p>

C Background Readings

Reading 1 of Session 4: Strategic Planning

Source: UNIDO – BMO Toolbox. Tools and materials for Enhancing Business Membership Organisations (New York, 2008), p. 17.

Planning: What for and Why?

Planning is an activity that BMOs should regularly conduct before beginning with their tasks. In the planning process all factors which affect the expected results should be considered. Strategic planning defines the objectives and priorities of a BMO's operations and should be the basis for all of their activities.

Strategic Planning should be applied by BMOs to all tasks they intend to take on. Precise planning will establish clear objectives for desirable achievements, will utilise BMO means (human resources and finance) economically and in time, and thus ensure that maximum results are achieved.

Strategic planning includes the following:

- A BMO self-analysis (Strengths/Weaknesses) and a situational assessment of BMO concerns (Opportunities/Threats), abbreviated SWOT.
- An identification of potential strategic areas which could be undertaken with regard to results of a SWOT analysis: building on strengths and using opportunities to overcome weaknesses and threats of the BMO.
- Decisions as to which priority issues should be addressed, which precise objectives/results should be achieved, with whom and through which activities.
- Since BMOs cannot usually address all concerns they have, prioritization is needed.
- A formulation of targets for the strategic areas and decisions on how and when to monitor and evaluate these targets and how to feed the results back into planning.

As a result of these efforts BMOs will have appropriate strategic plans, which are generally valid for a period of 5 years, but should still be revised annually.

These plans

- Provide a framework within which all subsequent BMO decisions can be taken.
- Profile the organisation, and thereby may motivate/involve members.
- Are valuable tools for informing partners, e.g. for networking purposes.
- Assist in benchmarking and in performance monitoring and evaluation.
- Stimulate change and are a good basis for future plans.

Reading 2 of Session 4: Strategic Planning

Free Management Library – Online Integrated Library for Personal, Professional and Organisational Development; <http://managementhelp.org/strategicplanning/basics>

1. What is Strategic Planning?

Simply put, strategic planning determines where an organisation is going over the next year or more and how it's going to get there. Typically, the process is organisation-wide, or focused on a major function such as a division, department or other major function. (The descriptions on this page assume that strategic planning is focused on the organisation.)

2. How to Get a Feel for Strategic Planning -- There's No Perfect Way to Do It

Planning typically includes several major activities or steps in the process. Different people often have different names for these major activities. They might even conduct them in a different order. Strategic planning often includes the use of several key terms. Different people might apply different definitions for these terms, as well.

Don't be concerned about finding the "perfect way" to conduct strategic planning. You'll soon notice that each writer seems to have his/her own particular interpretation of the activities in strategic planning. However, as you read the materials linked from the topic Strategic Planning in this library, you'll begin to notice some information that is common to most writers.

Read the basic description presented below on this page. Then review the various materials linked from the library in the topic Strategic Planning. Once you start strategic planning, you'll soon find your own particular approach to carrying out the process.

3. One Way to Look at Strategic Planning

One interpretation of the major activities in strategic planning activities is that it includes:

a) Strategic Analysis

This activity can include conducting some sort of scan, or review of the organisation's environment (for example, of the political, social, economic and technical environment). Planners carefully consider various driving forces in the environment, for example, increasing competition, changing demographics, etc. Planners also look at the various strengths, weaknesses, opportunities and threats (an acronym for this activity is **SWOT**) regarding the organisation.

Some people take this wide look around after they've identified or updated their mission statement, vision statement, values statement, etc. These statements are briefly described below. Other people conduct the analysis before reviewing the statements.

Note that in the past, organisations usually referred to the phrase "**long-range planning**". More recently, planners use the phrase "strategic planning". This new phrase is meant to capture the strategic (comprehensive, thoughtful, well-placed) nature of this type of planning.

b) Setting Strategic Direction

Planners carefully come to conclusions about what the organisation must do as a result of the major issues and opportunities facing the organisation. These conclusions include what overall accomplishments (or **strategic goals**) the organisation should achieve, and the overall methods (or **strategies**) to achieve the accomplishments. Goals should be designed and worded as much as possible to be specific, measurable, acceptable to those working to achieve the goals, realistic, timely, extending the capabilities of those working to achieve the goals, and rewarding to them, as well. (An acronym for these criteria is "SMARTER".)

