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DEVELOPMENT OF ASSOCIATION MANAGEMENT COMPANIES

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



June 2006

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DEVELOPMENT OF ASSOCIATION MANAGEMENT COMPANIES

THIS REPORT ADDRESSES ONE OPTION FOR SUCCESSFULLY INCUBATING SELF-SUSTAINING, YET NASCENT, ASSOCIATIONS IN KOSOVO AS OPPOSED TO THE PREFERRED STAFFING MODEL OF EACH ASSOCIATION HAVING ITS OWN EXECUTIVE.

Kosovo Cluster and Business Support project "Development of Association Management Companies"
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PURPOSE OF ASSIGNMENT

The Association Management Company Advisor will provide technical assistance to the firms hired through the KCBS grant awards to manage associations. The advisor will concentrate on introducing basic association management techniques and to implement the ideas and practices introduced in the February study tour. Specifically, he will work with association management firms of KCBS' client associations and other business service providers to:

- Understand the relationship between the management firm and the association and the management firm and the members;
 - With special emphasis on the transparency of contract arrangements with the member firms and the general public;
 - Understand the staff's relationship with the association and the contracted firm;
- How to prepare progress reports to boards that assure that hold the board members accountable for their decisions;
- Provide direct counseling on the development, design, and pricing of association services;
- How to develop association management tools with emphasis on building economies of scale across association clients;
- Introduce the practice of subcontracting with emphasis on virtual service arrangements

In addition, the consultant may be requested to participate in a multi-project roundtable on association sustainability should the timing coincide with the assignment.

BACKGROUND

KCBS' efforts to develop associations in Kosovo face the challenge of a virtual absence of true association management capacity. Executive directors hired by these associations often do not understand their relationship to the board and the boards do not understand, for their part, what it means to have real governance responsibility. Additionally many of the executive directors, usually hired out of the cluster being organized, had no experience in running such organizations and, despite in some cases being successful business owners themselves, lacked an understanding of how to manage a nonprofit organization, a very different type of business.

The KCBS project chose to develop association professional management practices by building from existing business service providers (BSPs) by encouraging the creation of association management firms. However, local specialists hired to manage these associations tended to treat them as short-term donor projects and not standing businesses with an indeterminate lifespan. Working from past experience, in which each donor agency had its own reporting methods, criteria for success and accounting procedures, the firms hired demonstrated experience in managing a donor project, not an association. Some have been unable to understand this distinction even now, six months into the process.

As part of the U.S. association study tour, we introduced some of the practitioners to real association management companies (AMCs). Unfortunately several association contractors were unable to participate in the study tour. Those that did participate have asked for assistance additional in implementing this model here. The consultant will provide local support for these firms and other business service providers who wish to consider entering this business.

EXECUTIVE SUMMARY

The basic knowledge and technical understanding of firms and individuals hired through KCBS grant awards to manage associations has been advanced by this assignment. However, there is almost no history, tradition or models of self-sustaining associations in Kosovo and there is a strong belief associations are only intended to distribute outside or “donor” assistance.

Though progress is being made in converting at least some association leaders to understanding the necessity for, and benefits of, self-sustaining versus donor-dependent associations, it will be some time before rank and file members embrace this concept.

Accordingly, “service providers” and other potential founders of association management companies (AMCs) have been, until very recently, focused on “project” assistance for associations versus long-term management relationships. Now however, as an apparent result of a KCBS project sponsored study tour and this assignment, there are several credible individuals and entities actively engaged in developing the capacity to support comprehensive, long-term management and staffing relationships with multiple associations. At least three entities understand and are actively working toward offering AMC services.

