Best Practices
for REALTOR® Association Executives

A Special Report
Association Executives Committee
Best Practices Work Group
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Learn Skills And Strategies That Will Make You A Better Association Manager

Meet Your Association’s Goals And Your Own

Make Your Association A “Must Join” Even In Times Of Change
Table of Contents

Executive Summary.................. 1-2
Member Services........... 3-4
Public Policy ............... 5-6
Leadership and Staff Relations .... 7-8
Human Resource Management....... 9-10
Financial Management........ 11-13
A Final Thought: Managing Change in Associations ........ 14
Suggestions for Further Reading........ 14

EXECUTIVE SUMMARY

"Association Management Is An Art Rather Than a Science"

How can REALTOR® associations better serve their members on a local, regional, or state level?

How do association executives (AEs) achieve desired outcomes for their associations, leadership, staff and themselves?

How can REALTOR® associations remain viable and relevant to their members in a climate of relentless change?

On October 1-2, 2003, the Association Executives Committee (AEC) Best Practices Work Group met in Chicago to examine these questions, which lie at the heart of effective association management.

An examination of best practices can lead to a positive reassessment of current goals, operational procedures, and the roles of key players. For AEs, reflecting on best practices can inspire new strategies and approaches to difficult challenges and emerging opportunities. As one participant commented, "Association management is an art rather than a science."

The work group interviewed various association management consultants who work with the REALTOR® organization, and association executives on five key aspects of association management:
Member Services
Best associations are recognized as those who know how to “custom tailor” programs, products and services to meet the ever-changing needs of their members. How do we keep our services fresh, relevant and valuable to members every day?

Public Policy
Some REALTOR® associations are recognized as the “Voice for Real Estate” in their community and legislature. How do we move beyond RPAC fundraising and press releases to become the authority in real estate for consumers and the legislature?

Leadership and Staff Relations
Best associations have a healthy and respectful relationship between elected leadership and senior staff. Achieving and maintaining this relationship is a challenge to association executives. What skills, tools and advice can be offered to assist association executives?

Human Resource Management
Top real estate associations are distinguished by their talented, dedicated and inspired staff. What does it take to recruit, train and retain the “best and the brightest” in association management?

Financial Management
Top association executives know how to add up the numbers and report them to members, analyze figures, maximize profits and increase income, assisting their leadership in making timely financial decisions based on strategies not emotions. How do they do it?

Within each section of this report, we have highlighted some “ideas” designed to stimulate fresh thinking on these five topics. We have also included suggestions for further reading, and a reminder that the National Association of REALTORS® website (www.realtor.org) contains a wealth of resources for AE professional development and education.

While this report is designed to guide 2004 REALTOR® association initiatives, we believe these best practices can provide valuable guidance to AEs over the long term as well. In recent years, REALTOR® associations have generally enjoyed an increase in membership, reflecting the strength of the nation’s real estate markets. We believe the current era of prosperity is an ideal time for associations to examine their current practices, and position themselves for the future. As one participant said, “We must always be focused on our members’ success. As AEs, we need to be sure we are educating our members, helping them become better practitioners who can serve their clients more effectively.”

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When it comes to member services, it's clear that one size doesn't fit all.

One association may emphasize networking and social functions, while another emphasizes technology support. One association may have the resources to offer a panoply of services; another may need to focus on providing just one or two essential programs to members. "You have to be sensitive to your local members needs, as well as your own resources," said one AE.

That means successful REALTOR® associations continually gather information from members, and non-members as well. "You need a constant dialogue with members," said an AE. "Even if you're a one-person association, you can still talk to members when they come in and become a master at this craft."

Effective associations also recognize the differences between needs assessment and program evaluation. Asking members how they like a website or an annual meeting can provide valuable feedback on those programs, but won't address the larger picture. "What you find out is what are the big issues confronting members in the future," said a consultant. "You want to know what keeps your members awake at night. Then, you can develop products and solutions to meet those needs."

Currently, both private industry and the non-profit sector are moving rapidly toward providing customized services for individual consumers and clients. "For REALTOR® associations, the coming challenge will be how to customize services within the constraints of limited financial resources," said an AE.

Other key trends affecting member services include greater use of online technology to deliver educational programs at any time to any location. This is coupled with a greater understanding of how adults learn, and what techniques are most effective in a face-to-face or online session.

