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## **Business Case**

**Feasibility study for a association/producer  
organization management entity**

## Section

### 1

## Executive Summary

Till now the Association Management Company (AMC) has been a more or less unknown concept in the Macedonian agricultural and the complete NGO sector. Sporadic appearance of engagement of consulting companies to perform specific tasks for associations has been noted. Despite the large number of NGOs created and supported by projects and the common knowledge that there are no sufficient managerial recourses in the NGOs, the idea for creation of an AMC was never spawned.

The two AgBiz created Trade Associations (TAs) Sumski Plod and MAEA are at a particular situation, where the sustainability has not yet been established at a satisfactory level during the AgBiz Life of Project (LoP). With the AgBiz LoP coming to conclusion in the first half of 2011 the possibilities for support from the project are diminishing, before the TAs have a chance to reach the basic level of sustainability and develop sufficient managerial and organizational structures.

The Sumski Plod and MAEA membership is aware that they need the association in this especially dynamic transition period, both to enhance their competitiveness and establish a dialogue with the competent authorities.

The creation of an AMC is welcomed by the TAs and is viewed as a practical and costs effective solution for providing guidance and support to the associations.

The AMC can provide a base for consultants with different expertise, to be able to offer their services and expertise in an organized manner to a group of organizations and their members.

Several FV&F VC participants have expressed interest in beginning the registration of a cooperative, which would apply for a PO status. The interested participants welcome the idea of an AMC that would provide services for development and management of the cooperatives and would guide them towards reaching the POs status.

The purpose of the study is to determine the feasibility of an AMC in the Macedonian agro sector.

This study seeks to decide the feasibility of establishing an Association Management Company (AMC) in Macedonia for providing services to associations, Producer Organizations, and other forms of organization in the Macedonian agro sector. The following discussion will provide the reader with an understanding of the background of the study, the purpose of this study, reasons why this topic was important and the methods selected for data collection and analysis.

The project came about the thought of a business partnership between experienced ex AgBiz staff which have proven capabilities of organizing association connected activities, development of associations and providing services to association members.

**Problem / Opportunity**

The two AgBiz created Trade Associations (TAs) Sumski Plod and MAEA are at a particular situation, where the sustainability has not yet been established at a satisfactory level during the AgBiz Life of Project (LoP). With the AgBiz LoP coming to conclusion in the first half of 2011 the possibilities for support from the project are diminishing, before the TAs have a chance to reach the basic level of sustainability and develop sufficient managerial and organizational structures.

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**Current Situation**

The associations and producer organization segment in the Macedonian agricultural sector is underdeveloped. Despite the number of donor projects working on associations development the results were always a failure. The presence of donor funds, which were more aimed towards presenting success stories rather than enabling a functionality of the associations,

was one of the main reasons for this situation. The lack of adequate understanding of the need for joining in to associations and the absence of functional legislation that will enable realistic development of producer organization rather than NGO as non-profit organizations can also be mentioned as reasons for the underperformance.

With the adoption of the new law on agriculture and the changes of the law on NGOs an opportunity has been created for sound development of both the Agricultural Producer Organizations (POs) and Trade Associations (TAs).

### **Agricultural Producer Organizations**

In 2010 MAFWE decided to start promoting and supporting the development of Producer Groups and Producer Organizations as CMOs prescribed by the EU CAP. By adopting the new Law on Agriculture, MAFWE and the GoM have committed to implement the requirements of the EU CAP as regulated by EC 1580 and 1182, which contain specific rules regarding the fruit and vegetable (F&V) sector, including product standards for fruit and vegetable products. Beside the provisions on forming and recognizing POs the new law on agriculture also defines the support that will be granted to the registered POs, first from the national POs support measures and after joining EU from the EU support funds. This support is set as a yearly payment to the POs an amount equaling 3,7% of the annual turnover of the respective producer organization. This is an adequate motivation that will most likely initiate accelerated forming of functional producer organizations in Macedonia. The average agricultural producer in Macedonia lacks the capacities and recourses, in a near future to understand the provisions and the opportunities arising from the new law and the forming of the POs. As to this MAFWE is in front of a significant challenge to disseminate the information's and channelize the efforts in forming the POs. The process of developing a functional PO is not an easy task for the average agricultural producers. The producers first need to form cooperatives, which will need to fulfill criteria described in the law on agriculture in order to be eligible to apply for a POs status. After fulfilling the criteria connected to membership, organization and annual turnover the cooperative applying for POs status needs to develop a recognition plan (similar to a cooperative business plan) and submit it to MAFWE. The recognition plan prescribes among other, how the received support will be used. As there are strict rules on items that the received support can be spent on (mostly connected to marketing the products via improving and promoting the quality and safety

of the products) the creation of a sound recognition plan will be a significant challenge for the cooperatives. With this the need for services regarding development of cooperatives and their registration as POs is already created, creating an opportunity for services providers in the segment.