Because it is strongly believed that AMCs could most effectively and economically transition and support associations in Kosovo as self-sustaining entities, four specific actions to continue supporting the incubation of one or more AMCs in Kosovo are proposed. These are:

- Continue to encourage the establishment of one or more AMCs as a means of transitioning current donor-dependent associations to self-sustainable associations and of founding and staffing new, self-sustaining associations.
- Establish and distribute to all concerned, especially client association leaders, AMC principals and all future consultants engaged to implement this program, a library to detail core association concepts upon which program is based.
- Facilitate linkages between successful, related associations and association management companies elsewhere in the world.
- Create and promote learning opportunities for rank and file members of associations, the general public and Kosovo media to promote the concept of self-sustaining associations.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

During the twelve working days allotted to this activity, the majority of meetings with individuals, associations, clusters and service providers have been held in KCBS project headquarters facilities. However, two meetings were held at the headquarters of Kosovo Chamber of Commerce and two meetings were held at the headquarters of service providers.

The following meetings were held:

- Several with project staff to increase their understanding of AMCs and association management practices.
- With project statistician for whom I created a guideline to support his development of association statistic programs.
- Several with individuals and entities who had shown interest in the AMC concept. Individuals and entities included “service providers,” the Kosovo Chamber of Commerce, association clusters and associations.
- With members and leaders founding a new I.T. Association in cooperation with the Kosovo Chamber of Commerce to whom a presentation was also made.
- With the new “Business” Consultants Council” being incubated by the project, at which future developments were discussed including how to prepare a Request for Proposal (RFP).

In addition, two workshops were held on the formation and practices of Association Management Companies.

The following guidelines and models were prepared:

- A. A guideline for evaluating both the (a) sustainability of associations and (b) the desirability of associations as AMC clients.
- B. Descriptions of (a) basic association executive and (b) basic association management company functions.
- C. A combination model and draft Request for Proposal (RFP) for requesting headquarters and staffing proposals for the newly organized Business Consultant Council headquarters and staff services. The RFP is intended to solicit quality responses from both individual association executives and AMCs.
- D. A guideline for developing the association statistics program initiated eight (8) days prior to my meeting with the statistician hired to undertake the project.

Also provided were:

- A. Twenty-one guidelines on basic association management and AMC topics. The Table of Contents for these guidelines is included in Annex A.
- B. A model AMC management contract and services inventory. The model contract is retained as a hard copy only in KCBS project office. It was copied and distributed to the Kosovo Chamber of Commerce and the Business Consulting Council.
- C. A representative AMC marketing and promotion kit. A copy of the introduction to the kit, entitled “An Association Management Group User’s Guide” is included as Annex B.

TASK FINDINGS AND RECOMMENDATIONS

Findings:

1. The incubation of one or more association management companies (AMCs) represents the best, perhaps the only, option for significantly increasing the viability and sustainability of associations beyond donor funding.
2. The market potential and the continuing need for associations in Kosovo should assure the success of several AMCs in Kosovo.
3. In differing degrees, all current and anticipated associations of which I have knowledge, are at risk of not being sustainable beyond donor funding.
4. There is a clear and immediate need to increase rank and file association members' understanding of the benefits and need for self-sustaining associations. Some association staff and leaders have this understanding but, because there is very little understanding at the rank and file member level, this is beginning to divide versus "associate" members".
5. I am not able to identify any parties at interest who would not be advantaged by the establishment of AMCs with the possible exception of current association executives/staff (AE) unable or unwilling to achieve the effectiveness and economies of AMCs and leaders wishing to preserve the "gate keeping" powers currently associated with distributing donor assets.
6. I believe some association executives (staff) and leaders currently serving donor supported associations may be willing and able to acquire the knowledge and desire to serve self-sustaining associations. However, absent someone offering these people credible learning opportunities, they are very likely to resist the changes they and their associations must go through to become self-sustaining.
7. Some associations I have studied in Kosovo, especially those serving members and publics related to agribusiness, may be required to think and act regionally to "associate" sufficient interests and assets to become self-sustaining.
8. Three possible AMC incubation scenarios currently exist in Kosovo. In order of likelihood of success, they are:
 - A. One or more of the current association "services providers" will choose to evolve and expand into a multiple-services providers to multiple associations or into credible AMCs.
 - B. The Kosova Chamber of Commerce will continue its efforts to further fund and utilize its headquarters, staff and other assets by offering services to multiple associations and, thereby, become a hybrid but functional AMC. This option may have limited success beyond business related associations.
 - C. One or more association "clusters" may identify the increased effectiveness, efficiencies and economies of aggregating their staffs and other headquarter assets and evolve into an AMC for at least that cluster of associations.
9. The current requirements that all associations immediately focus on public versus member benefits and achieve fixed self-funding schedules are, I believe, unnecessarily limiting involvement in the project.