Several consultants noted that associations may be going "back to the basics" in member services, placing less emphasis on creating for-profit subsidiaries and revenue-generating programs. An association that acts too much like a business, they said, runs the risk of "turning off" its volunteer leadership.

Here are some suggested best practices:

**Developing Programs**

- Find out what members want — and continually seek out new input. "I have been constantly amazed at the interaction and the depths that some of the best AEs..."
DEVELOPING PROGRAMS

Use the "appreciative inquiry" process to develop services. This means asking members to provide input on the best services and best experiences they have had with the association.

Consider delivering services to nonmembers. Targeting programs to unlicensed personal assistants, for instance, may have great value to members.

PROMOTING AND EVALUATING PROGRAMS

Audit each member service. Take a look at every service and determine its real cost (including staff time), and how many members take advantage of that service.

IDEAS:

go to when trying to get input from their members," said a consultant. "They gather relevant data and establish a personal relationship, while working to figure out what is most important to the members they serve. That has always been inspiring to me."

• Ask the right questions. Talk to members about what is happening in their business, rather than discuss the association's current services.

• Ask non-members why they aren't involved in the association.

• Conduct regular surveys and focus group sessions. "We tend to do a survey every few years," said an AE, "while serious consumer organizations are doing research 365 days a year."

• Observe members in their work environment. Look at the challenges they face, the things that slow them down. "If you watch them in the wild," said a consultant, "you will see patterns that you won't get from polls or surveys."

• Respond to members' growing diversity. Try to customize programs and services for a highly diverse membership. For instance, one association might offer Spanish courses for members; another might consider classes in "feng shui," the art of achieving harmony in the home.

• Focus on the needs of high-achieving members, rather than responding to the "lowest common denominator" member segment.

• Hold an annual strategic planning session for incoming volunteer leaders and staff. This session should drive the programs and services of the association.

• Prioritize. Focus limited staff time and resources on the most important services. "Decide what you won't do," said an AE. "If you say yes to everything, then everything you do will be mediocre."

• Be willing to fail. "If we try a new program, and it doesn't work, that's okay. We learn from it and move on," as one AE said.

• Stay away from fluff. If you have a service, let it be a real one, not a just an image enhancer.

• Don't copy another association's package of services. "What works in Pennsylvania may not work in New Jersey," said an AE.

• React quickly to move ahead with program needs.

• Use technology to deliver online learning and networking programs for members.

Promoting and Evaluating Programs

• Continually tell members about the value of REALTOR® services to them, and to the buying/selling public.

• Use various communication vehicles to make members aware of the benefits of the association's services, including educational and training programs designed to enhance their business success.

• Establish a reliable process for the continual evaluation of member services targeted to particular member segments.

• Keep service promises, and deliver more than promised.
In the public policy arena, the stakes are high—and getting higher.

State legislatures and local municipalities are seeking more ways to raise revenue through taxes and fees—a fundamental trend throughout the nation. Growth and development regulations, affordable housing, property rights, professional liability and transaction disclosure rules—as well as growing federal pre-emption of local and state regulations—are among the timely issues affecting REALTORS® and the consumers they serve.

Associations are also affected by a public groundswell on issues like do-not-call, fax regulations, fair credit reporting, and privacy rules—which have implications for associations’ service delivery and members’ ability to conduct business.

Effective REALTOR® associations are allocating a significant portion of their resources to advocacy efforts at the local, regional and state level. That public policy effort may involve training volunteer leaders as spokespersons, hiring professional advocates, and obtaining media coverage.

These associations understand that effectively influencing the legislative and regulatory decision-making process requires continual development of personal relationships involving association leaders, staff and individual members. Associations may also need to consider the possibility of initiating legal actions in order to achieve policy goals.

Another trend affecting both members and consumers is the explosion of information available through online channels. Effective associations must know how to assess that information, and help members sort out facts from opinions.

As one AE said, “Ultimately, public policy is an educational process. You have to educate both members and consumers about the implications of key issues.”

