

# **HANDBOOK FOR REAL ESTATE ASSOCIATIONS**

PREPARED FOR USE BY THE  
INTERNATIONAL REAL PROPERTY FOUNDATION

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## Introduction

*Welcome to the “Handbook for Real Estate Associations”! A publication of the International Real Property Foundation (IRPF), this manual is designed for use by the volunteer leaders and staff of real estate associations around the world. The goal of the publication is to provide direction to associations through a self-assessment process and a guide for strengthening and expanding those organizations.*

*Associations must learn from each other and profit from one another’s experiences. With both financial and volunteer resources often limited, it is important to make efficient decisions. If similar associations have found successful answers to common problems, others might consider adopting them. At the same time, it is important for organizations to have an objective picture of their unique weaknesses, and to set about strengthening themselves so that their members and the real estate business environment may grow and prosper.*

*The International Real Property Foundation has a primary goal of assisting real estate associations so that they may take collective action to strengthen private real estate markets and improve industry professionalism. This manual provides standard benchmarks in an association’s growth and development and directs the association decision-makers in evaluating their organization and moving forward to maximize its effectiveness.*

*The key to beginning this process is employing the association self-analysis tool (page 56) that is a fundamental part of this publication. For maximum benefit association leaders and staff should work through the evaluation individually and as a group, taking time to discuss each section. Areas where the association is notably weak should be listed, and then prioritized according to importance.*

*When there is a consensus on this list, strategies can be developed and implemented to strengthen the association. Again, it is critically important to prioritize the actions and assign a time frame for completing them. The leadership should conduct periodic re-evaluations. It is important to be methodical in and consistent in this process in order to keep the association moving in a forward direction.*

*This publication was originally funded by The United States Agency for International Development (USAID) in order to provide an important association management tool to real estate professional groups. It will be updated from time to time, incorporating new resources and emerging trends. Users are encouraged to contact the IRPF with their comments and questions and for further assistance.*

## **ASSOCIATION ORGANIZATION—GOVERNANCE**

### **STRUCTURE AND NECESSARY DOCUMENTS**

The organization of any association is critical to its success. Organizational structures answer questions about the roles of volunteers and staff in achieving goals, and about the participation of the membership in general. The effort put into designing the organization should be thorough and thoughtful at the outset, and the initial principles must remain consistent and stable throughout the life of the association.

#### Association Governing Documents:

From the time an association is founded, leaders should take care to organize and protect the governing documents of the group. These documents become the statement of understanding among members and between the association and other entities, such as government. Leadership should be aware of the any legal requirements or governmental restrictions pertaining to the organization and incorporate those into bylaws and other elements of the association's basic structure.

Governing Documents of an association may include:

- ✓ Bylaws
- ✓ Policy Manuals
- ✓ Registration papers, if appropriate
- ✓ Any other regulatory approval as required

These documents should be kept in a safe place, as they are the heart of the association.

In addition, the association should keep

- ✓ Minutes of the meetings of the Board of Directors and of the General Membership

- ✓ Financial records
- ✓ All documents pertaining to governmental requirement compliance
- ✓ Insurance policies
- ✓ The current Strategic Plan, as approved

These documents should be archived and safe, in perpetuity.

In developing governing documents, an association may want to turn to the following for models:

- NATIONAL ASSOCIATION OF REALTORS: *Model Bylaws for Local Member Boards*
- NATIONAL ASSOCIATION OF REALTORS: *Organizational Standards*
- NATIONAL ASSOCIATION OF REALTORS: *Membership Qualification Criteria*

While these documents will not be totally appropriate to another organization, they can provide valuable guidance. They can be obtained from NAR at [www.realtor.org](http://www.realtor.org) or by contacting the International Real Property Foundation.

#### Necessary Document #1: **Bylaws:**

Bylaws are the underlying statement of organization and operation of any association. Bylaws are the rules that the Board of Directors must uphold as the operating agreement between members and leadership.

In constructing an association's bylaws, the following components should be considered:

- A. Membership Qualification. Who will be the members? What are the criteria for obtaining and maintaining membership?
- B. Membership Application and Approval. How does one apply for membership? Who approves new members? What is the appeal process if a membership application is rejected? Is the membership process democratic and open to all qualified applicants?
- C. Leadership. Who are the officers? What are the qualification requirements? What is the election process?
- D. Decision-making. What is the level of membership participation? When do members vote? Must they be present? How many constitute a quorum?
- E. Committees. What are the standing committees? Who can serve? How are members appointed? What are the operational rules? (Commonly the association adopts Roberts *Rules of Order* or a similar document for parliamentary procedure and conduct of meetings.)
- F. Dues. Who pays dues? How and how often are dues collected? (Amounts should be in the operations policy, not the bylaws). Are there penalties for non-payment or late payment? What are they?

- G. Dissolution. What happens if the organization dissolves? How are any assets or liabilities dispersed?
- H. Bylaws Change and Approval. What are the methods of changing these bylaws and what membership vote is required?

Necessary Document #2: **Operating Policies:**

An association should set up a book of operating policies. These policies function as an adjunct to the Bylaws. They do not require a membership vote to change, unless otherwise specified. They are more detailed than bylaws, often codifying amounts of dues or fines and other details and procedures that are more administrative or operational. Usually, they are changed by a vote of the Board of Directors, not by the entire membership.

Three types of policy manuals are:

- *Personnel*—details the internal employee policy including hiring and firing procedures, work hours, dress code, employee benefits, and performance reviews.
- *Operational Policies*—Amounts for dues and fines, financial policies including staff and volunteer responsibilities, expense reimbursement to staff and volunteers,
- *Leadership Policies*—expected performance levels of volunteers (meeting attendance, length of terms, etc.), job descriptions for committees and leaders, operating relationships between committees and the Board and association staff.

Policy Manuals are meant to be statements that give consistency to more finite operational matters. Unlike bylaws, policies can be approved by the Board of Directors and added to the policy collection. The policies are flexible and may be changed when needed, again upon action of the Directors. In any event, the Board should subject the policy collection to annual scrutiny and re-evaluation. It is good practice to review the policies on an annual basis, perhaps at the first meeting of the year. That way, all Directors are familiar with the workings of the organization.

Minutes:

An association must keep permanent minute books that are collections of minutes of the Board of Directors and of all committees.

Minutes should contain the following:

- ✓ Name of the group which is meeting

- ✓ Date, time place, persons present
- ✓ Action motions—exact wording of the motion, name of the person making the motion, and the vote tally
- ✓ Adjournment specifics—time, and by whom was the meeting adjourned
- ✓ Name of the person recording the minutes

It is a constructive policy to make certain members of the Board of Directors receive all minutes of committees and other groups, and re-affirm all action items by specific vote.

#### Membership Records:

Membership records are an essential part of any organization. Each member is recognized in the permanent records, including address and contact specifics and date joined, dues paid, and other data deemed appropriate by the association. . A permanent file folder on each member might contain such documents as the membership application, verifications of courses taken or designations earned, a photo, final rulings in any ethics cases and other relevant information.

#### Association Headquarters:

As soon as possible in its inception, the association should establish a headquarters and hire staff support. Headquarters should include a physical location and telephone, e-mail, and regular mailing addresses.

Checklist for establishing an association headquarters facility:

- ✓ Is the proposed facility within budget?
- ✓ Has the lease agreement been reviewed?
- ✓ Is the facility accessible to members?
- ✓ Is it visible to the public? Does it present a good public image for the organization?
- ✓ Can the location accommodate intended office technology?
- ✓ Will the facility be conducive to efficient office work flow?

Conclusion: These are basics to any association. Without the fundamental documents, policies, and procedures no association can function harmoniously and with maximum benefit to its constituencies. Care must be taken at the outset to carefully construct the foundation upon which the organization will be built.

## **PLANNING, BUDGETING, AND FINANCIAL MANAGEMENT**

A major goal of any association is to become financially stable and self-supporting. It is a primary role of an association's Board of Directors and staff to be custodians of the resources of the association and to organize those resources to benefit the welfare of the membership as a whole. Secondly, the association needs to develop the resources to maintain consistency of programs and services from year to year. This is especially challenging in the association world where the leadership is constantly changing.

These goals may be reached in two ways:

- A. Developing a strategic plan and budget, and
- B. Implementing responsible financial procedures.

### **Developing a strategic plan:**

- A. **The Mission Statement.** One of the first things an association must do is develop a mission statement. This is a statement of purpose for the association: what is the central reason why the association exists? The majority of members should agree on this purpose because the Mission Statement governs the management of the association's resources, both in capital and in staff and volunteer time.

Characteristics of a good mission statement:

- It assures that everyone connected directly or indirectly with the organization understands its reasons for existing, and knows precisely what the organization strives to accomplish.
- It is periodically reviewed and updated by the Board and by the members.
- It defines who is being served by the organization (members, the public, other interested parties).
- It explains what makes the organization distinctive and special. It presents a compelling reason to support it either through memberships or other contributions.
- It serves as a guide to organizational planning and board and staff decision-making.
- It serves as a guide for setting priorities among competing demands for scarce resources.

- It sets the stage for developing the strategic plan for the association.
- It is widely distributed and frequently referenced.

Henry Ernstthal, a leading U.S. expert in association management, has provided the following as a fill-in-the-blanks mission statement ([www.ernstthal.com](http://www.ernstthal.com)):

"The (organization) serves (industry, trade or profession) by providing (adjective) (noun) to (the target audience) and by improving the (noun) of its members so that they can better (verb phrase)."

Ernstthal's prescription is a good place to start, though an association certainly would want to make changes in the format as circumstances warrant.

- B. Next, the association develops steps or goals that will help move it toward achieving its purpose as stated in the mission statement. It's good to have measurable component stated in each of the goals: instead of a goal of 'increasing membership' the association might have a goal of 'gaining 50 new members a year.'
  
- C. Each goal should have some strategies that are action steps the association takes. These strategies must take into account the cost, accountability, and a time frame. If the goal is "to gain 50 new members a year", then a strategy might be for the association president to visit each real estate office in the capital city in the next 12 months. The cost to do this should be put in the budget and at the end of 12 months, the president will report the progress of the strategy to the Board of Directors.

*(For a sample strategic plan, see Appendix B3 (Page 89) of this manual.)*

## **The Budget**

The purpose of a budget is to establish a plan of action for accomplishing the association's mission and goals, expressed in financial terms. Budgeting means that an association

- Develops specific programs to effect its mission
- Understands how much these programs will cost and who is to be held responsible for achieving them
- Monitors economic performance
- Assesses performance and develops realistic goals

Who is involved in the budget process?

A. Committees:

1. A Finance Committee is important for any association. The Committee should include the treasurer and the Chief Staff Officer (Association Executive), as well as 5-7 members who represent a variety of association members. Its role is to formulate a budget that integrates the resources with the strategic plan and mission. Periodically, the Finance Committee also looks at financial reports, and may readjust the budget to meet changing conditions.
  2. A Strategic Planning Committee should design a strategic plan, present it to members and the leadership, review the progress of the plan on a periodic basis, and revise and update the plan every two years.
- B. The Board of Directors: The Board of Directors is responsible for implementing the strategies of the plan and keeping it current. Programs and other expenditures should be reviewed regularly as to their appropriateness to the plan.
- C. Staff: Staff is familiar with the operational expenditures of the association and should assist the leadership in preparing an accurate reporting of income and expense, as well as background information for the development of the strategic plan.

Steps in Budgeting:

1. Determine who will be involved.
2. Review the strategic plan and mission statement of the association.
3. Review and prioritize strategies
4. Prepares a preliminary budget (staff should prepare)
5. Estimate the association's operating and program expenses.
6. Estimate the projected income.
7. Compare and resolve significant differences between expense and income.
8. Submit a final budget for approval.

Suggested Actions for those involved in the budget process:

1. Chief Staff Officer develops a draft budget, based on known operating expenses and priorities of the Strategic Plan;
2. Officers review salary structures and add them to the budget;
3. Finance Committee reviews the budget and discusses non-salary related items;
4. Board of Directors reviews the budget and approves it.

Types of Budgets:

There are many types of budgets that an association can use to develop a financial work plan.

- *Cash Flow Budget:* Shows planned sources and cash applications and includes a schedule of when revenue and expenses are expected. This budget helps the association understand when temporary funds may be needed and when excess funds might be saved or invested.
- *Capital Budget:* Shows planned purchase or sales of fixed assets. May include acquiring equipment, such as computers or a building. Upon approval by Directors, the items are incorporated into the master budget.
- *Operations Budget:* This is a short-term budget reflecting known operating activities, both revenues and expense.
- *Program Budget:* Develops a business plan and budget for association services, such as education programs. Shows income, expense, overhead costs. Should be approved by Directors prior to implementing the program, and reviewed for cost containment periodically.

Another important tool for an association to use in planning is the Business Plan. The Business Plan is an analytical approach to offering an association service, program, or product. Use it when planning for anything from an education program to publishing a book or roster. A good business plan should answer these questions:

- What is the background for this proposal? What are the intended results for the program or service?
- What is the specific target market? How big is that market?
- What is the specific nature of the services or products — pricing, cost, scope, and potential consumers?
- Who is the competitor in providing this product? How does the competition compare to your organization? Why will the audience use your association's product rather than that of the competition?
- Does your association have the background and skills to produce and market this product? If not, would the idea be better serviced by the competition?
- What is the amount of money the association will need, and how it will use it to pay for direct and indirect costs?
- What are the benchmarks for the success of the program? If it is ongoing, how will decision makers know when the program is no longer viable? How will it be phased out?

*A prototype of an association business-planning tool can be found in Appendix B1, page 81.*

It is a good idea for the decision-makers in the association to develop a detailed Business Plan before

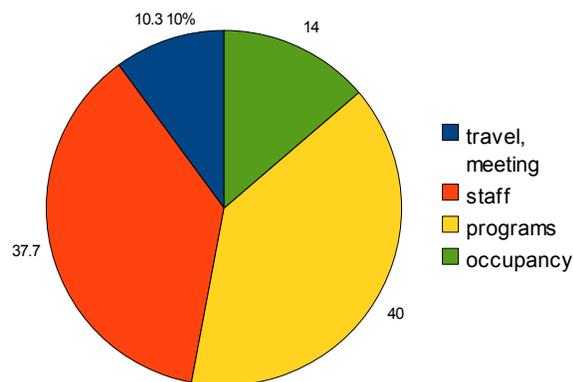
embarking on any program or service, from an education program to a more elaborate cooperative member service such as a Multiple Listing or Cooperative Advertising Service. Programs should be reviewed annually using program budgets in order to assess the continued viability of each.

*Hybrid Budget:* All associations will use a combination of budgets order to fully display and association's monetary plan of action through a combination of different budget types

## Allocation of Resources: A Model

The typical professional association has been seen to develop certain patterns of allocation of resources that result in providing the most effective services to members.

The American Society of Association Executives has documented this pattern:



Expenses by Object. 35.7 % Staff; 10.3% Meeting Expenses; 14% Occupancy; Programs including Communications & Marketing: 40%

In any association, well over one-third of the expense is allocated to staff salaries, benefits, and taxes. Meeting expenses are another 10 %. Communications, programs and occupancy expenses are also significant portions of the expenditures. It is important to remember the proportions of major expenses

when planning budgets: volunteer leaders will find association budget proportions significantly different from the expense allotments in their personal businesses.

### Income for Associations:

Typically an organization's income can be classified as 'dues' and 'non-dues'. In the early stages of the growth of an association, most income comes from dues. Later as the association develops resources and services for members and the public, resource pricing can be structured to bring income that can be used for operations, expansion, or research and development.

### Dues Income:

Dues collection is the principal source of income for most associations. Generally, dues are set by the Board of Directors at a level that will enable the association to maintain the level of services identified in the strategic plan.

A. Types of members: Members may be considered to be corporate (company) members or individual members. Associations should also encourage affiliate members who are in professions that support or function as adjuncts to the real estate industry.

B. Level of Dues. The Board of Directors should set dues annually for all categories of members, and the level of dues should be reviewed during each budget process.