All successful associations come to understand member benefits directly relate to the associations serving the public good. However, most associations come to that understanding only after a period of successfully involving members, building trust and clarifying the "common good" by serving and benefiting members.

Different associations serving differing member, publics and purposes, and beginning at differing evolutionary stages will achieve self-sustainability at different times, all of which may be appropriate and justifiable.

Recommendations:

1. Continue to encourage the establishment of one or more AMCs as a means, I believe the best means, of (a) transitioning current donor-dependent associations to self-sustainable associations and (b) founding and staffing new, self-sustaining associations.

Project staff should publish and distribute a memo or guideline as to what headquarters and staffing capabilities associations it supports are most likely to need. Then, by evaluating current headquarters and staff assets available in Kosovo and soliciting suggested topics from current providers of those assets, the project should offer quality programs and reference materials for Kosovo-based providers to acquire needed knowledge and skills.

Several service providers have already acquired basic headquarter and staffing skills and need only to expand their knowledge and willingness to comply with the special requirements of multiple, self-sustainable associations.

2. Establish and distribute to all concerned, especially client association leaders, AMC principals and all future consultants engaged to implement this program, a library to detail core association concepts upon which program is based.

As noted earlier, the current project core concept requiring associations receiving project support to deemphasize member benefits and become self-sustaining by promoting public benefits is not consistent with prevailing association management concepts and experience. If this concept is not amended as I have suggested, all future consultants should be advised of the necessity that they support this concept. I have also suggested that requiring associations to have a public purpose(s) be seen as a distant objective and not continue to limit intuitive approaches to promoting membership based upon member benefits.

3. The needs and challenges of associations and association management companies in Kosovo are somewhat unique, just as the needs of such entities in other regions are somewhat unique. However, I believe great benefits and advantages could be achieved if the project facilitated linkages between successful, related (a) associations and (b) association management companies elsewhere in the world.
4. Create and promote learning opportunities for rank and file members of associations, the general public and Kosovo media to promote the concept of self-sustaining associations. I have found the concept of empowering individuals, businesses and other entities through associations, attractive and understood in every country I have visited. However, developing understanding takes focused effort.
5. Cooperation with many other organizations also seeking to increase understanding of self-sufficiency/sustainability should be fully explored.

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

Association management companies offer, in my judgment, the best option for successfully incubating self-sustaining associations and transitioning existing donor-dependent associations to self-sustainability. All important factors suggest several association management companies could be successful in Kosovo. Several companies and other entities, such as the Kosovo Chamber of Commerce and some NGOs, are very interested in founding or transitioning into AMCs. At least three of these companies and/or entities have formulated plans and have some assets in place to become credible AMCs.

The project should continue its encouragement of AMC development in Kosovo. However, the newness and minimal understanding of associations as self-sustaining entities versus distributors of donor funds, constitutes a major barrier to the long-term viability of associations and the near-term success of AMCs.

All over the world, associations having the option to select quality AMC headquarters and staffing services versus stand-alone staffs are increasingly selecting AMCs. However, where credible AMCs are not available, or where appearances are more important than the effectiveness and economics, having "our own executive," remains the preferred staffing model. Transition from the more familiar option to the more familiar option to the more effective, economical and reliable option will take time.

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AN ASSOCIATION MANAGEMENT GROUP USER'S GUIDE

1. Who Is Association Management Group (AMG)?

AMG is one of the leading groups of association management professionals and specialists in the business. Founded in 1982 and dedicated exclusively to staffing and managing tax-exempt organizations, AMG is strategically located in suburban Washington, DC (Tysons Corner, VA) where its 100+ employees serve a special concentration of association and certification program expertise.