Here are some suggested best practices:

**Advocacy**

- Set clear, measurable objectives. As one executive said, “Many traditional measures of success in advocacy and public affairs—such as getting placements in your local newspaper or testifying to the state legislature—are not good indicators of outcomes. They are only steps toward your objectives. Ideally, you want to achieve a favorable outcome.”
- Provide public policy orientation to incoming leadership to ensure they understand the fragile nature of many legislative relationships.
- Pick and choose the situations where volunteer leaders can be visible to legislators and regulators. “When I see the governor, I take the chairman of the board with me,” said one state AE. “Use your lay leadership to support your staff’s work.”
- Prepare a “Legislative Public Policy” statement authorized by the board that sets out the association’s position on issues.
- Maintain a specific process for a government affairs director (GAD) or advocate to receive input on new issues that arise, as well as the Public Policy Statement.
- If resources permit, have a dedicated advocate for the REALTOR® association. “It’s better for someone to have the REALTOR® ‘R’ on their forehead than someone representing several industries,” said one public policy expert. If funds are not available, several associations may jointly hire a GAD. “Lack of
resources" should not be a reason to be uninvolved with political issues; there are many alternatives for involvement.

• Build a coalition. To strengthen their voice, REALTOR® associations are reaching out to other groups and forming partnerships and coalitions. Many quality of life issues extend outside the REALTOR® field. “You can go to the public, press, legislature and say, ‘It’s not just us – it’s everyone who’s concerned about this issue,” said an AE.

• Use electronic contact systems to generate customized email/fax/mail messages to legislators and regulators.

• Use surveys, polling and other techniques to provide elected officials with data that’s useful in making decisions.

• Regularly set aside funds for issues efforts. “You want to build the fund before you need it,” said one AE. “The worst thing to do is assess members a large amount at one time.”

**Member Involvement**

• Focus on the issue’s bottom-line impact on a member’s business. As one AE said, “Fear is a motivator for member involvement.”

• Build on members’ current involvement in the political process, especially at the local level. “AEs need to be the cheerleaders,” said one executive.

• Obtain relevant data, as well as input from members, before making decisions on political positions.

• Manage members’ expectations. While members may want certain results, a favorable outcome at the municipal, regional or state government level may not be possible.

• Supply members with regulatory and legal information in an understandable format.

• Explain legislative success by summarizing the benefits to members. Outcomes like the passage or defeat of a particular bill are what really count for members. “Show them what the PAC (political action committee) dollars have done,” said one AE. “You want to cover the benefits, not the features.”

**Media**

• Provide newspapers, radio, television and online services with information of value. For instance, one REALTOR® association focuses on polling. “We are renowned for the quality of information we provide in our state,” said one executive. “We have data that no one else has. If you can capture the data, you can wrap any media program around it.”

• Become a knowledgeable source of information on “quality of life” issues — suburban development, housing affordability, neighborhood safety, etc.

• Have one spokesperson for the association. “You need to be sure you deliver a message that is consistent with policy,” said an AE.

• Create experts on various housing-related issues, ranging from mold to pricing to availability. Be sure the AE has a current list of these issues experts when a journalist calls.

• Use positive words like “advocate” and avoid words with negative connotations like “lobbyist.” Many associations now advocate “housing opportunities” or “workforce housing” rather than “affordable housing.”

• Consider outsourcing a media program to experienced professionals who can best develop the message and effective placements.

**IDEA S:**

**ADVO CACY**

Get consumers and homeowners to become advocates on key real estate issues. That can put the focus on "ordinary people," rather than the real estate industry.

**MEMBER INVOLVEMENT**

Use websites and email to speed grassroots communications and contact. For example, one state association uses an automated voice message from the president to encourage members to visit a website and make contact on key legislative issues.

**MEDIA**

Create a monthly housing report for a local market. “Housing is always topical,” said a consultant, “But no one has anointed a REALTOR® association as the voice of housing. You have to nurture and build these media relationships.”

Hold a year-end press conference, and provide journalists with annual statistics, as well as a forecasts and predictions for the upcoming year.
Building and maintaining strong leadership-staff relations provides a framework for a REALTOR® association’s success. Disagreements on roles, “turf wars,” personality clashes and unclear communications can undermine any organization’s effectiveness.

Effective associations have a strong executive who leads the organization, under the guidance of volunteer leaders. The AE reports to the board of directors; all other staffers work for that executive.

