



## **About Association Management**

Association Management Companies (AMCs) are not new, but they are gaining in popularity as the number of associations grows. Even so, we frequently find that association officers, board members, and managers are unfamiliar with AMCs and how they function. Here are some of the most frequently asked questions about AMCs.

### **What is an AMC?**

Association Management Companies are firms which specialize in the many challenges facing trade associations, professional societies, foundations, and other not-for-profit organizations. Many AMCs were started by people who used to serve on the staffs of associations.

AMCs come in all sizes and scopes, serving from two to 200 client associations, but the average-size AMC has between four and ten clients and fewer than twenty employees.

### **Why use an AMC for full-service association management?**

Frequently, associations, societies, and foundations realize that:

- 1) They do not have the in-house expertise or experience necessary to accomplish their goals; and
- 2) Maintaining an in-house staff, an office, and equipment is not the most efficient use of the association's funds - funds which could be better put to use servicing members or influencing government or other policy-making bodies.

That's why more and more associations are turning to Association Management Companies for full-service management. It can be a win-win situation: they lower their expenses, turn over the administrative hassle to someone else, and, at the same time, they get more broad-based association experience and talent.

### **Why use an AMC for selected services (outsourcing)?**

Associations and their staff work with limited resources, which means they cannot always hire the people most suited for a particular task or project. For example, an association with a small or volunteer staff may not have the expertise or time to plan a full-fledged trade show, negotiate with hotels and exhibit halls, etc. An AMC that has competent, experienced meeting planners can probably be more effective at this, and may save the association money in the long run. The same can be said for publishing, tours & events, and even strategic planning.

## **How is an AMC different from hiring someone from our industry (a retired board member, for instance) to run our association?**

In addition to the potentially significant financial savings, an AMC usually has people who are expert in the areas of meeting planning, publishing, membership development, strategic planning, not-for-profit financial management, government relations, and more. Your retired Board member will almost certainly know your industry or group and its concerns better than AMC personnel, but he or she probably will not have the experience most associations need to conduct the major business of the association.

To get the best of both worlds, many associations contract with an AMC for day-to-day management, but hire a knowledgeable industry person as a consultant.

## **How much can an association save by contracting with an AMC?**

The costs of maintaining an in-house staff, offices, and equipment can eat up more than half - and sometimes more than two-thirds - of an association's total annual budget!

Because the AMC shoulders the burden of payroll, benefits, taxes, insurance, computers, copiers & fax machines, property maintenance, utilities, and a host of other expenses, the association saves on a large portion of its overhead. In fact, depending upon the number of services needed, an AMC can often cut an association's overhead costs by 25-40% - and in some cases more!

## **How do AMCs charge for their services?**

Fee structures vary from AMC to AMC, and indeed from client to client, but here are some typical fee types:

### Basic Management Fee

The AMC and association usually agree on a set of tasks or duties to be performed by the AMC, and the association pays a set monthly fee for those services. Basic Management Fees typically range from 30 – 40 percent of the associations operating budget. This percentage will vary depending on the agreed upon scope of services.

### Hourly Rates

The association may pay an hourly rate for projects that fall outside of the tasks detailed in the agreement. This is especially true of small projects that do not require much staff time, or projects in which the time required cannot be adequately estimated in advance. A few AMCs charge an hourly rate for all tasks they perform for their clients (instead of a basic management fee).

### Project Fees

For large projects that fall outside of the scope of the management agreement, the association and AMC may agree in advance on a set fee to be paid just for that project.

### Other Fees

For some tasks or projects, the most fair fee structure may be none of the methods above. For example, you may pay a commission for each new member as an incentive to your AMC to focus on membership development. Or you may share the profits of a seminar or other event to reduce your risk (if it doesn't make money, you don't pay anything). There are many such flexible arrangements.