

TRADE ASSOCIATIONS - THE AMERICAN EXPERIENCE

Report by Mark Boléat, Director General,
Association of British Insurers

November 1996

CONTENTS

Acknowledgements	iii
Introduction	iv
Executive Summary	1
1 The trade association sector in the USA	4
2 Legislative and regulatory requirements	8
3 How trade associations in the USA work together	13
4 Trade associations' role in improving their members' competitiveness	23
5 Benchmarking and other initiatives to improve trade association effectiveness	27
6 Standards and regulation	30
7 Trade associations' use of Information Technology	32
8 Rationalising differences between the American and British positions	37
9 Lessons for the UK	42
Bibliography and sources of information	43
Appendix 1 - Typical entries from directories of associations	45
Appendix 2 - Executive Summary of 'Policies and Procedures in Association Management'	46
Appendix 3 - The Canadian Lobbyists' Registration Act	65
Appendix 4 - Lobbying Registration Forms	67
Appendix 5 - The ASAE world wide web site	67
Appendix 6 - Home pages on world wide web of selected associations	67

ACKNOWLEDGEMENTS

This project has been funded by the Department of Trade & Industry as part of its ongoing work to promote the effectiveness of trade associations in the United Kingdom. The support of the DTI in financing the project and in otherwise giving valuable advice and encouragement is gratefully acknowledged.

This report draws heavily on the resources of the American Society of Association Executives. The Society invited the author to be its guest at its 1996 Annual Convention in Boston, and it has readily provided additional literature, information and advice. The author gratefully acknowledges the assistance given by Bill Taylor (President of the ASAE), Carolyn Lugbill (International Activities Manager) and a number of other staff.

The author is also indebted to Ken Hine (President of the American Hotel and Motel Association), Jerald Jacobs (of the law firm Jenner & Block) and Anne DeCicco (Executive Vice President of the Luggage and Leather Goods Manufacturers Association) for their advice and assistance and to his colleagues at the ABI for their comments and help in preparing this report.

INTRODUCTION

Trade associations in the United Kingdom are important in the policy-making process and also in the implementation of government policy. Increasingly, they are also promoting their industries domestically and internationally. It is estimated that there are about 1,300 trade associations in the United Kingdom which between them have annual subscription income in the region of £300 million, total income of £600 million and employ some 10,000 staff. Fewer than 200 associations have annual subscription incomes of over £1 million.

The position in the USA is quantitatively very different. There are well over 100,000 associations of various types (including trade associations, professional bodies and other member organisations). 23,000 associations operate at the national level. 500,000 people are employed by associations. The professional body, the American Society of Association Executives, is a large association in its own right with some 23,000 members.

The differences in scale between the trade association sectors in the UK and the USA can partly be rationalised, for example by the different governmental systems and also by the much bigger size of the American economy. However, these factors cannot explain why trade association management seems more sophisticated in some respects in the USA than in the UK.

This report analyses the trade association sector in the USA, and explains differences between the American and British experiences. The paper seeks to be of assistance to trade associations and governmental bodies in the UK by drawing attention to what resources are available from America and by indicating how the trade association sector in the UK needs to develop if some of the benefits of the American experience are to be gained.

EXECUTIVE SUMMARY

The Trade Association Sector in the USA

There are well over 100,000 associations of all types in the USA; of these an estimated 16,000 are categorised as trade associations. Associations collectively are big business, for example, spending over \$17 billion a year on printing and publishing and over \$700 million a year on technology. Individually, the largest associations are significantly bigger than their British counterparts.

American associations obtain over half of their income from non-dues sources. Many run a number of services on a commercial basis.

Associations spend some \$45 billion annually on meetings. Meetings, in particular annual conventions, are a major part of trade association activity, not only providing a meeting place for members but also providing income to the associations.

A great deal of information is available on individual trade associations through a number of published and on-line directories. Associations have to publish certain information as a legal requirement.

Legislative and Regulatory Requirements

Trade associations in the USA are subject to a legal régime, including the Lobbying Disclosure Act 1995, which imposes onerous reporting and other requirements. Generally, associations have tax-free status, but to comply with this status are subject to restrictions on their activities and reporting requirements.

Trade Associations Working Together

The sheer size of the trade association sector in the USA facilitates a network of organisations to serve that sector.

The American Society of Association Executives, with over 23,000 members, plays a major part in providing central services to the association sector through its programme of publications, meetings and training courses. There are also associations of association executives at the state and regional level.

Because a number of trade associations typically are interested in individual legislative proposals and because there are many such proposals, associations have found it sensible to work together in formal coalitions, sometimes employing an outsider to lead the coalition.

Association management companies manage many smaller associations, and more generally commercial suppliers have products specifically aimed at the Association market.

Improving Members' International Competitiveness

Most large trade associations in America seek to promote the exports of their members. In some cases separate associations or foundations are established for international work.

Improving Associations' Effectiveness

Trade associations in America have access to resources to help them improve their performance. The ASAE conducts a number of benchmarking studies covering, for example, publishing procedures, meetings, operating ratios, insurance programmes and policies and procedures.

Standards and Regulation

Many American trade associations facilitate and promote activities which enable an industry to self-regulate by, for example, establishing and monitoring standards. Codes of practice are also commonly in place.

Information Services and Use of IT

Most large associations provide a comprehensive information service to their members using modern techniques such as searchable databases, faxback services and on-line services through the world wide web.

The size of the association sector means that there are specialist companies which provide computer software and computer services generally, specifically designed for the needs of associations.

Differences between American and British Associations

In general, trade associations in America are larger and more sophisticated in terms of management and information technology than are their British counterparts. It follows that they are also more expensive for their members. The larger size of the American economy, together with the system of government in America, with 50 individual state governments as well as a federal government and a tortuous legislative procedure in Congress, largely explain the different sizes of trade associations in Britain and America.

Lessons for the UK

The UK does not need trade associations the size of their American counterparts. However, UK associations can sensibly draw on the American experience.

Association management is recognised as a discipline in its own right in America. There is an abundance of literature, much of which is relevant to the British situation, which can help trade associations become effective in terms of governance, management, staffing, finances and other aspects of business.

Use of information technology, in particular the world wide web and faxback systems, can sensibly be adopted by many British associations as a means of improving the effectiveness with which they provide information to their members and others. Many British associations are already going down this road but they do not have the supporting infrastructure of consultants and specialist software to help them, although much of what is used in America is probably equally applicable to Britain.

In order to derive some of the benefits available to American associations from the size of the sector, it would be necessary for Britain to have a strong, central professional or trade

body for associations. This would have to embrace not just trade associations, as in themselves these are not sufficiently large. Rather, as in America, professional bodies and other voluntary bodies would also need to be included. Such a central body could provide or facilitate a range of services including relevant literature on association governance and management, information technology services, training services and so on.

However, it is difficult to see what force would cause the creation of such a body which, among other things, would have to take over some services from a number of existing bodies. In America, the ASAE would not exist in its present form without three key factors - the size of the sector and, related to this, the importance of convention business and government regulation of the lobbying function which requires a single voice for associations. In Britain, there is no regulation of trade, professional and other bodies, and hence there is not the same pressure to get together as there is in America and, indeed, in other countries.

In the short-term, UK associations have access to the American experience through the ASAE's site on the world wide web, and those who work for associations in Britain can become members of the ASAE and thereby have access to the whole of its range of services.

CHAPTER 1

The Trade Association Sector in the USA

Introduction

This chapter describes the trade association sector in the USA, drawing some comparisons with the position in the UK.

The Global Size of the Trade Association Sector

It is difficult to measure the size of the trade association sector in any country, partly because there is no precise definition as to what constitutes a trade association. In the USA a distinction is made between trade associations, broadly defined as 'not for profit' organisations representing a group of business firms, and professional societies which represent individuals with a common background. Professional societies in turn are sub-divided into three categories, that is associations which promote common personal interests and objectives (such as the American Association of Retired Persons), organisations dedicated to religious, charitable, public service or fraternal causes (such as the National Council on Ageing) and, finally, scientific, engineering and learned societies that strive to advance the bodies of knowledge of their fields (such as the National Association of Accountants).

It is estimated that there are well over 100,000 associations of all types at the local, state, regional, national and international level. Approximately 23,000 of these are national in scope. The number of national associations has more than quadrupled since 1955, and as many as 1,000 new associations are formed each year. The associations collectively employ more than 500,000 people. It is estimated that almost 16,000 associations can be categorised as 'trade, business or commercial'.

Some indication of the overall size of the association sector in America is given by the following information provided by the American Society of Association Executives (the information relates to all associations, not just trade associations) -

- (a) Associations are the largest health insurance market in America, accounting for over \$6 billion of health premiums in 1993.
- (b) Over \$80 billion annually is collected by associations from insurance casualty, property, life and health premiums.
- (c) \$17 billion is spent annually by associations on printing and publishing.
- (d) Associations spend over \$700 million annually on technology.
- (e) Associations spend 400 times more than the Government on setting and enforcing product and safety standards, total expenditure in 1995 amounting to some \$14.5 billion.
- (f) Associations are the originating source for codes of ethics and professional and safety standards which govern professions such as law, medicine, banking and manufacturing.

(g) Two thirds of all associations engage in research or statistics gathering.

The Size and Structure of Individual Associations

The table below lists the largest 20 trade and institutional member organisations of the ASAE.

Trade and Institutional Member Organisations Ranked by Size 1996

Rank	Organisation	Location	Staff
1	National Association of Security Dealers	Washington DC	2,197
2	American Bureau of Shipping and Affiliated Companies	New York City	1,500
3	American College Testing Program	Iowa City, Iowa	1,300
4	US Chamber of Commerce	Washington DC	1,200
5	American Management Association	New York City	1,000
6	Electric Power Research Institute	Palo Alto, California	760
7	American Hospital Association	Chicago	682
8	Association of American Railroads	Washington DC	650
9	American Petroleum Institute	Washington DC	500
10	National Rural Electric Cooperative Association	Washington DC	500
11	American Kennel Club	New York City	405
12	National Automobile Dealers Association	McLean, Virginia	405
13	American Bankers Association	Washington DC	400
14	American Gas Association	Arlington, Virginia	360
15	National Association of Home Builders	Washington DC	330
16	National Safety Council	Itasca, Illinois	325
17	Chemical Manufacturers Association	Washington DC	312
18	Association of American Medical Colleges	Washington DC	282
19	American Trucking Association	Alexandria, Virginia	280
20	National Futures Association	Chicago	273

Source: 'Association Management' (ASAE, May 1996).

About half of these organisations are not trade associations. Those that are, are substantially bigger than their UK counterparts, few of which employ more than 100 staff. Generally, American trade associations are much larger than those in Britain. They are run in a more businesslike way, partly reflecting their size, and most also offer a number of commercial services in addition to their mainstream trade association activities. Finances

US trade associations are much more commercial entities than their British counterparts, obtaining a high proportion of their income from non-dues sources. This is illustrated in the following table which shows aggregate data for associations for 1993.

Analysis of Income and Expenditure, US Trade Associations, 1993

Income	Percentage
Dues	44.2
Educational programme fees	6.4
Convention registration fees	7.9
Exhibit fees	9.1
Other meeting income	3.6
Certification, accreditation, standards	0.9
Periodicals	2.8
Publications, royalties and sales	5.3
Grants	2.8
Contributions	4.0
Dividends and interest	2.8
Rents	0.5
For-profit subsidiary income	1.0
Service fees	2.5
Other	5.9
Total	100.0
 Expenditure	
Staff	35.7
Dues, subscriptions & publications	0.9
Accountancy fees	0.8
Professional fees	5.2
Occupancy	5.7
Office equipment & supplies	2.5
Postage, printing & copying	7.0
Travel	3.9
Meetings	10.6
Other	22.4
Total	100.0

Source: 'ASAE Operating Ratio Report', Ninth Edition (ASAE, 1993).

An analysis of expenditure by project and activity showed that 30.6% of income was spent on executive and administrative items, 13.6% on meetings and expositions, 8.5% on membership services, 5.9% on government affairs, 5.4% on education programmes, 4.0% on periodical publications and 3.6% on public, consumer and industry promotion.