C. Collection. Dues are collected at least annually, in advance of the membership year. Dues collection should be systematic and rigorous. Invoices should be sent to members well in advance of the due date and there should be clear penalties for non-payment and late payment. Non-payment should result in exclusion from membership. It is important for the association to remain fair and adhere to its policies in all cases.

The collection of dues and fees is a labor-intensive process, requiring notification, bookkeeping, and membership record maintenance. The association should be careful to budget adequately for this process

D. Other Assessments. Annual dues are not the only type of assessments that an association may levy on its members. Other fees might include:

1. Initiation Fees- A one-time initiation fee. This represents the investment a new member makes in the association to purchase equity.
2. Assessments- Often an amount levied once or for a defined period of time to support a program or one-time event, such as the purchase of a building.

3. Service Fees- Many associations offer services that members may purchase. Those services might include an MLS or cooperative advertising service, a publications program, or a certification maintenance fee.

### Non-Dues Income

As an association becomes more stable, it will develop new programs, many of which can be made available to members at cost plus a fee to the association. That fee should represent maintenance of the association's infrastructure. It is a good idea for the Board of Directors to agree on a percentage range for a profit margin in advance of the development of new services or products, perhaps 10-15% of the purchase price. The ultimate goal of a financially secure association is to lower its dependence on dues and move to a fee-for-service business plan in much of its activities. This operating philosophy can serve to insulate the association from fluctuating income in the event of a rapid membership decrease. An association should work toward the goal of having at least 30% of its income from non-dues sources.

### **Responsible Financial Procedures**

#### 1. Association Financial Controls

Every association needs financial controls in order to protect its assets and make better information available to those who make decisions. A good system of financial controls includes

- A good budget
- Trained staff and volunteers and a professional accountant or auditor
- Consistent, accurate records
- A financial policy statement that is enforced and adhered to by staff and members alike.
- Regular reports detailing the financial position. Reports should be easily accessible to appropriate staff and leadership.

#### 2. Financial Policy Statements

In order for an association to maintain consistency and accountability in managing its resources, it

should develop a financial policy manual that is reviewed regularly by the Board and the Staff.

Components of the Policy Manual should include:

- A. Internal controls in daily operations
  - a. A list of where assets are kept: banks, storage vaults;
  - b. An inventory of all assets;
  - c. Job Descriptions and Responsibilities of staff and volunteers;
- B. Investment policy for excess funds;
- C. Money disbursement procedures (authority, check signing)
- D. Collection policy for dues, other receipts.

### 3. Financial Reports

Various kinds of reports should be maintained by the association through its staff and auditor, and should be regularly presented to the Board of Directors:

- A. Financial Balance Sheet. This is a statement of financial position and should contain a list of the association's assets and liabilities.
- B. Income and Expense Report. This is an income statement, listing the organization's income and expenses and net income or loss for a specific period.
- C. Cash Flow Statement. This statement is a report of receipts and disbursements, the cash into and out of an organization at any given point in time.

All three types of reports have a specific function, and all should be used regularly by the association to monitor its finances.

In any association, an annual review or audit of the financial activities is important in order to (A) safeguard the member resources; and (B) establish credibility with members. A certified professional accountant or auditor should conduct this review or audit and the findings made available to the members. Usually this process also exposes any need for the tightening of internal controls within the association operations.

#### Conclusion:

Maintaining and monitoring the association's business operations and preserving its assets and membership investment are crucial. Because the organization has constantly changing leadership and many volunteers, it is important to develop a careful discipline and accountability for managing finances and preserving assets. This activity alone has been responsible for the failure of many otherwise valuable organizations.

## **Association Staff**

The hiring of association staff is a key element in maintaining a strong association.

One or more staff persons not only provides management support for the goals and objectives approved by association leadership, but also an employed staff offers a continuing information source and contact point for the members. For those reasons, care should be taken in the hiring of staff and in maintaining a professional and consistent staff presence in the association. Associations need to plan financially for staff as well, and to provide a competitive salary and benefits structure and a positive work environment.

Before beginning the employment process for the chief association manager, the association Board of Directors should agree upon answers to the following questions:

- What skills are required of the employee? What are the resume requirements for education and work experience?
- Are the salary and benefits being offered in line with our expectations? Are they competitive? Will we be able to remain competitive with other employment opportunities in the foreseeable future?
- Is there a clear job description that is in accord with the goals and objectives in the association strategic plan?
- Is there a mechanism in place by which the leadership can review the performance of this employee?

The leadership should resolve these issues before a staff person is hired. Without this consensus, there may be little satisfactory progress toward the association's goals.

### **Staff Competencies**

Certainly the expectation for staff competencies will change as the association changes and grows. The difficult job for leadership is to match the expected competencies with the association's needs and to reward its staff with competitive compensation.

Leadership might wish to examine the following skill sets and award priorities to each group:

- *Office skills*: office management, including bookkeeping, membership records, office systems, general secretarial.
- *General Skills*: knowledge of information resources, real estate business understanding, awareness of applicable political and legislative processes
- *Public Relations Skills*: ability to relate well to members, and to develop a credible association public image

### **Creating a Job Description**

Even in the earliest stages of the hiring process, the Board of Directors must agree on a position description for the chief staff executive. The description should be as complete as possible so that there is a mutual understanding of how the employee will spend his or her time. It is on that position description that the employee should be evaluated. The job description will change frequently as the association evolves but it should always be viewed by the association and the employee as the final understanding between both parties regarding performance expectations.

*Sample job descriptions for the Chief Executive Officer and For the President are found in Appendix C (page 97) of this manual.*

### **Maintaining a Productive Working Environment**

Much could be written about the technical and legal aspects of maintaining a pleasant and productive work environment for the association's employees. However, it is sufficient to say that ensuring that a productive work environment exists and results in staff retention, productivity, and consistency is a key function of any association's Board of Directors. Insofar as an association must carry out long-term goals and objectives, and volunteer leadership is by definition a short-term commitment, it is staff consistency and skill that will bring about a successful organization. The Board of Directors can do much to guarantee that this happens by making sure that staff is adequately paid and given the education and resources to do their jobs.

### **Leadership-Staff Relationships**

Association management experts know that one of the most divisive issues that can arise in an

organization is a misunderstanding of the working relationship between leadership and staff. Here are some ideas to implement in order to avoid these destructive controversies:

- Have a definitive job description for the staff chief executive (Chief Executive Officer, or Association Executive). Revise the description periodically as the association changes. Make that job description the basis for the periodic evaluation of the CEO by the Board of Directors. Conduct this performance evaluation and revision of the job description annually, keeping it in line with the association's goals and objectives.
- Have a clear chain of command written as policy. Traditionally it is the Board of Directors that is the supervisor of the Chief Executive Officer, and has the final responsibility for performance evaluation and for hiring and firing the CEO. The CEO is then given authority over the rest of the staff and monitors performance and compensation, within budget restrictions.
- The Board and the CEO should rigorously enforce applicable employment laws and practices.
- Pay scales should be competitive with the skill expectations that have been previously identified. Personnel costs often consume about 35-50% of the association's total expenses.
- At least annually, the association leadership should conduct a planning session, the outcome of which are a series of short-term expectations or goals, which can then be placed in the association's business plan for the coming 12 months. The key here is a clearly stated set of objectives from the Board of Directors, with implementation by the staff and volunteers whenever appropriate. It is the job of the Board of Directors to implement this plan.

Ideally, a written understanding about the division of duties between staff and volunteers should be included in the operations policy manual. This checklist can be reviewed and revised by each new Board of Directors and agreed upon by the CEO or Association Executive. As the association gains strength, a goal should be articulated which enables the members (through the leadership) to plan, set goals, and allocate adequate resources, and the CEO and staff to carry out these goals.

Questions to consider when defining the division of responsibilities between volunteers and staff:

- Who will function as the association's spokesperson with the media and with government officials? Who signs letters on behalf of the association?
- Who is responsible for hiring, firing, and evaluating the performance of the CEO or chief Association Executive? Who is responsible for the hiring, firing, performance and pay of staff other than the CEO?
- To whom, specifically, does the CEO report?
- Who assigns work to staff?
- Who signs loans, checks, or other financial documents? Who signs contracts? Is there an expenditure limit? Who approves non-budgeted expense items?

- Who is responsible for maintaining relationships with other professional real estate associations and traveling to meetings or conventions? What is the responsibility of the delegates to the membership?

It is a good practice to try and anticipate the questions of authority in advance of any questions from the membership or the public. In that way, the association may prevent divisive misunderstandings and the negative expenditure of resources.

### **Association Executive Competencies Checklist**

Upon hiring an association executive and regularly thereafter it is a good idea for association leadership to prioritize its ideas of competencies that should be held by the AE. Again, as the association evolves and grows more complex, the expectations must change. These changes should be discussed objectively, and professional development opportunities made available so staff may gain new skills. A simple exercise might be to ask each Board member to rate these competencies and add new ones as appropriate. Then reach a consensus that can become a part of the CEO evaluation process.

On a scale of 1 to 5 (5 being highest) rate the importance of the following CEO competencies to the association, based on its current level of activities:

- Office clerical skills
- Bookkeeping/record keeping proficiency
- Membership records proficiency
- Office management skills
- Office systems proficiency (networking, etc)
- Knowledge of information resources
- Responsiveness to member questions and concerns
- Basic knowledge of policy issues
- Administration of Ethics compliance program
- Knowledge of business and professional risk reduction issues
- Knowledge and communication of regulatory real estate environment
- Coordination of political advocacy strategies
- Comprehensive knowledge of policy issues
- Knowledge of marketing research and product and service development
- Liaison with other professional associations, and with international real estate programs

- Ability to manage a staff and administrate the implementation for member strategies and programs
- Spokesperson for the association
- Visionary, identifying and articulating trends and their impact on business and industry. Recommend actions.

Notice that as one progresses down the list, the competencies are less functionary and more managerial, in keeping with the developmental stage of the association. CEOs who are rated highly for skill expectations near the end of the list will generally be expected to assign the initial competencies to staff. Newer associations will expect staff to have more limited administrative skills.

## **Professional Development**

If the goal is to gain consistency for association programs through long-term, mutually agreeable staff relationships, then association leadership must allocate resources that permit organizational employees to gain new skills and competencies as the association evolves. Many resources exist within the real estate community to provide that training at reasonable cost. The National Association of Realtors in the USA provides the following:

- Self Study Courses for Association Managers. These booklets are available from NAR and address such issues as Budgeting and Financial Management, Membership Management, Multiple Listing Services, and others. While many of these sections may not be applicable outside the US, many would be of assistance to the new association manager and/or the association secondary staff.
- Realtor Certified Association Executive (RCE) Designation. This designation is available for those who have a combination of experience and association management understanding. Most of the Course is self-study. It covers topics such as financial administration of associations, managing volunteers, and programs and services that real estate associations can provide. The qualifying exam will be available on the Internet. Contact NAR.
- NAR Annual Institute for Association Executives. Held annually in the spring in a US city, the Institute is a whole series of specific courses on association management issues. Scholarship assistance is available, and US Association Executives will act as guides for new attendees.
- Regional Multinational Meetings, such as CEREAN or others. These meetings often provide occasions for association staff to share ideas and form network groups to assist each other with daily challenges.
- Internet websites such as the Realtor AE website ([www.realtorae.com](http://www.realtorae.com)), the CIPS website ([www.cipsnetwork.com](http://www.cipsnetwork.com)), and others are a wealth of information. A series of professional e-mail information groups are also

available for association staff.

Conclusion: The association should develop a clear consensus about its investment in staff. It should build a foundation that will maintain competent staff, encourage the retention of satisfactory personnel, and provide for the training and growth of these employees. The measure of success the association has in staffing is directly proportional to its success as an organization and the achievement of its strategic goals and objectives as well as maintaining a high level of member

## **Education and Professional Development Programs**

### General Professional Education for Members

A fundamental mission of most associations includes the professional growth of the membership through education and training. Educational opportunities are almost always cited as reasons for joining a professional or trade association. Successful associations offer effective general programs that address the real education needs of members and include

- Practical techniques for sales, brokerage, valuation
- Current vital issues
- Anticipated future trends
- Business models and theories
- Personal resource management

### Education Managers

Education Managers are really the directors of the education process, whether they are paid staff or volunteers who chair an education committee. The manager has the task of ‘creating an opportunity for learning’ for the association members.

The six areas of competency for the Education Managers are:

- Education Program Planning (developing the overall course of studies),
- Program Management (events planning and management),
- Evaluation (of the success of the presentation),
- Marketing (attracting attendees and participants),
- Speaker Selection and Preparation,
- Finance and Budgeting (developing a business plan for the program).

### Selecting appropriate educational delivery and learning methods

The age of technology and advanced knowledge about adult learning has made it possible to have many choices regarding delivery and presentation of subject matter. But before beginning the selection of the method and techniques, it is essential to know what the purpose of the program is, and to identify the criteria for successful results. Then examine which delivery system would best lend itself to meeting the learning objectives. Some possibilities include group programs (seminars, conferences, workshops, forums, and short courses); tutoring; and distance learning (video conferencing, self-study, telephone conferencing).

Once there is a topic, learning objectives, and a delivery system, it is time to find an instructor who can facilitate the program and make the actual presentation. It is important to establish common expectations and engage in cooperative planning with the instructor. An evaluation method should also be agreed upon, so that the instructor and the success in meeting learning objectives can be quantitatively measured.

#### *Characteristics of Successful Professional Development Programs:*

- A. They are voluntary, allowing for members to have personal choice and control.
- B. They are peer-led. Respected professional colleagues can facilitate learning.
- C. They are standards-oriented. There is an emphasis on best practices for success.
- D. They have long-term effects. Students feel more confident in their professional roles and experiment with and adopt new working techniques and skills.
- E. They are open-ended. It is critical that the student know that new techniques are to be used when appropriate to career growth.

#### Pricing the Education Program

In the discussion in this publication of non-dues income, the point is made that some association services and products should rightfully be considered a function of dues and available to all members, and others may be offered at additional charges which offset costs and even make a margin of profit for the association.

This same principal applies to education courses. Certain education topics should be considered to be a function of membership: those might include a new member orientation into the association and its services, or a course in ethical business behavior. On the other hand, classes might be offered in specialty areas and contain information that will bring great financial benefit to members: those courses may be offered at a charge that covers the cost of the programs and provides residual income to the association. Through the efforts of the organization, members have access to programs that they might not otherwise encounter, and they are usually ready to invest in such career benefits. However, pricing should always be fair and accessible to all members who want the education products.

## Licensing and Certification

In many countries, licensure of real estate professionals is of continuing concern. Licensure generally involves meeting standards set by a governmental body as a part of the law--medicine, law, and accountancy traditionally have licensure requirements in most countries. This means that the candidate meets certain requirements for training, and then is limited to certain professional activities defined by the licensing body.

Often, the professional association plays a large part in establishing the technical standards a licensee must meet. In the real estate arena, this is also true, and in some cases the professional association administers the certification which is endorsed by the government. Typically, these certification programs require that the candidate meet education and experience minimums, and that a re-certification occurs every few years, usually through continuing education.

Real estate professionals can benefit from a licensing process that is well constructed, fairly administered, and aggressively promoted.

However, since licensing is often a governmental activity involving minimum standards of performance, professional and trade associations frequently become involved in promoting more advanced levels of credentialing. This practice is called 'certification', and results in the issuance of a certificate of achievement or a designation, usually in a particular area of specialty.

An example of a designation program familiar to real estate professionals around the world is the CIPS program, maintained by the National Association of Realtors in the US. The Certified International Property Specialist (CIPS) designation is granted to any real estate professional who completes a sequence of courses and successfully demonstrated practical knowledge of international real estate transactions.

Here are some criteria against which to measure an association certification program:

- A. An analysis has determined the crucial body of knowledge one must master to successfully accomplish the tasks associated with the profession.
- B. A syllabus or curriculum covers the body of knowledge defined in the analysis.
- C. A test is developed to measure one's mastery of the material.
- D. The testing instruments are constantly reviewed and validated to make sure they are effective and applicable to the body of knowledge.
- E. There are adequate provisions for fair test administration and security.

