Partnering with an Association Management Company

2015

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Abstract

The decision to hire an association management company (AMC) is best approached with an understanding of the industry and a bit of patience. The AMC Institute, an association industry body tasked with accreditation and collaboration among AMCs, counts numerous AMCs in their membership serving more than 1,776 associations ("Industry Facts," n.d.). This represents a robust and varied pool of options available to organizations seeking to hire an AMC to help with their management services. While this abundance of options encourages healthy competition, resulting in an assortment of high-quality choices, it also lends itself to confusion when seeking a single source of assistance. This paper outlines important considerations before engaging with an AMC, including a look at benefits; common services offered; alternative options; and how to move forward through the RFP process.

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Introduction

An AMC is a “professional service company that specializes in providing management services for associations on a fee-for-service basis. AMCs provide the professional staff, administrative support, office space, technology, and equipment an association needs to operate efficiently.” (“Hiring an Association Management,” 2011). This definition of an AMC lends itself to an industry serving a broad spectrum of markets and, therefore, to a wide variety of associations. It also assists with understanding the large number of AMCs registered with the AMC Institute, an association industry standard body tasked with accreditation and collaboration among AMCs. Having a wide variety of options provides competition and specialization, but also creates a daunting task for companies considering engagement. Knowledge of the industry, coupled with knowledge of your needs, are key factors in successfully weeding through the possibilities and selecting the ideal partner.

An educated decision involves consideration of alternative support structures as well; a staff model is one such arrangement when exploring AMC substitutions. The AMC Institute and American Society of Association Executives (ASAE) conducted separate studies comparing associations managed by AMCs to standalone organizations, the results of which favored AMC-managed organizations and will be reviewed.

Finally, once a decision has been made to pursue an AMC, there are best-practices to consider for working through engagement. This paper outlines the process of selecting appropriate AMCs to consider, drafting an informative Request for Proposal (RFP), comparing recommendations, and the transition toward involvement with an AMC.

Benefits of AMC Partnership

When considering partnership with an AMC, it is essential to have a solid understanding of its benefits, services for which you’d like to contract, and an estimated budget. To begin with, there are myriad advantages of choosing to collaborate with an

AMC, many of which are outlined in the AMC Institute's "Top Ten Reasons to Hire an AMC":

10. AMCs serve as headquarters—staff, files, and history all live in one place.
9. Free your Board to focus on strategic direction, rather than tactical issues.
8. Remain in-the-know with a strong base of institutional knowledge.
7. Stop losing sleep over liability issues.
6. Tap experts and skilled specialists in a variety of functional areas.
5. Access the latest technological advances, without all the associated costs.
4. Retained skilled staff members that align with your organization's needs.
3. Stay on top of the latest trends in the association industry.
2. Enjoy enhanced leverage with outside vendors and increased buying power.
1. Say goodbye to HR headaches for good. ("AMC Advantage," n.d.).

Complementary expertise, lack of human resource obstacles, and resource sharing are among the most common benefits. Having access to complementary knowledge and expertise can be an important asset at all stages of an organization's lifecycle. During initial formation, an AMC can offer insight and guidance to the governing body, based on first-hand experience and proven best-known methods. Additionally, an AMC can assist with policy and procedure creation, vendor recommendations, and tactical execution of infrastructure creation in an efficient and cost-effective manner. As the association advances toward wide infiltration or market adoption, a seasoned AMC can counsel an organization on membership recruitment and retention plans in addition to media relations and event support. And, finally, as the organization matures and sunsets, their AMC support team can assist with maintenance solutions and dissolution procedures.

Expertise also comes into play when considering one AMC versus another, or from one management model to another, as the focus of the organization needs to align with resources available through the management firm and vice versa. An incorporated organization, regardless of its stage in the lifecycle, will need assistance with industry-specific knowledge. Meaning, it's important for your organization to partner with an AMC who understands your focus. For example, a medical association targeting advancement of standardized surgical tools would look to an AMC known for its support of medical or health initiatives versus, say, agricultural associations. The ASAE identified trends for engagement with an AMC and report that this partnership is most often due to a need to cut costs, promote efficiency, share resources, and access expertise ("Finding and Selecting"). Having access to a company with an in-depth understanding of your organization's needs, processes, market, rate of growth, and important contacts is a key benefit.

A reduction in time and money spent on human resources is another advantage of hiring an AMC. The greatest impact comes with the consideration of resource oversight to a single focal point—the AMC, which handles benefits, payroll, liability, and performance management for support staff in your stead. There is an element of vendor management for the governing body to address; however, with the breadth of resources provided by an AMC, it's a simplified approach when compared with hiring individuals. AMCs can also help with HR management through Professional Employer Organization and Employment Leasing Programs. These add-on services provide a best-of-both-worlds approach by allowing an association to maintain a staffing model, if preferred, while reducing their time spent managing human resources.