The table illustrates the importance of non-dues income. Revenue from conventions and meetings alone accounts for 20% of total income. A significant feature of the expenditure figures is the low proportion (5.7%) spent on occupancy costs. In a typical British trade association, dues would account for over 70% of income, staff would account for over half of expenditure and accommodation would account for over 20% of expenditure.

The Importance of Meetings

Conventions, conferences and other types of meeting are a major part of the work of trade and other associations in the USA. This is partly because of the sheer size of the American economy which makes it economic to run huge conferences and trade shows that can provide a top-quality service to their members. The meetings industry is reckoned to be worth some \$83 billion a year, and associations account for more than \$56 billion of this total. It is estimated that in 1993/94, ASAE members planned 376,000 meetings, expositions and seminars involving over 272 million delegates. More than one third of all hotel revenue comes from conventions, expositions, meetings and incentive travel, and meetings and conventions generate 22% of the operating revenue of the air transport industry.

Information on Trade Associations

The following chapter illustrates how American associations (unlike their counterparts in Britain) have to publish a considerable amount of information about their activities. As a result there are a number of directories of associations which are useful for policymakers, opinion formers and others. A primary one, because of its comprehensiveness, is the Gale Research's 'Encyclopedia of Associations' which provides information on 100,000 or more international, national, state, regional and local associations. Another directory 'National Trade and Professional Associations Directory' focuses on 7,500 major organisations. Finally, there is the 'Association Yellow Book' which provides board/volunteer information for 300+ organisations that are national in scope. Typical entries for trade associations are shown in Appendix 1.

There are also online services. The NewMarket Associations Directory (<http://www.newmarket-forum.com/assoc.html>) provides a comprehensive searchable database of over 10,000 associations. Associations can submit requests online to be included in the database. For example, searching the database using the word insurance yielded 61 separate associations.

The most comprehensive regular analysis of Association policy and procedures is the annual ASAE publication 'Policies and Procedures in Association Management' which is drawn on heavily in this book. An edited version of the executive summary forms Appendix 2.

CHAPTER 2

Legislative and Regulatory Requirements

Introduction

In the UK there are no legislative or regulatory requirements relating to trade associations. They can take any legal form they like (many are unincorporated), they are not required to register with anyone and they need not publish accounts or statements of their activities. More generally, there is no legislation on lobbying, and even the Nolan Committee, which has been considering various aspects of public life, has scarcely touched on trade associations. Associations are, however, subject to the Restrictive Trade Practices Act, but this limits only their ability to fix prices and terms of business between their members and not their representational work. It is helpful to view the complexity of the position in the USA against this background.

In the USA, trade associations are required to disclose detailed information about their activities, including their finances, are required to register as lobbyists and are severely restricted in the way they can go about seeking to influence government. There are numerous legal requirements governing associations such that the standard book on association law ('Association Law Handbook' by Jerald Jacobs) runs to 500 pages. Perhaps alarmingly the book is described as a summary guide and references are provided for each subject to 'more extended treatments published elsewhere'. This chapter draws heavily on that and the other publications listed in the bibliography.

Appendix 3 briefly sets out the position in respect of lobbying requirements in Canada as this usefully complements the information about America.

Lobbying Requirements

For many years, lobbying was governed by the Federal Regulation of Lobbying Act 1946. This required, among other things, lobbyists (the term including all trade associations that seek to influence government) to register with the Senate and the House of Representatives and to file quarterly reports. The reports had to set out money received and spent for lobbying, the purpose of lobbying expenditures and the recipients of those expenditures and also anything that the lobbyists caused to be published.

The Lobbying Disclosure Act 1995 (LDA) is now the major legislation governing the representational work of trade associations. The summary of the requirements of the Act is drawn almost exclusively from the paper 'US Lobbying Developments' by Richard S Belas of the law firm Davis and Harman.

The Act, which was signed into law on 19 December 1995, has four basic elements -

- (a) The registration requirement, divided into an initial registration statement and semi annual reports.

- (b) The section 162(e) election.
- (c) Penalties and reinforcement.
- (d) General ground rules for making lobbying contacts.

A lobbyist is defined in the Act as an individual employed or retained by a client for financial or other compensation for services that include more than one lobbying contact, other than an individual whose lobbying activities constitute less than 20% of the time engaged in the services provided by such an individual to that client over a six month period. As far as a trade association is concerned, it is, in terms of the Act, both the client and an employer, and where a lobbyist works for an association or a coalition then the client is the coalition or the association rather than the individual members.

A lobbying contact is widely defined as to take in almost any representational work undertaken by a trade association.

The Act requires an initial registration which must be made within 45 days of the date when a lobbyist first makes a lobbying contact. A single registration form can be submitted by a trade association to cover all of its staff who are deemed to be lobbyists. The registration form, which must be submitted to the Senate and the House of Representatives, is regarded as a public document. The registration statement must cover -

- (a) Standard information such as name, principal place of business, general description of business for itself and its client.
- (b) The client.
- (c) A list of each of its employees who has acted or is expected to act as a lobbyist for the client.
- (d) The general areas in which the registrant expects to engage in lobbying activities and to the extent possible the specific issues on which it has already lobbied or on which it expects to lobby.
- (e) Substantial (above \$10,000) contributions.
- (f) The identity of certain interested foreign parties.

In addition to filing an initial registration, registrants must also file semi-annual reports which must cover, among other things, specific issues where lobbying was undertaken, houses of Congress and agencies that were contacted, a list of each employee who acted as a lobbyist and any interest that foreign entities may have. There must also be a good faith estimate of income and expenses in relation to lobbying.

Copies of the initial and semi-annual forms are reproduced in Appendix 4.

The section 162(e) election allows certain organisations to treat as "lobbying activities" for the purposes of the Lobbying Disclosure Act some activities which are not tax deductible; it is a technical point of no relevance to Britain.

The penalties for failing to file information or filing defective information include a civil penalty of up to \$50,000. Interestingly, no government agency is charged with authority to police compliance and, unless the Congress authorities pick up a problem, there is no formal mechanism to enforce compliance.

The ground rules for lobbying contacts require a person making an oral lobbying contact with either a legislative branch or covered executive branch official, to state on request whether they are registered under the LDA and identify the client on whose behalf they are acting and state whether the client is a foreign entity. In the case of written lobbying contacts, a person must identify a foreign client.

Political Action Committees

Most large associations that are engaged in lobbying have set up 'political action committees' (PACs). These have been allowed since 1971 and must themselves be registered and meet very strict statutory guidelines.

The principal purpose of PACs is to contribute to the election expenses of favoured candidates for Congress. Associations are not permitted to use their own funds for this purpose but they can fund the establishment and administration of PACs.

Tax Requirements

Trade associations are, generally speaking, tax exempt organisations, but they have to meet certain requirements in order to maintain tax exempt status. This brief description is taken from 'The Law of Associations' by George Webster.

A trade association is tax exempt if it complies with the statutory provisions. To establish recognition of the exemption, an application must be filed with the Internal Revenue Service. Most trade associations are exempt under section 501(c)(6) of the Internal Revenue Code. Professional bodies and educational and research affiliates of trade associations are exempt under section 501(c)(3). The crucial differences are that these organisations cannot engage in lobbying, but they can receive contributions which are tax deductible to the donor. Where trade associations engage in activities which are connected to their basic activities then they are subject to the same tax and regulation as any other business. The information to be filed by a 501(c)6 organisation must include a copy of the organisation's organising document which normally will be its articles of association.

Tax exempt organisations, including trade associations, have to file annually form 990. There is an exemption where the annual gross receipts of an organisation are normally \$25,000 or less. Form 990 is described as "relatively uncomplicated".

Part V of form 990 requires an organisation to list its officers, directors, trustees and key

employees and to disclose certain information including compensation, contributions to employee benefit and deferred compensation plans and expense accounts and other allowances. An organisation is also required to list the compensation of the five highest paid employees other than officers, directors and trustees. There are complex rules governing expenditure on activities which qualify for tax deductibility.

All exempt organisations must make available for public inspection their annual form 990 as well as their initial exemption application.

Other Rules

There are many other laws and rules that influence the way that trade associations go about their work. As in Britain, they are vulnerable to competition legislation including in their lobbying activity. The 1890 Sherman Act prohibits any contract, combination or conspiracy in restraint of trade and it limits the type of lobbying activities carried on by associations. The Supreme Court has ruled, on a number of occasions, that efforts to influence the passage of legislation are generally protected from anti-trust attack by the first amendment to the constitution which guarantees the right of people collectively as well as individually to petition the Government. The concept that lobbying is protected by the first amendment is known as the Noerr-Pennington doctrine named after two cases decided in the 1960s. There are, however, four exceptions to the Noerr-Pennington doctrine -

- (a) The sham exception where a lobbying effort was ostensibly directed towards government action but in practice was an attempt to interfere directly with the business relationships of a competitor.
- (b) The commercial activity exception which applies where government is acting in a proprietary capacity, purchasing goods and services to satisfy its own need within a framework of competitive bidding.
- (c) The administrative exception, that is associations are not protected where they are lobbying government in its apolitical role, for example where it is acting in an administrative, regulatory or judicial capacity.
- (d) Standards making bodies.

The antitrust laws have been applied with particular vigilance against trade associations, and almost everything they do is open to challenge. The system is also such that defending antitrust actions is very expensive.

It is also necessary to understand that in addition to the federal government, the 50 states and many units of local government have their own statutes and rules that regulate lobbying activity. Registration and reporting requirements are generally imposed on persons covered by the statute. Because of the breadth of many of the statutes and their wide variety, associations intending to lobby at the local level need to take legal advice as to their obligations under such legislation.

The complexity of the laws governing lobbying is usefully illustrated by recently published

rules governing gifts to members of Congress and their staff. The law firm of Jenner and Block has helpfully published a 50 page paper explaining new rules which came into effect on January 1 1996. Broadly speaking, members of the House of Representatives and employees of the House are prohibited from accepting any gift (including a meal) regardless of its value. Senators and Senate staff can accept gifts up to the value of \$50, but cannot receive from any one source in a given year gifts with a total value of \$100 or more. 'Gift' is very widely defined, including, for example, transportation, training, lodging and meals. Gifts to family members or to an individual based on an individual's relationship to a member, officer or employee count as a gift to the member, officer or employee. There are exceptions covering, in particular, free attendance provided by the sponsor of a widely attended event, the person concerned speaking or participating in a panel appropriate to his position, and attendance at an event which is appropriate to the performance of the official duties of the person concerned.

Put simply, the new rules prevent a trade association inviting a member of the House of Representatives to a lunch unless the member pays for his own lunch. The widely attended event concept has attracted significant attention. Events are deemed to be "widely attended" if there is a reasonable expectation that at least 25 persons, other than those covered by the Act, will attend, and if attendance at the event is open to members from throughout a given industry or profession or those in attendance represent a range of persons interested in a given matter. It is reasonable to assume that trade associations now take along a few additional people to lunch so as to make up the numbers.

The situation has been taken to such an extreme that on 8 January 1996 the House of Representatives Committee on Standards of Official Conduct issued a memorandum to all people covered by the requirements which was largely devoted to charity golf tournaments. It has been deemed that those covered by the Act can attend such tournaments provided they are a bona fide charity event, that the invitation comes from the tournament's sponsor and that the invitation is unsolicited. Members and staff are permitted to accept food and refreshments offered to all those attending. They can also accept gifts of nominal value such as a set of golf balls or tees, but not a golf bag. Skill prizes can be accepted, for example for a hole-in-one, but this has to be disclosed as earned income.

A trade association clearly has to be very careful in how it structures its representational work to avoid putting congressmen and their staff in breach of the Act.

CHAPTER 3

How Trade Associations in the USA Work Together

Introduction

There are good reasons why trade associations in the USA should work together. A natural marketplace exists for the provision of central services to associations. A major participant in this marketplace is the American Society of Association Executives, but there are also state and local societies, association management companies and commercial services.