- F. There is a well-supported justification for the cut-off point: those who fall below it are not granted licensure or certification.
- G. There is a fair mechanism for demonstrating practical skill in the area of certification.
- H. There is a process for renewing the certification. The re-certification process is meaningful, encouraging designees to maintain their professional skills. Re-certification also provides an ongoing source of income and sustained membership renewals for the association offering the certification.
- I. The designation is recognized by the public and by other professionals as a measure of skill and competence. This requires, of course, ongoing public relations activity by the association.

A word of caution: because certification programs are by definition exclusive and require intensive work to administer and maintain, they may not be extensive sources of income for an association. Their value should be measured in terms of the motivation they present to members to increase competency and encourage public credibility toward the real estate professional

#### Conclusion:

In countries without licensure or certification programs for real estate, the organization can become proactive in the development of such a program. Governments may welcome the association contribution to these programs: it is a way establishing quality control and consumer protection without expense to the government. In some countries, associations may even administer the licensing process. For an association, participation in certification efforts brings benefits to the real estate practitioners and provides the association with opportunities to provide education programs and take an active role in developing quality performance for the profession.

## **DEVELOPING AN ORGANIZATION CODE OF ETHICS**

Simply put, the term “Business Ethics” refers to the moral principles and standards that guide behavior in the world of business. Whether a specific required behavior is right or wrong, ethical or unethical, is often determined by the public (media, interest groups, and others), the legal system, and individuals’ personal moral values. Increasingly, the real estate business is operating across national boundaries, often in cultures where differing moral and ethical standards prevail.

To encourage ethical behavior, real estate organizations must be responsible for developing an ethics program.

A reasonable compliance program for preventing ethical misconduct involves:

1. A Code of Ethical Behavior for the organization and its members;
2. Oversight of the program;
3. Member training;
4. Methods for the reporting of misconduct;
5. Provisions for monitoring and enforcing the program.

The organization will need to:

1. Analyze potential areas of ethical risk in the particular environment in which members

conduct business;

2. Design a program that addresses problem situations or internal conditions among members
3. Plan to revise its program on a regular basis in response to misconduct and overall ethical improvement;
4. And understand and abide by industry standards of conduct (local and international) and comply with appropriate legal standards.

### A Code of Ethical Behavior (Code of Ethics)

In order to behave ethically, an individual must first recognize that an ethical issue exists. The function of a Code of Ethics is to identify ethical conflicts, and put them into concrete language. Codes of ethics are formal statements of what an organization expects in the way of ethical behavior, and let members and the public know what behaviors are acceptable or improper.

There are four recognized categories of ethical issues:

- Conflict of interest-- the individual must chose between personal interest and the interest of the organization or some other group,
- Fairness and honesty-- these are general social values as well as business rules,
- Communication-- communication refers to the transmission of information and engendering trust through honest and full disclosure,
- Organizational relationships-- These involve the way members behave toward others (customers, suppliers, competitors, and peers).

A good Code of Ethics should examine the group's values in each of these areas. An activity approved by most members of an organization and customary in the industry is probably ethical. Principles should be stated specifically enough to be reasonably capable of preventing misconduct. If the Code says "Be Fair and Honest", this directive is not enough. The statement must be specific enough for members to clearly understand how to avoid risks associated with conducting their business.

Suggested steps for writing a code of ethics for an organization:

- A. Appoint a work group of industry leaders.
- B. Begin by defining situations that all clearly agree are unethical. Then, develop positive and specific directional statements designed to prevent these situations from occurring.
- C. Review Codes of Ethics developed by NAR and other real estate associations.
- D. Ask other members and representatives from interest groups to review and comment

on the proposed Code.

- E. Review the proposed Code with appropriate legal and legislative authorities.
- F. Provide a conclusion or closing statement that reinforces and affirms the value of the code (“The character of the profession is collectively in our hands. Pride in what we do is important. We earn that pride by the way we put the beliefs stated here into action”).

### Questions to Consider in Writing a Code of Ethics

- Who are the persons or groups of persons affected by the organization, or the members of the organization? How are they prioritized?
- What are the organization’s main areas of action? (Real estate marketing? Appraisal? Consumers? Legislative action?)
- What unethical decisions and actions would the organization like to prevent? How could these be prevented?
- What types of ethical problems are members of the organization most likely to encounter?
- How can conflicting principles be resolved?

### Organizing the Code

Begin with a statement of purpose. This may take the form of a Preamble or Statement of Intent. This statement should set the tone of the document and outline both the purpose of the organization and the purpose of the Code.

Many business codes are organized around a ‘Relationships’ model. This type of organization highlights relationships between the members of the groups and other groups such as the public, clients, and competitors. This method often divides the Code into sections that begin with such headings as “*Relations/Obligations to the...*” followed by a list of standards and guiding statements relevant to that relationship. Care should be taken to construct tenets that are situation-specific.

### Implementation of the Code

- A. Distribute the Code of Ethics comprehensively to employees, affiliates, and associated companies. Ask members to sign a statement upon applying for membership that requires them to understand and comply with the tenets of the Code.
- B. Develop an ongoing education mechanism that will assist members in interpreting and understanding the application and intent of the code. Consider a situation-based training program that can be delivered often and updated to meet evolving needs. Another idea is a member hotline that can answer Code of Ethics questions as they arise.
- C. Specify the role of the organization’s company management and/or owners in upholding the code.

- D. Establish grievance procedures and an enforcement mechanism, including an appeals process.
- E. Establish an audit or evaluation system to determine the effectiveness of the program.
- F. Review and modify the program to improve its effectiveness.

### Ethical Compliance Programs

At a minimum, an association should develop an ethical compliance program which

- Has standards and procedures which are reasonably capable of detecting and preventing misconduct by its members;
- Specifies personnel responsible for administering ethics compliance programs;
- Gives no substantial discretionary authority given to members with a propensity for misconduct;
- Offers effective communication of standards and procedures through ethics training programs;
- Provides for enforcement of standards, codes and punishment;
- Encourages continuous improvement of the ethical compliance program.

Monitoring compliance involves comparing the member's behavior with the organization's ethical standards. An organization must give thought to the questions involved in measuring standards through the observation and reporting of violations by members, and through a proactive approach such as external auditing of member compliance. How will a member report suspected violations of the association Code of Ethics by other members? What response actions will be taken to these reports, and by whom? How will members be reprimanded for non-compliance with the Code? How will they be rewarded for compliance efforts?

Answers to these questions should be codified into a practices and procedures manual for the association relation to ethics enforcement. The Association's Directors should then identify the maintenance and support of this activity as a priority in the strategic plan and in the operations management and budget.

For an example of the enforcement mechanism, one might turn to the suggested procedure of the National Association of Realtors in the U.S.; the enforcement program includes the following components:

1. Written, signed complaints,
2. A preliminary investigation by a committee of peers to see if the possibility of valid ethical violation exists,

3. A full and fairly conducted hearing before an impartial panel of professional peers,
4. An appeals process for the complainant and the party complained against,
5. A significant penalty system that includes censure, fines, and mandated education against the party who has been found in violation of the code.

These procedures have been found in keeping with the country's laws and judicial custom, and are consistently enforced in local and regional association settings.

### International Business Ethics

Ethical perceptions and international business is highly influenced by cultural differences. Because of cultural and ethical relativism, real estate business that is conducted across national boundaries may discover ethical conflicts. Major ethical issues that complicate international business activities include sexual and racial discrimination, price discrimination, bribery, harmful products, and telecommunications (enforcement of country-specific laws, copyrights, and questionable financial activities). A good document for reference in developing an association Code of Ethics in conjunction with such principles is The Caux Round Table Business Principles of Ethics (1995) (<http://www.cauxroundtable.org>). *This code is available in Appendix D, page 98.*

## MEMBERSHIP DEVELOPMENT

An association exists for its members. Through its activities the members' needs are met and their business is more successful. The association is member-centered, and leaders and staff must be skilled in the techniques of membership management.

In building an association, considerable resources must be directed toward the following areas: criteria for membership and the application process, recruitment of members, retention, and leadership recruitment and training.

### Criteria for Membership

Membership criteria should be determined when the bylaws are being drafted, and should be incorporated into them. When developed and agreed upon by the members through the bylaw adoption process, membership criteria should be strictly followed and fairly enforced.

Some questions to consider in defining membership criteria:

- ✓ Are the membership criteria an open standard? Make sure the association does not exclude racial, social or political groups.
- ✓ Does the membership include in some way all professionals involved in the real estate transaction? Categories for affiliate members or governmental service members can be included in the bylaws. Presence of these groups will create a greater unanimity in the real estate business community.
- ✓ Are the criteria for retaining membership defined? If a member must do something in order to keep his membership (i.e., maintain an active license), that

requirement should be clearly stated.

- ✓ If the association terminates a membership, are those procedures clearly defined? It is fair to all parties to know how membership is retained, and how it will be terminated if those requirements are not met.

### Application Process

The association should first develop a membership application form. The form should require the applicant to state:

- Name and Contact information
- Type of membership requested
- Business profile as applicable
- Conformity to membership requirements and willingness to abide by the Code of Ethics
- References

Once the application is completed, the applicant pays dues and fees that will initiate the application process. The association collects dues in advance (these may be pro-rated to accommodate the remainder of the membership year—if only 50% of the year remains before annual dues are collected, the association may elect to collect only 50% of the total dues amount). Associations may also levy a one-time application fee that represents a portion of the accumulated member equity in the association. Care should be taken to keep this amount reasonable and not cost-prohibitive.

The remainder of the application process may consist of the following steps:

- Review of the application by a membership committee
- Notice of the application to the active members
- Approval by the Board of Directors
- A new member orientation. (a class or an interview with the candidate by an association representative)
- Notification of the applicant's acceptance and a welcome to the new member

In the event that an applicant does not complete the membership, or the Directors do not approve the application, then the following steps must be in place:

- Return of applicant's funds
- Clear written statement of the reasons for rejection, if this was the case

- Notification of any appeals procedure open to the applicant.

### Processing New Members

In order to give a new member a positive impression of the association, the leadership and staff should institute a process of welcoming the new member. This process should be a part of the policy manual and should be rigorously followed. It might include the following:

- Immediately acknowledge the receipt of an application. This activity is imperative and can be accomplished by a letter, telephone call, or both.
- Transfer the applicant's name to the membership mailing list so that the applicant can begin to gain benefits from membership right away.
- Provide a list of all options to serve on committees or other membership involvement opportunities.
- Provide the new member with a timely orientation into the association. The orientation can be accomplished through a class for new members or, if the frequency of new members does not warrant conducting a class, the orientation might take the form of a visit from leadership and/or staff. The orientation should cover:
  - The Code of Ethics of the association
  - A profile of the association including membership demographics, budget, and association structure.
  - Other expectations of members which are held by the association (protocol, legal requirements, license retention)
  - An invitation to attend functions or participate in association work. It is important to stress the need for participation in the earliest stages of membership: this sets a pattern for citizenship in the association.
- Hold some form of induction or recognition event so that the new member is honored and welcomed, and is introduced to the existing membership.

### Recruiting New Members

An association must actively recruit new members. The association's Strategic Plan should identify the market penetration (percentage of available members) the association expects to have on its rolls. Then an active series of strategies may be devised to meet this goal.

One of the first tasks of an association should be to devise a list of potential members who meet its membership requirements. That list should then be targeted for membership. Some of the following methods can be used:

- Direct mail solicitation. This includes letters, invitations, brochures, and other promotional pieces.
- Person-to-person solicitation. Designated representatives from the association meet with a prospective member to introduce the benefits of membership and invite application.
- Paid advertising in media and professional journals and publications.
- Group Activities and Events. Often associations can invite prospective members to a “membership lunch” or similar activity to explain benefits of membership and introduce prospective members to the existing membership.

Be sure to follow up with prospective members who have been contacted in one of these ways. Make sure they have an application for membership and have all questions answered.

### Retaining Existing Members

Any membership program must be two-fold: new members must be recruited, and existing members must be retained. Often, an association neglects the latter activity and takes its members for granted. Staff and leadership must always be alert to the needs of members, and the association must be able to adapt to members’ ever-changing requirements.

Methods of membership retention include:

- Assessing and meeting member expectations,
- Communicating frequently with members,
- Recognizing members’ achievements.

It is less expensive for an association to retain current members than to attract new ones. The association should allocate adequate resources to membership retention activities.

In recognition of this, the membership retention program should include:

- A. Developing a Membership Retention Program that is including among association operating policies. The Program should include ongoing analysis of the association environment and of member needs; a design and implementation plan of new programs based on member needs; and a cost-evaluation of all retention activities and maintenance a member retention budget.
- B. Encouraging cooperative attitudes among staff. Association staff should maintain a cooperative, friendly attitude toward all members.
- C. Offering improved programs and expanding member services. Member services are crucial in retention programs. Eligible members will usually drop membership because services do not

meet their expectations. An association should conduct periodic surveys to gain member opinions about the association and its products and services. Association leaders can then plan ways to fulfill expectations and alter negative attitudes among members.

D. Notification to members of association activities through

- a. Newsletters (e-mail or print). The newsletter should help members understand they are part of an important professional network. It need not be fancy or expensive, but it should be useful and distributed with regularity.
- b. Letters and emails. Leadership should send occasional letters to members. These help members feel important and can be important tools for membership renewal. A letter may be used to announce and highlight a new member service.
- c. Telephone calls. Staff and leaders should call members regularly to maintain contact and discuss issues. A call of thanks for an important contribution from a member is also much appreciated.
- d. Membership recognition. Formal awards ceremonies are one form of recognition. Members can also feel recognized and valued by letters, certificates, public announcements and news releases.

E. Resignations should call for a plan of action. An association should have a ‘disaster plan’ in the event of a membership resignation. The plan might include:

- a. Contacting resigned members directly through letters, telephone calls and personal visits.
- b. Acknowledging the reason for the resignation. If a problem exists, the association may want to devise a plan to remedy the situation
- c. Re-contacting the member and explain the actions being taken.
- d. Listing the reasons why a member should not drop out.
- e. Asking that the resignation be reconsidered.

### Member Needs Assessment

Associations need to constantly stay in contact with members and assess their needs as an initial step to developing member benefits and services. It is important for the association to objectively research these needs, and not just depend on the ‘feelings’ held by staff or leadership.

This activity is called ‘market research’ and should be included in the association’s allocation of resources (budget). Various means of conducting market research are available to associations:

- Professional independent market research
- Surveys conducted by staff and volunteers

- Focus groups (discussion from small cross-sections of the membership)

The goal is to decide what new benefits to develop and what current benefits to continue. Also, existing products must be improved when necessary or else they will be abandoned by members or will be replaced by competition from outside vendors who can provide an improved product at a competitive price.

### Identifying and Training Leaders

Plan a leadership team or Directors, committee chairmen, and other potential leaders far in advance of an immediate need. Have a good system for identifying and training potential association leaders, and monitor that system to keep it serving the association effectively. Offer regular leadership training programs for members of the Board of Directors and key Committee leaders as well, and consistently keep them informed about industry and association developments and trends.

**Leadership versus Management:** In many ways, staff manages and volunteers lead, but an effective association executive must be both a manager and a leader in order to perform the job effectively and to ensure that the association grows. Part of the problem is that people are trained to be good managers but not trained to be good leaders. Leadership building and enhancement is an integral element of a successful association. If an organization does not continually focus on building and maintaining its leadership, the organization will fade and stagnate.

*Leadership* is the ability to mobilize others and motivate them to want to participate. Leaders think in terms of innovation, development, creativity, and the future.

*Management* is the ability to direct or exert control. Managers think in terms of administration and maintenance, and are task-oriented.

Well-trained leadership brings dividends to the association. Those benefits include a stable membership base of satisfied members, smoothly run boards and committees, improved quality of elected leadership, and a progressive view of the future. Skilled leadership does not just 'happen' in an association world: those in charge must possess the background information and the techniques of managing and directing volunteer efforts. And they must have been given the resources and the support to carry out the association's goals.