At some point in the strategic planning process (sometimes in the activity of setting the strategic direction), planners usually identify or update what might be called the strategic "philosophy". This includes identifying or updating the organisation's mission, vision and/or values statements. Mission statements are brief written descriptions of the purpose of the organisation. **Mission statements** vary in nature from very brief to quite comprehensive, and include having a specific purpose statement that is part of the overall mission statement. Many people consider the values statement and vision statement to be part of the mission statement. New businesses (for-profit or non-profit) often work with a state agency to formally register their new business, for example, as a corporation, association, etc. This registration usually includes declaring a mission statement in their charter (or constitution, articles of incorporation, etc.).

It seems that vision and values statements are increasingly used. **Vision statements** are usually a compelling description of how the organisation will or should operate at some point in the future and of how customers or clients are benefiting from the organisation's products and services. **Values**

statements list the overall priorities in how the organisation will operate. Some people focus the values statement on moral values. Moral values are values that suggest overall priorities in how people ought to act in the world, for example, integrity, honesty, respect, etc. Other people include operational values which suggest overall priorities for the organisation, for example, to expand market share, increase efficiency, etc. (Some people would claim that these operational values are really strategic goals. Don't get hung up on wording for now.)

c) Action Planning

Action planning is carefully laying out how the strategic goals will be accomplished. Action planning often includes specifying **objectives**, or specific results, with each strategic goal. Therefore, reaching a strategic goal typically involves accomplishing a set of objectives along the way -- in that sense, an objective is still a goal, but on a smaller scale.

Often, each objective is associated with a **tactic**, which is one of the methods needed to reach an objective. Therefore, implementing a strategy typically involves implementing a set of tactics along the way -- in that sense, a tactic is still a strategy, but on a smaller scale.

Action planning also includes specifying **responsibilities** and **timelines** with each objective, or who needs to do what and by when. It should also include methods to **monitor** and **evaluate** the plan, which includes knowing how the organisation will know who has done what and by when.

It's common to develop an **annual plan** (sometimes called the **operational plan** or **management plan**), which includes the strategic goals, strategies, objectives, responsibilities and timelines that should be done in the coming year. Often, organisations will develop plans for each major function, division, department, etc., and call these **work plans**.

Usually, **budgets** are included in the strategic and annual plan, and with work plans. Budgets specify the money needed for the resources that are necessary to implement the annual plan. Budgets also depict how the money will be spent, for example, for human resources, equipment, materials, etc.

Note there are several different kinds of budgets. Operating budgets are usually budgets associated with major activities over the coming year. Project budgets are associated with major projects, for example, constructing a building, developing a new program or product line, etc. Cash budgets depict where cash will be spent over some near term, for example, over the next three months (this is very useful in order to know if you can afford bills that must be paid soon. Capital budgets are associated with operating some major asset, for example, a building, automobiles, furniture, computers, etc.)

Reading 3 of Session 4: Strategic Planning

SWOT ANALYSIS is one of the most used forms of business analysis. A SWOT examines and assesses the impacts of internal strengths and weaknesses, and external opportunities and threats, on the success of the "subject" of analysis. An important part of a SWOT analysis involves listing and evaluating the firms strengths, weaknesses, opportunities, and threats. Each of these elements is described:

1. **Strengths:** Strengths are those factors that make an organization more competitive than its marketplace peers. Strengths are what the company has a distinctive advantage at doing or what resources it has that is strategic to the competition. Strengths are, in effect, resources, capabilities and core competencies that the organization holds that can be used effectively to achieve its performance objectives.
2. **Weaknesses:** A weakness is a limitation, fault, or defect within the organization that will keep it from achieving its objectives; it is what an organization does poorly or where it has inferior capabilities or resources as compared to the competition.
3. **Opportunities:** Opportunities include any favorable current prospective situation in the organizations environment, such as a trend, market, change or overlooked need that supports the demand for a product or service and permits the organization to enhance its competitive position.
4. **Threats:** A threat includes any unfavorable situation, trend or impending change in an organizations environment that is currently or potentially damaging or threatening to its ability to compete. It may be a barrier, constraint, or anything that might inflict problems, damages, harm or injury to the organization.

A firms' strengths and weaknesses (i.e., its internal environment) are made up of factors over which it has greater relative control. These factors include the firms' resources; culture; systems; staffing practices; and the personal values of the firms managers. Meanwhile, an organizations opportunities and threats (i.e., its external environment) are made up of those factors over which the organization has lesser relative control. These factors include, among others, overall demand, the degree of market saturation, government policies, economic condition, social, cultural, and ethical developments; technological developments; ecological developments, and the factors making up Porters Five Forces (i.e., intensity of rivalry, threat of new entrants, threat of substitute products, bargaining power of buyers, and bargaining power of suppliers.)

