



REPUBLIC OF ZAMBIA

MINISTRY OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

CAPACITY BUILDING BOOKLET FOR MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) ASSOCIATIONS IN ZAMBIA





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MINISTRY OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

THE
CAPACITY BUILDING BOOKLET
FOR MSME ASSOCIATIONS IN ZAMBIA

2023

CAPACITY BUILDING BOOKLET FOR MSME ASSOCIATIONS IN ZAMBIA

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FOREWORD



The Micro, Small and Medium Enterprises (MSME) sector plays a significant role in economic development world-wide. In Zambia, MSMEs play an important role in the nation's economic development through enhanced production, employment and income generation, including contribution to Zambia's export earnings. At household level, MSMEs are the pillar for sustained improvements in livelihoods and poverty reduction for the vast majority of citizens through employment creation and improved national income distribution. In Zambia, MSMEs represent about 97% of all businesses in the country, contributing 70% of Gross Domestic Product (GDP) and 88% of employment across sectors (Zambia Development Agency (ZDA): Promoting SME competitiveness in Zambia, 2021). SMEs also fill a key role in society, as they tend to employ a large share of the most vulnerable segments of the workforce and they are spread across a large number of economic sectors, therefore, have the potential to help the Zambian economy diversify and industrialise.

Pivotal to the growth of the MSME sector are Business Associations because they provide a platform for the promotion of MSMEs in Zambia. They are a channel through which a large number of enterprises could be easily reached and also a conduit through which training to MSMEs can be provided for sustained business growth. In addition to this, Business Associations enhance public policy advocacy and help to prove a complementary role to aid the Government in its efforts to create a conducive business environment for MSMEs.

However, the Ministry of Small and Medium Enterprise Development, through its engagements and consultations with stakeholders has established that there is need to provide structured capacity building to MSME Associations for them to effectively provide services to their membership and effectively complement Government efforts for a thriving private sector. In order to fill this gap, this Capacity Building Booklet for MSMEs has been developed tailored at improving the operations of MSME Associations. This is in line with the Government's agenda to create robust indigenous entrepreneurship by promoting the growth and performance of MSMEs.

A handwritten signature in black ink, appearing to be 'E. Mubanga', written over a faint circular stamp.

Hon. Eng. Elias Mubanga MP
MINISTER OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

ACKNOWLEDGEMENTS



The development of this Capacity Building Booklet for MSME Associations is a product of extensive engagements and consultations with key stakeholders and especially the MSMEs Associations through various consultative meetings.

I wish to thank the Ministries, Cooperating Partners, various Business Associations and other stakeholders for their commitment in ensuring that MSMEs have an enabling business environment in which to operate. It is through increased collaboration that together we shall continue to make strides in attaining sustainable economic development milestones.

Lastly, the commitment of officials from the Ministry of Small and Medium Enterprise Development in ensuring the completion of this Capacity Building Booklet for MSME Associations is highly commended.

SKM

Subeta K. Mutelo (Mrs.)

Permanent Secretary

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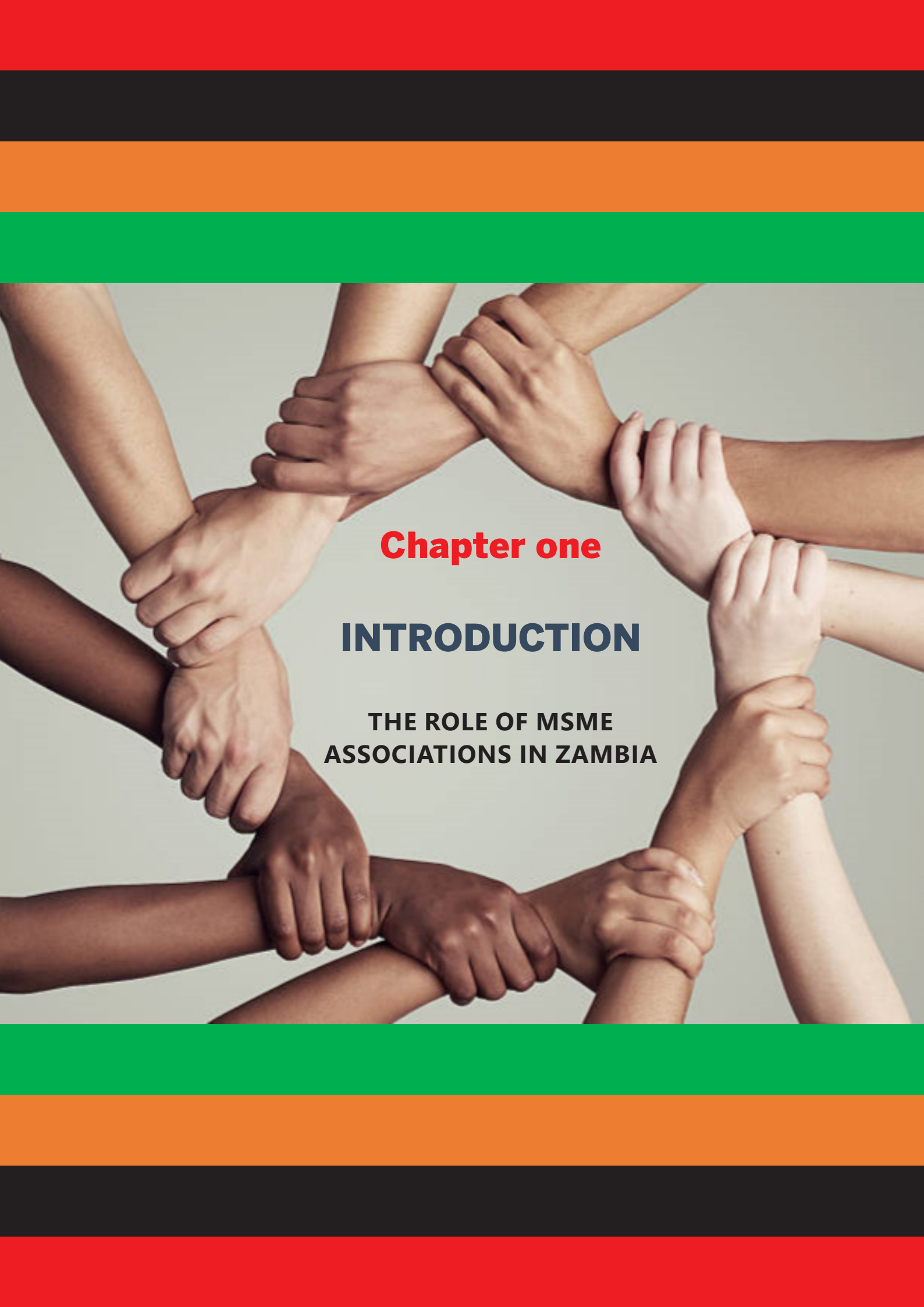


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TABLE OF CONTENTS

Foreword	i
Acknowledgement.....	ii
Chapter 1: Introduction and the role of MSME Associations in Zambia.....	1
Chapter 2: Steps to MSME Association Development.....	8
Chapter 3: Governance-the Pillar of MSME Association Sustainability.....	11
Chapter 4: The role of Strategic Plans in MSME Association sustenance	16
Chapter 5: Membership of MSME Associations	22
Chapter 6: MSME Associations and Public Policy Advocacy	28
Chapter 7: Effective Communication and Marketing for MSME Associations	34
Chapter 8: Financial Reporting and Accountability	39
Chapter 9: Ecosystem for Business Associations.....	45



Chapter one

INTRODUCTION

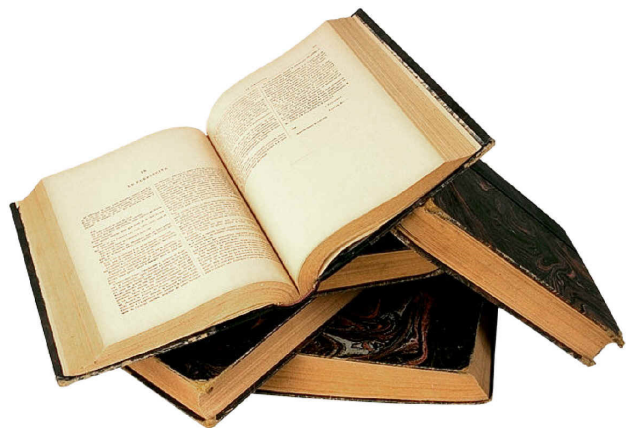
THE ROLE OF MSME ASSOCIATIONS IN ZAMBIA

INTRODUCTION

WHEN Zambia got its independence in 1964, the Government played a dominant role in almost all areas of business, economy, education, health and other socio-economic areas.

In the late 1970s, the Government started pursuing the development of the micro, small and medium enterprise (MSME) development sector upon the realization that the large business sector, which was predominantly mining and could not absorb all those in need of employment.

This was further brought to the fore in 1991 when economic reforms came with the change in the political system of Government. This realization to develop the MSME sector and economic reforms led to an increased need for development of Business Associations for the MSME sector.