The Market for Working Together

Trade associations and professional bodies in any country exist generally for a combination of four separate reasons -

- (a) The need for an industrial sector or a profession to speak with a single voice on certain matters, in particular in relation to government and regulatory bodies.
- (b) The need to promote publicly the sector or the profession.
- (c) The need to provide industry participants with information relevant to the industry, including the aggregation of statistics provided by members of the Association itself.
- (d) The exploitation of economies of scale, for example in terms of analysis of regulatory, legislative and taxation requirements.

These four factors explain why most trade associations in the UK exist, why trade associations in the USA exist and also why, for example, the American Association of Society Executives and the other organisations covered in this chapter exist.

However, it is appropriate to add two other factors that are specific to the US market. The first is the simple point that the USA is the largest economy in the world with a GNP that is 6.5 times that of the UK and a population that is four times as high. The sheer size of the USA means that the economy of scale point is particularly important.

The second factor is the nature of the political process in the USA. The USA is a federal republic with 50 states, each with considerable legislative and regulatory power. Even industries that one might expect to be regulated at the national level, like insurance, are, in fact, regulated at the state level. There are, in effect, 50 regulatory authorities (together with, of course, a national co-ordinating body) and therefore the need to make representations to a large number of organisations. This in itself would explain the need for state as well as national associations in the USA, whereas in Britain there is very little need for sub-national organisations in most sectors. Allied to this point is the nature of the political process in America. It is not as straightforward as in Britain where the power rests predominantly with the elected government of the day and, for the most part, representational work is conducted through officials and depends largely on the strength of

an argument. In the USA, laws are made by Congress, not by the President, and intense lobbying is needed to secure desired legislation. It is no exaggeration to say that a trade association in America may well need to devote 50 times the resources to securing a desired outcome compared with a trade association in Britain.

It is appropriate to mention here also the additional factor of the size of the country and its wealth leading to a market for huge annual conventions, many with attendance above the 5,000 mark. Most of the big conventions are accompanied by massive trade exhibitions which generate a significant income for the trade associations, helping them to finance their other activities.

It is important to understand that it is this combination of circumstances, in particular the size and wealth of America and the nature of the legislative process, that virtually requires the provision of central services as will be outlined in the following sections. Without them, the American Society of Association Executives, state associations and association management companies could not exist in anything like their present form.

American Society of Association Executives

The principal organisation which provides services to trade associations in America is the American Society of Association Executives (ASAE). This was founded in 1920. It has over 23,000 members who manage trade associations, individual membership societies, philanthropic organisations and not-for-profit associations.

The Association surveyed its individual members (23,404) as at 30 June 1996. Of the total, 19,787 (85%) were association executive members, and the remaining 3,557 (15%) were associate members. CEOs totalled 8,274 members, an extremely high 42% of the total.

Reflecting the nature of the work, 43% of all ASAE members are in what is called the South Atlantic region, covering the District of Columbia and states on the south eastern seaboard.

The sectors most represented are medical and healthcare (12.5% of total membership), education (6.2%), real estate (4.0%), contractor and construction (4.0%) and insurance (2.2%). The ASAE has been continuing to grow in terms of membership and, in particular, has been attracting an increasing number of chief executive officer members.

The ASAE's mission "is to promote and support excellence and professionalism among association executives, and to work diligently to increase the effectiveness, the image and the impact of associations as they serve their members and society."

The ASAE takes the legal form of a non-profit corporation. Its bylaws set out eight objectives -

- (a) To promote the arts and sciences of association management and educate members and the public in the advancement, improvement and uses of voluntary associations.
- (b) To provide opportunity for the exchange of experiences and opinions through discussion, study and publications.

- (c) To conduct competitions and make awards for outstanding management ability and for association services to business, professions, government and the public.
- (d) To develop and encourage the practice of high standards of personal and professional conduct among executives serving trade, technical, business, and professional associations.
- (e) To conduct and cooperate in courses of study for the benefit of persons desiring to fit themselves for executive and administrative functions in the association management field; to hold meetings and conferences for the mutual improvement and education of members.
- (f) To acquire, preserve, and disseminate data and valuable information relative to the functions and accomplishments of voluntary associations.
- (g) To cooperate with local, regional, and counterpart groups of association executives in the common endeavour to advance association management as a profession.
- (h) To promote the purpose and effectiveness of voluntary trade, technical, business, education, and professional associations by any and all means consistent with the public interest. Subject to prior approval of the Board of Directors or Executive Committee, the Society may take a position and express an opinion on issues directly and generally affecting voluntary associations.

The governing body of the Association is the Board of Directors which has virtually absolute power. It comprises the officers (the Chairman of the Board, a Chairman-Elect, four vice chairmen and a secretary treasurer), 24 directors elected from the voting membership, two directors elected from the associate membership, the immediate past-Chairman and ex-officio members without the right to vote including the chairmen of sections. An Executive Committee has authority to operate between Board meetings. The chief salaried officer is the President who is a member of the Board of Directors.

The Association's annual budget is in the order of £10 million a year.

The range of services the association provides is usefully described in its promotional booklet 'Association Executive Membership' on which this section draws heavily.

The Association has a number of different categories of membership. Regular membership entitles the member to full membership benefits, voting privileges and eligibility to hold office. Section membership gives entitlement to full membership benefits except for the right to hold office and to vote. Each section (described subsequently) has its own publications, periodicals, educational programmes and governing council. Associate membership is open to organisations who market to ASAE members, members of learned professions and others who are not full-time association executives.

The Association is particularly keen to attract into membership chief executive officers (CEOs). It has a number of services targeted directly at CEOs -

- (a) The ASAE CEO Center operates exclusively for chief executive office members. This provides free access to services including on-the-job support. More than 100 association CEOs serve as resource experts by phone for other CEOs through the Center's peer to peer assistance programme.
- (b) The CEO Center Letter helps chief staff executives stay up-to-date with information.
- (c) The CEO Forum for chief executives features internationally-recognised speakers and opportunities to share experiences and learn from other CEOs.
- (d) The CEO Symposium brings together association CEOs and their elected leaders. Several programmes a year are offered.
- (e) A special column in 'Association Management' addresses questions commonly asked by CEOs.
- (f) There is an exclusive CEO insurance package.

Among the wide range of services provided to all members are -

- (a) ASAE's Information Central which is an information clearing house on association management issues.
- (b) 'Association Management' - a substantial monthly magazine.
- (c) 'Leadership' - a yearly magazine concentrating on partnership of executive officers and their elected leaders.
- (d) 'Who's Who in Association Management & Buyer's Guide' - a comprehensive annual directory, not only of members of the ASAE but also of suppliers.
- (e) A huge range of books and studies, many prepared specifically by the ASAE.

The ASAE offers a professional qualification in the form of a Certified Association Executive (CEA).

The ASAE is the representative voice for associations on matters which specifically concern associations, representing association executives and the association community before Congress, federal agencies, state governments and the media. It also helps associations interpret and comply with the many laws and regulations that affect them.

The ASAE has 13 separate sections to which members can elect to belong. Each of them provides a regular newsletter, a peer networking directory, round table luncheons, educational programmes and specific publications. The sections cover -

- (a) Association management companies.

- (b) Chapter relations.
- (c) Communications.
- (d) Education.
- (e) Finance and administration.
- (f) Government relations.
- (g) International matters.
- (h) Legal matters.
- (i) Marketing.
- (j) Meetings and expositions.
- (k) Membership.
- (l) Technology.
- (m) Executive management.

For those members (probably the big majority) who do not attend meetings, it is probably the publications of the ASAE which are the main attraction of membership. The annual 'Who's Who in Association Management and Buyer's Guide' runs to 870 pages. It lists the various ASAE committees and officers, includes the full bylaws and standards of conduct of the Association, then lists members alphabetically, by association and geographically. There is 180 page buyers' guide covering the whole range of suppliers to the trade association sector, from accountants, through association management companies to convention and visitors' bureaux, healthcare consultants, management consultants, simultaneous translation services to video production and duplication.

'Association Management' is the accepted monthly publication for the trade association sector, frequently running to well over 100 pages.

The Association itself publishes much research on trade associations, including benchmarking reports (covered in more detail in chapter 5), specially commissioned publications relevant to associations and more general management and other publications. There are, for example, 13 specific publications relating to boards of associations and volunteer members and, in addition, a series of 16 booklets, running to between 12 and 28 pages, addressing governance issues of immediate concern to executive staff and board members. They cover, for example, board assessment of the chief executive, board assessment of the organisation, the role of the board chairperson, strategic planning for the non-profit board and the board's role in public relations and communications. There are 18 publications dealing specifically with conventions and 10 covering finance for non-profit organisations. The publications catalogue runs to well over 50 pages and books can be ordered by telephone, fax, mail and E-Mail.

The Association operates a Code of Conduct which is set out in full below:

**As a member of the
American Society of Association Executives,
I pledge myself to:**

- Maintain the highest standard of personal conduct.
- Promote and encourage the highest level of ethics within the industry or profession

my association represents.

- Maintain loyalty to the association that employs me, and pursue its objectives in ways that are consistent with the public interest.
- Recognize and discharge my responsibility and that of my association to uphold all laws and regulations relating to my association's policies and activities.
- Strive for excellence in all aspects of management of my association.
- Use only legal and ethical means in all association activities.
- Serve all members of my association impartially, provide no special privilege to any individual member, and accept no personal compensation from a member except with the knowledge and consent of my association's governing board.
- Maintain the confidentiality of privileged information entrusted or known to me by virtue of my association or its industry or profession.
- Refuse to engage in, or countenance, activities for personal gain at the expense of my association or its industry or profession.
- Always communicate association internal and external statements in a truthful and accurate manner.
- Cooperate in every reasonable and proper way with other association executives, and work with them in the advancement of the profession of association management.
- Use every opportunity to improve public understanding of the role of associations.

One of the ASAE's main programmes is a massive annual convention which attracts some 5,000 people. Well over 100 educational sessions are organised, with the plenary sessions always comprising nationally known speakers. The conference is supported by a huge business exhibition with between 600 and 800 exhibitors. The vast majority of these are convention and visitors' bureaux, chambers of commerce, convention and conference centres and hotels and resorts. A relatively small number, no more than 50, are concerned with business issues such as insurance, consulting, software and publications. (However, these types of organisations are better represented at the Association's annual management conference.) However, the income earned from the exhibition makes a major financial contribution to the ASAE. With almost every association in America itself organising a major annual convention, it is not surprising that the ASAE annual convention is seen as being a major marketplace for all of those connected with the convention business to seek to attract business.

The Association has been in the forefront of using technology to communicate with its members and to provide information. It has a well-designed site on the world wide web (<http://www.asaenet.org>). The web site contains information about the ASAE itself and the services that it provides. It has an Information Central section which allows people to search a database of more than 4,500 records. The site also has a gateway to associations which provides a direct link not only with members of the ASAE but also international convention centres and convention bureaux, international societies and the association marketplace. Over 1,200 associations are now linked to the ASAE site. Some extracts from the ASAE's web site, together with an advertisement describing the site, form Appendix 5.

State and local associations

In addition to the ASAE, there are about 70 state and local associations. The two major ones, not surprisingly, are based in New York and Washington DC. However, almost every state has its own society. At state level, the societies provide a representational service as well as giving an opportunity for members to get together where travel to national meetings is inappropriate.

Coalitions

There are many more trade associations at national level in the USA than in Britain and the process of legislation is also much more complicated, in particular with totally unconnected matters frequently being included in the same bill (something which is not generally possible in the British legislative system). This means that on any one issue there are likely to be a number of interested trade associations and on any one bill the number of interested associations could be even higher. Where each association presents different views to government, then the overall result is invariably that the whole sector suffers. Legislators, in particular, would find it very difficult to absorb 20 different submissions on the same subject from organisations which, at first sight, should have a broadly similar view.

To address this problem, American associations frequently get together in coalitions. Coalitions can range from relatively informal, that is of the associations getting together occasionally to compare notes, to formal organisations with their own constitutions, budgets and sometimes full-time executives who may, for example, be from a lobbying firm or a law firm.

Operating through a coalition requires substantial discipline on the part of members. They must be willing to forego some of their own interests in pursuit of the greater good. Here, perhaps, when they participate in coalitions, associations are putting themselves in the same position as their members are when they join the trade association.