Reading 4 of Session 4: Strategic Planning

Source: ZDH Partnership Programme: Manual on Organising and Managing Chambers of Commerce and Industry. (Singapore, 2000), p. 63 f.

SWOT Exercises and Work Plans

It is recommended that the Board of Directors should, as soon as feasible after taking office, convene a meeting to carry out a “SWOT” exercise and based on this, develop its annual work plan.

“SWOT” is the acronym for strength, weaknesses, opportunities and threats. To equip itself to chart the course of the BMO, the Board must first familiarise itself with the

- Strength of the BMO (e.g. regarding autonomy, status, scope of services, etc.)
- Its weaknesses (e.g. low income, small Secretariat, etc.)
- The opportunities available to it (e.g. growing number of SMEs, international networks, etc.)
- The threats it faces (e.g. competition from other service providers, losing members' to associations, etc.)...

When it has completed its “SWOT” exercise, the Board is in a better position to draw up its annual work plan. It is through the work plan that the Board conceptualises its vision for the BMO and translates this into a set of goals for the Board members and Secretariat to pursue. It is thus essential to formulate quantitative and qualitative targets (objectives) in order to give the work plan precision and to allow proper monitoring.

Some examples of precise targets are:

- To increase membership by 20% by the end of the year
- To act on business enquiries within 48 hours
- To cut down on staff turnover (losing not more than . . . qualified staff per annum)
- To raise income from services by 20% per annum

Less precise targets (e.g. increase services) do not give sufficient guidance and cannot be used for monitoring progress.

When formulating targets, care must be taken that they address quality issues, quantity issues and refer to a time frame.

The above is in management literature, referred to as QQT requirement (Quality, Quantity, and Time Frame). The various committees would further define the work that they have to undertake in view of the overall work plan and then come up with the respective committee work plans.

The work plan should incorporate . . .

- Precise targets/objectives
- An activities plan with clear priorities which envisages the activities the BMO should undertake and the services it should offer, in order to attain its goals
- An operations plan that ensures a systematic and organised approach to setting the activities plan into action (defines responsibilities, time frame and manpower requirements)
- A marketing plan to “sell” the ideas, activities and/or services to the “target market” (i.e. the members, government, other business organisations or BMOs, etc.)
- A financial plan to project income and expenditure arising from such operations

Membership, services and finance are the three key areas of fundamental importance to a BMO, hence it is common for a Board of Directors to focus on building up the BMO's membership base, increasing services and enhancing finances as the main thrusts of its work plan.

D Charts

Session 4: Strategic Planning Part 1

Chart 4.1 – Topics

Topics:

- The importance of planning
- Definitions
- Steps in strategic planning
- The format of an action plan



Chart 4.2 – The importance of planning

The importance of planning:

- Planning provides direction to a BMO.
- It stimulates change for the better.
- It provides a framework for decisions-making
- Planning profiles the organisation.
- It can be used as an opportunity for involving and motivating members.
- Plans can be used for networking and informing partners.
- Plans can assist in benchmarking an are a basis for evaluation



Chart 4.3 – Definitions I

Definitions:

- **Strategic planning:** Determines where an organisation is going over a longer period and how it is going to get there. Typically, the process is organization-wide or focused on a major function.
- **Annual or operational planning:** Determines how to achieve objectives of a smaller part of the organisation within a shorter period. It contributes to achieves the strategic plan.



