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CEO Forum: Outsourcing to association management companies: Could it help your organization's bottom line?

By John E. Kasper, Ph.D., CAE

As I ponder the current context for associations, especially smaller to medium sized associations, I see an environment that is becoming increasingly more complex and more difficult to navigate. At the same time, associations are experiencing incessant reductions in the requisite financial and human resources needed to move forward in a positive and productive way.

Associations in general seem to be experiencing more difficulties in a number of areas, including maintaining a high caliber workforce because of increased competition for highly competent workers, the increased mobility of today's workforce, and a decreasing pool of truly motivated, experienced, and professional staff.

Outsourcing can yield big savings

The concept of outsourcing is growing in popularity and utility in the association marketplace. When associations consider the cost of salaries, taxes, and fringe benefits of employees who enter the workforce with varying degrees of expertise, they are finding that it is often much more cost effective to retain the services of management firms requiring no association management training to provide a broad range of "headquarters services" and other project work. In this way, the association receives services from highly trained staff without incurring the typical costs of employment or additional training. These costs include federal and state employment taxes, insurance, vacation, unemployment taxes, sick days, and other fringe benefits, which can be as high as 25% of the gross salary.

Important questions to ask

While each association has a different situation for which they need either some help with projects or, in the extreme, a full management solution, there are some

fundamental issues which the association executive should consider when considering the use of an association management firm.

First and foremost, an association looking to develop a solid relationship with a management firm should take a look at the qualifications of the individuals whom the firm is recommending to work with the association. How many years of experience do these individuals have, and in what capacity with associations? Perhaps more importantly, do they have a solid record of achievement with associations in the areas in which you are interested, e.g., financial management, membership development, Board/committee relations, product development and marketing, meeting/trade show development and management?

If they have a solid experiential base, evaluate their affective and interactive skills. In other words, are they people with whom you think you can work? Will their "people" skills match up well with your membership, your leadership, and with other groups that your organization will likely be working in the future?

Determine if these individuals have applicable experience in the industry in which your association exists. Do they have experience with both the issues and the players in your market?

Make sure that the requisite administrative infrastructure exists in the management firm to provide the needed quality services on an ongoing basis. How many staff does the firm have? Are there staff available as back-up in emergency situations?

Personalized and engaged activity essential

A critical component of selecting a management firm would be finding one that seems interested in your business. Have they contacted you with questions about your association? Does their bid look like it responds to your RFP specifically, or does it look like a template that had your association's name inserted into it?

Where is your association in terms of its size compared to other clients that the association management firm may have? Smaller clients might get lost in larger association management firms, and not receive as much attention as they would like for the payment of their management fees. Questioning the board of other

managed smaller associations might offer insight into the level of service your organization would receive.

Ensure that the bid is clear in terms of what services you are getting for the management fees. Do you understand what those services are? What "extra" costs will the association incur under the contract? How will that affect the overall expenditures incurred under the contract?

Determine if the fees are reasonable for the service that the association will be receiving. Are they out of line with what typical associations are experiencing?

Look for longevity

Does the organization have a sense that the management firm will continue for some time, or is it potentially short-lived? While certainly not the penultimate indicator, look first to see if the firm is incorporated. Make sure you are comfortable and confident with the person managing your account, especially if it is a sole proprietorship. Some clients have experienced difficulties with part-time sole proprietorships in the past, because the principals have chosen to do something else during the life of their contract, thus leaving the client without recourse. Incorporation is one factor which seems to serve as at least a preliminary indicator of some sense of "permanence", or at least potential longevity. This is not to say that corporations do not go out of business, but at least the principal(s) have taken an extra step to create an ongoing organization to meet the needs of their clients.

Retaining an association management company may or may not be the solution to some of your organization's challenges. If your organization would benefit from a relationship with an association management company, I hope these questions will help you identify a firm that can truly help you and your association in an efficient and effective manner.

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