The History of Business Associations in Zambia

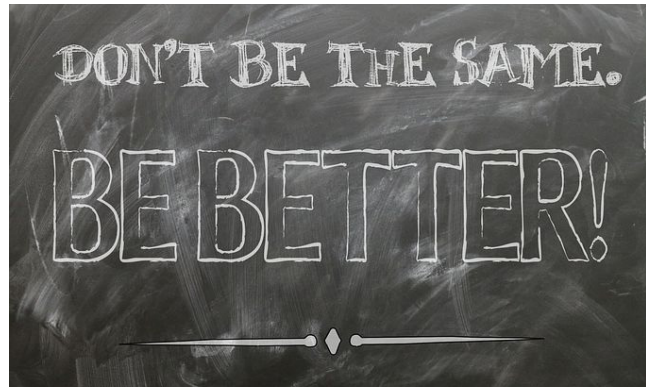
Although the Zambia Chamber of Commerce and Industry (ZACCI) was established in 1933 and registered in 1990 under the Registrar of Societies, its engagement with MSMEs started around 1993 and at which point the MSME sector was still finding its feet. Around 1994, Cooperating Partners viewed ZACCI, being the main Business Association at the time, as the channel through which the vast majority of MSMEs could be reached. However, ZACCI mainly dealt with large corporate businesses, therefore, a proposal was made to create a chamber for small business. This chamber once established would be a membership organisation working to service its members who in turn pay a subscription to the chamber.

All businesses meeting the description of a small business were encouraged to affiliate to the proposed chamber. One of the objectives of the chamber was to grow small businesses and see them graduate into medium and later graduate to large businesses which would then be encouraged to join local chambers or sector Associations.

Like other chambers, the chamber of small business would affiliate to ZACCI, which is the apex business organisation in the country. This way business development in Zambia would be integrated and private sector-driven.

This proposal was tabled and endorsed at the ZACCI Council meeting held in 1998. Through this meeting the Zambia Chamber of Small and Medium Business Association (ZCSMBA) was established two years later in 2000.

ZCSMBA is a national body representing the interests of small and medium enterprises in Zambia through a network of Business Associations. ZACCI and ZCSMBA stand-out from other Business Associations because they cut across all sectors at large scale business and MSME scale respectively.



Since the establishment of the Ministry of Small and Medium Enterprise Development in 2021, the Ministry has held numerous stakeholder engagements with Ministries, Cooperating Partners and Associations. One of the major challenges arising from the Ministry's engagements with MSME Associations is the need for capacity building to improve the operations and activities of the Associations to heighten the growth of the MSME sector. Cognizant that capacity building is predominantly targeted at the MSMEs themselves.

This Capacity Building Booklet for MSME Associations is the key to ensure growth and sustainability of Zambian MSME Associations.

THE ROLE OF MSME ASSOCIATIONS IN ZAMBIA

World over, some Business Associations have difficulty to grow and sustain their operations and activities because there is need to appreciate their existence and sustainability. In the Business Association space, there are so many questions with little or no answers. Most of the business information is targeted at the growth and sustenance of individual MSME or corporate entities with little directed at the Business Associations. This leads to poor understanding of their existence and purpose resulting in failing to develop demand-driven programs and reduced membership recruitments. Regardless of the age or size of a Business Association, it is critical to understand:

- » WHY MSME Associations exist?
- » WHAT is their role?
- » WHO are their potential members?
- » WHAT are their expectations?
- » WHY should MSMEs join the Association?
- » WHEN should MSMEs be approached for membership?
- » HOW should the Association solicit membership and involvement?



There is no doubt that Business Associations play a pivotal role in the development of the private sector, however, the clarity of what this role constitutes is sometimes blurred to the Associations themselves and this cascades down to not only the general public but their members too. So what is the role of MSME ASSOCIATIONS?

ROLE OF MSME ASSOCIATIONS 1: PUBLIC POLICY ADVOCACY

One of the major roles of Business Associations is public policy advocacy to enhance an enabling business environment. This is particularly important at the development stage of public policies that affect the business environment. MSME Associations should ensure full and active participation in stakeholder consultations conducted by the Government when developing public policies. This is because it is through this participation that the interests, challenges and mitigation measures of the issues affecting the private sector are brought to the fore. This is critical for the MSME Associations because of the dynamism of the MSME sector. The sector has experienced a number of challenges due to the large number of enterprises and the need for effective coordination mechanisms among others. MSME Associations have the responsibility to be up-to-date with Government policy formulation programs and ensure representation in order to advance their cause.

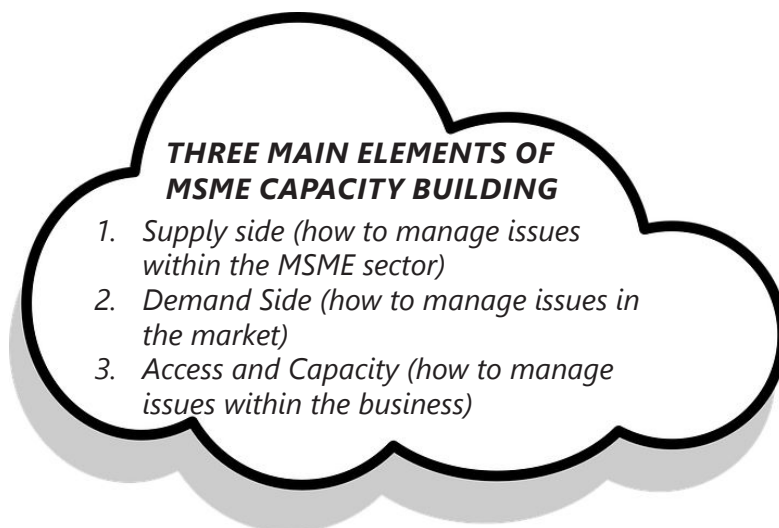
Beyond participation at public policy development stage, Business Associations should be actively involved in the dissemination of policies that have an impact on the private sector.

The MSME Associations provide a complementary role to the Government by creating platforms that help to educate their members on the various Government Policies that exist. This can be achieved through membership training, workshops, information, education and communication (IEC) materials and meetings.

ROLE OF MSME ASSOCIATIONS 2: BUILD THE CAPACITY OF MEMBERS

Apart from Public Policy Advocacy, another role of MSME Associations is capacity building for its membership. Capacity building enhances an enterprise's ability to accomplish its objectives in an efficient and effective manner. It helps to guarantee success through business management of assets, human resource, finances and time management to attain business growth and sustenance.

This makes the role to provide capacity building to members by MSME Associations an integral part of Association existence. In executing this role, MSME Associations need to focus on three main areas; Institutional development, Financial resource development and Human resource development to ensuring sustainability, improving governance and encouraging collaboration. All the three areas have the same goal: to improve the skills, assets, and strengths that enable an enterprise and its employees to grow and thrive. Business Associations should have a pool of trained staff to provide capacity building to their membership.



ROLE OF MSME ASSOCIATIONS 3: CREATE BUSINESS OPPORTUNITIES

The purpose of MSME Associations is to create business opportunities for members to grow their businesses which is the primary objective of an MSME. This is one of the main attributes of most Business Associations that have grown in membership. Core to this is the effective utilization of business opportunities. Therefore, one of the major reasons for the growth of Business Associations is that they provide business opportunities for their members. This can be through contacts with both small and large companies providing forward and backward linkages, Business Associations are one of the best channels for networking which is a key component to the development of business opportunities.



ROLE OF MSME ASSOCIATIONS 4: PROTECT INTERESTS OF MEMBERS

The MSME sector is quite dynamic and has challenges that are unique largely due to its diversity resulting from high numbers of enterprises and varied sub-sectors within the sector. Business Associations have the responsibility of harnessing the collective power of their member MSMEs and to protect the interests of the sector through dialogue with the Government. MSME Associations need to advance the interests of their members by identifying issues affecting them, developing a position on these identified issues with the view to mitigate identified challenges while promoting benefits of what is working in current policies. This is a key service to MSME Associations because the Government may not respond to isolated issues advanced by one entity unless they have an advocate through a Business Association.



MSME Associations are advocates for the private sector and should use the collective strength of their membership to ensure the views of businesses are heard, and that pro-business legislation is passed. Business Associations gain credibility due to the valuable service provided to their members.

The benefits of protecting the interests of their members are two fold: firstly, MSMEs benefit when their interests have been protected and pro-business legislation has been passed; and secondly, employees benefit because stronger companies provide better job security and more opportunities for improved livelihoods. Globally, and particularly in Zambia, the Government is responding to Associations approach cognizant that MSMEs are a great asset to economic development and poverty reduction. It is all interlinked, when MSMEs succeed, workers prosper and when workers prosper the Government succeeds through increased tax collections, decreased need for social and benevolence programs due to reduced poverty levels.

In Zambia, MSMEs represent about 97% of all businesses in the country, contributing 70% of Gross Domestic Product (GDP) and 88% of employment across sectors (ZDA, 2021). These statistics show the importance of the MSME sector and the significant responsibility the MSME Associations have to adequately represent the sector shouldering the collective interests of the sector.

ROLE OF MSME ASSOCIATIONS 5: COMBATING CORRUPTION

The role of Business Associations is to provide adequate information to their members on Government Policies, procurement procedures, fair play laws, empowerment programs and many other legal matters affecting the MSME sector. Business Associations help to combat corruption through public policy advocacy and informational programs. corruption erodes fair business practices, reduces equal distribution of national resources and is a resource waste to the country which in turn leads to stunted social and economic development. Information is power and it is through this information that members will keep a watchful eye on ensuring that business procedures are adhered to in a bid to combat corruption.