Chart 4.4 – Definitions II



Chart 4.5 – Steps in strategic planning I

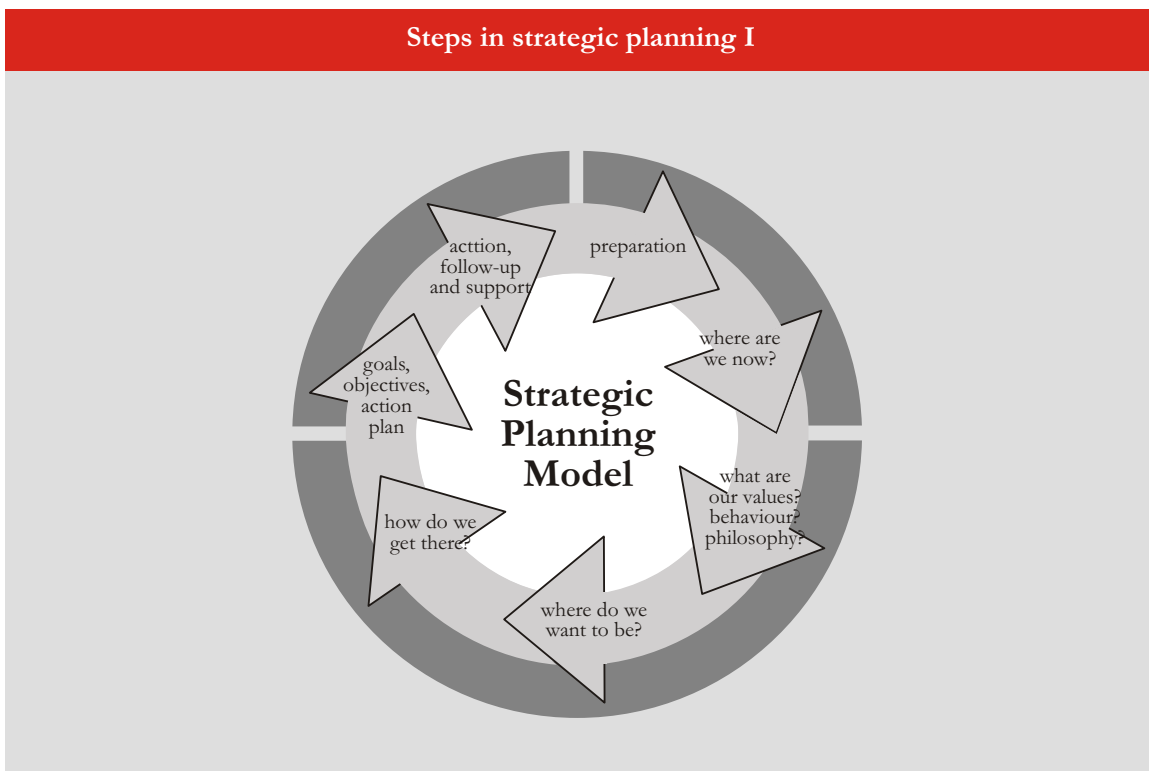


Chart 4.6 – Steps in strategic planning II

Steps in strategic planning II:

1. Preparation:

- Board decision to undertake strategic planning event.
- Prepare list of participants.
- Conduct briefing of facilitator.
- Organise logistics (venue, moderation equipment etc.)

2. Situation analysis – Where are we now?

Conduct SWOT-analysis



Chart 4.7 – Steps in strategic planning III

Steps in strategic planning III:

	Helpful	Harmful
Internal	S Strengths	W Weaknesses
External	O Opportunities	T Threats

Chart 4.8 – Example SWOT

SWOT BMO	
Some basic information on the BMO	
<ul style="list-style-type: none"> • Apex body of Trade, Industry & Tourism • Founded in 1985 • 387 members • 6 Office Bearers (President, Senior Vice President, Vice President, Honorary General Secretary, Treasurer & Immediate Past President) • 6 Staff Members + 1 consultant 	

Chart 4.9 – Example SWOT

Strategic Planning – Example SWOT		
	Helpful	Harmful
Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Committed Past Presidents & Office Bearers. • Strong Secretariat facilitating present level of Services. • Regular communication with Members through emails, SMS, Weekly/Monthly News Bulletins. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Low Revenues leading to Limited Annual Financial Outlay. • A Static Web-site. • Small Secretariat. • Vulnerable to vital staff being sick, and leaving.
External	<p>Opportunities</p> <ul style="list-style-type: none"> • BMO can take Leadership Role in Policy Formulation in all fields of economic activity with Government. • Growing demand on services related to International Business 	<p>Threats</p> <ul style="list-style-type: none"> • Local organisations may develop in individual districts and redirect customers • Lack of active participation of Young Entrepreneurs

Chart 4.10 – Various strategies based on SWOT

SO Strategies Use strengths to take advantage of opportunities WO Strategies Overcome weaknesses by taking advantage of opportunities ST Strategies Use strengths to reduce threats WT Strategies Minimize weaknesses and reduce threats	Strengths - S	Weaknesses – W
	1	1
	2	2
	3	3
Opportunities – O	SO Strategies	WO Strategies
1 Pending legislation will increase activity for those in the associations market	1 Example: Fund a Task Force to identify potential opportunities as a result of legislative changes.	1 Example: Improve member products and services and invest in a marketing plan.
2	2	2
3	3	3
Threats - T	ST Strategies	WT Strategies
1 Former members are starting specialized associations.	1 Example: Develop and deliver specialized services on a segmented basis as required.	1 Example: Partner, compete or absorb the specialized associations.
2	2	2
3	3	3