A good example of a coalition on a major issue is that formed by insurance companies and others to deal with the reform of the "Superfund" legislation on environmental liability. The legislation has not worked the way that was intended and is imposing substantial costs on industry and commerce and insurance companies. Insurance companies, reinsurers, local governments and industry and commerce all have a vested interest in reforming the legislation, but they all have different interests. It is also the case, for example, that some of the foreign insurance companies have slightly different interests than the American insurers. A coalition, the Superfund Reform Group, has been established to handle the issue with a single proposal being put forward to Congress. It has over 400 members, its own mission and goals and full-time staff. Each of the members pays a fee to the coalition. However, in such coalitions, there is always the danger of fragmentation with each of the members, in particular the larger ones, being tempted to break away when they think it suits them to do so.

A good example of how a coalition can work in practice was given in an article in the September 1995 issue of 'Association Management'. John Mahlmann described the establishment of the National Coalition for Music Education. Mahlmann notes that

associations seeking to form coalitions commonly bring together people in the same business or profession, but he argues that coalitions can increase their power by bringing in parallel organisations. The National Coalition for Music Education (NCME) brought together three different bodies - the Music Educators National Conference, the education association for public school music teachers, the National Association of Music Merchants, a national trade association, and the National Academy of Recording Arts and Sciences, an industry association made up of artists and other individuals. The three organisations worked on the basic proposition that their future depended significantly on healthy and widespread programmes of music in schools.

Mahlmann suggests seven lessons that had been learned that could be useful to other associations -

- (a) Redefine core issues in terms that appeal to new, perhaps even unlikely, allies. In this particular case, all three organisations had a vital stake in creating more music makers.
- (b) Create an immediate focus for the NCME. The long range goal was creating more music makers.
- (c) Make the focus the launching pad. The coalition's first strategic step was to form a 60 member National Commission on Music Education to define issues, prepare a national report and attract attention. The report of the Commission was the basis for the next stage.
- (d) Set clear goals. The coalition had three simple goals - that is that every child in every school should receive a balanced, high quality programme of music taught by certified music teachers, that every school should receive what it is entitled to and that every community should have in place policies and strategies to ensure that music education is integrated with other opportunities.
- (e) Coalitions succeed when they are built from the bottom up, not the top down. NCME concentrated on building a network of state and local level coalitions.
- (f) Maintain visibility.
- (g) Never stop organising. Mahlmann comments: "All seasoned coalition builders know that nothing can create more damage than a loose cannon. All planning and activity must be jointly executed. Central co-ordination is needed to keep everyone's effort focused and moving towards the agreed upon goals and objectives. Some sort of "coalition central" has to be empowered to act on behalf of the partners in carrying out activities that advance the group's goals." In the case of NCME, the chief executive officers and boards of the three member associations committed themselves strongly to the coalition effort. One person, a senior executive of one of the associations, ran the coalition, this becoming almost his full-time job. In this case there was not a separate office or budget but each coalition partner created one or more line items in their own budget.

- (h) Learn to laugh. Crises are inevitable and they can either breed massive recrimination or drive people laughing into each other's arms. With NCME the latter occurred.

The NCME has been very successful in influencing both the climate of opinion and public policy.

Association Management Companies (AMCs)

Given the size of the trade association sector, it is not surprising that companies have developed which specialise in managing associations. It is estimated that there are some 500 companies in this market which, between them, currently manage more than 1,700 associations. 'Who's Who in Association Management and Buyer's Guide' includes entries for 75 such companies. 175 AMCs are included in the on-line directory available through the ASAE's world wide web home page.

Associations can contract for total administration, a single service on an ongoing basis, a specific time period or a single project. Areas of expertise include executive management, public affairs and lobbying, membership development, communication services, financial management and accounting, meetings and convention planning, marketing, education and professional development and management consulting services. Typically, an AMC provides an account executive who serves as executive director for the organisation, administrative staff and specialist staff. The AMC offices also serve as the headquarters. Fees can be structured on a flat basis or a time and materials basis.

Tina Kautter, Executive Vice President of Kautter Management Group, argues that there are the following benefits from using an AMC -

- (a) A level of complete accountability not always available at the volunteer level.
- (b) More access than other alternatives to top level professional staff talent, organisational management techniques and technology.
- (c) A larger pool of trained specialists to provide full support in areas such as corporate and tax law, marketing, communications and lobbying.
- (d) Full-time staff support while enjoying cost savings inherent in a shared resources relationship.
- (e) Continuity and stability in business operations during leadership changes.
- (f) Staff flexibility during heavy and light workload periods.
- (g) Freedom from the administrative responsibilities of being an employer.
- (h) A consistent physical headquarters office, phone number and address.

- (i) Cost savings resulting from stronger buying and negotiating power.
- (j) Availability of the latest hardware, software, communications systems and other technology.
- (k) Ability to foster innovation by access to other client organisations' ideas, perspectives and projects.
- (l) A high level of staff commitment.

The largest single association management company is Smith, Bucklin which was founded in 1949. It has offices in Washington, Chicago and Los Angeles and has affiliate organisations covering Latin America, Asia and Central and Eastern Europe. Smith, Bucklin currently services 180 organisations of which 100 are trade associations and 60 are professional associations. It employs a total staff of 700. Most of the associations it services have annual budgets of under \$1 million, although the range is from \$100,000 to \$5 million. Smith, Bucklin operates through divisions covering accounting and financial management, convention and trade shows, government relations, human resources, information resources, market research and statistics, member services, office services and public relations and communications.

Other Commercial Suppliers

In the same way that the size of the association sector in America has generated association management companies, so it has also generated the need for a range of other suppliers. The buyer's guide in the 'Who's Who in Association Management and Buyer's Guide' runs to 180 pages, listing companies under 144 different categories. Many of these, for example airlines, do not specialise in trade associations, but a great many do or have divisions that specialise in trade and professional associations.

This means that it is possible for associations to outsource their work to companies that are accustomed to dealing with non-profit bodies.

CHAPTER 4

Trade Associations' Role in Improving their Members' Competitiveness

Introduction

Trade associations exist to help improve the effectiveness of their members by providing them with services more efficiently than the members could provide themselves. There are various levels at which this work can take place. At the most passive level is the information service, that is making available to members relevant information produced by others. At a second stage, an association can itself prepare or commission relevant information, including analysing hard data provided by members. At a third level, an association can be more directly involved, for example by organising benchmarking exercises to more comprehensive programmes designed to help members work together to improve their performance.

The General Position

The literature suggests that most trade associations in America do not see their function as being to promote the competitiveness and exports of their members. The subject does not, for example, feature in the ASAE's 'Policies and Procedures in Association Management'. In the standard textbook 'Principles of Association Management', there is barely half a page devoted to associations and international trade. The chapter on operating internationally, by John Crawford, is primarily concerned with foreign membership of US associations, particularly relevant for professional bodies. However, he comments that increasingly associations are developing services to help their members export or import products and services. These services can be as simple as providing mailing lists or inviting international buyers to a domestic trade show or as complicated as establishing an association owned export trading company or a shared foreign sales corporation. He notes that one potential trade show activity is for the association to organise a group of its members to exhibit or block at a trade show to promote the products of the industry or profession. Generally, it can be said that many of the larger associations in particular now do see promoting competitiveness and exports as being among their functions.

In 1995, the American Society of Association Executives surveyed its members on their export programmes. The results were published in the October 1995 issue of 'Association Management'.

The ASAE surveyed 196 associations which it thought would be likely to offer export boosting services to members because of the nature of their business. 81 associations responded. Of these, 37% devoted 5% or less of their total budget to international activities (including but not limited to ones promoting exports), while 10% devoted more than 50% of the total budget to international efforts. Over 70% of associations said that their international work was important in relation to recruiting and retaining members.

Most associations do not obtain any government funding for export work, but a few rely heavily on grants, particularly in respect of educational work and work in third world

countries.

The table below shows how many of the 81 associations provided certain services -

Provide networking opportunities	52	(60%)
Provide government financing information	28	(35%)
Recruit non-US exhibitors	31	(38%)
Attend non-US trade shows	39	(48%)
Hold export seminars	40	(49%)
Conduct trade missions	33	(41%)
Publish market research	47	(58%)

Bill Taylor, President of the American Society of Association Executives, estimates that about 80% of CEOs of trade associations do consider promoting international competitiveness and exports to be among their functions. He went on to comment:

"Virtually all of them are disappointed with the progress they have made within their industries in increasing international competitiveness and exports, but they recognise that this is an activity which their members want them to pursue. Almost invariably they feel that they have become increasingly more effective in these areas, but they recognize that they have some way to go before they will be recognized as being fully effective."

Initiatives by Specific Associations

An article in the February 1994 issue of 'Association Management' explains how one association, the Manufacturing Jewellers and Silver Smiths of America (MJSA), had helped its members export. The association was long established with most of its members being family-owned businesses employing fewer than 20 people. Importers had made substantial inroads into the domestic market of members.

In 1979, MJSA decided to explore export opportunities for its members. In each year subsequently, it has sponsored at least one international trade mission.

The association argues that, to be effective, association driven international trade missions must include -

- (a) Thorough advance planning.
- (b) Realistic well defined and compatible goals, clearly communicated to participants.
- (c) Use of all existing resources for information and assistance.
- (d) Provision for member participants' different requirements.
- (e) Balanced benefits to the participants, the association itself and the membership at large.

- (f) A written contract or letter of agreement spelling out the responsibilities of both the association and the member.

The MJSA has organised an American pavilion at the major international trade fair for jewellery and watches which has housed more than 75 firms.

Among other work the association does is preparing promotional literature and organising trade missions.

Another association which is extensively involved in promoting exports is the Electronic Industries Association. The President of the Association, Peter McCloskey, says that his association has several very active international departments that assist member companies with their international trade matters. He went on -

"As a part of these activities, they conduct informational seminars on a variety of trade related issues including export finance, export control regulations and customs matters. Our association also provides publications to members that include listings of international contacts, basic information on international trade subjects, and a "How to Export Guide" for large and small companies. We are also in the final stages of developing a manual that will focus on export compliance issues, and the procedures that companies must follow in order to assure that their products are not exported to entities involved in proliferation activities.

EIA's Consumer Electronics Manufacturers Association (CEMA) is also very active in promoting the industry's products internationally. Importantly, they sponsor a number of consumer electronics trade shows in the United States and abroad, the next show being CES Mexico '96. These shows allow US manufacturers to highlight and demonstrate their products for foreign buyers. During last year's Consumer Electronics Show in Las Vegas, my staff sponsored an "International Trade Help Desk", where they were able to meet with a number of different companies and answer their questions.

EIA's telecommunication sector, represented by the Telecommunications Industry Association (TIA), maintains a staff who manage trade missions to various regions of the world. In particular, they sponsor a yearly Latin America Telecommunications Summit (LATS), where member companies are provided the opportunity to meet senior officials from several Latin American countries. This event is very popular, and attracts many countries to participate. Furthermore, TIA operates foreign offices in China, Moscow and Poland that assist members by providing information on local government regulations, locating joint venture partners/distributors and organizing trade shows."

The National Association of Manufacturers (an association of associations - like the CBI in some respects) offers access to export information on more than 80 countries and 50 industries free of charge through International Strategies Inc. It also offers its members a scheme to take advantage of a tax incentive scheme for exporters. Domestically it runs a

benchmarking scheme, Manufacturing PulseMark, a manufacturing database which allows companies to compare their performance within and across industry lines.

Some industries seek to promote exports by establishing separately funded foundations. A good example is the International Insurance Foundation founded early in 1996. This is described as a philanthropic institution organised to respond to educational needs, identified through the overseas programmes of another industry body. While the organisation is intended to be philanthropic, there is no doubt that it is also seen as being a means of promoting the US industry overseas.

Some of the larger association management companies also provide international services. Smith, Bucklin, for example, offers conference organising, public relations and communications, government relations, market research analysis and trade association management services in a number of countries. It also helps associations tap in to government grants.