CHAPTER 2:

STEPS TO MSME ASSOCIATION DEVELOPMENT



STEPS TO MSME ASSOCIATION DEVELOPMENT



STEP 1: ANSWER THE QUESTION, WHY START AN MSME ASSOCIATION? (WHAT PROBLEM ARE YOU SOLVING)

This is a very critical question to answer because, it establishes whether or not you need to embark on starting an MSME Association. Sometimes people waste valuable time and effort to start Associations that are later discovered not to serve any purpose as there are either other Associations already meeting the need or their cause is just not appreciated by anyone and in the process fail to survive.

STEP 2: REGISTER THE BUSINESS ASSOCIATION

Now that you have established the need to start a Business Association, the next step is to register the Association. This is important because only formalized entities are recognised by the Government, private cooperate entities and the Cooperating Partners. In Zambia, registration of Business Associations is done by the Registrar of Societies under the Ministry of Home Affairs and Internal Security. Requirements for registration include:

STEP 2.1: NAME SEARCH

Before anything else can be done, it is important to go through the name search process to ensure that your Association name is not already being used by another Association. This is an important step towards creating a unique identity of your Association.

STEP 2.2: SUBMISSION OF THE DULY COMPLETED APPLICATION FORM

Once the name search process has been completed, the next step is to fill-in the application forms and ensure that two copies of the current constitution of the Association are attached. The constitution is attached to help the Registrar understand the type of the Association and to ensure that its operations are in accordance with the Laws of Zambia. The constitution is the rule book for an Association as it sets out the fundamental principles by which the Association is governed and it describes the membership and defines the relationship with them.

STEP 2.3: A MEMORANDUM DULY SIGNED BY THE CHAIRMAN AND SECRETARY GIVING THE FOLLOWING INFORMATION:

- The names and addresses of the office-bearers of the Association: the office bearers of the Association should obtain police clearance by finger-print;
- The funds available and the sources of revenue should be clearly stated for financial transparency;
- Statement on the program of action, both short and long term should be clearly indicated to depict current and future trajectory of planned activities and Association growth;
- Details of past activities, future plans and budgetary requirements for current and subsequent;
- The principal operation catchment area and other places of operation;
- A list of names and addresses of all institutions to which the Association is affiliated;
- A list of names and addresses of all affiliated with the Association; and
- Minutes of the previous annual general meeting of the Association at which the Association resolved to apply for registration.

The successful submission of the above requirements along with payment of the required registration fees will lead to registration of the Association evidenced by a Certificate provided by the Registrar of Societies. At this point, operations can begin under the umbrella of the Government's recognition of the Association as a legally approved entity. To start an Association is one thing, to grow it, maintain it and sustain it; is another! The next Chapters address how to sustain an Association.



CHAPTER 3

GOVERNANCE: THE PILLAR FOR MSME ASSOCIATION SUSTAINABILITY



GOVERNANCE: THE PILLAR OF MSME ASSOCIATION SUSTAINABILITY

Everyone wants the benefits of the Association but only a handful do the work, and these are the most important people as they coordinate activities and keep the Association afloat. Good governance within a Business Association does the same thing, it keeps the organization from losing direction or getting off-course. Governance is one of the most important aspects of building organizational capacity as it is the foundation on which the entire organization is built. It is virtually impossible to build a strong association on a weak foundation, hence focus on governance is of critical importance to Business Associations.

WHAT DOES GOVERNANCE MEAN?

Governance is the development of transparent and fair ruling structures that adhere to international best practices. A transparent governance structure is supported by policies and procedures created with the involvement of Association members. Additionally, these policies and procedures are communicated to these members in a way that ensures understanding and accountability. Transparency is attained when everyone in the Association has input into the governance structure, understands it and is accountable for it. Business Associations are increasingly adopting governance system based on international best practices. Some of the world's most successful organizations have common elements within their governance structures that provide a model for other Associations. These structures can be consolidated into three primary categories: legal, organizational and accountability.

LEGAL STRUCTURES

In many countries, Chambers of Commerce and Business Associations are governed by one or more laws that outline the scope of their authority and activities. Major functional areas of laws governing Business Associations include:

- **Legal Framework:** Business association laws typically outline the legal parameters under which an association or group of associations can operate. This may include registration procedures as well as legal authority to represent the private sector within and outside the country.
- **Scope of Responsibilities:** Business association laws also typically outline the scope of responsibilities that organizations have relative to the Government and the international community. Some national chambers of commerce, for instance, are authorized by law to "officially" represent a country's private sector in international economic fora, trade exhibitions and trade missions.

- **Membership:** In most but not all cases, laws governing Business Associations establish mandatory or quasi-mandatory membership. Mandatory membership requires that all registered businesses (in the case of a chamber of commerce) or all those within a sector (in the case of a trade association) become members of the organization. In some cases, this is enforced by providing the chamber of commerce or sectoral association with the right to license, certify or oversee the standards of registered businesses. In other cases, the organizations are not provided with this right and therefore have no enforcement authority if companies do not join as required by law. However, in Zambia MSME have the liberty to belong to any Association of their choice as long as its in accordance with the law.
- **Organizational Structure:** Laws governing Business Associations usually establish a required structure under which the organizations must operate. In some cases, the law acts almost in the capacity of organizational bylaws as it outlines specific governance practices to which the Association(s) must adhere to.
- **Programs and Activities:** It is typical for laws governing Business Associations to establish at least a partial list of programs and services that the organizations should or may provide. In Zambia, the law provides broad categories under which programs and services should be constructed.
- **Relationship to Government:** It is also common for these laws to establish guidelines under which an association(s) may interact with government. Some are restrictive and provide few opportunities for Business Associations to advocate for the interests of the business community. Zambia provides ample opportunities for public-private dialogue.
- **Dissolution:** Over the last ten years, it has become popular for laws to address the dissolution of assets should an Association(s) cease to operate. This is especially the case where Chambers of Commerce own property and other assets that would require liquidation should the Association cease to function.

In recent years, there has been a clear trend away from the establishment of Business Associations under public law, meaning that more and more Associations are changing to a voluntary membership system that is driven by market forces versus legal authority. Countries such as Poland, Hungary and Zambia terminated mandatory membership in favour of a voluntary, market-oriented approach to development. It is clear, however, that Business Associations can thrive under either the public law or private law systems if they institute sound and transparent governance systems that allow for a focus on private sector needs.

ORGANIZATIONAL STRUCTURES

Organisational structures focus on how an association is organized internally. This is usually displayed on an organizational chart. Important elements of an organizational structure include:



ACCOUNTABILITY STRUCTURES

Accountability structures focus on the establishment of internal regulations that promote responsible behaviour of members, staff, directors and other leaders. This structure includes but is not limited to the following:

- **Bylaws:** Bylaws establish the framework under which an organization exists. They outline the structure, operational procedures and other governance principles under which the organization operates. Bylaws form the core of governance documents of most successful Associations.
- **Codes of Ethics:** As an increasing number of Business Associations focus on transparency, codes of ethics have become widely used to ensure accountability among members, directors and staff. Codes of ethics usually contain language that addresses conflict of interest, staff ethics, gifts and guidelines for interaction with stakeholders including public officials.
- **Personnel, Policy and Procedures Manual:** Operational guidelines are important to provide a personnel, policy and procedures framework under which organizational staff may operate. Typically, such a manual will include an explanation of office procedures, staff authority, ethics guidelines, employment practices, dress requirements, annual review processes, and grievance procedures.
- **Secretariat Job Descriptions:** In order for association staff members to function at a high level, they must have a specific set of goals, activities and outcomes that are pre-established. In addition, they must understand their role(s) within the Association. This being the case, most highly-functioning associations have written job descriptions and/or employment contracts that outline the scope, function, duration and desired outcome for each staff position. The job descriptions, and the goals that are established in conjunction with them, provide the basis for annual employee evaluations. Apart from the job descriptions for the Secretariat, Associations need to have clear descriptions of what accountability the Association expects from its members.



LEGAL, ORGANISATIONAL AND ACCOUNTABILITY STRUCTURES

The Governance system pieces together structures aimed at maximizing the impact of the Associations. It provides the foundation on which successful Business Associations are built and it lays the foundational stones necessary to construct sustainable programs and services.

CHAPTER 4:

THE ROLE OF STRATEGIC PLANS IN MSME ASSOCIATIONS SUSTAINANCE

THE ROLE OF STRATEGIC PLANS IN MSME ASSOCIATIONS SUSTAINANCE



Strategic planning is the process of an organization determining where it is going and the most direct path to getting there. It involves the institutionalization of a process that begins with a definition of where the organization wants to “go” or what it wants to achieve in the future. Once this is determined, the rest of the strategic planning process is dedicated to developing a process to move the organization toward the achievement of the set vision. It provides the vision needed to establish membership support and credibility.

A good strategic plan is important for the sustainability of an Association because it makes the Association **proactive**. It is important for any given organization to be proactive as opposed to being reactive as this allows the institution to plan for and take advantage of opportunities.

A strategic plan also allows the Association to **adapt to environments** that are dynamic and rapidly changing. Therefore, Associations can use strategic planning to steadily and sustainably adapt to changing needs whether foreseen or not and adapt to crisis situations.