It is important to the life of the association to encourage shared leadership. An organization should limit the terms, or amount of time, leaders may serve. Rules should be placed in the bylaws that prevent a president from serving more than two successive terms. Directors and other key committees should

also have term limits and those should be staggered, so that a few new members are appointed each year, while experienced members remain in place to retain continuity and experience on the board of directors or committee.

The rotation of new leaders and fresh ideas necessitates ongoing association leadership training, so that continuity remains and new decision-makers have necessary skills. Contents of leadership training programs may include:

- A general introduction to the association by outgoing leadership and/or staff. Include history, budgets, finances, and strategic plan, as well as current organization. Do not assume that incoming leaders know these things.
- A leadership manual that includes current policies, the Strategic Plan, minutes, and reference materials to the areas mentioned above and other significant areas.
- A discussion of mutual expectations and the working relationship between leadership and staff.
- Attendance for incoming and current leaders and appropriate staff at relevant events, including those provided by regional business organizations, NAR, and other organizations.
- Training for volunteer leadership in techniques of meeting management and public relations.

## Committees

One of the most common ways of building association teams and getting work done is through committees, or variations of committees known as ‘task forces’, ‘work groups’ and ‘teams’. In all cases, the ultimate goal is the same: to provide programs, products and services that best meet members’ needs and are cost effective.

Committee types are:

- A. Standing Committees: standing committees serve long-term, ongoing association function. Examples are the Bylaws Committee, the Membership Committee, the Budget and Finance Committee.
- B. A Task Force is appointed to fill a specific short-term task or goal. It will be disbanded once it has fulfilled its purpose.

Successful committees follow some basic rules. Some of these are:

- All committees should have a chairman and a record-keeper.
- The Board Of Directors should review all committee minutes. Minutes should be kept in a safe place, as they constitute a valuable part of the association’s history.
- The association should adopt some basic policies for committee management (these might also apply to the Board of Directors meetings):

- Prepare for the meeting:
  - Distribute a packet of information a set number of days prior to the meeting. Committee members should arrive at the meeting fully informed.
  - An agenda with predicted times for discussion should be included in the packet. Members may make adjustments to those times at the beginning of the meeting, but it is the chairman's role to keep the committee on track.
  - Uses a consent calendar format. All housekeeping items (budgeted expenditures, approval of minutes and reports, etc.) are received with one single motion. Items needing specific attention may be placed elsewhere on the agenda.
  - All resolutions or motions that will be acted upon should be included in the advance packet. An impact statement, including the history of the motion, should accompany any motion; its impact on association resources (staff, volunteers, and money), the pros and cons of the action, and the relevance of the proposed action to the strategic plan.
- Conducting the meeting should be done by agreed-upon rules. The chairman enforces these rules.
- The role of the Chairman is to
  - Administer debate, and not participate in discussions
  - Solicit input from all members, including quiet ones
  - Make sure everyone who wants to speak has a chance to do so, before allowing members to speak for a second time
  - Limit members' contributions to a specified length of time, if necessary.
  - Seek alternating speakers, pro and con, on an issue
  - Make certain that speakers address only the issue at hand.
  - Ensure all members' remarks are directed to the chair and not to each other.
  - Convene and adjourn the meeting in a timely fashion.
- The Board or Committee members should understand that once a decision is made and approved, they are expected to support the decision when speaking to others.

Additional Questions about Committees:

- A. What is the relationship between the committees and the Board of Directors? Do the Directors respect the Committee's work and generally approve it? Does the Committee need approval from the Board of Directors before spending money and association resources? Is the Committee empowered to take a public position on behalf of the association? Are these items clearly documented in the association policy manual?
- B. Is the Board of Directors kept informed about the work of the Committees, either through the minutes or a summary report from the Committee representative?
- C. When appointing the Committee members, does the Chairman of the Board try to fit the right person with the appropriate committee? Does the Board consider the interest, skills, and temperament of the candidate for the Committee position?
- D. Does each Committee have a job description? Does the Board of Directors inform the Committee about what goals it has which should be met? Does the Board periodically review each Committee's progress?
- E. Is there a staff person or a liaison from the Board of Directors (or both) present at each meeting of each Committee?
- F. Is there a way to 'fire' Committee members who are unproductive or do not attend meetings?
- G. Are Committee contributions and individual members recognized and thanked by the association leadership?

Even though the traditional structure of an association committee is changing, committees are still important. They assist in getting needed work done, provide the leadership and staff with valuable feedback from members, and serve as a training ground for new leaders. Care should be taken by the Board of Directors and its Chairman to appoint committee members carefully, and to create an environment in which the committee can operate effectively and with maximum benefit to the association. Avoid appointing members of the Board of Directors as committee chairs, thus incorporating diverse points of view in decision-making and including fresh contributions to leadership roles.

Conclusion: Associations must be expert in leadership management and member development, including recruitment and retention. Members are the lifeblood of the organization, and volunteers and staff must be mindful of providing service and satisfaction.

## Uses of Technology in the Association

Professional associations need to be in the forefront of technology advancements. They have a responsibility to keep informed about the technology available to and being used by the members. Associations also need to understand how technology can strengthen the operations of their association and must be prepared to make considered, informed decisions regarding the technology investments of the association's resources.

General office functions of the association should be computerized. A basic model includes these functions:

- Word Processing and Document Storage
- Membership Records
- Dues Billing
- General Accounting
- Communications and Newsletters; social networking programs and education
- Cooperative Member Services such as searchable property listing inventories

The word processing and document storage functions are readily available in third party software such as Word or Word Perfect. The National Association of Realtors can provide assistance through its

NRDS program for membership record software and dues billing and payment solutions and accounting software can be either simple or very complicated: associations should contact a financial professional for advice in software acquisition and installation.

More industry-specific technology issues for real estate associations involve applications for technology and for multiple listing or property information sharing.

### Communications

Associations are always seeking new ways to improve communications abilities. This observation also applies to the members of the association, particularly those who may have multiple offices or who may wish to transact a property transfer or referral at a distance.

Technology has made it easy for members and for associations to communicate faster, more frequently, and more comprehensively. Offices can exchange documents and agreement forms. Associations can take surveys, vote and hold meetings via the Internet. Every should have the following uses in its technology inventory:

- Internet E-mail
- Videoconferencing and seminars
- List serves
- Broadcast Faxes
- An association Website for members and/or the public

In addition, the association may be using an

- MLS (Multiple Listing Service)
- Cooperative Inventory Display (local, regional, or international)
- Internal Networking system
- Referral Service between Members
- Other creative application to assist members with real estate sales
- Education and Training Program Delivery
- Newsletters and membership alert system

All of these applications bring an association:

- A. Cost savings
- B. Time savings

- C. Interconnectivity
- D. Ongoing Education
- E. Broader market area

### An Association Website

One of the services an association will want to offer for its members and for the public will be an association website. Building a presence on the Internet is one of the most effective ways to spend association resources in order to accomplish member communication, and provide services to both members and the general public.

In order to begin, you will need:

1. A host for the site. This will likely be a commercial Internet service provider. Make sure that the provider is reputable, is up and running all the time, and has the resources to accommodate visitors to the site without slowing down the response time. The host site need not be a local business. A website designer may have some good suggestions.
2. A website designer. The best answer is to find a professional website designer who can build the site. Often there are excellent designers in the schools or in the community who are less expensive than larger firms. Check their reputation carefully before beginning, and get a response from several of their former customers. Have a clear understanding of performance expectations, including completion times, with anyone who is hired.
3. A clear understanding of what the site must accomplish. Put this in writing, and ask all involved in the decision-making process and the website designer to agree to these specifications. Include the design of the site, its functions, and the time line by which it should be complete. Designate one project manager to oversee this process, probably association staff.

Here are some suggestions for designing a site for a real estate association.

1. Design for two distinct audiences, the general public and the members of the association. The association may want to have a 'members only' section of the site, protected by password or some other form of security.
2. On the part of the site that is seen by the general public, remember that it is the face the association presents to the world at large. Keep it simple and easy to use. Consider including the following features:
  - a. A general introduction to the association.

- b. Helpful information about the process of real estate transactions in your country.
  - c. A directory of association members with links to their websites and e-mail addresses.
  - d. An inventory of properties for sale. This could be as simple as advertisements of featured properties paid for by members, to an aggregation of all available properties as they come on the market in your country. (Associations may want to start simply and progress to a more elaborate strategy at a later time.) Good results can be achieved by encouraging member companies to participate in international data aggregation programs such as Immobel or Proxio, where property listing information can be translated into a variety of languages.
  - e. Data about the real estate business climate in the country. The site might track property sales statistics, report average selling prices, and funding availability. Make sure there is a means for keeping all information current.
3. The members-only section of the association website is an important means of keeping the membership informed and cohesive. This section might contain
- a. A repository of information the member might need to access about the association. These include governing documents, dues information, meeting announcements and registrations information, and contact information for association staff and leaders.
  - b. The association newsletter.
  - c. Updates on matters of professional concern, such as legislative and legal developments.
  - d. Areas for delivery of other association services and products, such as standard professional forms

Both sections can contain links to other important websites, thus becoming a hub of information much of which is maintained elsewhere on the World Wide Web.

Obviously, it is important for the association to maintain this site on a regular and consistent basis. The site should be checked regularly and the information updated. Previously developed features such as links to other websites should be tested to make certain they are intact. Websites are not like printed material: viewers expect websites to be current and accurate. Associations must budget resources to maintain this important function.

Questions to ask about an association website:

- 1. Is it simple and easy to use?
- 2. Does it load quickly onto a visitor's computer?
- 3. Is it maintained and updated on a frequent basis? Is there a designated person in charge of

seeing that this is done?

4. Does it anticipate what the visitors want, whether they are members or the public?
5. Is there contact information for the association? Is this information easy to find?

A final word about websites: the best-designed site is useless if no one can find it. An association should have a marketing plan for its website. That plan might include:

1. Putting the website address on all association literature, business cards, and stationary.
2. Developing a network of links to your site from other sites. Sources of those links might be:
  - a. Websites of other members and affiliate members.
  - b. Websites of other related businesses and associations, such as builders.
  - c. Websites of other services—travel sites, the Chamber of Commerce, and general information sites which may be sponsored by communities or associations. The NAR CIPS program and your NAR partner associations are a source of link referrals to your site.
  - d. Good use of site design functions such as meta-tags. Check with your designer to understand how these techniques have been incorporated into your site.

### Technology Needs Assessment

Because technology is rapidly changing, and because many applications can be developed easily and inexpensively, there is a danger in being too proactive about possible uses of technology in a real estate association setting. It is more productive to encourage association volunteer and staff leaders to make responsible and informed technology acquisition decisions so the association can maximize its investments.

### Developing the Needs Assessment

Careful planning is the essence of a successful technology acquisition program. These general steps can help leadership and staff:

- A. Determine and understand the needs at hand. Review the association governing documents and mission statement in order to understand current and future technological needs.
- B. Examine and determine what work must be performed by the technology.
- C. Know the duties and responsibilities of staff by reviewing job descriptions and daily duties. Consider how staff can use technology to improve their performance, and how they currently

use technology. An example might be in the area of membership records: can these records be automated so that member status can be tracked, dues payments recorded, and mailing labels or e-mail lists generated?

- D. Track the information flow to and from the association office. Develop a 'road map' that illustrates how information is used in the association. Review the processes used to manage that information and consider how technology can improve these processes. Does the leadership need to know how the membership feels about an issue? Can an on-line or fax poll be taken for speedy results?
- E. Conduct a technology survey of the members. Find out how the real estate profession is using technology. Listen to the members describe their technological needs.
- F. Use this survey as a basis for a technology plan for the association. Link the assessment and recommendations to the association's ongoing budget process. Try to synchronize the association's technology with that of the majority of the members.
- G. Consider the 'people factor'. Consider training, marketing, and ongoing support of technology—how will these be provided and financed. If, for instance, the association would like an Internet-based data pool of listings, care should be taken to
  - a. Design a program which is 'user friendly' to those for whom it is intended
  - b. Plan for the maintenance of the data base on an ongoing basis
  - c. Provide for ongoing training and/or 'help' features for users
  - d. Develop a financing plan which will incorporate these ongoing costs

### Purchasing Considerations

While purchasing considerations have been included in a technology section of this manual, they are basic techniques common to all investments in equipment, software, or services. Both leadership and association staff should remember that investments made with resources provided by members should be made with care and consideration. Special interest pressures should be avoided.

Steps to consider in making large purchases might include:

- Knowing what is needed and exactly how it will be used before purchasing it.
- Outlining the benefits of the piece of equipment or service.
- Understanding the technology used in the association profession and the real estate industry.
- Involving staff. They can better evaluate how the technology will be used.
- Constructing a business plan for the purchase by
  - Projecting future costs, volume and functions,
  - Analyzing and justifying feasibility,

- Considering implementation and training,
- Projecting any potential income to the association.
- Developing a request for proposal (RFP).
- Arranging for demonstrations by vendors.
- Checking with other product users to determine their satisfaction.

Vendors of products and services are often interviewed, especially when the purchase is a large one. Consider the following questions:

- A. Does the product or service do what the vendor claims it will do? Does the demonstration cover all of these claims?
- B. Has the vendor clearly explained how the product or service meets all of the criteria expressed in the RFP?
- C. Has the association voiced all of the questions it has? Has the vendor answered them all?
- D. Is there a maintenance contract involved with the purchase? Has it been carefully evaluated for price and terms? If appropriate, has the contract been subjected to legal review?

Conclusion: It is difficult to be more specific about products and services for associations, due to the fast-changing nature of the technology world. The association must be careful to manage its decision-making process so that decisions are thoughtful, well founded, and still very timely. It is important that leadership and staff understand this process and take care not to let the decision-making become paralyzed by politics or result in costly acquisitions that do not meet articulated needs and strategic goals.

## **NON-DUES INCOME AND VALUE-ADDED SERVICES**

A large part of the income for a traditional association comes from member dues. It is a recognized theory that if an association provides valuable services for members, they will pay for those benefits through dues and assessments.

However, in today's technological world, it is becoming easier to segment services and products, and ask people to pay for only the ones they use. Implementing this practice gives the association several benefits:

- A. It helps the association remain more independent of fluctuation in membership levels; and
- B. It helps the association provide services that meet a wider range of member needs because the members are willing to pay directly for those products or services. If the member cannot see a benefit for the cost, there will be no income support for the offering.

Early in their organizational planning, association leaders should make a list of those services that are considered to be included in the dues members pay, and those unique or targeted services that are offered at additional cost to members who use them. In the latter case, if members are not willing to purchase these additional services, association decision-makers must seriously question their worth.

In a traditional professional association, the following activities are usually considered a part of the dues structure:

- A. Code of Ethics enforcement,
- B. Legislative and legal advocacy,
- C. Professional information updates to members,
- D. Public image enhancement of the profession,
- E. Coalition building and networking with related professionals.

Depending on the circumstance, other services may be offered to members as a part of the dues. However, care should be taken to ensure that dues-funded services and programs benefit all members. It is good management to charge for other programs in proportion to their use.

Descriptions of some of the pay-as-you-go programs and services are:

- A. Education and certification programs. While basic education programs might be offered as a part of the new member orientation or perhaps a mandatory member training program in a subject such as ethical behavior, many educational specialties have costs that should be borne by those who use the programs.
- B. Publications. Associations often are the publications resource for their industry. Topics may include surveys, demographic and educational trends, and specialized technical information. Publications may be delivered in a variety of ways such as paper or electronics, but the cost of the writing and production should be covered by sales.
- C. Cooperative advertising. The real estate industry has a long history of cooperative advertising, directed at providing a consumer service. In the United States and elsewhere, listing inventory has been collected from real estate offices and published on paper or at an association website on the Internet. This concept is increasingly common in other countries as well, and it benefits a potential buyer of property by helping him more easily find a property that meets his needs. Traditionally, these services are financed by a listing fee from the real estate professional, or by a service fee of some sort.
- D. Sale of professional products. The real estate association can be a marketplace for products that are used by professionals on a daily basis. These services may consist of buying office products in large quantities and re-marketing them to members at lower prices than they might otherwise find, or by becoming a source for specialty products not always available on the open market.