“As an AE, you want the board involved in an appropriate manner,” said one executive. “You don’t want a board that will rubber-stamp every decision or one that will second-guess everything you do or try to micromanage the staff.”

Successful REALTOR® associations cultivate those relationships. “They understand that trust between leadership and staff is built on common expectations,” said an AE. “If you have a relationship built on trust, and an agreement on expectations, you can really deliver.”

The composition of the board of directors is also changing at many associations. Diversity of all types is increasing, and directors are increasingly being selected on the basis of their functional skills, such as finance, advocacy or program development.

As volunteer time becomes an increasingly scarce resource — and as real estate issues and programs become increasingly complex — many analysts and consultants expect REALTOR® associations to rely more heavily on their staff in the future.

“We will see more staff-driven organizations that will increasingly reflect the personality of the AE,” said a consultant. “But you will still need a strong board of directors for effective governance.”

Here are some suggested best practices:

• Clearly define the roles of staff and the board and how they interact with each other. “Individual board members may have very different expectations of their roles,” said an AE. “That can lead to conflict on the board and misunderstandings with the staff. You want to be sure everyone knows their role.”

• Put policies in writing. Don’t rely on an individual’s memory — maintain a written document covering policies and roles.

• Provide a training and orientation session for new officers. This can cover association policies, roles, and specific skills, such as how to delegate. “Many new board members don’t think they...
Arrange activities or events likely to enhance board-staff experiences. These could range from strategic retreats to informal “lunch with a board member” sessions. “An AE can create activities and experiences that bring them closer to the staff,” said an executive, “and allow them to contribute to the ‘big picture’ issues facing the industry.”

**IDEAS:**

- Create a profile for each key leadership position. Those profiles, which may include experience, skills and individual traits, provide an objective method to recruit the right people for the right positions.
- Identify and recruit future volunteer leaders. An effective AE may become involved in identifying and recruiting potential new board members. “When it comes to recruiting new board members, your job as an AE is to get them in the corral; then you close the gate,” said one executive. “If you do that, you’re not going to lose.”
- Maintain ongoing relationships with past presidents and volunteer leaders. Their experiences and insights can be helpful in addressing current issues.
- Keep leaders focused on what’s best for the members. That means emphasizing the concept of stewardship. “The board president is a steward of the association,” said one AE. “That requires a different approach to leadership than running your own business.”
- Build positive staff attitudes. In person, online or over the phone, staffers need to respond appropriately to board members’ requests, in keeping with each association’s policies and procedures.
- Become a model of honesty, trust and respect. “This is one area where AEs need to set a high standard,” said one executive. “If you model these traits, your board members are likely to respond the same way.”
- Become a high-visibility executive. AEs need to be visible to association members. That means visiting broker offices, talking regularly with agents and using the telephone and email to stay in constant touch with members.
- Understand the real estate business and current practices. AEs and other staffers must be aware of market conditions, potential threats to the industry, and opportunities for the association to provide greater value to members.
- Have a good sense of humor. Be flexible; don’t take things personally.
Successful REALTOR® associations attract, train and retain great people. That means effective human resource management is fundamental to achieving an association’s goals. As one AE put it, “Everything starts with the people.”

As non-profit organizations, REALTOR® associations must continually compete with the private sector for top people. That means providing competitive salary and benefits, an attractive work environment and the opportunity to develop professional skills — with limited financial resources.

AEs seeking new positions need to do their homework thoroughly. That includes checking the association’s financial records, interviewing board members, drawing up a contract, and getting expectations in writing.

Based on input from AEs and consultants, there are several significant trends affecting the human resource field:

• Greater transparency throughout the recruiting and hiring process. Associations are aware that lack of clarity in job roles, board expectations or “hidden agendas” can quickly result in disagreements and conflict.
• More reliance on search firms and professional recruiters to find well-qualified AEs and other top staffers.
• Growth in outsourcing and shared services. Associations are utilizing outsourced services, and forming new partnerships to “stretch” their limited staff time and resources.