E Participant Handouts

Charts 4.1 to 4.10

Reading 4.1, 4.2, 4.3, 4.4

Session 4: Strategic Planning Part 2 (Day 2)

Session 4: Strategic Planning

Part 2 (Day 2)

A Overview

Time:	<i>Part 1:</i>	<i>90 min.</i>	<i>(9.30 AM – 11.00 AM)</i>
	<i>Tea break</i>	<i>15 min.</i>	<i>(11.00 AM – 11.15 AM)</i>
	<i>Part 2</i>	<i>90 min.</i>	<i>(11.15 AM – 12.45 PM)</i>

Overview: Many smaller associations are not practicing strategic planning in a systematic way. They rather focus on planning for practical things, like planning an annual fair. These BMOs are at a disadvantage, because a strategic plan provides guidance for the overall change and broader improvement of an association. A strategic plan widens the perspective, because it asks fundamental questions such as “Where are we now?”, “Where do we want to be?” and “How do we get there?”. It deals with all major functions of a BMO in a holistic way.

The session starts with vision and mission building, discussing several examples and identifying possible improvements on these statements. Then values of a typical industry association are introduced. In the second part, participants formulate strategic objectives, strategic actions as well as operational activities of a fictional action plan combining these elements in a single plan. Main requirements of successful implementation are discussed hereafter. The session closes with a final wrap-up.

Learning objectives:

- Participants know how to define a mission and vision statement and values as part of the strategic planning process.
- Participants are introduced into the sequence of steps for strategic planning.
- Participants develop strategic goals, strategic actions and related activities making use of a given format for strategic action planning.

Materials required:

- Background reading 4 of session 4
- Charts 4.11 – 4.24
- Handouts
- Projector
- Flipcharts
- Pin boards
- Brown paper
- Cards
- Marker pens

B Trainer Instructions

Session 4: Strategic planning part 2

TIME	METHODOLOGY	MATERIALS
45 min.	<p>Step 3: Vision, mission, values</p> <p><i>Trainer's input and group exercise:</i> Step 3 deals with the philosophy of the association, its vision and mission statement and its values. Go through chart 4.11 in order to introduce the participants into that subject and then entertain questions.</p> <p>Afterwards show several vision statements (charts 4.12-4.14). Do they reflect how the BMO wants to look in future? Are they inspiring? What could be improved? Encourage a brief discussion on the various vision statements and a comparison between them.</p> <p>Mission statement is the next topic. Go through the different examples in charts 4.15-4.17 and ask participants whether they express the desired level of performance in an easily understandable way, whether they are explicit enough, and what participants recommend to change.</p> <p>Finally, introduce the values (chart 4.18) and invite participant to name some more examples.</p> <p>If there is time left, ask participant for their own vision and mission statements and what they could improve based on the learning from this session.</p>	<p>Chart 4.11 Background reading 4 Flipcharts Marker pens</p> <p>Charts 4.12-4.14</p> <p>Charts 4.15-4.17</p> <p>Chart 4.18</p>
15 min. trainer's input and instructions; 40 min. group work; 45 min. for presentation and discussion; 100 min in total	<p>Steps 4-6: Strategic objectives, strategic actions and action plan</p> <p><i>Trainer's input and group exercise:</i> The next steps relate to the formulation of strategic objectives (step 4), the definition of strategic actions (step 5) and the design of an action plan (step 6). While the strategic objectives describe the target (“Where do we want to be?”), the strategic action describe how they are going to be achieved (“How do we get there?”). Apart from strategic objectives and actions, the action plan also entails operational activities. There are operational activities for each strategic action. They are describing in more detail the steps of how to implement the strategic actions.</p> <p>You are going through slides 4.19 until 4.22. Chart 4.22 displays the format of an action plan. It relates strategic objectives, strategic actions and the operational activities to one another.</p> <p><i>Please note</i> that strategic plans normally have duration of 3 to 5 years. The plan in chart 4.22 only refers to one year, because the operational activities are defined each year. This means, that the latter are reviewed and adjusted annually, while strategic objectives and strategic action remain valid for the entire period (3 to 5 years).</p> <p>Then, you come to another group exercise. Form 3 groups. Each of them will have the task of defining 1 strategic goal, 1 strategic action and a set of operational activities for the strategic action. Distribute copies of the format of the action plan.</p>	<p>Flipcharts Marker pens</p> <p>Charts 4.19 – 4.22</p>