Resource sharing is a multi-faceted benefit with AMC involvement. On one hand, the infrastructure cost of an organization—office building, phone, computers, copier, fax machine, etc.—is nearly zeroed out. The burden of these expenses lie with the AMC and are usually factored into their administrative costs, eliminating unexpected cash flow fluctuations and ongoing maintenance. Additionally, the pooling together of many associations supported by one AMC provides greater purchasing power resulting in more competitive rates, and subsequent savings, for all.

AMC Service Offerings

The breadth of services provided by an AMC is another value-add, although the amount of services offered by an AMC can vary greatly depending on its area of expertise. The below are basic services that are commonly offered by AMCs:

Operations

- Day-to-day operations
- Headquarters infrastructure
- Best known methods and consultation
- Leadership governance
- Program administration
- Workgroup/Task Force coordination

Membership Management

- Application and payment processing
- Renewal process management and execution
- Member communication
- Mailing list management
- Membership recruitment coordination

Financial Administration

- AR/AP
- Bank account reconciliation
- Financial reporting
- Internal controls
- Budgeting and forecast creation
- Policy and procedure creation and compliance
- Audit and tax support

Event Management

- Venue search and selection
- Contract negotiation
- Registration management
- Vendor research and management
- Pre-coordination logistics
- On-site management and event support
- Audio/visual and food & beverage coordination

Many AMCs complement their basic services with additional support to offer a holistic solution to the association. These offerings serve a dual purpose—some offer an opportunity to differentiate and provide a competitive advantage, while others are critical needs within a specific market or markets being targeted. According to ASAE, many successful AMCs believe that specializing in a specific industry is advantageous. It's easier to network, make contacts, and get referrals if you're known as a specialist with deep experience in a particular field. This focus results in specialized services. Examples of services providing a competitive advantage include communication solutions, education or certification programs, human resources and staffing solutions, graphic design services, legal support and web-based collaboration tools, while specialized offerings may include engineering services, fundraising or campaign owners, licensing management, political advocates, or regulatory experts. Knowledge of basic offerings and an understanding of market-specialized services can greatly aid in identifying your organization's needs while providing insight into viable AMC solutions.

Management Models: AMC-managed or Standalone?

As organizations research AMC options and identify services to outsource, it's reasonable to question the budget impacts of such a decision, which may end up being one of the most important considerations when deciding how to proceed. Many questions stem from a budget-focused point of view, chief among them whether there are any lower cost alternatives. Additionally, individual directors' fiduciary responsibility requires that an educated decision be made where organization resources are involved, which necessitates a consideration of alternatives. One path many investigate is whether to hire staff. The assumption behind this choice is that it's cheaper to pay for one individual than to pay a professional company with experts and overhead costs. That assumption often doesn't take into account the totality of expenses associated with an individual over and above salary. Hiring an AMC is frequently a considerable cost savings when calculated holistically. Additionally, many organizations benefit from the breadth of services found in an AMC when compared to the expertise of one individual.

In reality, there are a lot of financial benefits of choosing an AMC over an individual, including reduced or no-cost opportunity expense for leading/managing office staff, infrastructure savings, purchasing power, limited liabilities, and scalability options. The actual expense associated with bringing on full time employees are often forgotten and easily surpass an employee's total salary. These costs include:

- Statutory costs (e.g. social security, Medicare, state and federal unemployment, and worker's compensation insurance)
- Employee benefits (e.g. medical, dental, vision, life, etc.)
- Training costs
- Paid time off benefits, holidays

- Hiring costs
- Costs to cover the work of a hired employee when they are out or away from the office
- Bad hire costs
- Separation costs (e.g. severance, COBRA benefits)

An AMC assumes all of the expenses associated with hiring, training, and maintaining of office staff in addition to infrastructure costs. Rent, security, equipment, software, office supplies, and insurance are just a few of the infrastructure expenses tied into hiring staff all of which are covered by an AMC with minimal, if any, pass-through to the association.

Strategic vendor relationships are a benefit that is often overlooked when comparing an AMC to staff; however, they can yield some great cost savings. Some AMCs are able to wield considerable purchasing power through pooling of resources thereby improving their ability to obtain goods and services while boosting negotiating power. Simply put, the greater the volume, the greater the savings ("Enhance," n.d.). Additionally, strategic partnerships often provide for quicker turnarounds and shortened project timelines.