In keeping with these trends, here are suggested best practices for recruiting, hiring, training and retaining great staff members:

**Recruiting**

• Be clear about the position and role. Lack of clarity and awareness of association management inhibits the profession’s ability to attract and retain its share of the best and brightest into the profession.
• In seeking an effective AE, look for traits like leadership, motivation, and conflict management skills. “A board should be looking for how a person identifies issues and attacks problems, rather than a resume and job description,” said a consultant. “Conflict management and resolution skills are very important.”
• Take adequate time in the hiring process. Be prepared to commit a large block of time preparing and conducting staff interviews. Let the candidate get to know others in the organization.
• Offer competitive salaries. “We have nine non-profit associations in our community, and we do a salary survey together every year,” says one AE. “We also compare our salaries, benefits and other compensation with banks, service companies and small manufacturers, so we can stay competitive with the private sector.”
• Use a professional recruiter. In many cases, recruiters find qualified candidates who are currently employed. They can also be a timesaving resource for an AE who lacks the desire to conduct a job search. “Most of us are not that good at it,” said one executive. “We don’t interview all that often. The recruiting process lends itself to outsourcing.”
• Interview candidates from inside and outside the real estate industry. There is a great deal of seasoned management talent within the industry; however, it is important to look at managers from other fields as well. “The real estate world needs to expand to expand its own gene pool,” said a consultant, “so that we don’t always marry within the family.”
• Look for professional credentials. For example, the REALTOR® association Certified Executive (RCE) and the Certified Association Executive (CAE) professional designations distinguish association executives who have completed an extensive course of study in association management.

“Everything Starts with People”

“You can teach skills, but you can’t teach attitude.”
• Hire people with positive, “can-do” attitudes and personalities. “You can teach skills, but you can’t teach attitude,” said one AE. “We’ve changed our hiring procedures and good things happened.”

**Interviewing**

• Ask questions related to leadership situations: “How have you demonstrated your leadership abilities?” “What hat groups have you been a leader of?” Most leaders are born, not made, in one AE’s opinion.

• Have a weeding-out question, such as, “What do you know about our board of REALTORS®?” If the candidate has not done at least some research, “just say thank you and goodbye,” as one consultant said.

• Be sure to ask the candidate one last question: “What are the questions you have for the job for the next three months?”

**Retention and Career Development**

• After a candidate is hired, prepare an entry plan. That means teaching the new employee about the organization’s culture, meeting with members, and getting to know other staffers. As one organizational consultant said, “We find this step missing in more than 95 percent of all organizations, but it is undoubtedly the best investment you can make for a startup person.”

• Cross-train and “cross team” staff members from different disciplines. This helps employees’ career development, and can also increase individual motivation. “You can help them grow by learning a new technology, arguing a court case, providing incentives for the sale of a new product — it’s good for staff, and for the association,” said an AE.

• Enhance the work environment. Give staff, the autonomy and decision-making power in how they attack a problem, while being guided by the CEO. Also, look at the physical environment — an attractive, pleasant and safe office setting helps reduce staff turnover.

• Build a team. Some ideas: Invite all staff to participate in goal setting or annual “retreat” sessions. Communicate annual goals and objectives. Create opportunities to have fun in the workplace. Rather than reward individual achievements, look at ways to recognize team members.

• Create challenges for staffers. In many organizations, up-and-coming staffers leave because they have mastered the current job and see no immediate growth opportunities.

• Use meaningful tools to evaluate performance. Start with the stated expectations for the staffer and review accomplishments and outcomes.

• Monitor the work environment to be sure that employees are compensated at the market rate.

**Outsourcing and Shared Services**

• Explore outsourcing options when appropriate. Many associations outsource their technical support, for instance, rather than have a full-time professional on staff.

• Share services with other REALTOR® associations. Teaming up with a neighbor may lead to greater efficiencies for both associations. Having clear channels of communications helps build these types of relationships.

**IDEAS:**

**RECRUITING**

Develop a personality profile of the type of person who works best in the association’s specific environment — then seek out qualified staffers who fit that profile.

**INTERVIEWING**

Try out various scenarios during the job interview. For example, ask an AE candidate a question like this: “You’re sitting at the board meeting, and the president begins giving incorrect information. You’re sitting at the table, what do you do?”

**RETENTION AND CAREER DEVELOPMENT**

Create an “expectations document” for new employees. This step helps ensure that the candidate and the association are “on the same page.”