In addition to this, strategic planning provides a mechanism through which Associations can **strengthen support received** from the membership through their finances and other resources. Members support things that they believe in and those that have benefits accrued to their interests. Therefore, through the strategic plan, members are able to identify with the course of the Association and hence are better able to support the efforts of the Association.

KEY ELEMENTS OF THE STRATEGIC PLANNING PROCESS

1: ENVIRONMENTAL ANALYSIS

Environmental Analysis refers to the process of evaluating and assessing the external factors and forces that affect an organization’s ability to achieve its goals and objectives. The Environmental Analysis should be conducted as the first step in developing a strategic plan because it informs the direction of the entire strategic plan. It involves identifying and assessing external and internal factors in the environment that can positively or negatively affect the Association. The most common and widely used tool for environmental analysis is the SWOT Analysis which analyses Strengths, Weaknesses, Opportunities and Threats (SWOT). In doing so, the PESTEL method is used by placing Political, Economical, Social, Technological, Environmental and Legal factors as Opportunities or Threats.

The SWOT Analysis tool is commonly used because it analyses both the internal and external factors thereby providing a comprehensive analysis. The information collected and analyzed informs the Strategic Plan and hence the direction that the Association should move in.

SWOT ANALYSIS

INTERNAL TO THE ASSOCIATION	EXTERNAL TO THE ASSOCIATION
STRENGTHS	OPPORTUNITIES
WEAKNESSES	THREATS

2: VISION

The Vision answers the question, “**where does the organization/Association want to go?**” An organization must agree on a vision before it can develop a capacity building process. The vision is typically developed with membership input and fine-tuned by the board of directors at an annual retreat or conference. It establishes where an organization wants to be within a specific timeframe. This is important because anything that the Association does should be in line with contributing to the overall attainment of the vision. A Vision Statement is a snapshot of a roadmap for making decisions that align with your Association’s philosophy and objectives.

Examples of good Vision Statements:

Nike Incorporated: “Do everything possible to expand human potential”

Auckland, New Zealand Chamber of Commerce: “The Chamber will inspire and influence business vitality”

Nike is one of the most successful sports wear brands in the world, partly due to this Vision Statement which not only encourages sports enhancement, but also motivates employees, attracts the right kind of employees and supports sustainability in a quest to expand human potential.

3: MISSION

The Mission Statement answers the question, “**Why does the Association do what it does?**” The mission statement, is usually stated longer than a Vision Statement because it outlines why an Association conducts specific activities at the present time. The mission statement should be widely understood by the Association’s members and should create a clear image in the minds of stakeholders. It is a summarized communication of why the Association does what it does.

A good example of a Mission Statement is the Coca-cola statement ***"To refresh the world, to inspire moments of optimism and happiness, to create value and make a difference"***

The Coca cola company has a statement that summarizes well why they do what they do. In a world that is changing to continue to thrive and sustainably survive, Associations must understand their operating environment and beyond in order to shape their future. Another good example is the Mission Statement for the Kenya National Chamber of Commerce ***"To play a central and catalytic role in facilitating the growth of Kenya's economy through entrepreneurial development that is geared to result in creation of wealth and employment."***

4:0 OBJECTIVES

The Association objectives should answer the question, ***"What process will the organization put in place to achieve its vision?"***

Objectives are essential elements of the process designed to help an Association progress from where it is today to its desired vision for the future. They establish what an Association will do in order to achieve its vision and therefore must be quantifiable, measurable and achievable. It is also important that the objectives are specific, measurable, achievable, realistic and timely.



SPECIFIC: Objectives of the Association need to be specific in order to be effective. A specific objective shows what you want to accomplish, who is responsible and the steps needed to be taken.

MEASUREABLE: Quantifying your objectives makes sure they are easy to monitor and you are able to track the progress made towards its attainment.

ACHIEVABLE: The objectives should be realistically achievable. When this is not the case, it means that the Association is "building castles in the air" thereby eroding the time and resources of the Association since all efforts are wasted towards unrealistic things.

RELEVANT: All objectives must be relevant to the overall Vision and Mission of the Association. It is the level of relevance of objectives and activities that ultimately lead to the success of any given organization.

TIMELY: Time is of essence to progress. The Association should attach time to all planned objectives and activities otherwise, there's no end to an activity and snail's pace movements are made without a target time of completion.

5.0 ACTIVITIES

In order to develop and implement initiatives and activities that are contributing to the achievement of the overall goal, the activities in the strategic plan should address the question ***"What does the Association need to do in order to achieve it's objectives?"*** Activities are specific initiatives designed to achieve objectives. They may range from comprehensive programs to specific tasks that are necessary to reach benchmarks in the strategic planning process.

RELATIONSHIP BETWEEN OBJECTIVES AND ACTIVITIES

OBJECTIVE (example)	ACTIVITIES (example)
To increase the membership for the Association to 700 by December, 2023.	The Association will conduct a membership awareness programme from January – March 2023 to recruit 100 new members.
	The Association will establish monthly networking events to identify potential members.
	The Association will run monthly advertisements in the newspaper and on selected radio stations that discuss chamber events and activities.

The table above provides an illustration of how objectives affect the kind of activities that are developed. The two are inextricably linked to feed into the main goal of the Association. Each stage of the Strategic Planning process feeds into the next stage in a way that allows the Vision of the Association to be achieved in an efficient and sustainable manner.

6: RESOURCES

What resources are needed to achieve the Association's goals/objectives?"

Many Associations view resources as simply financial resources needed to implement the strategic plan. While finances are a key resource, there are other factors to consider, such as time, human resource, equipment and materials. In many cases, strategic plans fail, not because of lack of a good vision, but rather an underestimation of resources necessary to make the vision a reality. The involvement of well-trained paid staff members, committed volunteers, membership and outside stakeholders are critical elements of the resource requirements to initiate the activities necessary to achieve objectives and ultimately make the Association's vision a reality. Without the necessary resources, no matter how good a strategic plan is, its effective implementation cannot occur.

STRATEGIC PLANNING PROCESS OVERVIEW

The Association's members and other key stakeholders should be involved in the early phases of the Strategic planning process (Environmental Analysis), in order to create strong support among the membership and stakeholders for the strategy's implementation. It is also important that the Association's leadership is committed to the strategic planning process and understands its importance in developing sustainability.

Associations should do everything possible to construct a participative and transparent strategic planning process so that the Strategic Plan culminates in turning the vision into reality. It is recommended that a Strategic plan runs for a period of three (3) to five (5) years or longer.



CHAPTER 5:

MEMBERSHIP OF MSME ASSOCIATIONS



MEMBERSHIP OF MSME ASSOCIATIONS



Membership development plays a key role in the success of any given Business Association. The process of recruiting and retaining members is the pillar upon which membership loyalty and growth is built. However, membership development can be confounding even to Associations that have been in existence for a long time. One proven effective way to establish strong membership is through the “Membership System” programme that initiates sustainability within Business Associations. Essential components of *membership system*, include *recruitment*, *retention* and *non-dues income*. In summary, core to membership development is recruitment of members, creating loyalty among members to ensure retention and non-dues income that members are willingly able to support the Association’s activities whether financially, through human resource availability or through provision of equipment/materials.

ONE: CREATE A MEMBERSHIP TEAM

The construction of a membership recruitment team/committee is critical to the success of membership development. The team must be headed by a member of the Association’s board of directors, as well as trained members that have marketing/sales skills to “sell” the Association’s importance to the business community. It’s imperative that these members undergo teambuilding and training in order to ensure that the membership recruitment efforts and activities are effective. Technical support for the committee’s activities is needed as well as training, networking and membership-outreach. It is helpful to involve a board member on the team as he/she can provide a direct link to the Association’s leadership. Once this team/committee is created, its members should receive intensive training in the following areas:

ONE: MEMBERSHIP RECRUITMENT

Understanding Membership

- WHO are your potential members?
- WHAT are their expectations?
- WHY should they join your association?
- WHEN should they be approached for membership?
- HOW should the association solicit membership and involvement?

Membership Growth

- Members and potential members must have realistic expectations.
- The association must understand and exceed member expectations.
- Relationships sell memberships. Selling a membership is the BEGINNING of a process, not the END of one.

- Members expect a fair price for the services provided.
- Associations must continually communicate their message to stakeholders.
- The more an association knows about its members the more success it will have.

Membership Development

- Development of a membership strategy.
- Establishment of goals and objectives.
- Development of a fair pricing structure.
- Development and implementation of a membership recruitment campaign.

Membership Strategy

- Should be based on input from the members.
- Should be quantitative and measurable.
- Should be constructed according to a timeline.
- Should identify responsible parties.

Pricing Structure

- Know what it costs to provide service.
- Minimum membership fees should be at least equal to the cost of providing service.
- Membership fees can be based on a variety of factors.
- Different levels of membership can be established.

Membership Campaigns

- Conduct as part of the overall membership strategy.
- Set goals and objectives that are quantifiable and attainable.
- Recruit a leadership team.
- Recruit volunteers.
- Develop materials.
- Develop sales strategy.
- Conduct training for volunteers and staff.
- Promote membership in the association by partnering with media.
- Conduct campaign.
- Celebrate results.

MEMBERSHIP RETENTION

Membership campaigns are important, but the best way to create membership growth will always be through building relationships and focusing on exceeding customer expectations. It costs much more to recruit a new member than it does to retain an existing one. The first two years of member involvement are critical to retention efforts. The best way to attain membership growth through retention and loyalty is by understanding membership expectations and showing willingness to exceed their expectations.