CHAPTER 5

Benchmarking and Other Initiatives to Improve Trade Association Effectiveness

The Information Role of the ASAE

Chapter 3, which described the ASAE, set out in some detail the publications that the ASAE makes available to its members. The publications directory and online service through the world wide web are a major resource for associations and are heavily used.

Benchmarking and Survey Reports

The ASAE publishes a number of major reports based on surveys of its members. These enable members to compare what they are doing with industry trends generally. Details of the current benchmarking and survey reports are set out below.

- Association Executive compensation study: This contains exclusive data from nearly 1,500 associations on salary levels, fringe benefits, and personnel practices for the chief paid executive, number two executive, and 32 other management positions. Data are broken down by association scope, type, budget, staff size, and geographic location. The latest (9th) edition includes information on trends and types of salary increases; men's versus women's compensation; use of employment contracts; terms and offerings of retirement, insurance, and medical benefits; and the prevalence of flexible spending accounts and other fringe benefits.
- Association Publishing Procedures: This covers information about revenues, expenses, staffing, editorial boards and policies, advertising, pre-press production methods, printing, circulation, reprints, and desktop publishing.
- Association Meeting Trends: This gives data on more than 375,000 meetings ASAE members planned in one year. It contains statistics on conventions, expositions, board and committee meetings, and educational seminars. Topics include: international issues, music licensing, speakers, technology, taxes, site selection, promotion, exhibits, evaluation, guest/spouse and children's programs and meeting services. Data are organised by association income, membership type, and geographic scope.
- ASAE Operating Ratio Report: The only survey of its kind features 35 tables of income, expense, and balance sheet data, organised by budget size, tax status, membership type (corporate vs. individual), industry sector, geographic scope, major metropolitan area, and asset holdings.
- A Snapshot of America's Non-profit Boards: Results of a National Survey. The first-ever National Center for Nonprofit Boards survey covers variables such as how often boards meet, the size of boards and conflict of interest problems. It includes data based on responses from 1,200 nonprofit organisations.
- Association Insurance Programme Guide and Survey Report: This covers the prevalence and forms of sponsored programs, types of coverages offered, premium

volume, coverage limits, claims and loss experience.

- Survey of Association Member Health Plans.
- Policies and Procedures in Association Management: This survey includes - a comprehensive executive summary, new sections on marketing and industry research and technology, data on staffing arrangements in most sections of the report, an updated format that makes it easy to locate information, an extensive cross-referenced subject index and data from over 1,600 associations, presented in 477 tables covering 16 subject areas of association management.

The latter publication is the most comprehensive and probably the most single useful source of information about trade association policies and procedures. A suitably adapted version of the executive summary forms Appendix 2 to this report.

Self-Assessment

The ASAE has published 'Assess Your Strengths and Weaknesses: a Workbook for Evaluating your Association' as an aid to association managers in taking a comprehensive but quick look at how their association is doing in ten general areas of management common to most associations. The workbook is divided into the following ten sections -

- (a) Purpose and goals.
- (b) Membership development.
- (c) Governing body officers and directors.
- (d) Organisational structure and documents.
- (e) Programmes and services.
- (f) Association staff.
- (g) Financial management and control.
- (h) Information management and automation.
- (i) Government affairs.
- (j) Communications.

For each of the ten areas there are broad statements such as "Is the association's mission statement clear", then sub-divided into a number of areas, for example "Does the statement include or allow for the full scope of association services and programmes". Each criterion is marked on a 1-4 scale. At the end of each of the ten sections, there is a "strategies" page which can be used to identify ideas or strategies for overcoming weaknesses which

have been identified.

The ASAE has also published a background kit (broadly speaking, a collection of articles from ASAE publications and other relevant material) on membership satisfaction surveys. The kit includes sample documents, for example letters to members asking for a survey to be completed. It also includes sample questionnaires.

This is another area where there are a number of specialist firms that aim to provide a survey to associations. The 1996 'Who's Who in Association Management and Buyer's Guide' lists 33 such companies, some of which are all-purpose association management companies while others are specialist.

CHAPTER 6

Standards and Regulation

Like their counterparts in other countries, American trade associations inevitably become involved in setting standards, regulating their members to some extent and otherwise contributing in a major way to the development of public policy. The American experience in this respect is probably little different from that of associations in Britain.

There are four kinds of standard setting in the association community. The first is codes of ethics. About half of associations have a code of ethic. The code governs the conduct of its members. A majority of associations make the code mandatory - a member must subscribe to the code to retain membership.

Technical standards are the second kind. They fill two broad categories: design and performance. Design standards outline specific materials to be used and the dimensions of the finished product. Performance standards deal with how the finished product should work, rather than how it is designed or manufactured. Examples include: the American Standard Code for Information Interchange (ASCII) which established a base set of characters and formatting tools that enable personal computers made by different companies to communicate with each other; the Fire Protection Code, established by the National Fire Protection Association, has been incorporated into many municipal ordinances that govern the construction of buildings; the Generally Accepted Accounting Principles (GAAP) set by the Financial Accounting Standards Board is adhered to by commercial and nonprofit organisations alike.

Certification is the third kind. It has to do with licensing, and refers to meeting standards set by or involving a state or other governmental body - such as a licensed practical nurse who has fulfilled certain state requirements for training and limits herself to state-approved activities on the job. Certification, on the other hand, is administered by private bodies, like associations. Physicians are licensed to practice by the state but may also be certified in a specialised area, such as family medicine or radiology, based upon tests given by the specialty's professional society. Other professions which certify are disparate, such as accounting, automotive servicing and meeting planning.

Accreditation is the fourth kind of service setting. Accreditation is to institutions what certification is to individuals. For example, although a hospital in the US is licensed by the state, it is accredited by an association (Joint Commission on the Accreditation of Healthcare Organisations).

It is estimated that in 1989 associations spent \$14.5 billion in setting, certifying and meeting product standards that specify safety and performance requirements.

As a specific example of regulation, the World Federation of Direct Selling Organisations operates a code of conduct towards consumers which its members are bound by. Every national direct selling association pledges to adopt a code of conduct that incorporates the substance of the provisions of the code as a condition of its admission and continuing membership in the world federation, and every direct selling association member company pledges to abide by the code as a condition of admission and continuing membership in the DSA. The code covers such items as identification, explanation, demonstration, provisions in relation to cooling-off and return of goods and guarantees and after sales service.

Enforcement of the code is a matter for each company. Each direct selling association is required to appoint an independent person or body as code administrator who will have power to settle any unresolved complaints of consumers based on breaches of the code.

CHAPTER 7

Trade Associations' Use of Information Technology

Introduction

In the use of information technology trade associations in the USA are more advanced than their counterparts in Britain and probably most other countries. This largely reflects the size of the sector with the scope that that has given for the provision of central services from specialist companies.

Telephone and Fax Systems

The 1996 report 'Policies and Procedures in Association Management' showed that 50% of associations used voice mail for some incoming calls; of those that did not, 29% planned to use it in the near future. 43% of associations had an 0800 number (free to the caller). Of these, 47% used it for association information/products, 39% for the main incoming line and 18% for product ordering. Fax broadcasting was used by 78% of associations; in 71% of cases the service was provided in-house. A fax-on-demand service was provided by 20% of associations, largely to provide information on association activities.

Computer Systems

The report 'Policies and Procedures in Association Management' showed that 55% of associations had a local area network configuration, 37% had stand-alone personal computers, 4% a mainframe and 8% a micro or mini computer. 76% of associations planned to upgrade their hardware within the next three years. 84% of associations had IBM compatible systems and 95% owned their computers. The activities the computer systems supported are listed below -

Activities Supported by Computer System

Accounting	91%
Electronic bulletin board	18%
Electronic mail	44%
Exhibit management	35%
Fundraising	17%
Government affairs	44%
Group insurance	14%
Industry literature database	15%
Internet access	38%
Lobbying	32%
Market research/surveys	29%
Meeting registration	83%
Member records/dues	88%
On-line services	17%
Order fulfilment	27%
Payroll	45%

Political action committee	22%
Presentation graphics	54%
Spreadsheets	79%
Subscriptions	29%
Word processing	95%
Other	2%

Given the size of the trade association sector in America, it is hardly surprising that specialist software packages are being developed specifically for this market. The largest, most prevalent system is iMis produced by Advanced Solutions International of Alexandria, Virginia. This particular software is also marketed in the UK through Fisher Technology Limited.

ASI specialises in servicing trade associations, professional societies, unions and chambers of commerce. It has over 300 customers around the world. The software is designed to be flexible so that no customisation is necessary. Large associations can use the iMis client server, which provides user-orientated development tools allowing users to create, add on or modify a system. The iMis software works on either MacIntosh or PC platforms.

The iMis and iMis client server modules include membership management, committee management, dues and subscription management, meetings management, word processing interface, legislator tracking, exhibitor management, order processing, speaker tracking, legislative bill tracking, relationships, hotel room block management and also the basic accounting services.

A second specialist firm is Smith Abbott based in Lutherville, Maryland. This firm was established in 1972 and provides computer systems and services for trade associations, professional societies, foundations and other not-for-profit organisations through its Association Management System (AMS).

AMS is a suite of integrated applications covering a comprehensive array of functions. The system uses client server technology and is integrated with Microsoft access.

The system involves a central database covering, for example, members, individuals, committee members, subscribers, donors and speakers and then 12 modules - membership management, committee tracking, dues processing, subscription fulfilment, events management, exhibits management, fundraising, order entry, inventory control, advertising management, member referral, internet interface, accounts and word processing and fax integration.

There are also specialist consultancies which do not actually provide software directly. Krajewski & Associates Incorporated, of Rockville, Maryland, describes its mission as being "to provide associations with impartial consulting services for effectively using technology to meet business management and member needs". It deals only with non-profit organisations and has worked with over 200.

There are many other companies in the market. The 1996 edition of 'Who's Who in Association Management and Buyer's Guide' lists 42 consultant firms including major companies such as Booz-Allen and Hamilton and Arthur Andersen and specialist firms like Krajewski & Associates which concentrate on associations. No fewer than 74 computer

hardware and software companies are listed, again ranging from companies like IBM to specialists such as ASI.

Associations' Use of the Internet

The 1996 report 'Policies & Procedures in Association Management' showed that 34% of trade associations had an internet address. Of these associations, 81% used the internet for electronic mail, 11% to sponsor a discussion group, 11% to publish electronic journals and 34% to publish a world wide web page.

22% of associations provided an electronic on-line service for members. Of these, 41% provided the service in-house, 32% through intranet, 21% through a commercial service and 6% in other ways. Where an on-line service was offered, the following services were available -

Discussion groups/forums	42%
Databases	40%
Convention/seminar registration	31%
Publication purchases	28%
Free materials	23%
For fee services/products	17%
Other	10%

A number of associations are using the web to create a marketplace for their members' products. The Luggage and Leather Goods Manufacturers Association does this.

Over 1,200 associations have a world wide web homepage which can be accessed through the ASAE's gateway to associations facility on its homepage. Homepages for a small number of selected associations are included in Appendix 6.

How an association can benefit from a worldwide web site was usefully reviewed by Laurel O'Brien in an article in the February 1996 issue of 'Association Management'. Ms O'Brien argues that to truly exploit the power of the worldwide web it is necessary for associations to ask other site owners to build links to their page:- "This is a natural extension of the partnering spirit that has led associations to form strategic alliances with schools, research institutions, and other associations worldwide. Inter-relationships are what makes the Web a web - there are any number of ways to get to the same place, but the sites you visit along the way are different, determined by your interests and a click of the mouse." Ms O'Brien argues that use of the web is a new kind of staff support, allowing details of an Association's goals, programmes and meetings to be made widely available in a sort of combination of traditional publishing and broadcasting. She quotes the meetings manager of a small association as saying that a web site has significantly cut down calls for general information and meeting dates. Other associations stress the importance of making information available to a wider range of people.

Ms O'Brien lists a number of factors that associations need to address before launching a worldwide web site -

- (a) Who will be in charge of administering the site?
- (b) How will you ensure the site content contributes to the Association's overall goals?