## **Trade Associations**

From a different perspective the changes to the law on NGOs is contributing towards the accelerated development of TAs. With the changes to the law the registered NGOs do not necessarily mean that it will be a NON FOR PROFIT organization as it was the case till now. With the provisions in the law disabling NGOs to show any type of profit or earnings (even to issue an invoice) the old law was the main limiting factor for the development of sustainable NGOs, including TAs.

The AgBiz work in establishing TAs which were in a position to influence GoM decisions in several identified Policy and institutional reform needs created a awareness among the participants in all AgBiz supported value chains, that a TA can be a powerful and a useful tool. At this point many of the VC participants are quite aware of the need for sustaining the functionality of the created TAs. The companies had an opportunity to realize that beside the lobbying and representation of the VC, trough the TA cheaper services, promotion events, B2B meetings can be organized for the members.

In addition despite the recognized need and benefits from a functional TA and the will to maintain the created TAs the members lack the managerial capacities to successfully run a TA, and organize joined activities. This situation is creating an additional opportunity for service providers in the segment to provide services to the TAs in respect of management, coordination, logistics, advocacy and fund rising for the associations.

## **Association Management Companies**

Till now the AMC has been a more or less unknown concept in the Macedonian agricultural and the total NGO sector. Sporadic appearance of engagement of consulting companies to perform specific tasks for associations has been noted. Despite the large number of NGOs created and supported by projects and the existence of knowledge that there are no

sufficient managerial recourses in the NGOs, the idea for creation of an AMC was never spawned.

AMCs serve as a one-stop-shop for trade associations and organizations seeking senior leadership, management services and the resources necessary to solve today's issues and plan for the future. With more than 700 AMCs across the globe, the AMC industry represents more than 4,600 associations and organizations worldwide.

Most Association Management Companies serve as client headquarters, managing day-to-day operations and providing staff members who are experts in various management functions. For organizations that have staff already in place, AMCs provide a range of specialized services from strategic planning and membership development to communications and advocacy.

AMCs take weight off the shoulders of executive directors and volunteer leaders, working to:

- Customize staff activity to meet nonprofit needs
- Maintain continuity of business operations during changes in leadership and staff
- Create cost-effective solutions to personnel, equipment, facilities and other budget considerations
- Ensure an affordable, high degree of professionalism, management expertise and technology through shared resources.

## Section 3

### Project Description

There are a variety of management models for associations and professional societies. For many organizations large and small, association management companies can provide the key to unlock organization's potential.

Association Management Companies as professional service firms provide executive, administrative, and financial management; strategic planning; membership development; public affairs and lobbying; education and professional development; statistical research; meetings management; and marketing and communication services. There are basically three ways to "staff" an association. The first is through volunteers who are unpaid. The members of the association performing certain executive activities are also considered as volunteers. They complete association work as their schedules permit, which means the association advances at the same rate. While they are very much appreciated for their insight and dedication, volunteers often do not have the training or background needed for the tasks required by an association.

The second method of staffing an association is through a permanently hired, and paid staff. Their talents and experience may not necessarily apply to association management activities.

The third and often ideal way to staff an association is by hiring Association Management Company (AMC). These professionals are hired for their skill sets, and experience and are compensated based on their performance. These professionals are driven to excel in their respective fields. They also understand the consequences of poor performance.

Primarily the AMC development project is intended to provide access to relevant and affordable managerial, logistical and organizational services for MAEA and the Sumski Plod Associations. The basic aim of the services would work in direction of improving their sustainability after the AgBiz support runs out. In addition, the initiation of a sustainable AMC beside the supported Trade Association will be an additional "legacy institution" initiated in the AgBiz LoP. The AMC as a "legacy institution" can be a even more important as it is aimed to continuously contribute towards enhancing the sustainability of the AgBiz initiated TAs as well

as to associations and POs not connected with the project. This project is basically aimed to assess the feasibility of establishing an AMC that will provide management and consulting services at association, POs and individual members level. Thus providing affordable assistance to members to lessen their workload in managing and coordinating the associations and improve the functionality and sustainability of the associations.