Lastly, limited liability and scalability are protections for an organization and its directors when collaborating with an AMC. Individual directors hold a great deal of liability within associations whether related to fiduciary responsibilities, as previously stated, or employee management, as noted here. The organization will be insulated from managerial, employment, work environment or Workers Compensations claims when choosing the AMC model as that risk lies with the employer. Further, the scalability offered by an AMC allows an organization the flexibility to quickly increase or decrease the quantity or breadth of services based on needs or financial climate. Organizations often address immediate needs with short-term solutions when considering management models, which may suffice for a time. However, the needs of an association grow in tandem with the organization, so the breadth of expertise offered by staff may or may not continue to meet the needs of an evolving entity. Hiring more staff remains an option; however, minimal cost savings enjoyed with the initial hire, if any, will be quickly eliminated with the salary and human resources expenses associated with the second or third. The scalability of services offered by an AMC is beneficial to the organization, maybe even crucial, especially when financial impact is considered.

Industry Case Study

Cost-savings and breadth of expertise are two common considerations when weighing staff versus an AMC, but the engaged solution may also have an impact on performance of the organization as a whole. The AMC Institute and ASAE conducted separate studies comparing associations managed by AMCs to standalone organizations. They found that, for organizations with annual revenue up to $5M, the standalone model paled in comparison to the AMC-managed model based on industry standard metrics. For a fair review, the studies looked at a selection of financial activities impacting both standalone and AMC-managed organizations. It was determined that, upon comparison, the AMC-managed organization produced:

- Higher net profitability
- Greater operating efficiencies
- Lower operating risks, as measured by both the leverage ratio and insurance premiums paid
- A more diverse revenue structure
- More funds available to invest into programs like member meetings and events
- Substantially less paid to staffing resources, occupancy, and capital goods necessary to support an organization’s mission (AMC Institute, 2009)

Determination of the best-fit management model for an association is an impactful decision with pros and cons unique to every organization. Financial considerations, expertise, and desired outcomes all weigh heavily in the decision; however, these areas all swing widely in support of an AMC-managed model. Both solutions yield budget impacts, but a holistic view of resource allocation associated with staff versus an AMC indicate, at worst, a long term savings for the organization and, at best, a short term gain as well.

Hesitations When Hiring an AMC

Hiring an AMC can be a big decision and hesitations are not uncommon. There are a few areas of concern often cited during informational interviews and should be weighed against the organization's needs. First and foremost, an AMC is a business. This realization is impactful on two fronts—first, their employees generally support multiple clients, depending on size, which means the organization may not be the only priority of the support team as they juggle varying demands. This concern can be combatted by ensuring the AMC has sufficient number of employees to cross-train and offer back-up support if necessary. The second element to consider is loss of management over employee(s). This item can be both a benefit and a concern in that time consuming day-to-day performance management is the responsibility of the AMC; however, organization leadership does relinquish some control in this model, although not as much as one would immediately think. Organizations often have more control than they realize when it comes to performance expectations of their account team. It's in the best interest of the AMC to balance their business needs with those of the organization. A solid relationship with the selected AMC's management team will be integral to successfully navigating any performance concerns of their staff.

An additional item to evaluate is the composition of support in terms of their interests. Hiring staff provides organization leadership an opportunity to assemble a team passionate about the mission of the group, which may or may not be the case for staff of an AMC. Some AMCs do communicate proactively with their staff regarding incoming clients and allow them an opportunity to request assignment if interests are similar. This action is mutually beneficial as the AMC is able to increase employee engagement while the organization benefits from the passion of their day-to-day support.

Hiring an AMC | The Process

Once the decision has been made to hire an AMC, the next step is to compile a RFP and distribute to desired vendors. Committing time upfront in drafting a thorough, educational, and pointed RFP will save time for both the organization and AMC when working through the process. In addition, investing in researching and choosing the appropriate companies to approach will yield responses most beneficial to the organization.

A variety of resources exist to help with creation of an RFP, including examples from AMCs themselves. One path forward is to review resources available through desired firms to determine whether they provide tools in development of an ideal RFP, which has the added benefit of ensuring the AMC in which you're interested receives exactly what they need in order to provide an accurate and helpful response. Alternatively, association management standard organizations like ASAE or the AMC Institute offer helpful resources when developing an RFP, including a list of accredited companies for consideration. (*Refer to the* Resources *section of this white paper for specific links.*)

Why is AMC Accreditation Important?