Of course, a portion of the price of any of these products includes some of the cost allocated to the association to pay for its overhead and personnel.

### Data Products

One of the strengths of any association is in the data it can collect through the cooperative effort of its members. In real estate associations, this is especially true. Data often takes two specific forms: listing data accumulation, and general economic data.

Listing Data compilations are the backbone of many real estate associations. The activity takes two forms: cooperative advertising programs, and multiple listing services. The difference is that in a cooperative advertising program, data is accumulated in one place and made available at least in part to the potential buyer as a part of the selling office's marketing program. As mentioned above, the great benefit of such a program is that the buyer can go to one source to find available properties, thus making the sale of real estate a readily available and friendly one.

The Multiple Listing System usually takes the compilation of listings to another level, that of presuming cooperation between real estate offices to bring buyers and sellers together. This business process usually means that a single real estate office has the exclusive right to list and sell a property, and invites other real estate offices to participate in the sale by producing prospective buyers. A system of acceptable business practices is then constructed so that competing companies can easily do business cooperatively.

In some countries the exclusive right to sell listing is not legally acceptable. Even then there may be much to be gained by everyone contributing to a cooperative listing pool aimed at ease of locating available properties.

In establishing a listing information cooperative, either as a joint advertising effort or as a full-scale MLS, the association leaders should consider the following questions:

- A. What is the legal environment? Are there exclusive listings? Or does the same listing appear as listed by several companies of the seller's selection? If the latter circumstance exists, how should duplicate property listings be displayed? What format will most benefit the selling process?
- B. Do the association members see the benefit of this program? If not, how might the value to them be conveyed?
- C. Since this is a cooperative process, how will the membership handle any abuses such as not submitting required data or violation of other rules that the members may have adopted?
- D. Does the project have a business plan? Is the project adequately funded? Who is the target market for this program (members? The public?). How will the data be accessed?

How will the availability of this service be marketed?

General Real Estate Economic Data is also an important commodity for a real estate association to collect and analyze. This type of data is of importance because:

- A. It assists the members to understand the economic picture and emerging patterns and to structure their businesses accordingly;
- B. It positions the association in a key resource role with government and media leaders;
- C. It offers the members of the association credibility in the public's perception;
- D. It provides a viable source of non-dues income in the sale of reports and analyses to non-members such as foreign real estate developers.

In designing a program to accumulate General Real Estate Data, the association leaders might consider:

- A. Forming an advisory committee including media, economists, and developers to determine what types of data are needed;
- B. Examining whether the members of the association can assist in providing that data;
- C. Devising an easy and efficient means of collecting the data that members can provide. This may mean the hiring of a staff person or the subcontracting of this effort to an experienced third party;
- D. Writing press releases and media stories based on this data and its analyses; Packaging and price this data so it can be sold to non-members;
- E. Providing regular updates on economic trends, financing, and buyer demographics to the members of the association thus enhancing their position in the real estate community.

Conclusion: The technology of the business world is rapidly allowing associations to provide more services than ever before to the buying and selling public and, ultimately, to the association members. These services are increasingly more affordable to provide, and more valuable to the real estate community and to the buying and selling public. As an association builds its mission and strategy, it needs to consider these new opportunities to enhance the real estate environment and at the same time provide a significant source of association revenue.

## MARKETING AND PUBLIC RELATIONS

### 1. Marketing

Association staff and volunteers often confuse “Promotion” with “Marketing”, and “Publicity” with “Public Relations”. Creating a series of needed products or services which members value and establishing the professional position of real estate within the community are two activities which require far more understanding and skill than merely publishing a brochure, making an announcement, buying an advertisement, or issuing a press release.

Marketing is more than merely selling. Marketing is based on the idea of finding a need, and filling it. The first step in that process is to define the market. In a real estate association, the market for a product or service might be

- Members as defined by the bylaws,
- Individuals and organizations acting as suppliers or in affiliated industries,
- Members of the public, who list, sell, own, or would like to own real property.

Each product – goods, services, or activity—of an association has its target markets, and that market has needs. In order to discover those needs and work to fill them, the association must be involved in continual market research. The research commonly takes the forms of

1. Printed or digital questionnaires or surveys,
2. Telephone interviews,
3. Face-to-face interviews,

#### 4. Focus groups (small, face-to-face group interviews).

Each of these techniques has its level of appropriateness. The important questions to ask are:

- Is this research effort going to produce objective and meaningful results? Sometimes surveys can be constructed to produce the answer that decision-makers want to hear, or to validate the decision that has already been made. Such efforts are an obvious waste of time and resources.
- Is this an information-finding effort that should be directed by a qualified professional?
- Who will tabulate and analyze the results? Is that person qualified and objective?
- How will the effort produce adequate numbers and/or cross section of responses to be fair and meaningful?

Many associations hire a marketing professional as an integral part of its staff, or the organization may subcontract with a marketing group for specific services. A marketing professional is trained and qualified to gather and analyze important information from the members and other markets, and is a skilled communicator of the research findings to the decision makers in an association.

Marketing professionals tend to speak of the four aspects of marketing known as Programs, Price, Promotion, and Place. Association staff and leadership must apply these considerations to its program decisions.

*Product* refers to any program, service, or activity that the association develops.

*Price* is the cost of the program in question. Price can be determined by several criteria: what the program costs (including overhead such as staff time), what the program is worth (value to those attending. The program could assist members in making large advances in income, for instance, and would be very valuable to them), or what the membership can afford to pay (with the association finding ways to subsidize the difference, if necessary). Most frequently, pricing is a combination of these factors. *Promotion* refers to the way the product is brought to the attention of the target market. If the product is an association service, the organization may promote it through direct mail, telephone calls, personal visits, or broadcast fax and e-mail. Having the technology to promote through a variety of methods is one reason an organization needs a careful strategy for acquiring technology capabilities.

*Place* includes the method of delivering the product. If the product is an education opportunity, place may mean the actual physical location of the presentation, or it could include the delivery method — association websites, teleconferencing, or printed workbooks.

The important concept an association must remember is that marketing strategies involve investing resources in keeping in touch with member needs, developing successful services and programs to meet those needs, and delivering them in a way which will benefit the identified market, be it members or the association's publics.

## 2. Public Relations

Every association needs to give careful thought to its public image and public relations program. It is important to the members of a professional organization to belong to a group that is generally viewed as credible and valuable to society. That public perception allows the association to be successful in its many efforts on behalf of its members.

For that reason, the association must allocate resources to its public relations efforts, no matter how limited its budgets and staff. In allocating resources, the decision makers should first consider programs that can be perceived as action-oriented. No matter how much publicity a group receives, if it is perceived as a 'do-nothing' group, it will not gain much recognition from members or from the community as a whole.

Secondly, an association must focus its public relations efforts. Real estate associations typically have many audiences: members, customers of association members, industry suppliers, government leaders, the media, and the general public. Each one of these key audiences is unique, and needs to hear messages from the association in an individual way. Once again, this is 'target marketing', and the organization must plan its strategies, techniques, and media according to the profile of the target audience.

Questions to ask about an association's target public relations market include:

- 1) Members
  - a. Are the members well informed? Does the association keep reminding them through the existing communication methods of all the benefits they are receiving?
  - b. Do the members have an easy and convenient way to make suggestions and air complaints? Do they receive timely responses from leadership and/or staff?
- 2) Customers and Clients of Members
  - a. Are the members' customers educated about real estate? Do they understand the significant role the members play in the real estate transaction?
  - b. Can the association do more to assist members in marketing real estate? Technology is helping to shape real estate services around what the customer desires. Some ideas for an association might be:
    - i. A cooperative marketing program, where members place properties for sale in a single convenient location, perhaps on the Internet or in a printed publication.
    - ii. A consumer education program that assists potential

purchasers of real estate to understand the transaction and feel more comfortable making a real estate investment.

iii. An economic and financing trend analysis which is released for public consumption, again with the intention of educating consumers and facilitating transactions by understanding the dynamics of the market.

iv. A cooperative referral service, which directs consumer inquiries to appropriate members via location or area of specialization.

### 3) General Public

a. Is the association working to build public goodwill toward the industry and its practitioners? Some methods to consider are:

i. A high-profile charitable activity. This might include a project to assist a homeless family, or a fund raising campaign for a community project.

ii. Making presentations to local groups such as clubs or community service organizations.

### 4) The Media

a. Does the association consistently work to develop good relationships with the media? This might include press conferences, press releases, and invitations to social or special events.

b. Does the association keep an up-to-date media contact list for sending out press releases and invitations?

c. Does the association train its leaders to become media spokespersons, particularly in a crisis situation?

### 5) Government Officials and Regulators

a. Does the association spend time contacting and monitoring key persons in the legislature and other regulatory branches of government?

b. Does the association include these names on its contact list for invitations to special events and copies of association newsletters? Has the association considered offering them membership in a special auxiliary category?

### 6) Industry Suppliers

a. Does the association have an affiliate membership category for suppliers of real estate-related services such as banking, legal services, title work, or builders?

b. Does the association recognize and thank these suppliers through awards and recognition programs, trade shows, or other networking events?

It is an important part of public relations work for an association to become active in building coalitions with other related industry groups or, when appropriate, public groups. These coalitions might be nothing more than an ad hoc working arrangement between two groups to work together to effect an agreed-upon goal, such as supporting a legislative initiative. When working with public

opinion, however, it is important to recognize the importance of a larger, well-organized support group. Coalitions can be built around a single cause important to all involved, and can be very effective in the success of an effort.

Too often, marketing and public relations are viewed simplistically: If a flier has been printed or a press release mailed, the job is done. But as these questions suggest, marketing and public relations are intricate and most successfully carried out by skilled practitioners. However, an association with few resources can, by successful planning and allocation of time and money, leverage its public relations investments to produce results that will benefit the real estate community and the public at large.

## SELF ASSESSMENT GUIDE FOR REAL ESTATE ASSOCIATIONS

Whether a new association or one that has been in existence for many years, an organization must periodically evaluate its own performance and effectiveness. This evaluation is a guide to the strengths and weaknesses of the group, and is essential to the wise allocation of its resources.

Peter Drucker, a well-known authority on management, has observed that “self-assessment process is a method for assessing what you are doing, why you are doing it, and what you *must* do to improve an organization's performance.” There are five essential questions to the process:

- *What is our mission?*
- *Who is our customer?*
- *What does the customer value?*
- *What are our results?*
- *What is our plan?*

Keep these essential questions in mind in evaluating the real estate association. But understand, too, that the process of self-evaluation is exactly that, a process. It should take a number of months, and involve a cross-section of the membership, staff, and other targeted customers of the association.

Peter Drucker's publication, “A Self Assessment Tool”, is designed especially for associations, and would be a good resource. Drucker suggests that an association interested in self-assessment should

consider three phases to the process:

Phase One: Preparing for Self-Assessment:

Organize the process, gather necessary internal and external information, and appoint an Assessment Team.

Phase Two: Conduct the Self-Assessment Process

Use the following checklist, or another appropriate tool. The Assessment Team, Staff, Board of Directors, and other appropriate leaders may sit in a retreat setting and evaluate the following model, comparing it to the association. The resulting analysis should be in written form, and adopted by the Assessment Team and the Board.

Phase Three: Completing the Plan

In light of the assessment results, the Assessment Team and the association leadership should revisit the strategic plan, if there is one, or begin the planning process. In either case, the result should be a plan endorsed by the Board of Directors that forms the foundation of the association programs and budgets over the next several years.

### Real Estate Association Models

The role of a real estate professional organization is to help shape and influence a favorable business environment for its members. Each association has the ultimate responsibility of providing efficient and effective value to its members. While the operating framework in which an association chooses to serve its members may vary depending on its organizational structure, demographics, size, available resources and diversity of needs, there are many creative ways to deliver and optimize value, even with limited resources.

The three models explained here define in each model the six levels of services that professional real estate associations provide. These three models should be viewed as points on a continuum, each of which provides an increasing level of capability for service and self-sufficiency. An association will not fit neatly into any one model at any point in time; rather, it is likely that the association may touch on all modes, depending on the function or service and on the values of the environment in which it is operating. Volunteers and staff may use these models as a guideline to assess their current operations and compare those levels to the point where they desire to be when delivering value.

Associations will benefit from this evaluative/planning tool if volunteers and staff leaders work

together as partners to identify their model of choice, and their progress based on their association's business philosophy, its member needs and practices, and the economic and political environment of the country as a whole.

#### Suggestions for use of the Self Assessment Guide:

1. Appoint an evaluation panel, consisting of key volunteers and staff.
2. Ask each member of the panel to individually rate the association on each point, assigning points on a scale of 1-5 (five being highest).
3. Tally the points, and chart the results. The panel will then have a good overview of the association's strengths and weaknesses.
4. Prioritize the areas of weakness. Areas marked by an asterisk in this assessment tool deserve immediate attention by the association., as these are crucial areas of immediate concern to any organization.
5. Include strategies to build on the weaknesses as a part of the association's strategic plan.

Level I Association Model. Organizational (The Formative Level of Association Development. These identified activities represent the first steps to association development in countries where members of the real estate profession want to band together to take collective action to establish or strengthen private real estate markets and improve professionalism in the industry. This model is foundational, representing a minimum level of competency and service that can be offered by a professional organization. It should be a temporary plateau for association growth, lasting no more than five years.

The association should possess the following competencies:

#### Association Operating Philosophy

- ✓ *The association is member-focused*
- ✓ *The association knows basic activities of its member constituencies (real estate business owners, sales persons, valuers, surveyors, builders, and affiliated members)*
- ✓ *The association knows where to find information (legal, legislative, research) that is important to members as they conduct their daily business, and can refer them to these sources.*
- ✓ *Staff possesses a general familiarity about legal, regulatory, and business issues.*

- ✓ *Staff efficiently administers association business.*
- ✓ *The association relies on significant volunteer involvement and working relationships with other professional organizations, both inside and outside the country itself.*

### Organization and Governance

- ✓ *Volunteers--volunteers have a significant involvement in association administration, often participating in hands-on contribution in compensation for gaps in staff resources.*
- ✓ *Elected Leadership Focus--Elected leaders manage most (if not all) aspects of the organization. Staff role, if any, is largely clerical.*
- ✓ *Decision-Making Authority--A broad range of decision-making authority is vested in the Board of Directors. Staff independence is closely controlled and monitored. A business plan is prepared and its assumptions and programs are reasonable. The plan is utilized for member services, including scheduling of at least one major event by the end of the first year. The business plan is used as a management tool by leaders and the staff, and is reviewed at least annually.*
- ✓ *Committee Structure--Committees have been formed for management of operations and governance, and for programs. Committees function effectively, and hold regular meetings. Minutes and appropriate records are kept.*
- ✓ *Governing Documents--Governing documents include bylaws, code of ethics, organizational standards for the association, member records, appropriate legal documents and tax returns.*
- ✓ *Policies and Procedures--Policies and Procedures are in place for operations, financial management, maintenance of governing documents, budgeting, and record keeping.*

### Physical and Financial Resources

- ✓ *Office Location--The association has a specified address and office location, with basic equipment and e-mail communication.*

- ✓ *Finances—Adequate financial and management systems are put in place, such as financial controls and regular reporting. There seems to be a sufficient source of revenue to administer the organization on a consistent and reliable basis.*
  
- ✓ *Budgeting—a detailed budget has been developed by staff and volunteer leaders. Program Budgeting is employed as the association begins to identify potential services and costs and benefits. (Initial services might include basic education, convening meetings and forums, and offering cooperative buying and group advertising, with the bulk of expense—up to 70% of total budget—allocated to administrative and operations expense.)*
  
- ✓ *Reserves--Basic level of association reserves are available to support association operations. Association has adopted a business plan allowing for the development of 2-3 months operating reserves.*