TIME	METHODOLOGY	MATERIALS
	The groups write their responses on flipchart paper and structure them according to the action plan format. After the group work, the output is presented and discussed one group after the other. You are providing feedback.	Copies of the action plan format
25 min. trainer's input and plenary discussion	<p>Steps 7-8: implementation / follow-up and documentation / dissemination</p> <p><i>Trainer's input and plenary discussion:</i> The final steps are implementation/follow-up (step 7) and documentation /dissemination (step 8). Go through charts 4.23 and 4.24 and highlight that implementation is the key to any strategic plan, because change is its ultimate goal and weak implementation will not lead to change.</p> <p>Successful implementation has a lot to do with entrusting the right people with specific tasks. This is why the action plan contains a column on “responsibilities”. Follow-up is likewise important. It is therefore suggested that the association assigns someone with the task of the coordinator (for instance the Secretary General or a Board member) who would be responsible for steering the implementation of the action plan.</p> <p>Having come to the end of this quite extensive session, inquire about the usefulness of strategic planning for industry associations. Ask about the prerequisites that need to be met for a BMO to venture into strategic planning.</p>	Charts 4.23 – 4.24
10 min.	<p>Final wrap-up</p> <p>Recall main areas you have dealt with in this 1.5 days training and ask participants for their main learning.</p>	

C Background Readings

Reading 4 of Session 4: Strategic Planning

Source: UNIDO – BMO Toolbox. Tools and materials for Enhancing Business Membership Organisations (New York, 2008), p. 18.

Mission and Vision Building

The term 'vision' has become prominent in recent years and is often used as a motivational and advertising tool with sometimes idealistic phrasing, e.g.: “Aspiring to be the most valued and respective BMO of the region/country of . . . , serving the interests of its members, shaping regional/national policies, leading the business sector towards sustainable global competitiveness . . .”. **Vision statements** are used to describe **a long-term goal to be achieved by the BMO in motivational terms**, followed by a **mission statement** which is more **descriptive of the present BMO position** and explains its reason to be. It is recommended, however, that both statements be kept brief and realistic. Long statements will not be remembered by board, staff and members, and goals that are too ambitious are demotivating to all.

A third component of vision/mission statements may be **Values**. They represent the beliefs that are shared among stakeholders e.g. priorities of a BMO culture, e.g. trustworthiness, serving a community, member-orientation, etc. All three elements – Mission, Vision and Values – can well be combined into one statement to promote the BMO, e.g.: “Our mission is “to help (=value) the London business to succeed, by promoting their interests and expanding their opportunities (= mission) as members of a world-wide business network (vision)”.

The above statement by the London Chamber of Commerce contains three elements and achieves three targets: it is brief, realistic and reasonable; it can be remembered and describes the main purpose of the BMO.

Vision/Mission/Value Statements are usually part of the strategic plan and are the banner of a BMO for a longer period of time (say 5 years or an even longer period). They will have to be reviewed periodically to monitor whether they are still attractive and convincing enough and whether they provide sufficient information on the purpose and aim of the BMO. A revised or new formulation of a BMO statement to guide its future may be the result of a planning workshop that typically precedes a new budget year or follows the election of a new BMO Board.

D Charts

Session 4 : Strategic Planning Part 2

Chart 4.11 – Steps in strategic planning IV

Steps in strategic planning IV:

3 Our philosophy – vision, mission, values

- **Vision statement:** A vision statements describes a long-term goal to be achieved.
- **Example:** *‘Aspiring to be the most valued and respected BMO of the country, leading the business sector towards sustainable global competitiveness and ensuring prosperity for all Indians.’*
- **Mission statement:** A BMO mission statement is a description of the purpose of the BMO, of what it stands for.
- **Example:** *‘The NCCI is the nationwide business organisation, promoting balanced private sector growth and enterprise development.’*



Chart 4.12 – Example of vision statement I

VISION STATEMENT 1

- 3 Aspiring to be the most valued and respected BMO of the region/country ofServing the interests of the members, shaping regional/national policies, leading the business sector towards sustainable global competitiveness

Chart 4.13 – Example of vision statement II

VISION STATEMENT 2

The essence of creating entrepreneurship requires not only conception but action as well. The long and winding road to development requires not only hard work but dedication and sacrifice. Thus with the support of our members in years to come we promise to turn dreams into a solid reality.