Generating Non-Membership Fees Income

To ensure survival and sustainability of your Association, create other sources of income through, for example:

Publications:	Newsletters
Events:	Trade Exhibitions, Forums, Investment Luncheons
Technology:	Website Advertising,
Information:	Research Materials, Statistics

TWO: STAKEHOLDER INPUT

The creation of a strategic plan for membership development requires input from stakeholders. A variety of techniques may be used to solicit this input, but the most common are focus groups, surveys and company site visits. Your Association may use any or all of these techniques in its membership development.

Focus Groups: The purpose of focus groups is to gain information from members, non-members and former members that can be used to develop a membership recruitment, retention and non-membership fee income strategy. Focus groups are widely considered to be an excellent source of information because they provide instant input within a structured setting. These groups typically contain 8-12 participants and are professionally facilitated in order to achieve maximum results through guided group agenda and list of questions. No staff member or volunteer leader of the association should attend the focus group sessions as this hampers discussion and erodes the ability to elicit honest responses.

Focus group sessions can be between 1 hour and 1 ½ hours in length. Each session is scripted with an agenda and specific questions that are asked by the facilitator. The facilitator must attempt to get input from all the participants, while at the same time ensuring accurate and honest responses. After all questions have been asked and responses recorded, the facilitator should thank the group and distributes any incentives that are offered. A report should be produced within ten days after the focus group meeting to provide an overview of all responses, as well as suggest recommendations for future.

Membership Development Surveys: Conducting surveys is a traditional way of generating input from stakeholders, which may include members, non-members, international donors, government officials, and other individuals/organizations with which a business association has contact. A survey's purpose is to provide structured feedback that can be analyzed and utilized in the development of Association strategy or at least an element of the strategy such as membership development. A survey's design is critical in its ability to generate useful information.

Membership Development Company Visits: Conducting company visits can also be an effective way of generating input although it is time consuming and lacks the scientific nature of either a written survey or a focus group. Because of this, many organizations utilize company site visits as part of their survey process. The strength of this technique is that it provides the best way to obtain honest, uncensored information on the business association's performance. Its weakness is that it takes significant staff and/or volunteer resources to plan, conduct and follow up on the visits. Companies selected for visits should be approached by mail with personal follow up from a membership team representative.

Once appointments are set, an appropriate number of visits should be assigned to each team member and selected association staff. The visit should be no more than one hour in length and should focus on the completion of a survey form. Once introductions are made, the membership team representative should provide a brief overview of the reason for the visit, after which he/she will ask a few questions in a conversational style.

Gathering input is a critical step in the planning process, whether Strategic Plan, Membership Development Plan or Communication Plan but evaluation and follow-up should not be overlooked.

THREE: MEMBERSHIP DEVELOPMENT STRATEGY

Utilizing the input received from stakeholders, the membership team should construct a strategy that focuses on prioritized goals. Using the elements of strategy development discussed in the previous chapter Four, team members can construct a customized and prioritized membership development strategy. A good membership development strategy allows the Association to increase membership while at the same time cutting its attrition rate. Such a strategy is successful because of input from key stakeholders. It utilizes a systems-based approach that provides a scientific approach to development and is created using the techniques described in chapter four tailored to meet membership Association needs.

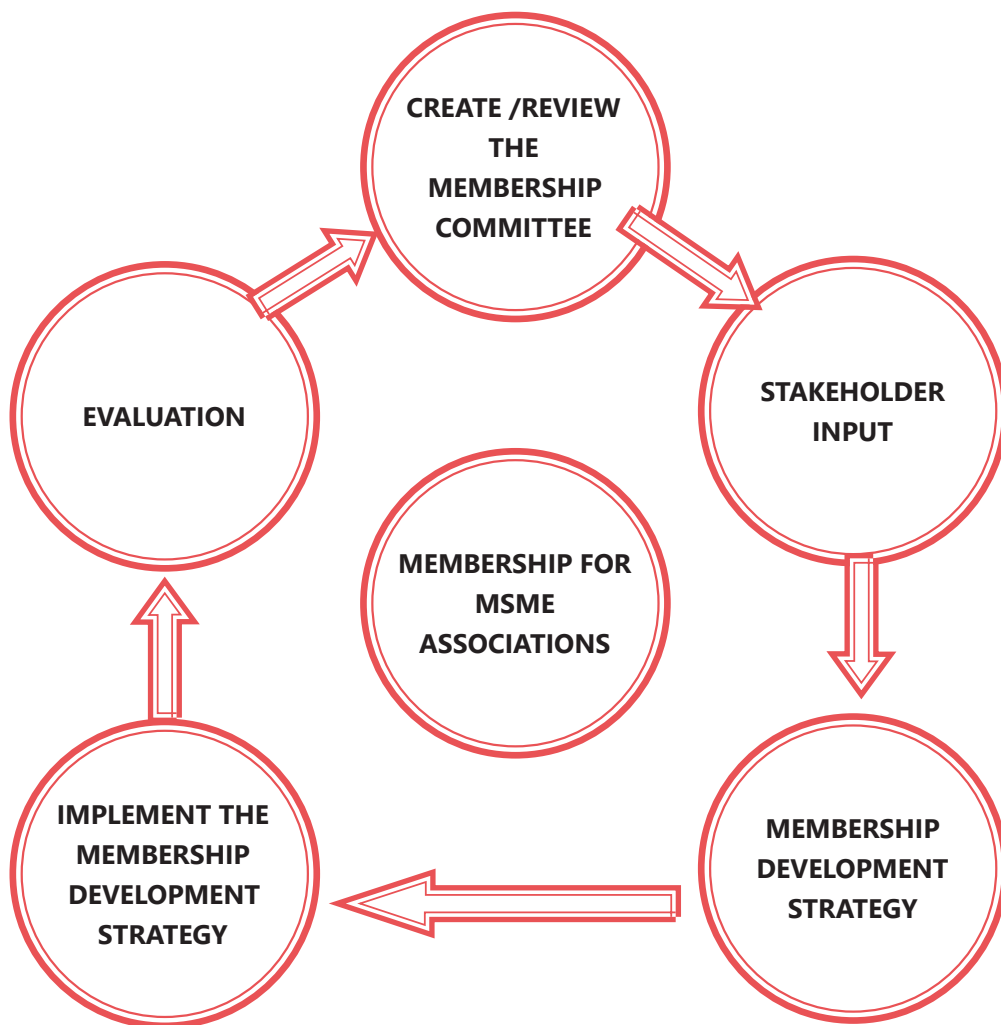
FOUR: MEMBERSHIP DEVELOPMENT STRATEGY IMPLEMENTATION

Once the membership development strategy is created, the membership team should focus on implementation. Depending on the strategy, this may include a larger focus on membership recruitment, retention, or the creation of non-membership fee income sources. This will depend on the Association's priorities based on the input received from stakeholders. Regardless of the priorities in which they are addressed, most Associations will include all three elements in their strategy (creating a Membership team/Committee, Stakeholder Input and Membership Development Strategy).

FIVE: EVALUATION

Depending on the type of membership strategy, evaluation may occur after a specific event or at the end of a specific time period.

In the case of an ongoing strategy, evaluation should occur at least quarterly so that course corrections can be made if unforeseen opportunities or challenges arise. Evaluation should focus on actual outcomes versus the goals articulated within the strategic plan. Once all data has been analyzed, the membership team should prepare a report for distribution to the board of directors and to the general membership as a whole.



CHAPTER 6:

MSME ASSOCIATIONS AND PUBLIC POLICY ADVOCACY



MSME ASSOCIATIONS AND PUBLIC POLICY ADVOCACY



Economic reforms and economic development are effective when Business Associations make their voice known through advocacy. Business groups represent a segment of society that stimulates economic growth through manufacturing, trading of goods and services, and job creation. Hence, their voice needs to be heard in the policy making process. Business Associations have been viewed as providers of education and entrepreneurial training. Effective Business Associations combine educational goals with an advocacy program for policy reforms in areas that affect their members. Advocacy is key to the survival and success of MSME Associations.

What is Advocacy?

In simple terms, advocacy is the act of transparently influencing or supporting a person or idea. Public policy advocacy refers to the influencing of laws and/or regulations. In the case of Business Associations, this usually means policies that affect their members. The position might be to approve, repeal, reject or amend a policy. Because many public policies directly affect business activity, the private sector needs to make its voice heard so that it can improve certain public policies. In many cases, these include tax policies, laws/regulations governing transportation, and tax issues to name a few. The development of a business-friendly legal framework is crucial to private sector growth. Most Business Associations need to educate their members about Government policies and gathering views into one voice that articulates the costs and benefits of particular policies.

Why is Public Policy Advocacy by Business Associations Important?

- » To make the voice of business heard.
- » Effective advocacy makes crucial, policy-relevant information widely available to several key audiences that influence public policy. These audiences include the media, lawmakers, regulators, bureaucrats and the general public including business association members who influence policy-making decisions.
- » To strengthen Business Associations through services such as business education and training to its members. Business Associations that advocate effectively are known to:
 - Articulate members' concerns as a unified voice attracting policy-makers' attention;
 - Meet regularly with decision-makers to discuss key policy issues;
 - Establish regular channels of communication and close working relationships with government officials;

- Use these channels to promote members' interests by influencing the pace and direction of specific laws and policy proposals;
- Help prevent frequent changes to the business-related legal and regulatory framework that frighten investors and hinder entrepreneurship; and
- Monitor the administration of policies to ensure that enacted provisions of interest to their members are administered fairly and consistently.