**OUTSOURCING AND SHARED SERVICES**

Team up with a home builders’ association for social and networking events. One REALTOR® association holds its installation dinner for new officers with a builder’s group. That allows the organizations to rent a larger banquet facility, pool resources for a speaker or entertainer, generate more local publicity, and promote member networking.
For REALTOR® associations, financial management is truly the bottom line. As an AE said, “If there’s no margin, there’s no mission. Nothing makes a board happier than a good set of books and a positive balance in the bank.”

Successful associations link financial management with their strategic plans. They determine what they want to accomplish, set priorities and allocate funds based on those objectives. In many cases, the AE is charged with finding the financial resources to carry out the board’s goals. “But too many of us work off a budget and then do our strategic planning,” said an AE. “But by that point, we’ve already made our most important decisions.”

Sound financial controls ensure the fiscal integrity of a REALTOR® association, reduce costs, prevent fraud, and send a clear message to members that the association is acting in a responsible manner. These controls also allow association leaders to measure and monitor financial performance.

Scandals in the private sector, such as Enron, WorldCom and Adelphia, have highlighted the need for careful stewardship of member funds. Transparency is the process by which information about existing conditions, decisions, and actions is made accessible, visible and understandable.

As a result of this significant trend, REALTOR® associations are becoming more transparent, providing more information regarding the value of membership, the association’s financial status, and the process of making financial decisions. On the budgeting side, associations are moving toward the use of “zero-based” or program-based financial planning. Such a fresh start every year helps ensure that financial resources can be directed or redirected as needed.

Another key trend is growing use of private-sector performance metrics, such as return on investment (ROI), return on assets (ROA) and other financial measures to determine an association’s effectiveness. Finally, associations are also seeking to build their financial reserves for capital investments in technology, expensive public policy campaigns and new member services.

Here are some suggested best practices:

**Fundamentals**
- Either an AE or the “number two” executive must have strong financial skills. This person must measure the financial health of
Consider a policy that no resolution be sent to the board unless it includes a statement on the dollar costs, staff resources and volunteer time needed to implement it. “This leads to better decisions,” said one AE, “because board members can see exactly what a new program or event will cost.”

BUDGETING

• Educate and train board members in several areas:
  - Their fiduciary responsibilities
  - Conflict of interest policies and procedures
  - The various roles of the treasurer, finance committee and audit committee
  - How financial goals and budgets in a non-profit association differ from those in the private sector.
• Select the volunteer treasurer based on his or her financial skills, and be sure that the board’s nominating committee understands that criteria. “If your board is wise, there’s no automatic progression of officers to the top,” said one AE. “That allows the board to appoint a treasurer with financial expertise, rather than someone who’s marking time until they become vice president and president.”
• Present the annual budget effectively to the board. “I have seen the importance of analyzing figures and explaining them clearly,” said an AE. “It is practically impossible for the board to oppose an AE’s well-thought-out request — and unlikely to gain support without it.”
• Pay more attention to next month’s financial needs than to last month’s financial reports. As one AE said, “I have started giving directors a heads up for the next month’s financial picture when appropriate.”
• Look for ways to reduce operational costs. For example, find sponsors or advertisers for a print or online newsletter, and turn a cost item into a revenue generator.

INTERNAL CONTROLS AND AUDITS

• Use internal or external resources to create an effective system of financial checks.
• Put the financial reserve policy in writing.
• Be aware of federal and state legislation related to financial mismanagement. For instance, the Sarbanes-Oxley Act of 2002 includes criminal provisions that apply to destruction of documents to thwart federal government investigation, and retaliation against “whistleblower” reporting to federal authorities.

Generating Revenue

• Separate the association’s income stream into dues, fee-for-service, and non-dues revenue. In many associations, dues income is designed to cover core services provided to all members. Associations also generate revenue from fees for certain services, such as attending an educational seminar. Non-dues income comes from offering “add-on” programs or services.
• REALTOR® association AEs and consultants have varying opinions on the three income sources. Among the comments:
  - “I think dues are ridiculously low in most associations.”
  - “The non-dues trap has deflected boards and staff into seeking a panacea. I think it’s a waste of time and resources, and boards should focus on core services.”
  - “I have no problem with making money wherever you can, but some affinity programs are absurd and drain the association. Sure you can sell health insurance or computers and bank cards, but that’s not the business you’re in.”