Broadly speaking, the extent of the management services that an AMC can offer varies from the needs and available recourses in each organization.

The association management company (AMC) will provide a specialist service to associations and POs by taking over management functions that are normally done by paid staff or, in the case of some smaller associations, volunteers.

The AMCs will provide a range of services from total management and representation of the association or PO to specific functions such as accounting, maintaining the membership database or the provision of office facilities. Many of these services can be provided by other entities, for example public affairs companies, lawyers, accountants and business centre's. But 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.

Small organizations 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 organization efficiently means making maximum use of new technology with information being disseminated to members and others via a website and most communications being by e-mail. It is increasingly difficult for small associations to provide to the members effectively the sort of service that is required, particularly where the members and staff are not comfortable with modern technology. In this regard the AMC customers can expect a high quality service in respect of all communications and information dissemination. Also, administrative costs can be unaffordable where an association has premises and equipment even if they are used for only a modest amount of time.

The AMC can help associations and POs to overcome these difficulties, without stretching their budgets to a point at which the organizations cant afford them. By providing the same service to a number of different organizations, the AMC can offer the benefits of economies of scale and also wider expertise than an individual association could command. For example, an AMC running five associations and POs can afford to have

specialists in website management, whereas a single association with just one member of staff cannot expect to have all needed expertise.

Using an AMC will also provide to the customers the advantage 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 can be provision in the contract for the association to give notice if it wishes to terminate or modify the arrangement. By contrast, where an association employs someone as an executive person 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. If the executive person of a certain organization decides to terminate the agreement, the transition to its successor may prove to be a difficult process resulting in loss of information and less productive implementation of the activities. From another perspective using an AMC in which a team of experts are providing different services will result in developing an “institutional knowledge” in the AMC regarding the affairs of the respective association. Which is in essence significantly more resistant to losing track than the knowledge accumulated in a single executive person. This can be presented as one of the key arguments in offering the services of the AMC to associations and producer organizations.

Individuals run many small associations and POs from their homes and this means that when the management changes all of the contact details also need to change. The AMC can also offer to the associations and POs stability in respect of its management and also contact details such as address, telephone number, e-mail address and fax number.

Especially as related to the POs the AMC may be able to offer assistance in creating the cooperatives or guide them towards gaining the recognized POs status. An AMC can also assist in the formalities of establishing an association or PO and then continue to guide the development of the organization by providing an ongoing management services. This can often be an effective approach for the first few years of a new association, after which time it might be appropriate for the association to take management, or at least part of it, in-house.

Many small organizations 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 organization or it

could stem from the market position that is simply not viable. In these circumstances, it will be appropriate to consider the AMC option.

In addition the AMC will provide services and act as a helper for current and future trade associations, producer organizations, cooperatives and NGOs or their members which does not have on board managerial recourses or enough time to accomplish their objectives or cope with their responsibilities.

## Association Management Models

Usually four basic options are available to associations and societies for association management:

- Member volunteers
- Employed staff (i.e. Standalone)
- AMC-managed
- AMC-supported (i.e. Outsourced)

The following table provides a brief overview of the relative strengths and considerations of each option.

Option	Strengths	Considerations
Member volunteers	<ul style="list-style-type: none"> <li>• High commitment to and understanding of the organization's mission</li> <li>• Low direct cost (initially)</li> </ul>	<ul style="list-style-type: none"> <li>• Time conflicts with volunteers</li> <li>• Not experts at running associations</li> <li>• Turnover creates inconsistencies</li> <li>• No neutral parties; open to conflicts of interest</li> </ul>