A Delaware Corporation, AMG is owned and led by Bruce Wardle, CAE, Founder Chuck Rumbarger, CAE and a team of credentialed Vice Presidents and Account Executives.

2. Why Do Organizations Select AMG Over Other Staffing Options?

More of today's progressive and forward-thinking boards of directors are selecting the shared management and staffing approach, usually at a considerable savings compared to what it takes for an association to fund its own office and dedicated staff.

Organizations select the AMG option to: (1) Eliminate all employer headaches and liabilities, (2) increase access to highly skilled and stable professional staff, (3) reduce operating costs and (4) complete elimination of capital expenses and long term leases.

Added to these reasons are:

- ◆ A contract provision, which grants clients an unequivocal, no fault, cancellation option.
- ◆ A contract provision which grants clients the unequivocal right to prevent AMG serving organizations they find competitive or incompatible.
- ◆ A contract provision which guarantees clients AMG will accept no commissions, fees or incentives of any kind from hotels, airlines or any other vendor doing business with that client. In other words, we guarantee our status as your unconflicted "agent".
- ◆ A contract, which reduces the liability of officers and directors by at least 40% and a related reduction in O&D insurance costs.
- ◆ Complete elimination of all staffing and headquarters issues, including the costs and disruptions associated with staff changes, staff searches and all other staff management/compensation issues.
- ◆ Complete elimination of all issues, which limit and/or eliminate organizational flexibility such as: office and equipment leases and employment contracts.
- ◆ Unprecedented technology capabilities because of AMG's cutting-edge web-based technology infrastructure. No other AMC has our ability to design, host and manage the content of client websites, while providing "live" in the database web extension services. Some of these services include membership join/renew, event registration, membership directories/locator programs, discussion forums and event calendaring.

3. AMG Pricing and Income Sources

Unlike many association management companies (AMCs), AMG offers its clients a "fixed fee" versus a "time and materials" fee. Like stand alone headquarters, AMG's fee is based upon the costs of the people, facilities, equipment and insurances allocated to each client. No more and no less.

The difference is that AMG offers association professionals superior opportunities for profession training and advancement, quality fringe benefits, exceptional facilities and technology tools, competitive compensation, working with well known and respected colleagues, etc. to attract the profession's best and most committed professionals. Further, everything AMG purchases from pencils and pens to hotel rooms are leveraged against our total buying powers. Since AMG does not "mark up" or accept incentives from vendors, every client is able to benefit from AMG's discounted and leveraged buying.

In addition to full-service clients, AMG does some project work, especially in the meetings management area, the application processing online area and consulting to other associations.

At AMG, clients are guaranteed their AMC is not acting as a buyer and seller at the same time.

4. AMG Expenses and Business Costs

Due to AMG's sophisticated accounting capabilities, AMG clients receive all AMG's volume discounts and they receive and pay original bills directly to vendors. This unusual practice and benefit allows client organizations to create and maintain their own independent credit record/reputation while at the same time benefiting from highly leveraged buying scenarios.

AMG's greatest cost is employees (both assigned and shared staff) compensation, followed by employee benefits, rent, equipment (especially computer hardware and software), employee training and acquisition, insurances and bonds, office supplies, professional dues and subscriptions, and so on.

AMG replaces approximately one-third of its computer hardware annually to remain as productive and as supportive of our people as possible.

In every instance and category, AMG costs and cost ratios remain significantly below even the best results achieved by stand alone offices reflected in the American Society of Association Executives (ASAE) Operating Ratio Studies.

5. Confidentiality and Security

No client finances, records or other assets are ever co-mingled or put at risk. Individual accounts and databases are established and maintained for each client and state of the art security codes and conventions are maintained to protect the confidentiality and security of all client assets. We agree to maintain confidentiality for any client who may elect to discontinue a relationship with AMG and our contracts specify that no real property, including data, created by AMG for clients ever transfer to AMG ownership.

