



PROFESSIONAL BODIES

AN APPROACH TO RESOURCE ALLOCATION

Professional Bodies, Learned Societies and other representative organisations often have a problem when it comes to allocating resources since the competing activities cannot easily be compared on a like-for-like basis.

The problem is the three-way tug-o'-war for resources (people/time, money and space) between

- activities directly concerned with advancing the entity's causes
- overhead activities to do with managing the entity itself
- activities directed primarily at generating revenue.

The main arguments, which will sound familiar to Chief Executives, run as follows:

- My department throws up surpluses to pay for the overheads and the good works, and therefore it needs to receive priority attention for funds
- My department is an essential central service department (eg finance, personnel, admin, marketing) without which the organisation would collapse
- My department delivers the mission, so I should get first call.....

Very often, once the "essential" overheads have been covered and the more "commercial" departments have been given their money, there is precious little left over for "good works", and the (essential) spending on these then needs to be found out of either donations or asset sales (property).

One solution is to recast the accounts in a manner which

- puts clear water between the three competing areas
- establishes that each aspect of good works needs to be funded before they commence
 - either from identified donations or other external funding
 - or from internally generated surpluses, clear of overheads.

Integral to this are three key concepts:

- the adoption of a logical and realistic basis for allocating costs across different activities
- the notion of cross-charging
- the segregation of costs into direct and indirect, and fixed and variable categories
- the separate analysis of the profitability of each business stream (i.e. on a segmented basis)

If such an approach is adopted as part of the planning process, it forces scrutiny on every aspect of cost, something which is difficult to wrestle with in very diverse organisations such as Professional Bodies.

Such an approach goes a long way towards bringing resources under control and responding effectively to the economic pressures, because it forces the focus onto how resources are used and areas of potential cost saving.

Oriel can help to develop such an approach in an organisation. Being independent is an advantage when introducing a new way of seeing into an organisation. Assisting in the development of an Activity-Based Costing System and conducting a Segmented Profitability Analysis could be a salutary input to the planning process.

Oriel helps Professional Bodies to create the circumstances where they can deliver results, even in these turbulent times.

We work with Management Teams to develop revenue streams, create strategies to achieve the objectives and move the organisation forward.

For further information or an exploratory discussion,

call Oriel on 01252 727625

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