Employed staff (i.e. Standalone)	<ul style="list-style-type: none"> <li>• Dedicated staff</li> <li>• Specialized knowledge about the association</li> <li>• Continuity</li> </ul>	<ul style="list-style-type: none"> <li>• High overhead (e.g., office space, equipment, etc.)</li> <li>• May be a problem staffing key positions or areas of expertise given competitive compensation costs for fulltime staff</li> <li>• Higher burden and risk associated with being an employer</li> </ul>
AMC-Managed	<ul style="list-style-type: none"> <li>• Experts in association management and operations</li> <li>• Lower overhead</li> <li>• Expertise in multiple disciplines</li> <li>• Eliminates many typical legal risks associated with operations</li> <li>• Continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Possible mismatch between the association's needs and their specific AMC's expertise</li> </ul>
AMC-Supported (i.e. Outsourced)	<ul style="list-style-type: none"> <li>• Understand the non-profit environment</li> <li>• Serve as an extension of staff</li> <li>• Work efficiently and within budget</li> <li>• Frees you to focus on mission critical projects</li> <li>• Depth and breadth of staff experience allows AMCs to plug in quickly to a project</li> </ul>	<ul style="list-style-type: none"> <li>• Make sure scope of work is clearly defined and expectations stated</li> </ul>

## Objectives

- Improve the sustainability of the AgBiz initiated TAs and other agriculture related organizations by offering management services
- Make available the services of an AMC to agriculture related associations and producer organizations
- Institutionalize the knowledge regarding TAs and POs development in Macedonia

- Create a additional “legacy institution” from the USAID AgBiz project

## Research Objectives

The purpose of the study is to determine the feasibility of an AMC in the Macedonian agro sector. Data will be collected through observational research method and through a survey distributed to potential customers in Macedonia.

The research paper analyzed the literature concerning AMCs and feasibility studies, and then based on the guidance of the literature carefully analyzed the different aspects of starting up an AMC business.

The following questions will be answered after the completion of the research:

- 1) What will the AMC offer to its future customers?
- 2) What is the customer profile for the AMC?
- 4) Is there an environment to support the forming of an AMC?
- 5) Will the proposed AMC be able to gain profit with the proposed pricing, the estimated turn over rate, and estimated controllable and uncontrollable expenses?

## Anticipated Outcomes

Outcome/Deliverable	Estimated Completion
Preparatory work for registering and preparation for the AMC	Jan 15 <sup>th</sup> 2011
Service offer Design Document	Jan 15 <sup>th</sup> 2011
Signing contracts with MAEA and Sumski Plod	Jan 25 <sup>th</sup> 2011

## Stakeholders

<b>Stakeholders:</b>	<b>Overview of Business Requirements</b>
<b>Primary – Internal</b>	
MAEA	Sign a service provision contract with the AMC Secure the financial resources for engaging an AMC
Sumski Plod	Sign a service provision contract with the AMC Secure the financial resources for engaging an AMC
AMC	Develop a services package to be offered to the TAs and POs Assemble a team which will provide the offered services Develop a base of operations Successfully promote and present the services
<b>Primary – External</b>	
AgBiz	Sign a support contract with MAEA and Sumski Plod and provide the committed support Support the initiative for establishing an AMC
SNV	Provide support in offering the services of the AMC to SNV supported cooperatives
<b>Secondary – Internal</b>	
MOPF	Sign a service provision contract with the AMC Secure the financial resources for engaging an AMC
Other TAs and/or POs	Sign a service provision contract with the AMC Secure the financial resources for engaging an AMC
<b>Secondary – External</b>	
MAFWE	Provide support as per the 2011 subsidy program for support of associations and producer organizations

## AMC Services

Specific services offered by the AMC include:

- Executive, administrative and financial management
- Strategic planning

- Public affairs and lobbying
- Issues advocacy (government affairs and communications)
- Membership development
- Meeting/convention/trade show management
- Marketing and communication services
- Education and professional development
- Promotional and education programs
- Group acquisition programs
- Certification
- Codes and standards
- Statistical research
- Creative services (brochures, newsletters, magazines, etc.)
- Technology and Web site support
- Database management
- Consulting to members on specific issues
- Fundraising
- Government Relations
- Maintain headquarter office and Infrastructure
- Receive shipments;
- Maintain calendar of events
- Supply meeting space;
- Service email inquiries
- Service Membership Inquiries/Communication
- Public Relations and representation
- Offer cost-effective solutions to personnel, equipment, facilities and other budget considerations
- Ensure an affordable, high degree of professionalism, management expertise and technology

## **Highlights of the Project**

The project came about the thought of a business partnership between experienced ex AgBiz staff which have proven capabilities of organizing association connected activities, development of associations and providing services to association members.

