

KSAM Briefing Note

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SELECTING AN ASSOCIATION MANAGEMENT COMPANY

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An association management company (AMC) provides a specialist service to associations by undertaking the functions that are normally done by paid staff or, in the case of some smaller associations, volunteers. There are only a few AMCs in the UK. In the USA there are a large number, some of which are huge organisations.

This note gives guidance to associations on why they should consider using an AMC, the circumstances in which an AMC is most appropriate and advice on how to go about selecting an AMC.

Why use an AMC?

Small associations need to be run efficiently. In the past this often meant a very small secretariat, based in an equally small office, working mainly with paper-based systems. Today, running a small association must mean making maximum use of new technology with information being disseminated to members and others via a website and most communications being by e-mail. Members also expect a high quality service in respect of all activities. Poorly organised meetings and poor quality publications are no longer acceptable. It is increasingly difficult for small associations to provide effectively the sort of service that is required, particularly where the chief executive is not comfortable with modern technology. Also, administrative costs can be high where an association has premises and equipment, even if they are used for only a modest amount of time.

An AMC helps associations overcome these difficulties. By providing the same service to a number of different associations, an AMC can offer the benefits of economies of scale and also wider expertise than an individual association could command. For example, an AMC running ten associations can afford to have specialists in production of newsletters, website management and event organising, whereas an association with just one member of staff cannot expect to have all of this expertise.

Using an AMC also has one of the advantages of outsourcing generally. If an association finds that an AMC is not performing according to the terms of the contract then the contract can be terminated. Even if the AMC is delivering but the association decides that it wants a different approach then there will be provision for the association to give notice if it wishes to terminate the arrangements. By contrast, where an association employs someone as a director or secretary then that contract is governed by employment law and if the appointment turns out to be unsatisfactory it can be difficult and expensive to undo it.

Finally, using an AMC can offer an association stability in respect of its management and also contact details such as an address, telephone number and e-mail address. Many very small associations are run by individuals and this means that when the management changes all of the contact details also need to change. More importantly, using an AMC provides continuity and effective risk management, ensuring that that an association is not wholly dependent on one person.

It is important to be realistic about the costs associated with using the services of an AMC. Fees for administrative work start at around £200 a day and executive work is costed at over £400 a day. The basic fee for providing a full service to a small association is likely to be in excess of £5,000 a year. However, it should be borne in mind that this includes staff costs (including tax / NI, and all associated 'on-costs'), premises and utility costs and many of the other 'hidden' costs of employing staff and running an office.

Whether the benefits outweigh the costs is a matter of judgement. Also, like any other outsourcing decision, it is one that must be taken on the basis of a careful study of all of the relevant factors. This selection process for an AMC must be thorough and the relationship must be energetically managed if the association is to get the full benefit.

In what circumstances should the use of an AMC be considered?

An association that is running very effectively with no immediate problems on the horizon may not even consider using an AMC, although it never does any harm to test alternative management arrangements. However, particular aspects of association work, such as accounts management, maintaining a membership database, event management and website management do need to be regularly reviewed and an AMC can sensibly be asked to quote for providing the service. There are a number of particular circumstances in which an AMC should always be considered.

It might seem paradoxical that, when the general view is that there are too many trade associations, there is a continual need for new associations. The industrial landscape is continually changing, as is the regulatory landscape, and it is appropriate that new associations should be established while others are merging or going out of business. There are throughout the country many tentative discussions every year about the possibility of establishing new associations. Often the need is clearly there but those who understand this have little idea as to how to go about the process, and even where this is understood they then struggle with how the association is to be managed. This is an obvious area where an AMC can help. Some AMCs may be able to assist in creating the association, although here the intellectual input is rather more important than the mechanical input. Certainly an AMC can help in the formalities of establishing an association and then in providing an ongoing management service. This is generally preferable to the association being seen to be run by one of the member companies.

The second circumstance in which an AMC should be considered is when the director of a small association is retiring. It is at this time that the association realises that it will be difficult to replace the director with someone equally effective for the same sort of cost. At the very least, at such a time, there should be a preliminary consideration of whether the AMC option should be considered.

A third circumstance in which an AMC should be considered is when there is a major change in the nature of the business of the trade association. This could be, for example, the need to vacate an existing office, when new activities are taken on, such as organising training or an annual exhibition, or when the association is seeking to expand its membership.

Finally, many associations are not efficiently run and this can be tolerated for only a limited amount of time. The inefficiency may stem from the person running the association or it could stem from the market position that is simply not viable. Again, in these circumstances, it is appropriate to consider the AMC option.

The services an AMC can provide

AMCs can provide a range of services from full management of a large association down to the provision of virtual office facilities. Many of the services can be provided by other companies, for example public affairs companies, lawyers, accountants and business centres. What is special about AMCs is that they offer all, or almost all, of the services, and can provide them generally in an integrated way in any combination that the client wants. They also understand the special characteristics of associations and where they provide a combination of services can offer a single point of contact. Set out below is a very broad list of services which an AMC can provide, indicating also some other services providers in the respective area.