Through actively engaging in policy advocacy, MSME Associations strengthen their position as key players in the policy-making process. Successful advocacy strengthens the Association's profile amid policymakers and enhances its reputation within the business community. This leads to increased contributions from existing members and attracts new members. With more funding, the associations can commit more resources to their growth and sustainability strategies.

PUBLIC POLICY ADVOCACY COALITIONS



PUBLIC POLICY ADVOCACY COALITIONS HAVE THE FOLLOWING BENEFITS:

- raise the level of debate on issues that affect private sector development. Because coalitions of Business Associations bring significant resources to important issues, the profile of these issues rises because of the unified approach;

- provide opportunities to build relationships between Associations, public officials, and the media. The importance of relationships to success in advocacy cannot be understated, as relationships leads to increased Information and credibility;
- provide a unified voice that is developed through the collaboration of Associations and other private sector institutions. The “one voice” principle, coalitions afford the opportunity for Associations to expand their vision and expertise through cooperation with similar associations;
- provides the ability of these Associations to amass grassroots support behind an issue or group of issues due to the combined membership of the coalition Associations that can be used to raise the level of debate on issues affecting them;
- can either be *Sector-Specific* dealing with a specific industry or sector with fewer issues than other coalitions, but thoroughly cover each issue and make recommendations based on the combined experience of industry professionals. They can also be *Multi-Sector* coalitions comprised of a variety of Business Associations that come together in support of an overall business environment; and
- structure can be Formal with a structured elected leadership and specific rules; Informal has a flexible structure where leadership is shared and/or assigned depending on the issue or Federation coalitions with formal structure codified into a legal framework.

PUBLIC POLICY ADVOCACY SYSTEM

Creation of advocacy coalition team: The team should consist of at least one representative of each of the participating organizations.

Training of Advocacy Coalition Team: should be conducted in order to ensure a complete understanding of the issues that will be discussed.

Identification of Issues: must include input from a variety of stakeholders including members of each Association, technical experts, and data. Once input is gathered and analyzed, the coalition team has the ability to make informed decisions.

Prioritization of Issues: Issues must be prioritized and done in order to develop an effective advocacy approach.

Development of Policy Recommendations: should incorporate specific and practical ideas that support the coalition's point of view. Recommendations should be technically sound, but also compliant with available resources and political realities.

Creation of timelines: Based on the approved recommendations, the available resources and prevailing political climate, the team should develop a timeline to address each issue.

Compilation of the Legislative Agenda: is a collection of the coalition's policy statements. It should include all the coalition's approved issues and the recommendations on each.

Public Launch of Legislative Agenda: The legislative agenda will not achieve the desired results unless it is promoted strategically and publicly.

Development of Issue Papers: is a document that reinforces the coalition's recommendation on how to address an issue. It may include data, technical information, and research reports.

Coordination of Grassroots Support: Once the legislative agenda and issue papers are prepared, the coalition should coordinate its grassroots network in support of its policy positions.

The National Business Agenda: should serve as the business association's strategy for its public policy advocacy effort and should be distributed widely to government, the private sectors and other stakeholders.

Direct advocacy (Lobbying) Is the direct contact made by a coalition representative with an elected official or bureaucrat.

Evaluation of Advocacy Efforts: At the end of the legislative session or the timeline of issues covered in the legislative agenda, the coalition should evaluate its efforts based on the number of its recommendations that were adopted.

Coalitions provide a way for Business Associations to pull resources, expertise and experiences to strengthen the business environment. As part of an overall advocacy process, public policy coalitions are both useful and effective.

DEVELOPING SPECIFIC POLICY POSITIONS

When advocating for anything, there is need to develop a position on the issue(s) being advocated for. In terms of developing policy positions, Associations should consider the following:

- ***Policy positions should be specific:*** Policy positions should contain specific actions to be taken on an issue during a defined period of time.
- ***Policy positions should be realistic:*** Policy positions should contain realistic recommendations that are supported by substantive data. Unrealistic policy positions erode an Association's credibility by creating false expectations among its stakeholders.
- ***Policy positions should be supported by data:*** Policy positions that are not supported by data are merely a collection of opinions. While it is important for an organization or advocacy coalition to express its opinion on an issue(s), it must be supported by substantive data compiled using an accepted methodology by a credible organization.
- ***Policy positions should be agreed upon by key stakeholders:*** Prior to finalization, the business agenda should be reviewed and agreed by stakeholders through a meeting of representatives from each of the Business Associations involved in the coalition.
- ***Policy positions on financial or social benefits :*** Policy positions should focus on the financial or social benefits of a particular action or actions. They should be brief and easy to understand.

ADVOCACY CAMPAIGNS

PUBLICATIONS	PRESS RELEASES	PRESS CONFERENCES	OTHER MEDIA-ORIENTED EVENTS
Publications are widely used in advocacy campaigns to brand the Association or advocacy coalition that is conducting the campaign as well as to create an image of professionalism and credibility.	Press releases are common tools used to promote advocacy positions. Depending on the circumstances, organizations may want to publish press releases individually or include them as part of a press packet at a media event or press conference.	An Association or advocacy coalition must determine which issues are important enough to hold a press conference, when the event should be held, which media should be invited, who should speak on their behalf, what he/she should say, and finally, what message should be conveyed.	Media-oriented events other than press conferences can also be effective advocacy tools. Examples of these events are the writing of opinion-editorial articles that appear on the opinion page of targeted newspapers, the creation of news stories through events and/or rallies, and appearance on business-oriented talk shows.

CHAPTER 7:

EFFECTIVE COMMUNICATION AND MARKETING FOR MSME ASSOCIATIONS



EFFECTIVE COMMUNICATION AND MARKETING FOR MSME ASSOCIATIONS



Communication is the fabric that holds all aspects of organizations together. Without communication, it is practically impossible to do anything. This is even more pronounced for Associations due to the need for proper coordination among members with different businesses and backgrounds. Communication is a tool that is used everyday to achieve the Association goals through engagements, educating and informing stakeholders. It is important to use appropriate channels of communication and to develop an Information Management System (IMS). The IMS will consist of a membership and stakeholder database for better focused messages that close the information gap. It is also critical to have multi-faceted communications programs for a customized approach such as print, radio and television, as well as telephone calls, e-mails or direct mail. This is cardinal because communication tailored to meet the needs to members or stakeholders ensures that everyone's needs are addressed in a manner that communication is effectively delivered. MSME Associations need to consider four essential elements to develop efficient and effective communication systems that will help the Association to achieve its goals and engage with members and various stakeholders. These include planning, delivery, outcomes, and evaluation of the communication systems. These are discussed in detail below.

Planning: Planning is integral to the development of successful communication as it allows an organization to analyze its messages, their delivery, and the effect they have on stakeholders. As with other planning processes, stakeholder input is important in the development of a progressive strategy. During the planning process, it is important to accurately **identify the target audience**, as making a mistake in this area may narrow an organization's message, thereby rendering it ineffective. **Defining of messages to be delivered** is also important in the communications plan for the association to better target its identified audiences. For example, **Members** want to know that the Association is acting in their best interest and for this to happen, they need to have a thorough understanding of its governance structure. For this reason, members require on-going communication, while information can be provided to non-members in a strategic way that helps them to understand why they should join the Association. **Cooperating Partners** and **Government officials** also need strategically targeted information to cater for their information requirements. When planning targeted information, there are a number of channels that can be used to deliver the required message, these include:

- **Networking Events:** Networking events that include both the business community and public officials provide excellent communication opportunities. It provides an informal way for an organization to deliver its message to public officials, as well as allows members to see their association's leaders at work.

- **Public Meetings:** On special occasions, when an organization has an important message to communicate, it can do so by means of a public meeting that involves both public officials and private citizens including members and is conducted within a formal setting. However, these are not very effective means of communication as they usually merely raise the visibility of an issue and are usually considered to be “complaint sessions” that achieve little more than media coverage.
- **Business Agenda:** is a collection of a business association’s public policy recommendations on selected issues. It is usually published both in hard-copy and on-line and delivered to targeted public officials. While the importance of such an agenda cannot be overstated, follow up is the key to its effective communication and utilization.
- **Press Conferences:** Press conferences should be held only when an issue is important enough to generate public interest or when an Association has an important message it wants to disseminate through the mass media.

Once the audience has been identified and the message/communication tools designed for each, the plan should define roles and responsibilities for Interaction with the Press usually the Chief Executive Officer (CEO), Secretary General, Elected Leader (president or chairman) will be responsible for talking with the press or making any public statements on behalf of the Association, while interaction with members is usually by the Membership Director. The CEO is usually also responsible for engagements with the Cooperating Partners and Government Officials. A communication’s plan should also include a timeline for each activity to ensure timely implementation of the planned activities according to the budget.

Delivery: To ensure effective delivery of the communication strategy, monitoring is critical, hence the individuals responsible for overseeing implementation of various plan components should address any issues that may cause delays.