Accreditation is one important consideration when weighing AMCs, because it provides a benchmark for quality of service and standard best practices. The accreditation assures the organization that the AMC they are considering has met the high standards required of the accreditation in terms of client contracts; servicing clients; ongoing evaluation; financial controls, for both the AMC and its clients; insurance requirements; employee recruitment, selection, evaluation, and training; subcontracting requirements; and record keeping requirements. The AMC Institute currently offers accreditation to AMCs who complete a rigorous review conducted by a third-party auditor; the results of which are available for review on their website.

An accurate RFP will require a candid look at your organization, including its strengths and weaknesses. The identification of knowledge gaps and resource constraints within your volunteers and leaders will automatically help narrow down the desired list of services and provide valuable insight to a prospective AMC. This is an important step when creating your RFP, but also when evaluating responses. A partnership with an AMC can be very fruitful for both the association and the AMC, especially if the personalities and collaboration styles of both complement one another. Getting a sense of the company culture at the AMC may be difficult; however, reviewing their website and marketing collateral, speaking with their management and/or sales team, knowledge of the proposed support team, and an in-depth evaluation of their proposal will provide valuable insight. This effort will also help in alleviating some of the hesitations previously outlined.

As noted, an understanding of the expertise needed is an important component when framing your RFP. The desired level of support, necessary experience, and examples of past projects requiring this insight are all helpful pieces to include. Other common elements of an RFP include an introduction to your organization and its mission; an outline of organization structure; specific services for which you need support, including recurrence, volume of data, quantities (e.g. number of members, number of events, number of publications, etc.), and required expertise; criteria that will be used when selecting a vendor; high-level financial status of the organization; and the timeline for selection.

Most of these areas are unique to each association, but criteria for making a selection is fairly standard and a critical piece that should be weighed carefully and agreed upon by all decision makers within the organization. The ASAE has identified the following as elements to consider when evaluating proposals and interviews:

- Company stability
- Flexibility
- Location
- Other Clients
- Resources/Office Facilities
- Equipment
- Specialty Divisions
- Staff Number
- Experience
- Assignment
- Proposal Cost
- Terms
- Services
- References

The next step in moving forward with the RFP process is identifying AMCs to respond to your RFP. Finding AMCs with which your organization and leaders align can be cumbersome and time-consuming, which is why ASAE and the AMC Institute have compiled lists of possible firms. The aforementioned list of AMCs accredited by the

AMC Institute is a good place to start in addition to word-of-mouth referrals from others in your industry. Both options often yield strong candidates for consideration.

The expertise missing within your organization is not only helpful when drafting your RFP, but also in narrowing down the list of AMCs to consider. While AMCs serve a variety of markets, many choose to specialize in a particular field, or to segment their support staff according to market, to become experts at addressing the subtle nuances between one association type and another while tailoring their service offerings. Therefore, when deciding whether to partner with a specific AMC one should consider the market expertise represented by the staff. Not only will this in-depth knowledge aid in the success of your organization and a fruitful partnership with the AMC, but it should also be weighed against current strengths within your organization in an effort to enhance the group.

Transition begins once the selection process is complete and an AMC is hired. One benefit of working with an accredited firm is assurance that they're well-versed in handling transitions and are skilled at high-quality industry best practices related to this change. Accreditation is achieved by adopting and adhering to the American National Standard Institute's (ANSI)-identified best known methods on a variety of subjects, including transition. The standard requires that, at a minimum, transition procedures include a timeline, clearly defined responsibilities, clearly established procedures and fees, shipment processes for distribution/receipt of materials, notification plans, and financial review or audit procedures (ANSI Standard). It is highly recommend that a checklist and timeline comprised of these details, at a minimum, is used during transition regardless of the AMC's accreditation status.

Conclusion

The decision to partner with an AMC should be undertaken after careful research and self-evaluation to ensure that the benefits and final selection empower the organization and aid in its success. An understanding of AMC benefits and services offered is a solid first step in moving forward with partnership and should be coupled with an honest look at knowledge gaps within your organization. This insight will greatly aid leadership through the selection and transition processes as well.

Responsibilities of organization leadership dictate involvement in strategic direction and day-to-day oversight of the association, none of which are easy to bare. Finding the right partner in an AMC can be challenging, but it’s well worth the effort for the operational execution, industry insight, and best known methods available to help leadership drive forward a successful organization.

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Resources

AMC Institute RFP Resource: http://www.amcinstitute.org/?page=RFP_Process

AMC Institute Accredited AMCs:
http://www.amcinstitute.org/search/custom.asp?id=903 (AMC Institute Members) or

http://www.amcinstitute.org/?page=NonMemberAccredited (Accredited Non-AMC Institute Members)