- (c) How will the site fit into your Association's structure and culture?
- (d) How will you monitor the site's usefulness - to members and others?
- (e) How will you define success for the web site?
- (f) What aspects of the web site will be developed first? Are there political or practical reasons to develop certain sections first?
- (g) Will the web site primarily perform a marketing, public relations or member recruitment and retention function?
- (h) Are you more comfortable with controlling the process by developing the worldwide web site in house or will you hire a site developer or consultant?
- (h) How are you going to make the site interesting? What will keep visitors coming back?
- (i) Who will write the text for the site? How much is appropriate and how often will it be updated?
- (j) Who will design your site and how much design is appropriate?
- (k) How can you best make use of the Internet's interactivity? Possibilities include ongoing discussion groups, electronic surveys and fax-back registration forms.
- (l) Will you accept advertising on your site?
- (m) How much time are you willing to have your staff spend on the project?

Case Studies

A good example of how an association uses technology was given in the June 1996 issue of 'Association Meetings'. This explained how the National Association of College Stores had harnessed a range of technologies to provide new member services.

One of the major new services provided by the NACS are 15 listserves or E-Mail discussion groups which serve up to 600 subscribers. NACS also introduced a fax-on-demand information centre plus a home page on the world wide web offering hyperlinks to sections on NACS background, member services, industry information, education and conferences and a calendar of events.

NACS's most recent innovation is a virtual tradeshow on the world wide web.

A second example, related to a professional body, was given at the ASAE's 1996 convention. Leslie Lea and Randy Richter of CAUSE (the association for managing and using information resources in higher education) explained how they had added value to their internet and world wide web services. CAUSE's members are some 1,300 colleges and universities and about 3,800 individuals. By the nature of their work, they are technologically knowledgeable and most have access to the world wide web.

In mid 1994, CAUSE launched Projectlink with four objectives -

- (a) Provide members with access to association resources and most current information 24 hours a day, while increasing member usage of and participation in association services and programmes.
- (b) Encourage interactive communication between members of the CAUSE community.
- (c) Facilitate member transactions with the association.
- (d) Attract the attention of non-members and provide potential members with information about the association and the benefits of membership.

Now the system allows members to browse through some 2,850 documents, use a membership directory, access research companies, subscribe to publications and register for conferences. The project is felt to have been extremely successful. There has been greater usage of member services and much greater communication among CAUSE members and the association.

Thirdly, it is helpful to note how one large association uses IT generally. The American Hotel and Motel Association has a fax-on-demand service under 29 headings. It co-operates with other organisations to produce the International Hospitality and Tourism Database, its directory of members is available on a database and it provides a link to over 500 other databases.

CHAPTER 8

Rationalising Differences between the American and British Positions

Introduction

So far this book has been largely descriptive of the role and structure of trade associations in the USA. It has, on occasion, drawn comparisons with the position in Britain. It is clear that compared with the UK there are more trade associations in America, they are larger and they have available to them a greater range of central services. This chapter seeks to rationalise the differences.

The Size of the Economy

The first fairly basic point is that the American economy is much larger than the British economy. The population of the United States is 249 million, well over four times the UK population of 56 million. GNP per capita is significantly higher in America than Britain, as a result of which the total GNP is 6.5 times higher in America than in Britain. While the American economy may have no more sectors than the British economy, the larger size of the economy means more members of trade associations, therefore higher income, therefore greater scope to provide a range of services for the same income per member.

The Size of the Country and the Convention Tradition

The USA is not only large in terms of GNP, but it is also large physically. The USA comprises 3,787,000 square miles as against the UK's 94,000 square miles. Physically, therefore, the USA is 40 times the size of Britain. It has four time zones, and the distance between New York and Los Angeles is greater than that between London and Moscow. The size of America tends to make the country somewhat insular as is clear to anyone who has experienced the American media (in which foreign news is either non-existent or is equated with American foreign policy). This means that there is not the opportunity for people in an industry to get together at national level to the same extent as there is in Britain. The size of the country makes this simply uneconomic.

There has, therefore, in America developed a tradition of major annual conventions in which leading people in an industry get together once a year. The annual conventions are massive with even small industries having conventions of over 1,000 and the large ones running into tens of thousands. (The largest national association convention is that of the National Goods Manufacturers Association attended by 105,000 people. Three other associations - the Association for Manufacturing Technology, the American Hardware Manufacturers Association and the National Sporting Goods Association - have over 70,000 people attending their conventions.) There are also many more minor conventions, for example at state level. The convention business is huge, estimated at \$80 billion a year. The trade associations have usefully "captured" the convention business. Conventions provide a significant proportion of the income of many trade associations and also are a major reason for membership. The business exhibitions that invariably accompany the conventions are a major showcase and provide an opportunity for meeting as well as for selling. They also provide an important marketplace in which manufacturers and retailers can meet.

While conventions can be organised other than by trade associations (and in Britain there is

probably a bigger market in commercial conferences than there is in trade association conventions), a trade association is more likely to attract its members to a convention than a commercial organisation and it also finds it easier to attract exhibitors and top quality speakers. Most major American associations regard the convention department as being an important department of the Association rather than something quite separate from the principal policymaking departments which would be the typical view in Britain.

It is also the case that to some extent, attendance at conventions is regarded as an additional fringe benefit bearing in mind the very modest holiday entitlements of American workers (two weeks is fairly typical rather than the four to five weeks which is normal in Britain).

System of Government

The size of the economy and the size of the country are things about which Americans are justifiably proud. However, they also have an incredibly complex and large governmental system which is probably the single most important reason for the size differential between American and British trade associations.

America is a federal republic. The 50 states are sovereign powers in many respects with powers that are greater than, for example, those of the European Union countries. The States levy their own taxes and have their own laws on a whole range of issues, for example, the age at which people can hold a driving licence, permissible lorry weights, opening hours of restaurants and liquor stores, safety regulations and so on. Even major industries such as insurance are regulated at the state level. It follows that there is a need for a trade association in each state and these duly exist. The state associations typically will undertake representative work at the state level and, for some smaller companies, they may well be the only association to which the company belongs. State associations are generally affiliated to a federal association but operate at the local level with considerable autonomy.

In effect, there is in America not one government but rather 51, and, accordingly, the number of legislative and regulatory bodies to whom representations have to be made is hugely greater than in Britain.

The situation is then compounded by the sheer complexity of legislation in America. Chapter 2 described the legislative and regulatory requirements relating to trade associations which are such as to justify a 500 page specialist book on the subject, and lawyers and accountants who do nothing other than specialise in trade association work. Most large associations can't even have board meetings without their attorney being present. The position is mirrored in almost every other sector. In Britain, people may think there is too much regulation, but the situation is far worse in America.

This situation is partly caused by the final factor relevant in any comparison of the systems of government, a factor which, in itself, greatly influences the trade association structure - that is the legislative process. It is difficult to imagine a greater contrast between the way representative work is handled in Britain and the way it needs to be handled in the USA. In Britain, power rests with the government of the day, that is ministers supported by civil servants. On most issues they can come to policy conclusions without reference to Parliament. In practice, almost all legislation is introduced by the Government, and while Parliament can influence it, most legislation goes through Parliament in the way the

Government intended. It is very difficult for any individual Member of Parliament or group of MPs to initiate legislation other than on what might be called social issues. For example, the fact that there is an Insurance Companies Bill in a particular session of Parliament is entirely a decision for the Government and not for the insurance industry or for Members of Parliament, although both may be able to influence the final form of the legislation. It follows that in Britain, representative work on most issues need go no further than civil servants, and only on major issues need ministers be involved. MPs are a relatively small part of the process. When legislation is going through Parliament, they are certainly used by most trade associations but to a lesser extent than they would seek to make representations through government ministers. Amendments tabled by a minister are almost certain to be accepted, whereas amendments tabled by a backbench MP have a much lesser chance of being accepted, however logical they might be.

To some extent, MPs in Britain should be viewed as part of the opinion-forming sector rather than as part of the legislative process, although, of course, they do have some role in this.

In America, the position could hardly be more different. A major feature of the American constitution is the separation of powers between the judiciary, the legislative branch and the executive branch. While the President may be powerful in some respects, he is not responsible for legislation. This is a matter for Congress in the form of the House of Representatives and the Senate. Frequently, political control of the House and the Senate rests with a different party from the presidency.

There is no centralisation of the legislative process in America as there is in Britain. That is, no committee sits down at the beginning of the parliamentary year and decides what bills will be introduced, when they will be introduced, how they will be handled and so on. Rather, it is open to almost any interest group and any congressman to promote legislation. There could well be in any one session of Congress, say, five or six bills relating to insurance, some introduced by the administration, some by individual congressmen on their own initiative, some by committees and some at the instigation of the industry. Most of the bills will fail, some may be merged with other bills, but all the legislation needs to be closely tracked and due representations made to individual congressmen. Unlike in Britain, congressmen do not vote on the basis of party on many issues, and individual lobbying is necessary. It is well known that in order to obtain support from some congressmen, political contributions are needed which is why many associations run political action committees. Some congressmen may be prepared to support one piece of legislation only if the industry is willing to give way on another.

Congressmen are supported by huge staffs, many of whom are powerful political figures in their own right. It is perhaps indicative of the situation that when representatives of the UK insurance industry wish to discuss the implications of the Superfund legislation in America (dealing with environmental liability) then if they are seeking to influence what is going on through the British government they will talk to the civil servants in the Department of Trade & Industry or in the British Embassy in Washington, but if they wish to influence the situation directly, they will talk not to the administration in America but rather to the relevant congressmen or to their staffs.

The position can be summarised very simply by saying that to secure a particular legislative output could well require an input between 10 and 100 times greater in America than is necessary in Britain. There is plenty of scope to argue that the American system is more

democratic given that elected congressmen are much more powerful, but it is also possible to argue that the British system is more efficient and does not have what seem to be the elements of vote buying that are apparent in the American system.

The Benefits of Economies of Scale

The factors listed earlier in this chapter explain why the American trade association sector is so much bigger than its counterpart in Britain. This is costly to business, but it obviously yields some benefits in terms of the way that associations operate. In America people are accustomed to belonging to voluntary bodies, serving on committees in their local communities and so on. Very few top American businessmen do not serve the community in this way, whereas in Britain this is the exception rather than the rule. American business leaders are therefore used to working with voluntary bodies, and when they come to serve on committees of large national associations, already have a great deal of useful background experience, whereas some of their British counterparts do not.

Some 500,000 people in the USA work for associations of all types and this means that there is considerable expertise in every aspect of association business. People move from one association to another. There is a substantial professional body in the form of the American Society of Association Executives, a professional qualification and any number of books on the profession of association management. It is regarded in America as a discipline in its own right, separate from, for example, the company secretary role which is the nearest analogy in Britain.

The ASAE itself is perhaps the best illustration of the advantages of the size of the American trade association sector. It is a highly professional, expanding, professional body which most leading people in the trade association sector recognise as being their professional and representative body and see membership of it as an important part of career development. The fact that 8,000 of the 23,000 members are chief executive officers is an indication of this. The heads of most of the major associations belong to the ASAE and a significant proportion attend the ASAE's annual convention.

In addition to the ASAE are the commercial support services described earlier in this book. The hundreds of pages of suppliers listed in the annual 'Who's Who in Association Management and Buyer's Guide' illustrate the buying power of associations and it is only natural to expect that a market has developed to serve this buying power.

Conclusions

This chapter can perhaps be concluded with an analogy. In America, there is substantial expertise in handling the consequences of earthquakes, tornadoes and hurricanes. In Britain, there is no such expertise. This is not to say that Britain is in any way lagging behind America or is failing compared with America. Rather, Britain does not need much expertise in tornado management or earthquake management, although some expertise in handling hurricanes is perhaps useful.

The UK simply does not need a trade association sector anything like that of the USA which can be regarded as hugely wasteful of national resources. However, this is not to criticise American associations which, in themselves, tend to be highly efficient organisations. Rather it is a commentary on the American system which requires so much wasteful use of resources within trade associations.