Chart 4.14 – Example of vision statement III

VISION STATEMENT 3

- To become the largest Federation by 2014 in terms of revenue and having outreach in all districts of state through increasing association membership

Chart 4.15 – Example of mission statement I

MISSION STATEMENT 1

- The mission of the Association ofis to represent the interests of its members, and to serve them and the businesses of (area/region)

Chart 4.16 – Example of a mission statement II

MISSION STATEMENT 2

The aim of the association of..... is to deliver value for money. It strives to ensure that the business community of..... is well served so that it can operate and develop successfully

Chart 4.17 – Example of a mission statement III

MISSION Statement 3

xxx has been spearheading Entrepreneurial movement through out the state with a belief that entrepreneurs need not necessarily be born, but can be developed through well conceived and well directed activities

Chart 4.18 – Steps in strategic planning V

Steps in strategic planning V:

3. Our philosophy – vision, mission, values continued:

- Values: Values describe the essence of the BMO’s culture.

Examples: ‘Recognising and rewarding voluntary participation, efforts and inputs;’ and ‘Serving with efficiency and excellence and responding to the needs of our members’.



Chart 4.19 – Steps in strategic planning VI

Steps in strategic planning VI:

4. Strategic objectives - Where do we want to be?

- Strategic objectives describe where the BMO want to be in a specific time frame (for instance 5 years).
- They should cover all major functions of the association where action is deemed necessary according to the SWOT analysis.
- They should be backed up by indicators in order to measure them.

Examples see next slide



Chart 4.20 – Steps in strategic planning VII

Steps in strategic planning VII:

5 Strategic actions – How do we get there?

- Strategic actions define concrete steps towards achieving the strategic objectives.

Example:

Strategic objective: The BMO effectively advocates a conducive business environment for the garment industry.

Strategic actions:

- Revitalize Standing Committees.
- Promote adequate policies in the garment sector.
- Seek closer dialogue with the trade unions.



Chart 4.21 – Steps in strategic planning VIII

Steps in strategic planning VIII:

6. Action plan

- The strategic actions are broken down into operational activities.
- These are compiled into an action plan. The action plan also includes the implementation period, a budget and an indication of the persons responsible for their execution.
- There are several action plan formats. The one proposed relates strategic objectives, strategic actions, performance indicators and operational activities to one another.

Example of the action plan format see next slide




Chart 4.22 – Action plan Steps in strategic planning IX

STRATEGIC OBJECTIVE					
Strategic ACTION			Performance Indicator		
1.1			1.1		
1.2			1.2		
1.3			1.3		
ACTION PLAN 2013-14					
Strategic Action	ACTION STEPS	Together with	RESPONSIBLE	Time Frame	Remarks
1.1.1					
1.1.2					
1.1.3					

Chart 4.23 – Steps in strategic planning X

Steps in strategic planning X:

7. Implementation and follow-up

- Implementation is the most crucial element in strategic planning. Without implementation, there will be no change.
- The action plan has assigned responsibilities for each activity. It is useful to designate a coordinator for action plan implementation. This can be the Secretary General, but also any other person entrusted by the Board.
- The task of the coordinator is to collect information regarding implementation of the activities, offer and organise support and report to the Board.
- It is suggested to conduct annual action plan review and replanning meetings.



Chart 4. 24 – Steps in strategic planning XI

Steps in strategic planning XI:

8. Documentation and dissemination

- Documentation of the strategic planning exercise is necessary for internal and external communication.
- It can either take the form of a brief summary of the plan itself or of a report that provides some further explanations.
- If the BMO uses the services of a professional moderator, documentation would usually be his or her duty. Otherwise the Board or the Secretary-General would have to assign someone with good reporting skills.
- The Board finally approves the document and prompts its dissemination to the members.



E Participant Handouts

Charts 4.11 to 4.24

Reading 4.4

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
MSME Umbrella Programme
B-5/1, Safdarjung Enclave,
New Delhi 110 029, India
T : +91 11 4949 5353
F : +91 11 49495391
E : giz-indien@giz.de
I : www.giz.de