The two AgBiz created TAs Sumski Plod and MAEA are at a particular situation, where the sustainability has not yet been established at a satisfactory level. In addition with the AgBiz LoP coming to conclusion the possibilities for support from the project are diminishing.

TAs membership is aware that they need the association in this especially dynamic transition period both to enhance their competitiveness and establish a dialogue with the competent authorities.

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## **Project Timetable Status**

The project is expected to be in operation for ten years and be able to be promoted to a different stage at a later time. The business will still be operational after the expected year, however the focus of the business will be more on the extending the offer of services and expansion of the industry's in which the TAs and POs operate.

Presently, the business is in the stage of introducing a new services offer in the market. An AMC is a new concept in the market of services and the product innovation and sales management are important in order for the business to grow.

## **Project management structure**

The management structure of the AMC is developed in a way that will provide attention to all aspects of the surrounding that can impact the work in a TA, PO and company level.

Owners

Management board

Associations services division

Producers Organization division

Companies services division

Office manager

## Section

## 4

## Financials

The mode of financing will be from the partnership of the AMC founders. It will come from investor's personal funds, and this business will be an add-on to their current offer of consulting services, but extended with specialized services for associations and producer groups. An AMC is a not big business that needs an extravagant capital, so there is no need to borrow loans from the bank. The partners chose to finance the business because it will lessen the cost of interests.

### Operating cost assumptions

The estimated cost of the total business is 15.500 US\$. Funds will be allocated as follows on a yearly level.

Office rental	2400 \$
Total price of the equipments (approx)	1500 \$
Office stationary costs	1200 \$
Travel	1200 \$
Communication	1200 \$
Salaries	10000 \$
<b>Total</b>	<b>15.500 \$</b>

## Revenue Sources & assumptions

Income Services to association 1	4000 \$
Income Services to association 2	4000 \$
Income Services to association 3	4000 \$
Income Services to POs 1	1000 \$
Income Services to POs 2	1000 \$
Income Services to POs 3	1000 \$
Income Services to companies	50000 \$

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<b>Total Income</b>	<b>20.000 \$</b>
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<b>Net Operating Profit</b>	<b>4.500 \$</b>
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The establishment of an AMC which will offer services to associations and producer organisations in Macedonia is aligned with MAFWE efforts to develop and support the forming and functioning of CMOs. Recently MAFWE published the support program for 2011 in which this support is clearly visible. It is obvious that MAFWE is seeking to align the setup and support schemes of the agricultural sector in Macedonia with the ones in EU. Accordingly the related legislation and support programs will continue to commit significant resources in development of CMOs. From a different perspective it can be expected that donors and projects will support MAFWE efforts to establish CMOs especially in regard to POs in Macedonia.

The support measures for cooperatives and producer organisations e.g. covering costs for their registration, administration and management are already in place in MAFWE support programs. This is giving a clear signal that MAFWE aims to develop CMOs in Macedonia and will support efforts in this direction. Some of the donors and organisations e.g. SNV, Fagricom have already started implementing activities which are aligned with MAFWE plans.

As it was the case with the donor motivated development of associations in the last fifteen years it is realistic to expect that in the future the donors and MAFWE will be willing to commit more resources for ensuring the functionality and sustainability of the associations and producer organisations. From this perspective, making available the services of an AMC which can unite and institutionalise the competences of a multidisciplinary team of consultants instead the expertise of a single person managing the organisations is of interest both to donors and organisations which will use these services. Individuals that can provide professional management services to Associations and POs tend to seek some security usually through a employment in the organisation or a contract on a longer term, something that the majority of associations and producer organisations are or will not be able to offer in the near future. In addition the running costs for offices, coordination, communications etc. may present a significant obstacle for the organisations as it will be hard for them to allocate these resources just by collecting subscription fees. An AMC which is offering tailor made services including premises meeting rooms etc. will have the advantage in sense of funds required to run their operations and offer the services.

**Alternative 1 - Doing nothing**

With this alternative the AgBiz supported associations are not supported further. The reached sustainability of the associations is considered as an initial step and the associations should continue their development on their own. The associations are considered to be capable to finance their activities and functioning, as well as to manage themselves. With this alternative it is expected that the associations will exist on paper only, till/if another donor that will support them in reaching basic level of sustainability is identified.