Outcomes: A communications plan should contain a section on the outcomes that are to be achieved. As in any strategic plan, outcomes should be measurable so that the Association can easily compare actual results to those planned.

Evaluation: In addition to scheduled monthly or quarterly evaluations, the communications plan should be reviewed annually to measure its effectiveness over the prior period and its relevance for the future.

Communications, both internal and external to the Association is vital in the creation of a valuable brand, in supervision, in reporting and in motivating employees and members. Every organization has a brand, either positive or negative, that is built largely through its ability to communicate its vision, mission, objectives and results to the appropriate audience.

RATE THE COMMUNICATION SYSTEM FOR YOUR ASSOCIATION

COMMUNICATION SYSTEM	DESCRIPTION
AD HOC	Communication efforts are unorganized and any successes that are achieved are usually due to one or two individuals. Ad hoc efforts may spend more than the budget due to little oversight and minimal efficiency.
PLANNED	Communication efforts are well organized and resources are allocated to the assigned responsibilities.
INSTITUTIONALIZED	Communication efforts are routine and part of the organization's culture. Practices are known and coordinated within and outside the organization.
EVALUATED	Communication efforts are evaluated, analyzed and measures of performance are tracked in order to better predict future performance.
OPTIMIZED	Communication efforts are one of the Association's core priorities, are continually analyzed and improved based on internal and external changes.

	0	1	2	3	4	5
Strategy	Not Performed	Ad Hoc	Planned	Institutionalized	Evaluated	Optimized
a. Identify the vision						
b. Choose goals and outcomes						
c. Select target audiences						
d. Develop messages						
e. Identify messengers						
f. Choose communications outlets						
g. Scan the context and competition						
Implementation						
h. Develop effective materials						
i. Build valuable partnerships						
j. Train messengers						
k. Conduct outreach						
l. Monitor and evaluate						
Support and Integration						
m. Support communications						
n. Earmark sufficient resources						
o. Integrate communications through out the organization						
p. Involve staff at all levels						

Utilization of the media is an essential part of any organizational communications strategy. Planning, training, knowledge of media attitudes, and proper utilization of media relations tools are key elements in a successful mass media program.

CRISIS COMMUNICATION

When crisis occurs, whether it is internal (such as the resignation of a key staff member) or external (a disaster in the community), Associations are usually in a state of confusion. Given the importance of the Association's visibility, it is cardinal to provide information and guidance to their members and other stakeholders. For this reason, visionary Associations develop a crisis communications plan. When faced with a crisis, Associations should communicate by:

- **Being available to the media, members, and other stakeholders:** Let easy communication details be available and accessible to allow members of the crisis management team to be constantly available to members and various stakeholders so that stakeholders know whom to contact for information and/or assistance.
- **Tell the truth:** When communicating, don't jump to conclusions, give the facts as you receive the information. This provides the media with trustworthy information, and instills confidence in both the Association members and the public at large.
- **Give the news as soon as you can:** disseminate updated information, however, distribute information that is accurate.
- **Mitigate any rumors that arise:** one of the major communication roles is to provide accurate information through various communication channels. This helps to stop any rumors before they even start.
- **Provide a consistent message:** Consistency is important as it ensures continuity of accurate information passage to members and stakeholders.
- **Communicate a positive attitude:** In the face of a crisis, it is cardinal to communicate a positive attitude, *"We will survive this"*. The Association should keep assisting its members and the business community in accessing financing, insurance benefits and other support to resume and continue operations amidst a crisis.

In reality, bad things sometimes happen to good organizations hence a crisis communications plan should be part of an Association's overall strategy. The plan should establish a framework and structure for information flow during a time of crisis and should be reviewed at least annually. In addition, the person in charge of communication within the Association should be given responsibility for the management of the plan.

CHAPTER 8

FINANCIAL REPORTING AND ACCOUNTABILITY



FINANCIAL REPORTING AND ACCOUNTABILITY



The single most cause of CEOs losing their jobs, or Associations and other organizations failing to survive is due to financial mismanagement. Therefore, it is imperative that organizations accurately record and report their financial positions to both the board of directors and membership at intervals established within the bylaws. Typically, this means monthly reports to the board of directors and at least annual reporting to the membership as a whole. Financial processes consist of budgeting, financial reporting and, sometimes sustainability planning. Salient to financial reporting is the type of accounting system used to track income and expenses. Most countries have laws that govern the type of system to be used, but as a general rule, accounting principles are segmented into two processes. **The accrual basis accounting** is revenue that has not yet been received or expenses that have not yet been paid out. While **the cash basis accounting**, income and expenses are recorded during the period when they are actually received or paid.

Most Business Associations prefer cash accounting as it provides an easy snapshot of the organizations real-time revenue and expenses. Regardless of the accounting method chosen, budgeting is the first and most important process in accurately tracking finances. While each organization should determine the nature and design of its financial reports, their accuracy begins with sound budgeting. From a financial standpoint, organizational sustainability flows from the establishment of a sound budget that includes a long term financial strategy. There are two primary types of budgets:

Organizational Budget

An organizational budget includes a projection of an organization's revenue and expenses during a fixed period of time. A number of organizations, especially those receiving donor assistance, draft multi-year budgets.

Programmatic Budget

Programmatic budgets are imbedded in the organizational budget but split out for use by program managers. A program budget focuses on a specific activity. Below is an example of a programmatic budget:

SUSTAINABILITY REPORTING

This is a form non-financial reporting that enables companies to convey their progress towards goals on a variety of sustainability parameters including Environmental, Social and Governance (ESG) matrix as well as risks and impact they may face at the moment or in their future.

Therefore, it is imperative for Business Associations to include Sustainability Reports as a means of communicating both positive and negative impact on the environment, social and economy according to set priorities. This also aids in attracting potential investors who support environmentally friendly programmes.

Programme	Income	Expense
<u>Trade Development Centre</u>		
Exhibition income	K10, 800.00	
Workshop income	K19, 000.00	
Corporate Sponsorships	K19, 000.00	
Total income	K47, 800.00	
<u>Personnel Expenses</u>		
Salaries, wages		K15, 000.00
Personnel Expense Total		K15, 000.00
<u>Program Expenses</u>		
Advertising		K400.00
Direct marketing		K215.00
Internet marketing		K800.00
Press relations		K150.00
Public relations		K100.00
Communications and Training		K2, 000.00
Promotions and Incentives		K3, 500.00
Events		K2, 000.00
Program Expense Total		K9, 165.00
<u>Other Expenses</u>		
Postage		K300.00
Telephone		K1, 000.00
Travel		K2, 500.00
Computers and office equipment		K3, 000.00
Total other Expenses		K6, 800.00
	K48, 800.00	K30, 965.00

Total Profit and Loss K17, 835.00

The budget shows that the Trade Development Center is projected to earn a profit of K17,835 for the year. This amount would be reflected in the overall organizational budget as either “**programme**” or “**departmental**” income and expenses. MSME Associations can use such kind of programmatic budgeting to show projected income and expenditure for all programmes that they plan to undertake in the planned year. It is a simple and yet effective way to plan and also directly link the Association’s programmes to costs. It also makes accountability, monitoring and auditing easy to perform.

Financial Reports:

Budgeting is the foundation on which a sound financial management is built, however, a Business Association’s ability to report on its finances is equally important. It is recommended to submit financial reports to the board of directors on a monthly basis and to the membership on an annual basis. Financial reports to the board generally include the following:

Financial Statement: A financial statement compares actual expenses against planned expenditures. It includes four columns:

- The **current month** lists in functional income and expense areas, the actual revenues and expenses for the reporting period.
- The **year-to-date** column outlines revenue and expenses for the year up to and including the current month.
- The **budget** column lists the budgeted amounts for each income and expense category for the year.
- The **difference** column outlines how much revenues and expenses are over or below budget for the year. It provides board members with a quick and easy way to determine how well the organization is doing relative to its budget.

General Ledger: A general ledger lists monthly expenditures by date, budget code, amount and vendor. This provides a way for an Associations finance staff to determine how much money is being spent, what it is being spent on and who (which companies and/or individuals) are receiving it.

Cash Flow Analysis: A cash flow analysis tracks how much money an organization has on hand at a given time, usually at the month end. This statement is important as it provides a way to track the amount of cash on hand over a period of months.

Asset and Liabilities Statement: This statement lists the Association’s assets and liabilities (such as property, accounts receivable, depreciation, and accounts payable). It is important for the board to understand what fixed and non-fixed assets the Association owns, as well as its short-term and long-term liabilities.

Business Associations may receive short or medium-term financial assistance from Cooperating Partners. This financial assistance may come with rules and regulations that may need to be included in the organization's policy and procedures manual. Unfortunately, it can also lead to a false sense of economic security where the Association's financial strength is directly proportional to the amount of Cooperating Partner funding received. When this funding runs out, so does the Association's ability to function. For this reason, associations need to develop sustainability strategies to ensure long-term financial health.

Financial processes, such as budgeting and reporting are integral to both an Association's credibility and sustainability. Transparency in financial processes, as well as diligence in tracking financial transactions is critical to any organization's overall success.