### Staff Competencies

- ✓ *Staff Structure--Typically, the association has limited administrative and/or clerical staff and volunteers who possess the following competencies or who have access to them:*
  - *Office management skills*
  - *Bookkeeping/record keeping proficiency*
  - *Membership records proficiency*
  - *Office systems proficiency*
  - *Knowledge of information resources available*
  - *Responsiveness to member questions and concerns*
  - *Basic knowledge of member policy issues*
  - *Knowledge and communication of legal and risk reduction issues, if appropriate*
  - *Knowledge and communication of regulatory environment*
  - *Understanding of applicable political and legislative processes.*
  
- ✓ *Staff Compensation: salaries and benefits are locally competitive*
  
- ✓ *Staff Professional Development-administrative-oriented professional development opportunities are funded by the association. Staff should receive training in*

*business planning.*

- ✓ *Staff Executive's Role and Focus—Staff executive is responsible for basic administration; some administrative services may be outsourced. The chief staff executive should be provided with a counterpart mentor in the US.*
- ✓ *Public Policy-The association has the ability to support efforts to impact legal and/or regulatory issues*
- ✓ *Political Action-The association supports political action fund raising and member mobilization efforts.*

### Member Services

- ✓ *Communications-Internal and external communications systems and delivery vehicles (newsletter, e-mail, list serves)*
- ✓ *Membership Recruitment-Membership standards and eligibility criteria are established. Membership is open and inclusive. Volunteers, with staff support, undertake new member recruitment and retention programs; new member orientation/training program may be available.*
- ✓ *Ethics-Basic development of a professional code of ethics and standard of operational conduct has begun. It is communicated to members.*
- ✓ *Education-Basic education courses are provided. The association convenes meetings and social opportunities. There is at least one offering of a basic real estate course.*
- ✓ *Real Estate Business Tools-Potential sources of data and options for aggregating data are analyzed and an aggregation plan is prepared. The plan might propose to identify and collect secondary data on market trends and conditions that would be useful to members. This information may later become available to the public/media.*
- ✓ *Member Service Decisions-Decision-making and industry ideas are based on volunteer initiative and growing use of business planning techniques.*
- ✓ *Political Awareness-volunteer-driven political awareness and fund raising plan*

*are being developed.*

- ✓ *Government Advocacy-Beginnings of advocacy involvement with appropriate legislative bodies.*
- ✓ *Networking-Well administered networking and social opportunities exist.*

#### Internal and External Relations

- ✓ *Staff Relations-There is harmony between CEO and clerical/support staff*
- ✓ *Staff-Volunteer Relations-Staff and volunteers work together to form strong relations*
- ✓ *Relations with other Real Estate Organizations/Professional Organizations-The association fosters effective relationships with government leaders and legislators, industry service providers, and the media*

#### **Level II Association Model. Expanding and Developing (Management Level of Association Development)**

Once the basic association structure is in place, in the second phase IRPF helps the association to expand its influence and begin to provide member services. The association develops the ability to improve and influence the environment in which the industry functions. This model of association has gained in stature within the professional community and grown in influence in its own country and with its own members. Volunteer leaders are moving toward dependence on trained and skilled staff to implement their directional policy decisions. This phase may last three to five years.

The association should possess the following competencies:

#### Association Operating Philosophy

- ✓ *Public Image--The association is a credible source of real estate, business,*

*and economic information*

- ✓ *Communications--The association is proficient in identifying and proactively communicating business practices and trends that impact the association's member constituencies.*
- ✓ *Professional Activities--The association represents and advanced competency and service level that a professional association may offer.*
- ✓ *Advocacy Role--The association staff possesses a proficiency in managing and communicating legal, regulatory, and business issues impacting the association.*
- ✓ *Internal Management--The staff effectively manages association daily business.*
- ✓ *Volunteer Management and Coalitions--The Association relies on volunteer involvement and encourages working relations with other service organizations.*

### Organization and Governance

- ✓ *Volunteers—Volunteer leaders assume a less 'hands-on' role than in level 1 associations. Their primary role now is to determine future direction and set parameters within which staff is empowered to manage the association. In other words, elected leadership focuses on the strategic direction of the organization and monitors staff progress in achieving organization's goals*
- ✓ *Internal organizational structure—The internal structure is created and managed by staff.*
- ✓ *Decision-Making Authority--Decision-making authority for determining strategic objectives is vested in the Board of Directors. Authority for most operational decisions is delegated to staff, although within defined parameters.*
- ✓ *Committee Structure--Committee structure reflects core competencies, particularly regarding policies and procedures and the working relationships with staff.*

- ✓ *Governing Documents--Governing documents are routinely reviewed and synchronized to the association's mission and goals. The governance infrastructure reflects accepted principles of association management.*
- ✓ *Policies and Procedures--Policies and Procedures are in place and have been refined to meet specific needs of the association and its operating environment.*

### Physical and Financial Resources

- ✓ *Office Location--Dedicated Office Location; up-to-date equipment.*
- ✓ *Finances--Financial strength and revenue sources to operate the organization at optimum management level. There is a strong movement toward financial independence for association operations.*
- ✓ *Budgeting--Comprehensive budget developed by staff with volunteer input and approval. Membership dues are collected on a timely basis and from most members. A break-even budget without external direct financial assistance is achieved. The budget is reviewed and adjusted by staff and leadership on a regular basis (e.g., quarterly)*
- ✓ *Reserves--Financial reserves are maintained and actively managed, with designated funds reserved for certain programmatic functions.*

### Staff Competencies

- ✓ *Operations--The association executive is given adequate financial management responsibilities to be able to manage the association on a day-to-day basis.*
- ✓ *Staff Structure--Size of staff is determined by an operating philosophy that considers whether administrative and management staff functions can be performed by paid staff or outsourced.*
- ✓
- ✓ *Office Management skills--*
  - *Bookkeeping/ record keeping proficiency*
  - *Membership records proficiency*

- *Responsiveness to member questions and concerns*
  - *Basic knowledge of member policy issues*
  - *Knowledge and communication of legal and risk reduction issues, if appropriate*
  - *Knowledge and communication of regulatory environment*
  - *Office systems proficiency*
  - *Knowledge of information resources available*
  - *Understanding of applicable political and legislative processes.*
- ✓ *Staff Compensation—Salaries and Benefits are regionally competitive*
- ✓ *Staff Professional Development-Management oriented professional development opportunities are funded by the association. The association executive has completed some executive training courses covering such topics as management, leadership, planning and communication. He/she participates in appropriate regional coalitions and conferences, such as CEREAN Conferences.*
- ✓ *Staff Executive's Role and Focus-The chief staff executive is responsible for all administration and management of the association, based on member needs, with added focus on community and real estate industry issues*

### Member Services

- ✓ *Communications-Communications consist of targeted internal and external systems and methods of delivery focused on current information. Potential members and the public understand the benefits of membership.*
- ✓ *Technology--The association is communicating electronically. It is collecting, analyzing and distributing market data to members and the public. Members are beginning to share data and information. A basic association website is maintained.*
- ✓ *Membership Recruitment-New member recruitment and retention programs are managed by staff with volunteer participation, including outreach to diverse real estate groups.*
- ✓ *Member Management-- An introduction to the association (orientation) program*

*is developed.*

- ✓ *Growth--Both numbers of members and the market share of members are increasing. Some larger firms have joined the association. Membership penetrates 25% of the industry practitioners.*
- ✓ *Ethics-The association is developing ethical behavior monitoring and possible enforcement or compliance programs. Ethics and behavior principals become increasingly better articulated and conveyed to members and the public.*
- ✓ *Education-Association conducts regular needs assessments and designs programs to meet the demands discovered.*
- ✓ *Real Estate Business Tools- Companies are moving toward active cooperation in the sale of listings. A Multiple Listing Service (or MLS, a cooperative selling service) may be developed and operational. Other business tools are developed as a result of needs assessments and resulting findings.*
- ✓ *Member Service Decisions-Decision-making and industry issue initiatives are based on trend identification and target market analysis, with substantial work by volunteer committees and staff.*
- ✓ *Public Policy and Reputation-The association has the ability to influence legal and regulatory issues. The association is developing a positive reputation that is recognized by the buying and selling public and by government. Use of members in transactions is trending upward, as is membership.*
- ✓ *Political Action-the association has developed and implemented special political action fund raising efforts and developed grassroots mobilization efforts.*

#### Internal and External Relations

- ✓ *Staff Relations-There is synergy between CEO and other staff. Good working environment.*
- ✓ *Staff-Volunteer Relations-Staff helps identify and recruit volunteer leaders.*

- ✓ *Relations with other Real Estate Organizations/Professional Organizations- Collaborative relationships with related organizations and with the media are being developed*
- ✓ *Government Advocacy-Effective government advocacy to further association mission is occurring, either directly or as an active participant with other levels. Advocacy training courses are held: the association has defined key issues for members and the members and staff are trained in advocacy techniques.*
- ✓ *Political Awareness-Staff implementation of political awareness and fund raising plan that has been developed by volunteer and staff leaders.*
- ✓ *Networking-Well-managed networking and social opportunities, positioned to enhance members' career success.*

**Level III Association Model. Mature, Dynamic, Innovative and Self-sustaining Association (Leadership Level of Association Development)**

The association has matured and is recognized by the public and the membership as a well-managed, effective professional association. The association is viable and functioning, has achieved a high level of market penetration of membership, and provides a range of services that are valued by members.

This level of association competency represents a high satisfaction and service level to its members, and assumes the role of an organization advocate of the values of property ownership and economic self-determination.

The association should possess the following competencies:

Association Operating Philosophy

- ✓ *Advocacy-The leadership association initiates policy formation and advocacy on all levels*
- ✓ *Programs-The association seeks and implements innovative and creative programs, products and services which provide enhanced value for association constituencies*

- ✓ *Direction-The association exhibits a high level of sophistication, innovation, and proactive movement.*
- ✓ *Staff-The staff possesses expertise and provides leadership in legal, regulatory and business issues impacting the association and its members.*
- ✓ *Internal Management-The staff transparently manages the association business*
- ✓ *Volunteer Management-The association relies on volunteer input for strategic direction and policy.*
- ✓ *Coalitions- The association cultivates partnerships and aggressively solicits working relationships with other organizations and governmental entities.*

### Organization and Governance

- ✓ *Member participation-Volunteers provide qualitative feedback and counsel to staff in delivering organizational goals.*
- ✓ *Elected Leadership Focus--Elected leadership determines and communicates vision and strategic outcomes.*
- ✓ *Decision-Making Authority-Decision-making authority for all operational procedures is vested in the chief staff executive; authority for determining organizational vision and strategic outcomes belongs to the Board of Directors.*
- ✓ *Governing Documents-Governing documents are regularly analyzed and updated on an ongoing basis to assure timeliness and flexibility. A clear demarcation exists between by-laws and policy (which can easily be changed).*
- ✓ *Committee Structure-Volunteer structure is flexible, fluid, responsive. It utilizes ad hoc work groups, within internal and external expertise, which have been formed to address specific issues in a short, definable time frame.*

- ✓ *Policies and Procedures-Policies and procedures are initiated or revised based on association competencies and goals, but remain flexible to permit association creativity and responsiveness.*

### Physical and Financial Resources

- ✓ *Office Location-The association has a dedicated office location with advanced office equipment and technological resources for trends and analysis, research, Internet site.*
- ✓ *Finances-Financial strength and reliable revenue source to operate the organization have been achieved. The association is financially self-sustaining, with sufficient income to maintain a professional staff and provide a full range of value-added services and education programs on an on-going basis. Revenues from member products and services represent at least 50% of the association's revenues.*
- ✓ *Budgeting-A comprehensive budget is developed by staff based on strategic outcomes. Suitable funding is available to act quickly on opportunities, threat, and new initiatives. Research and development fund in place for new initiatives.*
- ✓ *Reserves-Financial reserves are maintained at a six-month to one year level and a solid investment policy is in place with designated funds for programmatic function and research and development.*

### Staff Competencies

- ✓ *Staff Structure-Chief staff executive and senior management team are responsible for administration and management of the association*
- ✓ *Staff Leadership-Chief staff executive is a leader and spokesperson for the association*
- ✓ *Staff Role-Chief staff executive is visionary, identifies and articulates trends and their impact on business and industry, recommends actions.*
- ✓ *Staff Compensation-Salaries and benefits are nationally competitive.*
- ✓ *Staff Professional Development—The association funds leadership-oriented*

*professional development opportunities, and key staff has participated in a number of relevant training courses. The executive officer of the association has earned appropriate professional certifications and completed such courses as the NAR RCE designation and regularly attends regional meetings.*

- ✓ *Staff Executive's Role and Focus-The CEO and senior management team are responsible for all administration and management of the association; staff positions the organization based on envisioned real estate industry needs, with added focus on developing visionary skills.*
- ✓ *Public Policy-The association has the ability to analyze, address, and impact legal and regulatory issues and proactively frame the regulatory environment.*
- ✓ *The association's views are respected and influential. Decision-makers in government and the judiciary turn to the association for opinions.*
- ✓ *Political Action-The association staff exhibits a high level of political action skills, including special fund raising efforts, member mobilization efforts, and candidate recruitment and development. The association lobbies to raise the standards and requirements for obtaining a license.*

### Member Services

- ✓ *Communications –Targeted internal and external communication systems and delivery vehicles focused on enhancing current knowledge and discussion of future trends are in place.*
- ✓ *Membership Recruitment-Sophisticated new member recruitment and retention program, with targeted orientation methods; outreach to specific targeted real estate groups, potential members from allied industries, and diverse groups (membership includes practitioners from around the country and membership is open to all industry professionals). Membership penetration exceeds 25% of the potential market.*
- ✓ *Ethics-The association exhibits leadership in professional standards and ethics. May provide enforcement of a code, certification, and industry-wide standards adopted in partnership with other allied groups. A dispute mechanism to protect the public and members is in place. Education in professional ethics is regularly offered.*
- ✓ *Education-The association develops, offers and promotes access to required and*

*optional education offerings, as a result of analyzing current needs and future trends. Topics might include brokerage, appraisal, property management, managing for profit, and Internet technology.*

- ✓ *Real Estate Business Tools-Develops and offers innovative business and marketing tools such as a cooperative advertising or multiple listing service, an e-commerce platform, and other services based on needs analyses. There are tangible benefits of membership, including research products, valuation products, and technology products.*
- ✓ *Member Service Decisions-Decision-making and industry issue initiatives are made at the most effective leadership level, based on ongoing trends analysis and planning; new strategic initiatives are envisioned, identified, and implemented based on member needs.*
- ✓ *Political Awareness-political awareness is a part of the association's culture*
- ✓ *Government Advocacy-The association is a recognized leader in government advocacy. National licensing and qualification requirements have been legislated and are judged to meet basic international standards. The association lobbies to raise the standards and requirements for obtaining a license.*
- ✓ *Networking-Networking and social opportunities enhance member career success and future needs (i.e., targeting key groups)*

### Internal and External Relations

- ✓ *Staff Relations-CEO as visionary. The CEO is expected to provide vision and direction to the association and has assumed a more out-in-front role in the association's leadership.*
- ✓ *Staff-Volunteer Relations-Staff instrumental in recruiting and nurturing volunteer leaders. Staff and volunteers function as partners in this effort.*
- ✓ *Relations with other Real Estate Organizations/Professional Organizations-Leadership role in affecting positive, collaborative and synergistic relationships with other organizations. Actively building professional coalitions through participation in industry alliances, international meetings and forums.*





# Appendix A

## Handbook for Real Estate Associations

### Additional Resources and Background Material

#### Section 1: Association Organization: Governance Structure and Necessary Documents

A. The Answer Book, National Association of Realtors, Section 2<sup>1</sup>

[Chapter 2: Governing Documents and Policy.](#)

B. Principles of Association Management, Fourth Edition, Henry L. Ernstthal, CAE. American Society of Association Executives, 2001.

Chapter 2: Governance Structures and Volunteer Roles

C. Sample Board Governance Policies, ASAE. 1998.

D. International Handbook on Association Management, Walter A. Schaw, CAE. ASAE. 1998.

Chapter III, Governance and Organizational Structure.