The fact that the UK does not need trade associations on the American model does not mean that they cannot learn from them. Going back to the analogy at the beginning of this section, if there is a wish in Britain to improve hurricane management capability, then the sensible thing to do is to learn from the American experience rather than to try to reinvent the wheel. Similarly, in Britain there is a desire to improve the effectiveness of trade associations and, accordingly, one can learn from the American model even though it exists only because circumstances in the USA are so very different. The next chapter develops this point.

CHAPTER 9

Lessons for the UK

The number, size and structure of trade associations in the USA reflects the needs of the American market and cannot be translated to the situation in the UK. Trade associations in America consume huge resources and it would be wasteful if anything like that volume of resources was devoted to trade associations in the UK.

However, their size does not reflect only the nature of the regulatory and legislative system. American trade associations provide a wide range of services compared to their British counterparts, largely on a commercial basis. In this way they generally help to promote the competitiveness of the companies in the sector they represent.

Having said this, the size and sophistication of American associations is, of course, relevant to their counterparts in Britain. One can learn from organisations even when they are not directly comparable.

Perhaps one lesson for the UK is that trade association work is regarded as a profession in itself. People move from association to association with senior executives invariably being recruited from within the association sector rather than from the sector they are representing, which is still common practice in Britain.

The American experience shows the great advantages to be gained from economies of scale when trade, professional and other voluntary organisations get together. Publications can be produced, conferences and seminars organised and experiences generally can be shared, particularly as the organisations concerned are seldom in competition with each other.

One specific area where even without economies of scale UK associations can learn from the American counterparts, is in the use of technology. The efficient American association provides a highly professional service to its members using the world wide web, E-Mail, fax-back and other electronic services. Many associations have databases which can be searched on line.

An organisation providing the services of the ASAE would undoubtedly be beneficial to trade, professional and voluntary organisations in Britain. However, the sectors are not together sufficiently large to justify an organisation anything like the ASAE and, in addition, there is not the powerful market force of the size of the convention business and regulatory force of taxes and legislation governing associations that there are in America.

It is possible to conceive of a move towards the situation in America. A professional body or a trade body for non-profit organisations could provide a scaled-down version of the ASAE service. However, this would involve the merging the services of a number of existing organisations and it is difficult to see what compelling force there is to achieve such a merger or to involve the vast majority of trade and professional bodies which have nothing to do with any of these organisations at present.

Bibliography and Sources of Information

Chapter 1

'Association Fact Book' (American Society of Association Executives, 1993).

'Associations Advance America' (American Society of Association Executives, 1990).

<http://www.aip.com> (Adams/Laux) - MeetingsNet site covers publications, a facility and services guide, a library of articles and industry news.

<http://www.eventssource.com> (DirectSource Communications and International Association of Auditorium Managers) - a workable database of over 2,000 facilities.

'National Trade & Professional Associations of the United States and Canada' (Columbia Books, annual).

'The Encyclopedia of Associations' (Gale Research Company, annual).

'The Executive's Guide to Planning Meetings and Incentives' (Adams/Laux, 1996).

Chapter 2

Richard S Belas (Davis & Harman), 'US Lobbying Developments' (unpublished, 1996).

Jerald Jacobs, 'Association Law Handbook' (ASAE, 3rd Edition, 1996).

Jerald Jacobs (ed), 'Federal Lobbying Law Handbook' (ASAE, 2nd Edition, 1996).

Jerald Jacobs & David Ogden, 'Legal Risk Management for Associations' (American Psychological Association, 1995)

George D Webster, 'The Law of Associations' (Matthew Bender, 1995).

George D Webster, Frederick Krebs and Hugh Webster, 'Associations and Lobbying: Regulation' (US Chamber of Commerce, 1992).

Chapter 3

'Association Executive Membership' (ASAE).

<http://www.asaenet.org> - ASAE's world wide web site.

'1996-1997 Publications Catalog' (ASAE, 1996).

'The ASAE Advantage' (ASAE).

'Who's Who in Association Management & Buyers' Guide 1996' (ASAE, 1996).

Chapter 4

John Crawford, 'Operating Internationally' in Ernstthall & Jefferson (eds) 'Principles of Association Management' (ASAE, 1990).

Gerry Rowman, 'Boosting Members' in 'Association Management' (ASAE, October 1995).

Matthew Runcie, 'Leading members to markets' in 'Association Management' (ASAE, February 1994).

Chapter 5

'Assess Your Strengths and Weaknesses: A Workbook for Evaluating your Association' (American Society of Association Executives 1988).

'Membership Satisfaction Surveys' (American Society of Association Executives, 1993).

Chapter 6

Details of the three companies mentioned in Chapter 6 are given below:

Smith Abbott
The Galleria Towers
1447 York Road, Suite 800
Lutherville
MD 21093
USA
Fax 00 1 494 0400
<http://www.saco.com>

Krajewski & Associates Inc
152 Rollins Avenue, Suite 102
Rockville
MD 20852
USA
Fax 00 1 301 9881 0730
73353, 2661@Compuserv.com

Advanced Solutions International Inc
3309 Duke Street
Alexandria
Va 22314
USA
Fax 00 1 703 212 6725
<http://www.advsol.com>

Laurel O'Brien, Home Away from Home, 'Association Management' (ASAE, February 1996).

Todd J Englander, 'Making Friends with Technology' in 'Association Meetings' (Adams/Laux, June 1996).

APPENDIX 1 - Typical Entries from Directories of Associations

[Not published in electronic version.]

APPENDIX 2 - Policies and Procedures in Association Management

Published by American Society of Association Executives, 1996

[This Appendix is the Executive Summary of the Report, edited only to remove superfluous material and add some explanatory points (identified by being in square brackets).]

OVERVIEW

In many ways, managing associations has become increasingly complex. Several major broad, external factors have brought about critical changes in the economic, social, tax and legislative climate which have affected association executive decision making about pivotal strategic and operational directions of the associations that they manage.

Getting a grasp on these complex issues and determining how the organisation should proceed is a challenge for any association executive. One useful method to help achieve the above goals is a management tool known as benchmarking - comparing the practices and norms on one's own organisation with those in similar entities. ASAE's *Policies & Procedures in Association Management* is just such a management tool, designed specifically for the association management field. It chronicles the practices of nearly 1,600 associations in virtually every major area of association management.

MAJOR EVENTS AND CHANGING CONDITIONS SINCE 1991

Since the data for the last edition of *Policies & Procedures in Association Management* (P&P study) was collected in the spring of 1991, many fundamental conditions have changed dramatically for tax-exempt organisations, probably altering forever the environment in which associations exist and operate. [Associations are tax exempt and accordingly are influenced by legislation relating to tax exemptions.] In tandem with these changes have been sweeping advances in technology which have accelerated the effects and implications of these changes on associations.

Growth of the Nonprofit Sector: Scrutiny and Competition

Driven by government and media scrutiny, formerly positive public perceptions about nonprofit organisations have begun to shift. This shift has been exacerbated by the fact that associations and other nonprofits are much more visible; the number of organisations receiving tax-exempt status has increased significantly in recent years. In the past 15 years, for example, the number of tax-exempt associations has grown by about one-third the number of organisations that had been formed in the previous 130 years, based on analysis of the *Encyclopedia of Associations*, published by Gale Research.

The growth in the number of organisations in the nonprofit sector also means increased competition for associations. For example, paralleled with advances in technology, some new nonprofit organisations are beginning to exist entirely online, eg., on the Internet, providing a choice for some members of more traditional organisations between their old membership organisation and newer models that may better suit their lifestyles and needs. And competition for associations in the for-profit sector has increased, as numerous companies form and offer services (from technological link-ups to credit cards) directly to association members. Associations are struggling to adapt to this increased competition for members.

The following is a discussion of a number of factors that have helped to both create and to intensify the effects of the increased scrutiny and competitive environment in which associations operate today.

Economic Changes

The recession was in full swing when the data for the previous study was last collected. The economy is no longer in recession; but general growth has been and remains slow. Management reaction to these dynamics, both in the for-profit and nonprofit sectors, has been cautions in the area of expanding operations.

For many businesses and government entities at all levels, the decade of the nineties has been perceived as an era of doing more with less, stemming from broad economic forces and technological advances in American society. Governments at the federal, state, and local levels have been under increasing pressure in the past five years to balance budgets and offset trade and operating deficits without raising general income taxes. In order to accomplish this feat, the general trend has been for government to mirror corporate actions by "reinventing"/downsizing government while at the same time seeking and collecting revenues from new sources wherever possible.

Governments Seeking Revenue

Because money is tight at the federal government level, various agencies are seeking revenues everywhere, including areas not previously targeted to a great extent.

Federal Legislative Activity

Some of the main revenue-related actions include:

■ **Omnibus Reconciliation Act of 1993**

A sweeping piece of legislation that redefined lobby expense activities, spouse travel expense deductions, valuing donations of property to charities, charitable contribution deductions, and key elements of executive compensation packages provided by nonprofit organisations.

■ **Family Medical and Leave Act**

In 1993 the federal government passed legislation that required employers with 50 or more employees to provide a minimum of 12 weeks of job-protected leave for employees that specifically addressed maternity and paternity leave, adoption, and caring for ill family members.

■ **Changes in Nonprofit Postal Regulations**

Nonprofit third-class mail eligibility changes restrict advertising for products and services that are not substantially related to the organisation's mission. A similar proposal for second-class mailings could mean as much as 17% increase in mailing costs.

Internal revenue Service (IRS) Efforts

The IRS has stepped up its efforts to collect revenues from entities in both the for-profit and nonprofit sectors. In the nonprofit arena, this activity has most notably included:

■ **New Rules for What Constitutes Unrelated Business Income Taxation (UBIT)**

This area was cited as the second most pressing concern to association and executives in a separate survey conducted at ASAE's Financial Management Symposium in May of 1995.

■ **Increasingly Complex Financial and Tax Reporting Requirements/Accounting Standards**

These standards focus on such activities as association cost allocation practices (closely tied to the UBIT issue); requiring consolidated financial statements for the association and its related entities; defining the rules for determining the employment status of "contract" employees and independent contractors; increasing the substantiation requirements for charitable deductions; and so forth.

■ **Substantiation of Volunteer Expenses**

Proposed IRS regulations would impose new reporting requirements on 501(c)(3) [tax exempt] organisations to substantiate, in writing, that a volunteer incurred unreimbursed expenses of \$250 or more, and to disclose benefits paid to donors that have a value of more than \$66 or 2% of the total contribution, whichever is less.

■ **Changes in the Allowance for Deductibility of Executives' Spouse Travel**

Current rules restrict the deduction of spouse travel expenses to association-related events that can be deducted with few exceptions. Of key concern is the provision that volunteer leaders (and association executives) must claim as income those expenses that are reimbursed by the association.

■ **Institution of the Nondeductibility of Some Associate (Vendor) Member Dues**

This subject is covered later in this *Executive Summary*.

■ **Increase in the Number of IRS Revocations of Nonprofit Tax Status**

Although not widespread, the main reason for the revocations has been antitrust violations.

Local Revenue-Raising Actions

Many states and localities have instituted bed (hotel), sales and use taxes related to meetings held in their areas. These actions have become a great concern to association executives because of the number of meetings conducted by associations. In fact, this issue was the third most troubling to executives at ASAE's Financial Management Symposium in May of 1995.

Expanded News Coverage

In the for-profit and nonprofit worlds alike, this era of belt tightening and moderate austerity has ushered in generally increased scrutiny by public and government groups of actions taken in these two economic sectors. News and exposés about runaway CEO [Chief Executive Officer] salaries have triggered demand for increased justification and accountability for these salaries. Likewise, in the nonprofit world, the United Way scandal and other new stories about the abuses of other nonprofits and their staffs have helped fuel the growing controversy. For example, major exposés of abuses in nonprofit organisations in general, such as the seven-part series run in the *Philadelphia Inquirer* in 1993, have served to build public support and encouragement for the government's legislative and tax efforts to "crack down" on excesses in non-profit organisations. The headline quote from one of the articles in that series in April 1993 sums up this sentiment: *Warehouses of Wealth: The Tax-Free Economy. They're called nonprofit businesses, but that doesn't mean they can't make money. They do - billions of dollars. At the same time, their tax exemptions cost government more than \$36 billion a year.*

Growing public and government perception that nonprofits have for too long received undeserved preferential tax treatment to advance causes unrelated to their original tax-exempt purposes have resulted in such changes as the current IRS requirement that tax-exempt organisations must now state how major revenue centres of their operations relate to their original tax-exempt purposes on their Forms 990 each year.