Service	Other providers
Phone/address	Virtual office
Website	Specialist companies
Meeting rooms	Hotels/business centres
Events	Events organisers
Newsletters etc	Publishers
Financial administration	Accountants
Company secretariat	Solicitors
Committee support	Company secretary services
Association administration	
Representation and press work	Public affairs companies
Change management	Consultants
Training	Training companies
Strategy	Consultants
Leadership	Individuals
Database management	Specialist companies
Elections	Auditors

Selecting an AMC

There are nine stages that should be gone through in selecting an AMC, and the exercise must be carried out thoroughly if it is to be effective.

1. Establish the need for an AMC

Sometimes this task is not undertaken properly or at all with the result that the subsequent process is unsatisfactory. Before an association can contemplate using an AMC it needs to be clear as to its current position and its prospects for the future, taking into account the wishes of the members. If necessary, it should engage some outside help in doing this. At a later stage (point 5) the association will, in any event, need to assemble information to give to prospective AMCs, and it makes sense for this to be done at the outset so that the association is clear why it is seeking to employ an AMC and what it expects to get from the relationship.

2. Decide the services required

The association needs to decide which services it requires from an AMC using the list in the previous section. Some of this will be fairly straightforward but there may be some areas where the association is not certain. There is no reason why an association needs to be definite about everything at this stage. It does need to be certain as to whether it wishes an AMC to provide basic administrative services and contact details, but some services, such as training, can be regarded as optional, which the AMC can provide if it can meet the required standard but which otherwise the association might organise in other ways.

The key point at this stage is for the association to decide what role any executives and volunteers will play in the management of the association. One option is to employ a director who can concentrate on, for example, representative work and member relations, leaving the AMC to handle everything else. In this case the director would need to be in the driving seat and the relationship with the AMC would be with the director rather than with the board. Where an association intends to employ no staff then it needs to decide who is to provide the intellectual leadership of the association and who is to be responsible for matters such as strategy and policy development. Not all AMCs are capable of providing these services from their own resources, but equally not all small trade associations can be certain that they will be able to provide them as well. An association needs to establish who is to be the chairman and what the responsibilities of the chairman will be for at least the first few years of the relationship with an AMC. This is not an issue that can be fudged.

3. Agree a process

The association must agree a process for appointing an AMC and must stick to that process. A sub-committee should be appointed with power to make a decision and a firm timetable established that should be adhered to. This should all be properly documented.

4. Select potential companies

A shortlist of AMCs can be drawn up through a web search. Depending on the services required, it might be that a local firm of solicitors or accountants or a local business centre might also be invited to submit proposals. The association should usefully check the websites of these companies to make sure that they can provide the services required. If the website is not up to standard, for example if it is hopelessly out of date, then that would be a good reason for discarding the company from the short list. If an AMC cannot run an up-to-date, good quality website for itself, it will be unable to do so for any association it is managing.

5. Prepare a brief

This stage should draw on the work undertaken in stage 1. A brief needs to be prepared setting out as precisely as possible the services that the association is seeking from an AMC, distinguishing between those that will certainly be required and those that may be required depending on the proposal. The brief must be accompanied by comprehensive information about the association that will enable the AMC to fully understand the association and its requirements. Where a full service is being sought among the basic information that must be provided is –

- The constitution.
- The last two or three annual reports and accounts.
- Any literature produced by the association.
- Details of the membership of the association.
- Details of any office premises occupied by the association and assets that it owns.
- Details of any employment contracts.
- Details of meetings held during the year which the AMC will be expected to organise.

The brief should include a note on the current health of the association, its market position, its planned strategy and any major issues which it will need to address in the coming years. This note should be the outcome of the first stage of the process.

6. Invite proposals

The brief and accompanying documentation should be sent to the long short list of companies who should be invited to submit their proposals within a specified period (at least two weeks and no longer than four weeks). The brief should ask that the proposals include the following information –

- Details of the ownership and management of the company.
- Relevant experience, in particular in respect of the type of association and the activities for

which services are required.

- Any potential conflicts with other clients.
- References.
- Examples of work, for example literature produced for other associations and websites.
- The basis of charging, in particular how expenses are to be accounted for and whether fees are fixed or at an hourly rate.
- Details of the staff who will be handling the account.
- Arrangements for reviewing the contract.
- Additional services that could be provided by the AMC if required.
- Service levels, for example in respect of responding to correspondence, telephone calls and emails.

7. Prepare a short list

Based on the proposals received a short short list should be drawn up. Ideally this would have three or four companies but given the small number of companies in the sector quite possibly the short list will comprise just two companies.

8. Evaluate the short list

The selected companies should then be asked to make a presentation to the selection committee. The selection committee should also visit the premises of the AMCs. It may well make sense to combine the presentation with the visit.

9. Agree the contract

Immediately following the final presentation an immediate decision should be taken and a contract signed. AMCs should not be kept waiting once the presentations have been made. It is in this matter, as in others, courteous to inform the unsuccessful companies why they have not been selected.

Once the appointment has been made regular review meetings should be scheduled at which the entire relationship is considered.