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<sup>1</sup> For copies of The Answer Book chapters, contact IRPF staff.

## **Section 2: Planning, Budgeting, and Financial Management**

### A. Answer Book, Section I

Chapter 9: Strategic Planning

Chapter 3: Budget and Financial Management

### B. Principles

Chapter 5: Budgeting and Finance

Chapter 16: Strategic Planning

Chapter 7: Membership (Setting Dues)

### C. International Handbook

Chapter VII: Budget and Financial Management

Chapter XII: Creating a New Reality (Strategic Long-Range Planning)

## **Section 3: Association Staff**

A. AE Competencies and Body of Knowledge: A Guide for the Successful REALTOR Association Executive. Published by NAR. Available from the Leadership Department

B. REALTOR Association Models. Published by NAR. Available from the Leadership Department

### C. Principles

Chapter 3: Staff Structure and Roles

### D. International Handbook

Chapter V: Association Staff Operations

## **Section 4: Association Advocacy Programs**

**A. Answer Book, Section 2**

Chapter 6: Political and Government Affairs

**B. Principles**

Chapter 13: Government Relations

C: International Handbook

Chapter X: Government Relations

**Section 5: Education and Professional Development Programs**

**A. Principles**

Chapter 9: Education and Meetings

Chapter 6: Marketing Basics

Chapter 10: Voluntary Standards

**B. International Handbook**

Chapter IX: Education and Training

**Section 6: Developing an Organization Code of Ethics**

A. Principles

Chapter 10: Voluntary Standards

**B. Hand Book**

Chapter 17: Professional Standards Policies and Procedures

C. International Handbook

Chapter XI, part II: Codes of Ethics

D. Code of Ethics of the National Association of REALTORS.

## **Section 7: Membership Development**

### A. Hand Book

Chapter 14: Membership Development

Chapter 12: Working with Volunteers

Chapter 19: Effective Communications and Publications

### B. **Principles**

Chapter 3: Staff Structure and Roles

Chapter 4: Volunteer Management

Chapter 7: Membership

### C. International Handbook

Chapter IV: Membership Development and Marketing

## **Section 8: Uses of Technology**

### A. Hand Book

Chapter 10: Computers and Technology

- B. E-Pro for Realtors. NAR Certification Course. (This new course is available online, and contains information which is basic to real estate applications as well as those of association management. Managing e-mail, selecting service providers, and website design are many of the topics which are covered by this designation program.)

## **Section 9: Non Dues Income and Value-Added Services**

### A. Principles

Chapter 11: Research and Statistics

Chapter 17: Trends Forecasting

Chapter 8: Publishing

Chapter 5: Budgeting and Finance

B. Hand Book

Chapter 21: Additional Member Benefits and Programs

## **Section 10: Marketing and Public Relations**

A. Principles

Chapter 6: Marketing Basics

Chapter 14: The Public

B. Answer Book , Section 4

Chapters 3 and 4: Marketing and Public Relations Programs

C. International Handbook

Chapter VI: Communications, Public Relations, Publications, and Marketing

## **General Resource Material**

### ***Books***

The Answer Book. National Association of Realtors

This compilation of readings was developed by the real estate association executives in the use for use by those candidates studying for the REALTOR Association Certified Executive (RCE) designation offered by NAR. While some of the sections concentrate on NAR policies and operations that might not be applicable in other countries, much of the content is generic to association management.

Principles of Association Management 4<sup>th</sup> Edition. Henry Ernstthal, CAE. American Society of Association Executives. 2001.

This easy-to-read and understand presentation of the art and science of managing an association has been updated throughout and includes a new chapter on "Trends Forecasting." Ernstthal shares his 25+

years as an association executive, giving you a comprehensive insider's look at virtually every aspect of association management, including: the unique nature of associations; governance structures; volunteer management; finance; marketing; membership; publishing; education and meetings; standards; research; government relations; foundations; strategic planning; and the association of the future. For the first-time executive, it's a comprehensive guide for every phase of association management, while the experienced executive can learn more about unfamiliar areas.

Going Global: An Association Primer. ASAE. 1999.

Examines the variables involved in evaluating, planning, and managing an association international program. Topics include developing membership, conducting meetings abroad, legal and tax issues, marketing, international finance, cross-cultural communications, and more--plus eight case studies. (1999, 260 pages, spiral bound)

International Handbook on Association Management. Dr. Walter Schaw, CAE. ASAE. 1998.

This comprehensive text covers fourteen core areas, such as: Leadership Theory; Governance & Organization Structure; Staff Operations; Budget and Finance; Codes of Ethics; and Strategic Long-Range Planning. Each chapter includes a general introduction and overview as well as self-study exercises and recommended readings. Based on successful international field training experience on three continents, the handbook is easily adaptable by individuals pursuing independent study or as a text in a training session or classroom. The handbook is also of interest to an international association's members, chapters and offices abroad. (1998,175 pages, spiral bound)

International Legal Issues for Non-Profit Associations. Jefferson C. Glassie, Esq. ASAE. 1999.

The only international legal reference of its kind for nonprofit membership organizations. Based on more than 15 years of law practice, the book covers a wide variety of international legal issues including nonprofit incorporation, taxes, employment, membership, intellectual property, antitrust, trade, lobbying and political activities, litigation and dispute resolution, and more. The book also includes appendices of sample agreements for international affiliates, licenses and royalties, conference management services, office management, and antitrust policy. (1999, 240 pages, hardcover)

## *Websites*

[WWW.Realtor.org](http://WWW.Realtor.org) : This is the organization site of the National Association of Realtors and contains a wealth of information including model bylaws, the Code of Ethics, legal and legislative opinions, MLS policy manuals, and other crucial information. Much of the site is password-protected, and restricted to members only

[WWW.CIPSNetwork.com](http://WWW.CIPSNetwork.com) : The Certified International Property Specialist organization maintains its

own helpful website for real estate associations and practitioners. This site is a virtual library of resources for associations and for real estate professionals.

[WWW.ASAEcenter.org](http://WWW.ASAEcenter.org) : The American Society of Association Executives maintains an extensive publications outlet on matters relating to the development and growth of associations, including budgeting and finance and membership retention and recruitment. While the information is not real estate specific, ASAE offers help on many problems common to all associations regardless of specialty.

[WWW.RealtorAE.com](http://WWW.RealtorAE.com): This site is directed toward professional association managers. However, it contains practical information designed to meet the daily needs of both new and more experienced associations. Many of the topics in this manual are addressed in more depth on this site.

## **Business Plan Template**

# **Business Plan**

# **Association Name**

**DATE:**

Disclaimer: This plan is for informational purposes only.

The contents are confidential.

# Executive Summary

The executive summary is a one-page overview of the plan. Structure it by adding a summarizing sentence or two for each of the following categories:

Product Description

Marketing and Sales

Development

Operations

Management

Financial Summary

# Association Overview

**History and Current Status:** Who are we? How long have we been in business? How Many members? How are we structured?

**Objectives:** What is our Mission Statement? What are our objectives as an organization?

**Markets and Products:** What other products and services do we offer that meet these goals and objectives? What is our overall strategy relating to the products and services we offer?

An association will want to fill out a marketing plan for each new significant product or service it considers offering. For instance, assume the association is considering offering a designation program to members. The members who complete certain requirements are awarded a designation which must then be maintained as long as the member is active in the organization. In order to fully consider this plan, the chief staff person should complete this business plan for the organization's Board of Directors to review.

## Product or Service description

**Introduction** Briefly introduce the designation product. Give a history about why the need for this program has occurred, where the idea originated, who is involved in the formative

thinking.

**Description** Describe the designation product. What education or training will be required? What other elements, such as practical knowledge?

**Market** Who will be the 'target market' for the designation? New members? Experienced professionals? Identify any competition your designation program might have.

**Proprietary Rights** What proprietary rights will you have for this designation? Can you patent or license it so no one else can imitate it?

## Marketing and Sales

This is a most important section for any event an association may offer. The greatest product—be it a service, education program, or social event is worth nothing if no one purchase the product or attends the event. Event planners must organize the marketing strategy as carefully as they design the product.

This section of the business plan examines the strength of the market, and how the association might set about encouraging the acceptance of the product. Usually a marketing section will consist of two parts—a market analysis and a sales plan.

### Market Analysis

**The Market.** What is the market and how large is it? Are there any other entities currently servicing the market?

**Market Trends.** Is the target market growing? Stagnating? Declining? Any other noticeable trends that would impact the project?

**Customer Analysis.** Who are the customers (target market) and what will motivate them to purchase the product?

**Marketing Strategy:** How is your product going to fit into the structure you are describing? How will you differentiate your product from any others currently available? Customer research is important. Get as much customer feedback about your product as you possibly can, and don't let your enthusiasm for the product prevent you from objectively hearing what potential customers are saying.

**Price.** How will the product be priced? How does this compare with competitive pricing? Will the target market accept your price?

**Place.** How will the product be distributed? If it is an education program, will it be offered in a classroom setting, or online? How will you get the product to the customer after it has been purchased?

**Promotion.** How will the product be advertised? Printed material? Direct mail? Paid advertisements. Keep your target market in mind, and select a promotion that is easily accessible to that audience. It is good to have more than one method of delivery, and to spread announcements over a period of time.

**Sales Strategy** How will you close the sale with your customers? How can they order? Is ordering/paying easy?

## Development

**Current Status** What is the current status of the product or service? Just an idea? Something that has been demanded by members?

**Development Plans** What is the final result the association would like to see? How many items does it want to sell, or how many attendees could attend a program? What are the plans for getting there? If the program will continue over a period of time, what are the benchmarks for its success?

## **Development Timetable**

**Development Risks** What are the possible risks and how will they be handled them if they occur? Perhaps a competitor appears on the scene and takes away the targeted market. Or perhaps costs skyrocket and the intended income can't meet expenses. What is the backup plan?

## **Operations**

**Scope of Operations** What does the association have to do in-house to make this project work? Does it currently have staff and resources? Will it have to hire personnel? How can it best do this?

**Ongoing Operations** Is the association planning to operate this program or service on an ongoing basis? If so, what resources will we need? How can this product be built into the ongoing operations of the association? If, for instances, the product is a designation that needs re-certification every few years, what will that process involve? Whose responsibility will it be? How much will it cost over time?

## **Management**

This section would be important to a standard business plan, but it probably will not be used in an association setting. However, it is included here to point out that the management is a significant part of any project. If an association does not have the staff and/or volunteer infrastructure to produce a product or service and to maintain or support it over its lifespan, then that fact should be made clear early in the planning process and corrective measures taken or the idea abandoned. In an association setting, it is important to avoid wasting limited resources in further analyses.

Topics to be examined in this section:

### **Company Organization**

#### **Management Team**

#### **Board of Directors**

#### **Management Stability**

## **Summary of Financials**

This is the concluding chapter. The analysis has shown that there is a good idea and a strong product, there is a market for the product and a plan to reach that market, and there is a management team and the internal resources to produce and maintain this product or service. Now is the time to explore the financial potentials and risks.

Topics to be covered in this section:

### **Financial Assumptions**

**Financial Forecasts** How well do you expect to do financially? If the service is ongoing, what is the break-even projection? The best-case scenario? The worst case?

**Capital Requirements** How much new capital will be needed to start this project. When and

where will you get it?

**Financial Risks** What financial risks are there in this project? How can they be minimized?

**Exit Strategies** What will happen if the financial projections do not materialize? How will you know if the service or product is no longer of interest to the target audience? Clearly define that point, and identify how the association will divest itself of the service or product at that point in time.

## Appendix B2

# Project Planning and Marketing Worksheet

(NAME OF ASSOCIATION)

Project Planning and Marketing Worksheet

Note: The \*\*\*\*Board of Directors has adapted a business approach to programs and other association activities. As a part of the process, the Directors ask staff and volunteers to plan each event and program carefully. The administration of any project requires that a form be completed and filed in the Board office prior to final approval for each program, service, or event. Thank you for your cooperation.

### PROJECT BACKGROUND

Name of Project or Event:

Association Member Chairing Event:

Association Staff Manager:

Briefly describe the project and its value to the association and/or its members:

In what way does the project support the mission and goals of the Strategic Plan?

### **PROJECT DETAILS**

(Complete as much as applicable to the proposed project, service, or event)

Date Scheduled

Location:

Hours

Anticipated number of attendees?

Specific audience or target market (Be precise--don't just say, "Members"; say "Members who appraise

commercial property")

What phrases or concepts might be used in marketing this event or product to the target market? (What will be appealing to the market about this program or product)?

What marketing techniques will you employ? Please list a NAME of a responsible person who will be the manager for each of the marketing efforts:

Brochure

Internet mail announcement

Media Press Release

Direct Mailing (Letter/email). To whom?

Office meeting announcement

Direct contact

Other (Specify)

Estimated Cost of Project:

Facility

Speakers Fees/Entertainment

Amenities (Coffee, Equipment Rental, etc)

Food

Transportation and Other Direct Expenses:

Printing/Advertising:

Staff Time (Hours):

Volunteer Time (hours):

Estimated Income

User Fees

Donations (amount and donor names):

If donations, who will manage fund raising efforts?

Other income

10: Estimated Profit/Loss

*Please note: this form will be completely filled out as a joint effort between the project chairman and the staff member who will manage the project. If fund allocations are involved and if those allocations are not in the annual budget, they may very likely be directed to the Budget and Finance Committee by the President. In order to approve an allocation of association resources of money, staff, and volunteer time, the Directors will want to be assured that background research and planning has been completed prior to implementation of the event. Please remember also that there is no automatic funding for any project, and the Board of Directors must allocate all funds prior to spending.*

*If you have further questions, please contact the Executive Vice President.*

*Thank you for your efforts on behalf of our association.*

(Please note: this is an actual form in use by a real estate association. You are free to modify it for your use)

# Appendix B3

## Sample Strategic Plan

Colorado Association of REALTORS®

### STRATEGIC AND OPERATIONAL PLANS

*Commencing in the year 2002*

The **VISION** is "to be the essential real estate association that positions the REALTOR® for the future."

The **MISSION** of the Colorado Association of REALTORS® is:

Through collaborative action and in cooperation with local associations and the NATIONAL ASSOCIATION OF REALTORS®:

Enhance the ability and opportunity of members to conduct their business ethically, successfully, and profitably.

Promote and preserve the right to own, transfer and use real property.

Increase REALTORS® professionalism, skills, knowledge, and community involvement.

Enhance the public's awareness and confidence in REALTORS®.

*This plan was developed by the 2001 Strategic Planning Council on June 27<sup>th</sup> and 28<sup>th</sup>, 2001, and*

*presented to the Board of Directors on October 24, 2001.*

# **Chairman – Vicki Burns**

**Strategic Plan Facilitator – Norman D. Flynn**

## MAJOR ISSUES

1. Technology will accelerate and have a major impact on the business and on Colorado Real Estate Associations.

**Goal:** CAR will maintain its cutting edge technological position to ensure its efficiency and effectiveness; assist local boards with their technology strategies; and be a clearinghouse of new technology to enable their constituents to innovate.

- a) By February 2002, CAR will define the structure and responsibilities and financial needs of the Technology Division, to maintain its cutting edge and be a clearinghouse of new technologies.
- b) By June 2003, through partnerships with local associations, CAR will implement a total membership e-mail system, which will provide a 20% increase annually in the ability to communicate electronically by the local associations and CAR.
- c) By August 2002, CAR will have completed its first annual technology audit to evaluate current and future technologies to maintain its cutting edge technological position which will increase staff productivity by 10%
- d) By March 2003, CAR will consult with all local associations to evaluate their technological infrastructures and make recommendations so that each local association has the most innovative technology that they are capable of having.
- e) By June 2002, CAR will provide on-line registration for all events with the goal of 25% of the membership using the service by 2003. This will result in more convenient access by the members, lower staff time, and reduce credit card fees.

2. Government will continue to play an increasingly important role in the real estate industry and the market's growth.

**Goal:** CAR will be the proactive voice for real estate in Colorado.

- a) By September 1<sup>st</sup> of each year, CAR will annually take a leadership role and actively participate in a core real estate related coalition.
- b) By September 1<sup>st</sup> of each year CAR will annually identify 2-3 peripheral partners to address industry related issues.