Budgeting

• Adopt program-based budgeting procedures. That means starting each year with a clean slate, setting priorities based on member needs assessment and research, and then assigning staff time based on these priorities. “Program-based budgeting provides total accountability for member’s dues dollars, simplifies the budget process and is a powerful tool to justify the addition of new programs or getting rid of sacred cows,” said an AE.
• Present the annual budget effectively to the board.

IDEAS:

BUDGETING

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INTERNAL CONTROLS AND AUDITS

Bid out the audit process every few years. “We change our audit company regularly,” said one AE. “A new auditor will always look more carefully at your books. At least, put the audit contract out for bid every five years.”

Generating Revenue

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Internal Controls and Audits

• Use internal or external resources to create an effective system of financial checks.
and balances — especially for travel and entertainment expenses. “I don’t think the treasurer should sign off on expense forms,” said one AE. “That’s a staff function. If problems develop, the staffer should speak with the person who has overspent, even if it’s the board president. Perhaps this might lead to a discussion like, ‘Is the expense allowance adequate for you?’”

• Be sure the audit and finance committees are composed of different members. These committees have different roles to play and separation of members helps avoid any potential conflicts.

• Provide the financial committee with clear, easy-to-digest information. The AE or financial manager should be present to provide clear information. “The role of the finance committee is to ask questions,” said an AE. “The more open the AE is to answering those questions, the more they trust you.”

• Ensure auditor independence. An audit committee should have the ability to hire and fire auditors, as well as review the financial records.

• Hold a closed-door executive session with the association’s auditor, allowing board members to ask candid questions in a confidential setting.

**Reporting to Members**

• Provide members with regular summary reports of the association’s financial performance.

• Present financial data graphically — it’s easier for most people to understand a pie chart or bar chart than a list of accounts.

“*If You Can’t Measure it You Can’t Manage it*”

**IDEAS:**

**REPORTING TO MEMBERS**

When billing members for dues, show them all the benefits they receive for their money. One association headlined its billing message in this way: “For your $159 in dues, we save you $1,000!” This headline was followed by a long list of specific member benefits. “Not only did our dues get paid more quickly, but the new key services identified and implemented by our leadership got a little PR, too,” said an AE.

“For REALTOR® associations, change is not an easy process. But change is occurring every day. You can’t sit back and just keep on doing the same things.”

**FINANCIAL MANAGEMENT**

continued from page 12
Managing Change in Associations

Successful REALTOR® associations are able to recognize changes in the real estate industry and respond quickly. A market downturn, for instance, might lead to a tighter financial situation; an upturn might intensify member demand for certain services.

Undoubtedly, one of the best practices for volunteer leaders and association executives is preparing for tomorrow — while managing for today. That means:

- Prioritizing programs and services so any cutbacks will have minimal impact.
- Maintaining a financial reserve to “smooth out” fluctuations in association revenue.
- Keeping up with federal, state and local legislation and regulatory initiatives that could affect the real estate industry.

Suggestions for Further Reading

For examples of association best practices, visit REALTOR® Association Executive magazine online. Each issue features successful and innovative association programs and practices. Search the magazine archives by subject, issue, or author at www.REALTOR.org/RAE.

For a wealth of information on association human resources, financial management, public policy, member services, and leadership and staff relations, visit the National Association of REALTOR®’s online library for associations at REALTOR.org, www.realtor.org/vlibrary.nsf/pages/aepage

Suggested Books:

- **Principles of Association Management (Fourth edition)**
  - Henry L. Ernstthal, CAE
  - copyright 2001 ASAE

- **Professional Practices in Association Management (Second printing)**
  - John B. Cox, CAE
  - copyright 1997 ASAE (second impression) 1998

- **Facing the Future: A Report on the Major Trends and Issues Affecting Associations**
  - Rhea L. Blanken and Allen Liff
  - copyright 1999 ASAE

- **From Scan to Plan: Integrating Trends into the Strategy Making Process**
  - James G. Dalton, CAE, Jennifer Jarratt, and John B. Mahaffie
  - copyright 2003 ASAE

- **Good to Great: Why Some Companies Make the Leap... and Others Don’t**
  - Jim Collins
  - copyright 2001 Harper Collins