**Alternative 2 - Support development and engagement of an AMC**

The engagement of an AMC will provide management capacities for the association for at least one year. The AgBiz supported associations sign a management contract with an AMC, which will contain a scope of work for the AMC. This is a relatively new concept in association's/POs development and management in Macedonia providing fresh approach. Donors always favor the fresh approach and this alternative is probably providing the most optimistic scenario for fundraising. It is expected that the AMC will provide a wider range of services to the associations and their members at a lower cost, when compared to engaging a single executive person or seeking the expertise on a voluntary base within the associations. The offered services will greatly depend on the staff working for the AMC, which is a good platform for providing services from consultants with diverse expertise. In addition the association will be provided with a base of operations (which will be provided by the AMC as it also needs to establish own base), which is more independent then settling the official address and contact in one of the members facilities. This alternative takes advantage of the AMC as a cross point for information's and activities development for different organizations. The AMC also provides shared service opportunities at a lower costs rate. The support from AgBiz with the planed funds for Association support will provide some assistance to the TAs in covering the costs for

engaging the AMC. As AgBiz cant allocate additional resources for support of the associations or the AMC, the support in recognition of the AMC as an additional legacy institution, thus giving to the AMC some credentials is the only viable support option for AgBiz.

### **Alternative 3 - Support identification and engagement of an executive person**

This would be an alternative with a traditional approach based on the experiences in Macedonia. It may prove to be a difficult task to identify a suitable executive person if each association does not develop a clear financing model. Even if a suitable financing structure were developed the major problem would be identifying a person that has the trust of the members and sufficient experience in association development. The costs for engaging executive persons and functioning of the associations will be higher then in the AMC alternative, se each association will need to develop a parallel operation logistics. The potential for implementing cost effective cross cutting activities with other associations will probably be diminished. Finally the future development of the associations will greatly depend on the skills and dedication of the engaged executive person. The support from AgBiz with the planed funds for Association support will provide some assistance in covering the costs for engaging the executive, but will not provide support in establishing a base for the associations.

**Section****7****Operational Impacts**

A list of operational impacts that may arise from the project is identified and presented in the table. Each impact is described and analyzed for each viable alternative.

<b>Impact &amp; Description</b>	<b>Alternative 1 Do nothing</b>	<b>Alternative 2 Engaged a AMC</b>	<b>Alternative 3 Engage an executive</b>
<b>MAEA, Sumski Plod, MOPF, POs</b>			
Sustainability enhancement	High	Low	Medium
Capacity development	High	Low	Medium
Representation and advocacy	High	Low	Medium
Activity implementation	High	Low	Medium
Reduction on running and managerial costs	None	Low	High
Change in service being provided to members	High	Low	Medium

For each impact magnitude of impact is identified (high, medium, low, or none) for each alternative using the following guidelines:

High indicates that the magnitude of impact is significant and the need for alternative is critical

Medium indicates that there is a manageable impact to the stakeholder

Low indicates the alternative will have a minor impact to the stakeholder

None indicates that the stakeholder will not be impacted by the alternative

# Section 8

## Project Risk Assessment

Project risks are:

- Lack of local donor support for the AMC
- Lack of local donor or MAFWE Support for the AMC potential customers
- Slow implementation of the Legislation changes and registration of Producer Organisations
- Potential customers (associations and producer groups) do not realise the need for the offered services
- Unattractive services package offered to potential customers

<b>Project Risk Assessment</b>		
<b>Risk</b>	<b>Probability</b>	<b>Impact</b>
Lack of local donor support for the AMC	Medium	Low
<i>General Mitigation Strategy</i>	<i>Develop and provide donors with elaborated proposals for the need of the services of a AMC</i>	
...		
Lack of local donor or MAFWE support for the AMC potential customers for the AMC services	Low	Medium
<i>Mitigation Strategy</i>	<i>Search for alternative support sources of support and develop and provide donors with elaborated proposals for the need of the services of a AMC</i>	
...		
Slow implementation of the Legislation changes and registration of Producer Organisations	Low	Medium

<i>Mitigation Strategy</i>	<i>Facility the formation and active enrollment of a POs lobby group and present the case to MAFWE and GoM</i>	
...		
Potential customers do not realise the need for the offered services	Medium	Medium
<i>Mitigation Strategy</i>	<i>Provide training and information to the potential customers regarding the benefits of the offered services, via presentations, case studies etc.</i>	
...		
Unattractive services package offered to potential customers	Low	Medium
<i>Mitigation Strategy</i>	<i>Develop attractive services package for each customer based on their need and available recourses</i>	

### **Probability of Risk**

High indicates that the event is high likely to occur

Medium indicates that the event is likely to occur

Low indicates that the event is not likely to occur

### **Impact of Risk**

High indicates that the event has a significant impact to the project

Medium indicates that the event will impact the project

Low indicates that the impact is relatively minor to the project

None indicates that the risk will not impact the project.