- c) By November 1<sup>st</sup> of each year, CAR will be prepared to formulate legislation to address real estate related issues, resulting in legislation positively affecting the members.
  - d) By November 2002, CAR will establish a Government Affairs Director program to provide public affairs assistance throughout the state, resulting in at least a 10% increase in the CAR membership involved in political activities.
  - e) By November 2002, ensure that CAR has a full-time registered lobbyist.
3. There will be a need to attract more diverse practitioners/members to meet the diversity changes in the market place.

**Goal:** CAR will involve more diverse practitioners/members; encourage their participation in CAR; and encourage CAR's membership to embrace the cultural diversity in the market.

- a) By October 2002, CAR will develop programs and education related to fair housing and diversity to increase awareness of emerging markets to be used by at least 30% of the membership.
- b) By October 2002, CAR will partner with at least three organizations that involve more diverse practitioners/members.
- c) By October 2002, CAR will increase the number of culturally diverse member volunteers by at least 10% but no less than 10 members.

4. Members will continue to question the value and relevance of the association.

**Goal:** CAR will streamline its organization; ensure the relevance of its programs, products and services; empower its staff; and increase quality volunteerism.

- a) By Summer Conference 2002, CAR will complete an organizational structural audit resulting in at least a 50% reduction of standing board committees, and transfer decision making of "sunset" committees to staff.
- b) Before the 2003 committee application process CAR will increase the number of new volunteers by at least 10% every year thereafter.
- c) Before the 2003 budget process, CAR will implement an annual evaluation process to assess the relevance and cost effectiveness of all of its programs, products, and services, resulting in the reduction of those not used by at least 10% of the membership, but retain those that provide positive non-dues revenue.

5. Business models and broker/agent relationships will continue to change putting more pressure on member's liability and profit.

**Goal:** CAR will keep its members informed on industry trends and risks of liability, and work to add value for the members, keeping them in the center of the transaction.

- a) By September 2002, CAR will establish a communication system to provide industry trends and information to local associations and at least 50% of the managing brokers.
- b) By February 2002, CAR will conduct research and provide managing brokers, and local associations, an analysis of the top 10 e-commerce transaction platforms available at that time.
- c) By October 2002, CAR will evaluate establishing a statewide commercial real estate organization or service that would involve at least 25% of the commercial practitioners.
- d) By January 2003, CAR will create a "risk reduction" information database, of legal and legislative issues, to be used by at least 50% of the members.

## Appendix C

# Sample Job Descriptions for the Chief Staff Member (CEO) and for the Chief Elected Officer (President)

### Sample Job Descriptions

#### **Executive Vice President/Executive Officer—Example A**

Reprinted from *Guidelines for Selecting an Executive Officer*, copyright 1989, NATIONAL ASSOCIATION OF REALTORS\*.

##### **Position Description**

The executive vice president serves as chief executive officer of the association.

##### **Responsibilities\***

###### Programs/Tasks

- Ensures that the board of directors, executive committee, and officers are fully informed of association conditions and of all-important factors influencing them.
- Attends all meetings of the board of directors and executive committee.
- Plans, formulates, and recommends for the approval of the board of directors basic policies and programs that will further association objectives.
- Executes all decisions of the board of directors except when directors specifically make other assignments.
- Develops specific administrative policies, procedures, and programs to implement the general policies of the board of directors.
- Establishes a sound organizational structure for the headquarters office.
- Plans the general administration of the entire association operation; though many responsibilities are

delegated to other staff members, the executive vice president should be aware of the progress of all association projects.

- Represents the association in any and all local government matters affecting the real estate industry.
- Directs and coordinates all approved staff programs, projects, and major activities.
- Recruits, hires, orients, trains, and motivates association personnel; responsible for all reviews, promotions, and terminations.
- Defines staff duties, establishes performance standards, conducts performance reviews, and maintains competitive salary structure.
- Provides the necessary liaison and staff support to committee chairmen to enable committees to properly perform their functions, ensures that committee decisions and recommendations are submitted to the board of directors for approval.
- Executes contracts and commitments as authorized by the board of directors or within established policies.
- Promotes interest and active participation in association activities to membership and local/chapter groups, and reports association activities through the association communications media.
- Maintains effective relationships with other organizations, both public and private, and ensures that association and membership positions are enhanced in accordance with the policies and objectives of the organization.
- Ensures that all funds, physical assets, and other association property are appropriately safeguarded and administered; operates within the approved budget.
- Plans, coordinates, and conducts public relations programs to enhance public acceptance of the industry.
- serves as supervising editor of the official publication.
- Conducts research and related projects on subjects deemed of importance to the membership and prepares and publishes the results.
- Develops education programs to advance the professional, technical, and managerial skills of the membership, operating within the budget and program objectives that the board of directors approves.
- Plans, organizes and directs membership promotion and retention programs, and evaluates results and recommends policies, procedures, and actions to achieve membership goals.
- Collects dues and terminates delinquent memberships.
- Plans and conducts the annual membership meeting.
- Exercises control of budget and all arrangements to meet financial objectives.
- Maintains official minutes of the board of directors and other official association meetings.
- Provides security for aft files, legal and historical documents, and membership and mailing lists.
- Plans, promotes, and administers all official association meetings.
- Plans and executes all communications to membership, including newsletters, general mailings, news releases, and so forth.
- Acts as a direct liaison with the state associations and the National Association in matters that staff can handle.
- Acts as association spokesperson when association officers are unavailable,

- Serves on state and national committees if appointed, providing a benefit to the association and the executive.
- Carries out other general responsibilities as officers and board of directors may specify,
- Is an ex-officio nonvoting member of the executive committee or the board of directors, or both.

### **Relationships**

Establishes positive working communications of mutual respect with the following:

- Leadership of the local or state association,
- Executive officers and elected secretaries of other associations.
- Association counsel.
- City council members, their staff and appropriate local government officials.
- Association staff
- Leadership of subordinate or allied groups and organizations.

### **Performance Standards**

Performance standards for this position are attained when the following are completed:

- The policies offered for consideration by the association are forward-looking and add to the constructive growth of the association's influence.
- Officers, committee chairmen, and other association leaders are fully informed as to the activities and plans in their particular areas.
- The headquarters office is efficiently and effectively organized for the maximum benefit of the association.
- Programs of the association are well managed through planning, organization, coordination, and control.
- Staff members are efficiently and effectively managed to the maximum benefit of the association; the staff is of the highest quality possible.
- Committee liaison is supported, timely, and effective.
- Association educational programs are forward-looking and add to the needed expertise of the member in various fields.
- Association meetings are well planned, organized, and effective.
- Communications of the association's purpose, programs, and activities penetrate to the target or level of members planned.
- Lobbying activities on behalf of the association are as effective or more successful than usual.
- Contact and support of the association is appropriate and effective.
- Speeches on behalf of the association are well received, present the association's story in a positive manner, and are effective.

***(\*These are generally accepted responsibilities of association administration. Associations will want to tailor these responsibilities to their needs.)***

### **Qualifications**

The person selected for this position must possess the following qualities:

- Be dedicated to the ideals and goals of the association.
- Be capable of working under pressure.
- Be of strong moral character with excellent leadership and motivational skills.
- Be an excellent public speaker that thinks and speaks well under pressure and is capable of taking the association's views on different matters to both the membership and the public.
- Be a proficient writer and editor.

### **Executive Vice President/Executive Officer—Example B**

*Reprinted from Guidelines for Selecting an Executive Officer, copyright 1989, NATIONAL ASSOCIATION OF REALTORS\*.*

#### **Position Description**

The association executive officer serves as chief executive officer, responsible to the board of directors for the effective conduct of the affairs of the association. The executive officer recommends and participates in formulating the association mission, goals, objectives, and related policies. Within that framework, the executive officer plans, organizes, coordinates, controls, and directs association staff, programs, and activities. The executive officer works closely with the association president and elected leaders to ensure that the association's goals are achieved. The executive officer also serves as staff liaison to all committees and provides liaison between committees and the board of directors.

#### **Responsibilities\***

The executive officer performs the following with appropriate delegations and within the limits of the association charter and bylaws, and policies established by the board of directors.

- Establishes administrative policies and procedures for headquarters functions.
- Establishes organizational structure for the association office and related staffing structure.
- Recruits, hires, trains, promotes, and terminates staff and administers an effective personnel program that includes position descriptions, performance standards, performance appraisals, and a compensation system.
- Develops and supervises effective membership development and membership services programs within the limits and facilities of the staff
- Develops and maintains publications that are responsive to member needs.
- Develops and conducts an education program in cooperation with the membership to advance the professional, technical, and managerial skills of the membership.
- Conducts research necessary to the association and informs the membership, elected officials, and others of the results as appropriate.
- Maintains effective internal and external public relations.
- Serves as spokesperson for the association in conjunction with the chief elected officer.
- Manages the association finances, including the preparation of an annual budget and long-range forecasts of

needs.

- Ensures the legal integrity of the association,
- Plans and coordinates meetings of the board of directors and the elected officials of the association, as well as general membership meetings.
- Monitors and assists elected officials and association committees.
- Assists, serves, and cooperates with association president, officers, and directors.
- Maintains an active interest in civic organizations and community betterment.
- Maintains a strong working relationship with other local and state associations.
- Participates in state and national activities and programs, within the limits of the association's budget.
- Becomes a member of the NATIONAL ASSOCIATION OF REALTORS\*; requirements for payment of dues and the right to use the REALTOR" title are normally waived.

***(\*These are generally accepted responsibilities of association administration. Associations will want to tailor these responsibilities to their needs.)***

## **President (Chief Elected Officer)**

### **Position Description**

Serves as the chief elected officer of the association. Oversees the affairs of the association, with the assistance of other elected officers and staff Presides at all meetings of the association, including the board of directors and executive committee, between the sessions of which he or she represents the association and acts in its name, subject to declared policy. Appoints all committees, serves as an ex-officio member of all committees, and shall perform all duties usual to such office.

### **Responsibilities**

Within the limits of the charter and bylaws of the association and policies established by the board of directors, the chief elected officer, with appropriate delegations:

- Presides at all meetings of the association, including the board of directors and executive committee.
- Determines the substance of the agenda for meetings of the board of directors and the executive committee.
- Keeps the membership and the board of directors informed on the conditions and operations of the association and the real estate industry.
- Serves as spokesperson for the association in conjunction with the chief paid executive officer.
- Prepares and presents an annual budget for approval to the board of directors, in conjunction with staff
- Directs the board of directors in formulating policies and programs that will further the goals and objectives of

the association.

- Conducts an annual review of the organizational performance and effectiveness of the association, including a review of the chief paid executive officer's performance.
- Monitors expenditures to assure operation within the annual budget.
- Prepares and presents an annual report.

***(\*These are generally accepted responsibilities of volunteer association leaders. Associations will want to tailor these responsibilities to their needs.)***

## **Appendix D**

# **Ethics, Caux International Round Table**

In a world which is experiencing profound transformation, the Caux Round Table of business leaders from Europe, Japan and the United States is committed to energizing the role of business and industry as a vital force for innovative global change.

The Round Table was founded in 1986 by Frederik Philips, former President of Philips Electronics, and Olivier Giscard d'Estaing, Vice-Chairman of INSEAD, as a means of reducing escalating trade tensions. It is concerned with the development of constructive economic and social relationships between the participants' countries, and with their urgent joint responsibilities toward the rest of the world.

At the urging of Ryuzaburo Kaku, Chairman of Canon Inc., the Round Table has focused attention on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability. The Round Table recognizes that shared leadership is indispensable to a revitalized and more harmonious world. It emphasizes the development of continuing friendship, understanding and cooperation, based on a common respect for the highest moral values and on responsible action by individuals in their own spheres of influence.

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## **Introduction**

The Caux Round Table believes that the world business community should play an important role in improving economic and social conditions. As a statement of aspirations, this document aims to express a world standard against which business behavior can be measured. We seek to begin a process that identifies shared values, reconciles differing values, and thereby develops a shared perspective on business behavior acceptable to and honored by all.

These principles are rooted in two basic ethical ideals: kyosei and human dignity. The Japanese concept of kyosei means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition. "Human dignity" refers to the sacredness or value of each person as an end, not simply as a mean to the fulfillment of others' purposes or even majority prescription.

The General Principles in Section 2 seek to clarify the spirit of kyosei and "human dignity," while the specific Stakeholder Principles in Section 3 are concerned with their practical application.

In its language and form, the document owes a substantial debt to The Minnesota Principles, a statement of business behavior developed by the Minnesota Center for Corporate Responsibility. The Center hosted and chaired the drafting committee, which included Japanese, European, and United States representatives.

Business behavior can affect relationships among nations and the prosperity and well-being of us all. Business is often the first contact between nations and, by the way in which it causes social and economic changes, has a significant impact on the level of fear or confidence felt by people worldwide. Members of the Caux Round Table place their first emphasis on putting one's own house in order, and on seeking to establish what is right rather than who is right.

## **Section 1. Preamble**

The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects.

Law and market forces are necessary but insufficient guides for conduct.

Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental.

Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

For these reasons, and because business can be a powerful agent of positive social change, we offer the following principles as a foundation for dialogue and action by business leaders in search of business responsibility. In so doing, we affirm the necessity for moral values in business decision making. Without them, stable business relationships and a sustainable world community are impossible.

## **Section 2. General Principles**

### **Principle 1. The Responsibilities Of Businesses:**

### ***Beyond Shareholders toward Stakeholders***

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal.

Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities.

### **Principle 2. The Economic and Social Impact of Business: *Toward Innovation, Justice and World Community***

Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate.

Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

### **Principle 3. Business Behavior: *Beyond the Letter of Law Toward a Spirit of Trust***

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

### **Principle 4. Respect for Rules**

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences.

### **Principle 5. Support for Multilateral Trade**

Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade and to relax those domestic measures that unreasonably hinder global

commerce, while giving due respect to national policy objectives.

### **Principle 6. Respect for the Environment**

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

### **Principle 7. Avoidance of Illicit Operations**

A business should not participate in or condone bribery, money laundering, or other corrupt practices; indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime.

## **Section 3. Stakeholder Principles**

### **Customers**

We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and respect the integrity of the culture of our customers.

### **Employees**

We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect each employee's health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- listen to and, where possible, act on employee suggestions, ideas, requests and complaints;
- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion;

- promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.

## **Owners / Investors**

We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- apply professional and diligent management in order to secure a fair and competitive return on our owners' investment;
- disclose relevant information to owners/investors subject to legal requirements and competitive constraints;
- conserve, protect, and increase the owners/investors' assets; and
- respect owners/investors' requests, suggestions, complaints, and formal resolutions.

## **Suppliers**

Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to :

- seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;
- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade; and
- seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity.

## **Competitors**

We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

- foster open markets for trade and investment;
- promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favors to secure

competitive advantages;

- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

## Communities

We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- respect human rights and democratic institutions, and promote them wherever practicable;
- recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;
- promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- support peace, security, diversity and social integration;
- respect the integrity of local cultures; and
- be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

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The *Principles for Business* have been widely utilized not only by companies and business organizations but in schools around the world, and also have been included in numerous books and other publications. Some examples are:

- Values Added: Making Ethical Decisions in the Financial Marketplace  
John L. Casey  
(University Press of America, Inc. 1997)
- Ethical Theory and Business  
Fifth Edition  
Tom L. Beauchamp of Georgetown University, editor  
Norman E. Bowie of the University of Minnesota (Prentice Hall), editor

The *Principles for Business* have been offered as a guide for companies to develop, re-examine, implement and monitor their own principles. The real value of any set of principles is in its use and implementation in day to day business activities. The Caux Round Table (CRT) seeks to compile evidence of worldwide best practices and stories of application of these and similar principles to practical issues. We welcome your sharing examples of best practices from your companies experience with or without reference to the company name.

(From: <http://www.cauxroundtable.org/ENGLISH.HTM>)