CHAPTER 9:
**SOLVING THE ECOSYSTEM
PUZZLE FOR
BUSINESS ASSOCIATIONS**



ECOSYSTEM FOR BUSINESS ASSOCIATIONS



A business ecosystem is the network of organizations, including suppliers, distributors, customers, competitors, Government agencies; involved in the delivery of products and services through both competition and cooperation. It is important to understand that the saying “no man is an island” is true even for organizations, especially Business Associations. Business or Economic ecosystems could be the answer to a sustainable conducive business environment. This is because, through a business ecosystem, entrepreneurs and Associations provide checks and balances on their practices and ethics. In addition to this, they support each other where necessary through information sharing, business competence and collaborations to address rising social and environmental challenges. In addition to this, there is learning through skills, knowledge and expertise sharing. Each organization affects and is affected by others in the ecosystem.

It is important for Associations to understand that, in the business ecosystem, business ethics play a critical role as they help to build trust, reliability and credibility among other ecosystem players. This is more pronounced in MSME Associations due to the need to gain stakeholder and public trust as the MSME sector is dynamic with fragmented players whose trust and credibility may not be immediately known or appreciated until proven.



In order to be a positive contributor to the business ecosystem, MSME Associations should:

- 1. Change the Way They Think.** This means that Business Associations must be willing to embrace new ideas, think about different ways of accomplishing goals, and define a vision for the future. When business leaders change the way they think, their actions will also change and this will enable the Association to progress up the sustainability pyramid as it embraces opportunities for growth.
- 2. Embrace a Development Methodology:** No two Business Associations are exactly alike, yet there are commonalities in the methodology used to develop organizational capacity by other Associations in the ecosystem, however, within this methodology,

individual Associations should develop customized strategic plans that focus on foundational, informational, developmental and financial resources for growth and sustainability.

- 3. Embrace International Best Practices:** Business Associations cannot thrive in isolation. They should benchmark their governance, programs/services, membership processes, public policy advocacy initiatives and other developmental areas against international best practices used by the world's most successful organizations in the ecosystem.
- 4. Embrace a Culture of Membership Development:** Whether in an ecosystem or not, MSME Associations should recognize and appreciate that members are the reason they exist and hence membership development is core to their success.
- 5. Embrace Teamwork:** Even in an ecosystem with so many different players, Associations that base their relationships and work on teamwork, building strong, motivated and experienced teams enjoy success in even the most difficult situations.
- 6. Make learning a priority:** Association development is a learning process. Staff, volunteers and leaders must learn and re-learn every day within the ecosystem in order to remain proactive and up-to-date with current trends.
- 7. Focus on Sustainability:** The ecosystem provides a good opportunity for sustainability due to its many benefits that enable Associations to make sustainability their number one priority in order to maximize their contribution to the private sector.

When an Association is part of an ecosystem, it is important not to be swallowed up in other ecosystem players' agendas. Therefore, it is imperative to develop and stick to your own development of demand-driven programs and services as part of your association's responsibility to members. Members expect their Business Associations to provide quality programs and services. Those that do, build both organizational capacity and member loyalty, which eventually leads to empowered members.

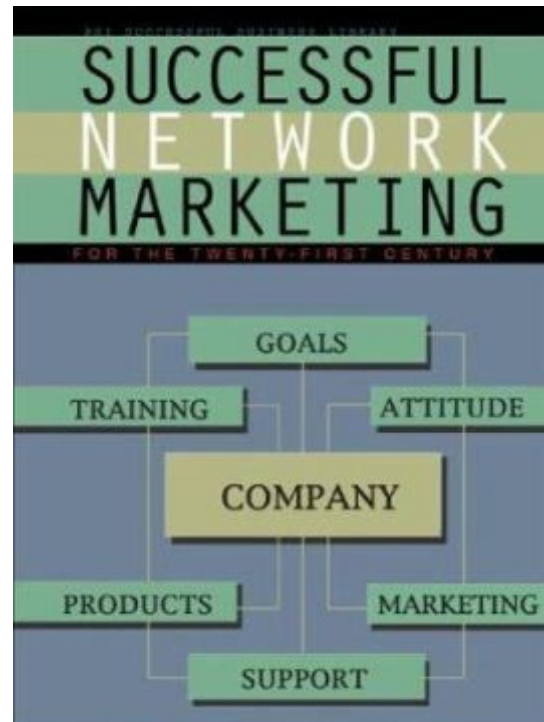
Ensure that your programmes are consistent with the Association's Vision and Mission. An organization's purpose should always be considered when evaluating existing or creating new programmes. Programmes that are not aligned to the mission can erode an Association's credibility over time, thereby diminishing instead of building its brand image.

Programmes need to be demand-driven because members and other stakeholders in the ecosystem support activities that meet their particular needs. Programs that are not demand-driven may be successful for a time, but are not sustainable in the long-term as they tend to be forced on members and stakeholders in the ecosystem and public usually through heavily funded advertising.

It is important to conduct activities that maximize the Association's resources. Staff and financial resources should be considered when evaluating or creating programs. In some cases, Business Associations fail to fully comprehend the cost of programs in terms of time, material and finances, thereby creating programs that are ultimately non-sustainable or continuing with existing programs that drain the organization's resources.

Programmes of your Association should not duplicate efforts of the other Associations or players in the Ecosystem but rather play a complementary role.

The most crucial component is that the programme should be aligned to the Association's Vision and Mission in the Strategic Plan.



Visibility should not be confused with effectiveness, while there are a lot of Associations that are visible, they may not necessarily be effective. True visibility, which leads to credibility and ultimately to sustainability, is built on a foundation of good governance and progressive programmes and services that promote member involvement. Visible organizations are ones that tell their story effectively, utilizing both media and word-of-mouth to create awareness. Stand-out from the rest of the ecosystem players.

Credibility takes years to build with members, the community and the government in the ecosystem as this is mainly achieved through sustained and consistent focus on governance, services and communications. A sustainable credible Association in the ecosystem is one that has power, both with its members and with stakeholders in government and the private sector. It is one that remains sustainably relevant to the needs of its members and to the stakeholders in the ecosystem.

BUSINESS PROPOSAL OUTLINE

1. EXECUTIVE SUMMARY

(Brief summary of the whole business, not more than one page. Should be concise)

Briefly explain what your company is, why it will be successful and include:

- mission statement; product and service;
- basic information about the company's leadership team, employees and location;

- financial information and growth plans; and
- if requesting for **business development services provision, state area of need** and/or if requesting for **financial assistance, state the total requested amount** and state if request is for a loan or grant.

2. **PROJECT CONCEPT AND DESCRIPTION**

- Description of the project, main project/business concept and its objectives (New, expansion, diversification, etc). This section will address what you want to do, where and how? Including also things such as Mission statement (if necessary, Business strategy, proposed operations etc; and
- Provide detailed information about the company and business-related problems that the company will solve. Be specific and list out the consumers and organizations your company plans to serve. Explain the competitive advantages that will make the business a success. Show the company strengths.

3. **COMPANY DESCRIPTION / DETAILS OF THE PROJECT FIRM**

- Details of Promoters or owners or Shareholders;
- Nationality, qualifications and experience of Promoters;
- Company's name and address (existing or proposed);
- Copy of Certificate of Registration /Incorporation and Share Certification;
- Authorised and/or paid up Capital;
- Names, Nationalities and participation in the Company of the Shareholders;
- A brief description of the Company's associated companies (if any); and
- Previous business and the sector (s) involved if any.

4. **MARKET ANALYSIS**

- Industry outlook and target market;
- What gap is the company going to address; and
- Marketing strategy, Market research, Marketing Plan etc.

5. **ORGANIZATION AND MANAGEMENT**

- legal structure of the business;
- company structure and organizational chart;
- the organization staff/team and their expertise;
- Availability of required skills in the area;
- Permanent employment to be created by the project; and
- Special Training Planned (if any).

6. **SERVICE OR PRODUCT LINE**

- Describe the company's products/services and explain how it benefits the clients; and
- Share your plans for intellectual property, copyright or patents.

7. **MARKETING AND SALES**

The section will elaborate the advertising aspects for the project:

- Definition of the basic customers or proposed customers ;
- Describe how you'll attract and retain customers (include competitors if any and comparative your advantage etc); and
- Describe marketing and sales strategies

8. **FINANCING REQUEST / PROJECT COSTS**

This section will address the financial costs required to complete the project:

- outline funding requirements (financing gap);
- clearly explain how much funding the company will need and what it will be used for, specifying if you need funds to buy equipment or materials, pay salaries or cover specific bills until revenue increases;
- Breakdown of all investment items and for the major items cost;
- Breakdown of initial start up and working capital; and
- Proposed means of financing of the above costs source of financing and promoter's contribution etc.

9. **FINANCIAL PROJECTIONS**

- Supplement your funding request with financial projections;
- include a description of strategic financial plans for business sustainability;
- If the business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years; and
- Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain the company's projections and match them to the funding request.

10. **CONCLUSION**

This is the wrap up and will briefly detail:

- Outlook of the potential development and /or growth of the project; and
- Envisaged economic development and impact on the community, area, district, province, region and/or nation.

MSME Associations can use the above-illustrated outline for business proposals on projects that they intend on carrying out or could use it to capacity build their members on proposal writing skills.



NOTES

This image shows a full page of a worksheet designed for handwriting practice. It consists of approximately 20 horizontal rows. Each row is defined by two parallel dotted lines, creating a series of uniform gaps for writing. The entire page is otherwise blank, with no margins, text, or other markings.

This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small gaps between them. There are no margins, text, or other markings on the page.

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