Association management companies have been in existence for over a century, with the first one having been founded in 1890. They partner with organizations of any size, but most typically with not-for-profit associations or foundations. Today there are several hundred AMCs serving thousands of associations.

AMCs most commonly serve as headquarters and staff for these organizations, but many forward-thinking associations are also turning to AMCs for help with specific need areas such as meeting planning, lobbying, marketing and product development. With an AMC at work for them, an association client can expect – and demand, quality, experience, dedication, and teamwork.

Association management companies are for-profit businesses owned and operated by experienced association executives. Those executives realize that the quality of the service they provide to an association means the difference between success and failure. Those hallmarks of quality include responsiveness, accuracy, communication, dependability, and eventually program success. Survey results prove that the employees who work for an AMC have more experience than hired association staff people. Unlike the hired staff, which may follow a routine in a mechanical, unimaginative way, AMC professionals are always looking for ways to improve the associations for whom they work. A dedicated AMC professional never loses sight of the fact that the association is the client and that he or she exists to serve. They will also offer ideas and suggestions for how to make the association more successful. When you engage the services of an AMC, you are hiring a team. Each team member has his or her own specialty, which could be strategic planning, financial or executive management, membership, educational or professional development, communication services or meeting and event planning. Because AMCs work for more than one association, they are in a position to offer more talent than the association could afford on its own. They also have experience in other industries, the best of which can be applied to your association.

The following analysis shows the Financial Cost & Benefit for the TAs/POs using the services of an AMC vs. engaging a professional executive person and establishing an office.

The bases for calculation are the realistic offers made by an AMC to Sumski Plod, MOPF and MAEA.

### Quantitative Analysis – Financial Cost & Benefit

Cost Benefit Analysis: TAs/POs using a AMC or a Executive person and a office

Summary of Quantitative Cost/Benefit	Alternative 1 AMC	Alternative 2 Executive person and office
<b>Present Value of Total Benefits:</b>	<b>\$ 4000</b>	<b>\$</b>
<b>Present Value of Total Costs:</b>	<b>\$</b>	<b>\$</b>
Office rent \$/Year		2400
Office stationary costs (electisity, heating etc)		1200
Communications (Phone + Internet + Fax)		1200
Website maintainance		200
Traveling costs		1200
Accounting		600
Salary executive		4000
<b>Net Present Value of Project</b>	<b>\$ 4.000</b>	<b>\$ 10.800</b>
Net Savings per Year	<b>\$ 6.800</b>	<b>\$ - 6.800</b>

### Qualitative Benefit Analysis – AMC vs. Executive person:

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value):

#### **Pros**

Activates less dependent on a single person

Cross Cutting activities implementation with other TAs/POs

Potential for increased ideas and experience exchange with other organizations

Multidiscipline team available

Access to subject matter experts

Ability to handle volume fluctuations/staffing issues

Improved compliance/less risk

Streamlined processes  
Potential for reduced costs  
Capital expenditure avoidance  
Better vendor access

*Cons*

Face-to-face contact with members/less personal relations developed  
Loss of in-house expertise  
Ineffective vendor relationship management

## Conclusions

Just as hiring an advertising agency or law firm where the client pays for certain skill sets that will contribute to its success, an AMC offers its special services to associations. Associations are the clients, and they pay a fee to the AMC for the specific skills they need and amount of work required.

The principals of the AMC deal with all the staff and administrative “overhead” issues including office space and equipment, human resource issues, and the technology tools required to serve their clients.

Being served by an AMC enables the association leadership to focus totally on leading the association and the membership.

AMCs remain the most effective solution to the association management challenge.

AMC provides to organizations the expertise they need, when they need it. Operating within a framework of shared resources, overhead costs for professional services are shared by the AMC’s client organizations, increasing resources and capabilities without major investment. AMC specialists can also be drawn from a pool of personnel resources and are assigned on an as-needed basis. For example a publications editor, an exhibits manager or a research team can be engaged to assist with special projects and membership programs.

