

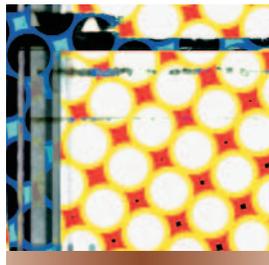
Business Practice Standards for Standards Groups

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In highly competitive industries such as computing and communications, standards serve many purposes: They ensure equal access to primary technology, increase competition, help grow markets, and spark innovation. To guarantee fairness and accessibility, the originators of new standards often form trade associations to manage the technology and oversee the work of developing future technologies.

However, this begs the question of who is setting the business practice standards for these standards groups. No member of a trade association wants to wake up one morning and learn that its critical standards group is facing bankruptcy or a major lawsuit from a conflict of interest, or some other business risk that is easily avoidable with knowledgeable and competent professional management.

The Standard of Good Practices for Association Management Companies (ANSI/IAAMC A100.1-2002) is the basis of a new accreditation program sponsored by the International Association of Association Management Companies (www.iaamc.org) that offers trade associations and professional societies previously unavailable management choices. Approved by the American National Standards Institute, the criteria are based on specific expertise and documented best practices defined through the ANSI consensus process.



A new standard raises the bar for association management companies.

ASSOCIATION MANAGEMENT COMPANIES

Three basic options are available for association management and administration: member volunteers, employed staff, and an association management company (AMC). Table 1 provides a brief overview of the relative strengths and weaknesses of each option. Of these, only AMCs can deliver an accredited association management solution.

AMCs are for-profit firms that provide management and operational support services for nonprofit organizations, freeing members to focus on governance, strategy, and direction. In a survey conducted in 2003, the AMC Institute (www.amcinstitute.org) identified 527 association management companies from 47 US states and five other countries. These AMCs manage more than 3,000 client organizations, serving more than 3.1 million members.

The AMC business segment is established and mature. Operating budgets of AMC-managed organizations range from \$50,000 to more than \$16 million annually; the average annual bud-

get is \$677,000. More than half of these firms have been in business since before 1990, many for decades.

Associations managed by AMCs are free from employer obligations and the many business risks generally associated with their organizations' operations. Association management companies bear many of these operational obligations as a result of the very nature of their service agreements.

AMC STANDARD

Several years ago, the IAAMC

membership decided that it should establish a standard for AMCs to use as a benchmark for identifying and providing quality services. After examining various methods, it determined that creating an American National Standard was the best approach because

- ANSI procedures ensure that the most impartial processes are used to create the standard and that no small group of interested parties dominates the standard; and
- given ANSI's worldwide recognition, there is a higher likelihood that the standard will be accepted as an independent measure of high quality.

The new AMC standard establishes detailed performance requirements representing the best practices for association management in 10 key areas: client contracts, servicing the client, project completion, financial management and internal controls, insurance, employee recruitment and selection,

Table 1. Association management options.

Option	Strengths	Weaknesses
Member volunteers	<ul style="list-style-type: none">• High commitment to and understanding of the organization's mission• Low direct cost (initially)	<ul style="list-style-type: none">• Time conflicts with volunteers' employers• Not experts at running an association• Turnover creates inconsistencies• No neutral party; open to conflicts of interest
Employed staff	<ul style="list-style-type: none">• Dedicated staff• Specialized knowledge about the association• Continuity	<ul style="list-style-type: none">• High overhead (office space, equipment)• Not able to staff key positions or areas of expertise unless they can justify a full-time employee• Higher burden and risk associated with being an employer
Association management company	<ul style="list-style-type: none">• Experts in association management• Lower overhead• Expertise in multiple disciplines• Eliminates many typical legal risks associated with operations• Continuity	<ul style="list-style-type: none">• Possible mismatch between the association's needs and the AMC's expertise

employee training and professional development, subcontracting and purchasing, record keeping, and internal and external audit requirements.

Why is such a standard necessary? After all, how difficult can it be for any professional service firm, which manages its own business, to manage a non-profit trade association? The answer is "not very," but neither is designing a next-generation circuit board or operating system, if you know what you are doing.

The same applies to managing industry associations; knowledge, training, and experience all make a difference. Association management also carries an implied fiduciary role—as a fiduciary, you are held to a higher standard of performance and care when acting on behalf of another's affairs than on your own.

IAAMC ACCREDITATION

Accreditation, the process that assures compliance with a standard, is common in the marketplace. For example, motor oil manufacturers demonstrate their adherence to the practices endorsed by the Society of Automobile Engineers by placing the acronym SAE on their products. Likewise, common household appliances bearing the UL mark have been accredited by the independent Underwriters Laboratories.

In the case of the Standard of Good Practices for Association Management Companies, AMCs wishing to demonstrate a commitment to excellence apply to the IAAMC for accreditation. The AMC shoulders the cost of an

external auditor, usually a certified public accountant trained in the practice of accounting-firm peer reviews, whose qualifications the IAAMC has accepted. The auditor conducts an onsite investigation of the AMC's policies and practices, interviews staff, and inspects records to verify that the firm meets or exceeds the standard.

Associations shopping for management services are already beginning to specify that only accredited firms are eligible to submit proposals for new business. IAAMC accreditation is thus a powerful tool for associations to ensure that their management services are the most qualified the market has to offer. Currently, 21 AMCs have earned IAAMC accreditation to the new standard and another 11 have applications on file.

BENEFITS OF THE STANDARD

Those who represent their companies' interests in trade associations and standards bodies face two major challenges: their time is extremely scarce, and they are industry and technology experts, not association experts. Beyond the usual economies of scale associated with management by an AMC, associations managed by accredited AMCs enjoy three important benefits.

First, the leaders and membership of organizations managed by an accredited AMC do not have to spend time learning about best practices or defining them for their needs. Accredited AMCs bring this best-practices framework to their client organizations.

Second, representatives of organizations managed to the standard have more time to focus on advancing their goals rather than questioning how well their organization is managed.

Third, standards organizations that an accredited AMC manages can be assured that their management deeply understands the standards process, the value of standards, and what is involved in achieving and maintaining them. Accredited AMCs face many of the same types of compliance requirements that their client organizations do in standardizing the technical specifications that their members generate.

Technology markets have been well served by standards. Now leaders of critical standards associations can use a rigorous standard based on the industry-accepted ANSI consensus process to choose how their own organization's business needs are met. By adhering to a set of best practices identified by a broad spectrum of service providers and associations, accredited AMCs offer associations something they have never had before—world-class management. ■

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