6. What If Client Organizations Elect To Change, Add Or Reduce The Services They Receive From AMG?

No organization can change purposes, priorities or activities easier than an AMG client organization. Any change of any magnitude can be achieved simply by notifying AMG's President in writing. If the change is significant enough to require staff changes it may be necessary to observe the 90-day no fault notice specification in the AMG agreement to allow for humane reallocation of people, but in most cases such changes can be made immediately. The worst-case scenario is that it will take 90 days to adjust related management fee.

7. What If Client Organizations Wish To Change, Reduce Or Add Staff?

Unlike stand-alone staff situations where employment agreements, new employee search activities and costs, new employee training, loss of service and related issues disrupt the smooth functioning of organizations, AMG undertakes and/or eliminates these concerns. Not only does AMG step up and take care of these matters, it provides temporary staff to continue services and the association Board retains its right to select its chief staff executive. This applies to the first and all subsequent executives necessary to serve AMG clients.

Just like effective stand-alone headquarters, AMG's Client Leaders/Chief Staff Executives, with the support of AMG's HR Director, select and dismiss staff assigned/authorized for the client they manage. AMG does not believe we can hold chief staff executives accountable unless they are empowered to also select and manage their staff teams. AMG's HR/Operations department also assists chief staff executives with staff searches, training and management. All AMG employees must meet AMG qualifications and performance requirements in addition to the chief staff executive's requirements.

8. How Are AMG Staff Assigned To Client Organizations?

AMG's President, the assigned Chief Staff Executive (Client Leaders) and each organization's elected leaders meet initially and then, at least annually to discuss and agree upon the services and staff needed to support the organizations objectives.

Most AMG chief staff executives are selected jointly by client organization's and AMG's President. Usually, the client Board and AMG's President agree upon selection criteria, including a range of compensation. AMG then presents two to four candidates meeting that criteria and the client selects the final individual to be hired by AMG as that client's chief staff executive.

All staff assigned to client organizations is detailed in AMG agreements and are hired and fired by the mutually selected chief staff executives. All staff changes are appropriately discussed with client leadership but client leadership remains sufficiently uninvolved so as not to confuse the employer-employee relationship or become exposed to the liabilities related to that relationship.

9. What If Client Organizations Wish To Reward AMG Staff Assigned To Their Organization Beyond AMG's Rewards?

Compensation and other forms of reward can become very complex and problematic.

While AMG never wishes or intends to limit compensation or other rewards we must, by necessity as the "employer", insist that all financial compensation of AMG employees be done with the full knowledge, approval and accounting required by law and AMG.

It has been AMG's practice that if individuals or client organizations feel AMG employees serving their organization are due additional compensation or other rewards beyond that received from AMG, they consult AMG's President to discuss the most appropriate process. The additional compensation is taken from the client's annual expense budget.

AMG will do all in its power to optimize every employee's rewards while fulfilling its higher responsibilities to its clients, all employees and doing "the right thing".

10. What If A Client Organization Wishes To Modify Or Terminate Its Agreement With AMG?

First, AMG understands it happens and acknowledges that it's "ok"! One of the most compelling reasons for doing business with AMG is the simplicity and flexibility of changing priorities and directions it affords organizations. AMG has been very successful at encouraging, facilitating and enabling client organizations to change priorities, size, direction, staff and every other dimension. Usually, clients are able to make such changes and remain AMG clients but now and then, AMG can't and won't go where the client wishes to go and that is when the 90-day no fault termination option included in all AMG agreements becomes most valued.

There is absolutely nothing wrong or inappropriate, from AMG's point of view, with clients and/or AMG knowingly opting to end relationships. Of course, the longer the notice given, the better and the more appropriate the transition will be. Any notice down to ninety days is workable however and it allows humane treatment of the people and organizations affected.

11. What Should An Organization Do To Consider Becoming An AMG Client?

Contact AMG President Bruce Wardle, CAE at:
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We guarantee that any organization interested in the AMC option and able to invest some time with us will come away with data, perspective and other resources to ensure their making a good, informed and defensible staffing decision. AMG's highest priority has always been and will remain, connecting organizations with the staffing options most appropriate for that organization.