Clients pay only for the hours staff specialists put against specific tasks, thereby benefiting from the professional expertise without paying the costs associated with hiring full-time staff. Beyond cost effectiveness, the model allows client services to be customized to meet specific goals.

By partnering with an AMC, organizations gain access to experts in various functions – IT resources, database management, membership development meeting planning etc.

These AMC specialists are drawn from a pool of personnel resources and assigned on an as needed basis. An organization’s appointed chief executive officer works with staff specialists –

for example a publications editor, an exhibits manager or a research team – to assist with special projects and membership programs.

Instead of hiring additional staff, that organizations can tap the resources of an AMC, gaining access to experts in a variety of management functions, without major investment.

Just as important, AMCs shields organizations boards from the liabilities and responsibilities of direct employment and day-to-day management.

In the associations and organizations arena, as more associations struggle to do more with less (fewer staff and reduced volunteer time etc.) the efficiencies of using outside professional management resources becomes more appealing. Working within a framework of shared resources, overhead costs for professional services are shared by each AMC's client, increasing resources and capabilities without skyrocketing fees.

Beside the basic subscription for management the associations and organizations pays only for the hours staff specialists put against specific tasks, thereby benefiting from professional expertise without paying the costs associated with hiring full-time staff.

Having in mind the developments in the association and agriculture POs in Macedonia, a general conclusion that the employment of adequate efforts for their development has always been one of the major problems. Direct support for a questionable activities that are not connected to strengthening the association were implemented constantly so the results were absent in that aspect. In the past donors and projects were more focusing on short-term assistance and harvesting indicators rather than building a viable organizations. Participation in the created organizations was almost always stimulated with payment of benefits for the members, rather than working with them to realize the need for joining in the organization. Project staff was interested in the organizations only till they were working in the respective project or implementing the respective activities. Staff involved in the development of the organizations frequently did not see the organizations as an option to which services can be delivered past the project LoP.

With the recent changes in the legislation, a more viable mid term support schemes for associations and producer organizations are available. The announced MAFWE support program for associations, cooperatives and POs, to a certain extent secures the interest of stakeholders in continued development of these organizations. The long-term EU support schemes provided in

cooperation with MAFWE provides a dose of optimism as the producers historically had a quite negative experience with the donor created associations.

Establishing service-providing business to agriculture-connected organizations usually takes several years especially in a business environment like Macedonia. It is obvious that favorable developments (changes in the national legislation aliening with the EU CAP, available donor and MAFWE support, available long term support schemes under the EU CAP) contribute to the justification of establishing an AMC as soon as possible.

It is evident that the development of associations and POs will be the next step towards aliening with the EU CAP in the sense of development of CMOs. It is evident that support for establishing POs is available and will continue to grow in the next period. The agricultural producers have not made a significant progress in developing their association or POs managerial capacities, which continues to be a bottleneck for their development. The procedures and requirements for establishing a PO are quite complex, as well as application for donor support for the associations. Neither the trade associations nor the POs have the managerial capacity to utilize the available support in a near future.

The establishment of an AMC company may provide much needed expertise and services both for associations or cooperatives willing to apply for a POs status.

## **Recommendations for AgBiz support**

The AgBiz project is nearing to its closure. The available funds are quite limited and already allocated for defined activities. Do to extremely limited support for the associations by predefined activities, AgBiz has only few possibilities to support the formation of an AMC.

Based on the situation these are the recommendations for AgBiz support:

- Encourage the formation of AMC/s
- Acknowledge and promote the created AMC as an additional AgBiz legacy institution
- Provide in kind support to the AMC in developing a service package for the potential customers
- Encourage the AgBiz supported associations to take in serious consideration the idea of using services offered by the AMC.

Based on the above it is a recommendation that a Business Plan for the AMC is developed at a later time, approximately after 6 months. The presented calculations can't be more precisely defined at that time. All do the calculations are based on realistic assumptions, the ongoing developments at that time, are more likely to present a more realistic picture regarding the anticipated load of work for the AMC. Having in mind the mentioned support possibilities for the future customers of an AMC, it is probable that the next period will foster a more favorable environment for the sustainability of an AMC, thus providing grounds for even more optimistic assumptions to be incorporated in the business plan. In addition the ongoing EU project on CMOs will provide additional input to MAFWE and in general for the best practices in development of POs.