Technological Change

Enormous advances in technology have changed the ways that all organisations - both for-profit and nonprofits - operate currently and plan future operations. These advances are both advantageous and challenging to the association industry. Used effectively, technology can enhance association operational efficiency, reduce costs, speed response to members, and create new services for members. According to the current P&P study, more than three-quarters (77%) of responding organisations plan to upgrade their computer systems in the next three years.

Because of the expense of technology acquisition since it affects nearly every aspect of association management, association executives are wary about making the wrong decision in an area that has such impact on the future.

Thus, for example, in the survey conducted at ASAE's Financial Management Symposium in May of 1995, the top concern of association executives was keeping up with technology; ensuring that appropriate resources are expended; ensuring that they have the right expertise when needed; and, ensuring that they locate the right combination of technology to meet their needs.

Socio-Demographic Changes: Less Member Time for Participation

Time, not money, is the issue on this front: competition for members' time is also multiplying.

Baby boomers have now reached the boardroom. Members of this generation have changed accepted views of the amount of time devoted to jobs at the expense of personal/family time to the point that associations must adapt, or operate without them.

These members are valuable assets among the leadership of many associations but they demand that their time given to the association is used productively and well.

MAJOR HIGHLIGHTS OF POLICIES & PROCEDURES

Changing Membership Markets/Services

To respond to myriad social, economic, political and technological forces, associations are having to retool their marketing strategies, and often the missions of their organisations. Products and services must parallel revamped missions and member expectations, new markets must be tapped, and loyal members must be retained.

To succeed in a more volatile market environment, associations are seeking increased professional skills in membership and marketing management, just as in the for-profit world. Increasingly savvy knowledge of the techniques for gathering necessary information about current and changing conditions, and for transferring it to actionable strategies for exploring new markets and satisfying current members is fast becoming mandatory.

Market Research/Marketing Savvy

Recognising the need to optimise the knowledge that they have of current and potential markets, well over half (57%) of respondents report having centralised marketing functions, and 11% have a consolidated, organisation-wide marketing plan that represents a co-ordinated approach between strategic planning and strategic actions. Moreover, nearly half (45%) of respondents collect information on member preferences and conduct market research. Two-thirds of the respondents track current member participation in association activities, such as attendance at events, participation on committees, and purchase of association products and services.

Market Research Methods

To research member preferences and explore new markets, associations rely on direct mail (the most frequently used technique), fax broadcasting, and telemarketing. Association marketers gather information on member satisfaction, member needs, product and pricing issues through the use of mailed surveys (the most widely used method), focus groups, and telephone surveys.

Market research activities comprise an average of 3% of their organisations' expenses budgeted for this type of research indicating that organisations realise the necessity of collecting and analysing this type of data.

Customer Service Centres

As an indication of what respondents are doing to reduce the amount of time that members and potential members must spend in association transactions, 28% of the respondents have a centralised customer service centre (compared to 32% in 1991) that provides "one-stop-shopping," much like many for-profit businesses. Although the proportion of organisations offering these centres is down somewhat since 1991, 15% of the respondents are planning to start one in the next two to three years.

Providing Targeted Services

With the increasingly sophisticated product preference information being gathered on current and potential members, more than a quarter (26%) of participating organisations are bundling products and services and marketing them to different segments of the membership. This practice will most likely increase as the ability to track information and the knowledge of increasingly sophisticated market research methods grows.

Setting A value on Membership

A relatively new practice for associations is conducting cost/benefit analyses of strategies for attracting/retaining members or developing services, similar to those performed by for-profit organisations when deciding whether to develop and market a new product. With responding organisations reporting that half of their organisations' income is spent servicing members, learning more about what member services are most desired is of paramount importance. Conversely, this information is useful to associations that want to provide members with information about the dollar value of their membership so that benefits become more tangible.

Exploring New Markets : International Members

By exploiting improved technological capabilities both to attract potential new international members and to offer services to keep them, associations are expanding to increase their traditional membership bases. The table below highlights some of the many relatively recent international aspects of association management covered in the P&P study.

Association International Issues

Issues	Percentage That Applies
Organisational Structure:	
Have chapters outside the US	32%
Governance Issues:	
Board includes members from outside the US	19%
Membership:	
Members outside country where headquartered	44%
Dues payments from international members must be in US dollars	83%
Translates membership materials into foreign languages	14%
Government Affairs:	
Government affairs programmes in international federations outside the US	4%
Meetings:	
Will hold meetings outside the US in next 3 - 5 years	13%
Publications:	
Same publications sent to non-US members.	63%
Translates publications into foreign languages.	10%
Finances:	
Maintains financial accounts outside the US.	6%
Have exchange rate fluctuation policy.	6%
Maintains offices outside the US.	5%
Human Resources:	
Staff Positions with foreign language requirements	6%
Same personnel policies apply to staff overseas	10%

Self-Regulation Activities

Through their credentialing activities - standardisation, certification, licensing, or accreditation - associations are responding to member (and public) demand by establishing product standards, improving the skills and competence of members, upholding codes of conduct and ethical standards, and so forth. Twice as many associations offer licensing and standardisation programmes as in 1991.

Inside the Organisation : Pursuing Operational Efficiency

Overall, the combined effects of governments seeking new sources of revenue, of

increased public scrutiny and negative sentiment, and of significantly increased competition has meant that revenue generation is more difficult than in the past. The positive effect of these challenges has been to force organisations (both for-profit and nonprofits) to become more efficient and skilled in their operations. In order to achieve greater efficiencies, associations generally must seek higher levels of staff productivity and professional expertise in the areas of finance, legal issues, computer technology, and organisational management.

Greater Financial Controls

Associations are collecting payment for their services and products faster than in the past. According to ASAE's ninth edition of the *Operating Ratio Report (ORR)*, the average receivables collection period decreased from 67.5 days to 41.5 days between 1989 and 1993. In the current P&P study, credit card payment is accepted by nearly two-thirds of responding organisations, and the operation of a lockbox (19%) is used to speed payment processing and provide more accounting control. In addition, nearly three quarters of respondents use a bid process to obtain the most competitive price for their supplies and services.

More stringent accounting methods appear to be practised, as revealed in six new cost allocation tables. More organisations are using accrual accounting than in 1991 (57% vs. 44%), which is generally accepted as a superior method to cash accounting. Compared to the 1991 P&P study, more associations use accounting software packages seeking greater reporting accuracy and control.

Reserve Funds

Consistent with the findings of the ORR, the 1995 P&P data reveal that associations are maintaining less of their operating budgets in reserve funds, as well as setting lower reserve goals, no doubt in some measure due to tighter operating finances.

Association Operating Reserve Funds

	1995 P&P	1991 P&P
Amount maintained in reserve		
Average	38%	46%
Median	25%	35%
Amount targeted for reserves		
Average	46%	56%
Median	40%	50%

Association Investments

Slightly more organisations (48% vs. 43% in 1991) have formal investment policies and nearly half use outside investment counsellors. The use of an investment counsellor can be a way to prudently manage risk when seeking higher income from traditional sources. Organisations that use an outside investment counsellor tend to have higher levels of reserve funds (an average of 40% as against 36%).

In contrast to the 1991 study, more than double the amounts of association investments are invested in equities, generally considered to have superior market performance over the long term than more conservative instruments. Also doubled in proportion are investments in corporate bonds, and, new on the radar screen, investments in international securities. These trends in investments could stem from a number of factors: more professional management of instruments coupled with the need to take some "cautious" risks to reflect lower reserve funds and the generally tighter financial condition of many associations.

Legal Precautions

Echoing the tighter scrutiny, caution, and generally increased professionalism of the climate in which associations are operating today, the Legal section of the P&P study has more than doubled since 1991. The great majority of the associations (80%) continue to retain legal counsel for association matters. According to a new question in the P&P study, legal counsel is significantly involved with independent financial auditors to serve as an added precaution that the association's financial records comply with current, more complex tax and legal requirements.

In addition, associations overwhelmingly (92% of them) enter into contracts with hotels and convention centres for major meetings; a third of them are reviewed by legal counsel. Concerning more stringent requirements for attendees with disabilities (eg, the Americans with Disabilities Act), labour negotiations, cancellation clauses, etc, many associations find it imperative to be cautious and clear about meeting arrangements and agreements so that potential disagreements can be precluded.

Essentially unchanged from 1991, nearly one fourth of responding associations have anti-trust compliance plans, require the presence of legal counsel at board meetings and, new to the study, 34% require that minutes from meetings be reviewed by legal counsel.

The following table summarises some of the legal precautions that associations are taking.

Association Use of Legal Expertise

	Percentage That Applies
Associations retaining legal counsel	80%
Uses outside counsel	83%
Uses in-house counsel	6%
Legal counsel works with independent auditors	42%
Contracts with hotels/convention centres reviewed by legal counsel	35%
Legal counsel present at board meetings	26%
Minutes from board meeting reviewed by legal counsel	34%
Association employee manuals reviewed by legal counsel	75%

Human Resources Management

The largest expense area in association budgets (on average, more than a third of organisations' total expense, according to ASAE's ORR report), personnel cost is also the area with some of the greatest savings potential.

New HR Landscape

As in other areas of association management, human resources administration has been affected by broad changes in the legal and technological landscape. Passage of legislation such as the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA), and increased litigation by employees in the for-profit and nonprofit worlds on such issues as wrongful discharge and discrimination in hiring and promotion practices has led many associations to enact procedures to guard against these actions.

As in other areas, the positive effect of these events has been to raise the level of professionalism and standards by which associations are managed, as noted in the table below.

Human Resources Issues

		Do you have a full-time human resources/personnel director?	
		Yes	No
Do you have formal job descriptions?	Yes	93.0%	79.0%
	No	7.0%	21.0%
Do you have a formal salary admin plan?	Yes	87.0%	30.0%
	No	13.0%	70.0%
Do you have formal guidelines for supervisors?	Yes	89.0%	43.0%
	No	11.0%	57.3%
Do you have an incentive or cash bonus system?	Yes	33.0%	16.2%
	No	67.0%	84.0%
Do you have an employee manual?	Yes	96.0%	70.2%
	No	4.1%	30.0%

More Formal Administrative Mechanisms

A third more associations have full-time HR directors than in 1991 (12% compared to 9%). Other areas of HR management, as well, show evidence of more professional management and compliance with employment law. (Most of these areas cannot be compared with the 1991 P&P study, however, since they are new to the study.) A solid majority (81%) of participating organisations have formal job descriptions, more than half of which (53%) have been revised to comply with the ADA. Associations that have HR directors are far more likely to have procedures that will place the association in a favourable legal (and professional) position. Probably as a reflection of increased litigation against supervisors, nearly half of the participants (48%) report having formal guidelines for supervisors to conduct performance reviews.

Approximately three-quarters of responding organisations have employee manuals and have them reviewed by legal counsel, no doubt reflecting litigation concerning the claim that employee manuals may be considered *de facto* employment contracts. Dramatically more associations have formal salary administration plans than in 1991 (37% compared to 18%), again reflecting increased professional practices and better management of potential legal challenges.

In addition to these changes as a result of legal imperatives, more than half of the organisations (51%) have sexual harassment policies. The following table summarises some of these trends.

Legal Imperatives Reflected in Association HR Policies	
	Percentage That Applies
Associations with full-time HR directors	12%
Formal job descriptions	81%
Revised to meet ADA requirements	53%
Formal guidelines for performance reviews	48%
Formal salary administration plan	37%
Existence of employee manuals	73%
Reviewed by legal counsel	75%
Updated annually	77%
Existence of smoking restrictions in the office	87%
Existence of sexual harassment policy	51%
Applies to volunteer leaders and staff	63%

Changed Staffing Arrangements

More than two-thirds (68%) of responding organisations now outsource some activities and about a fifth (21%) have downsized since the 1991 P&P survey. These changes parallel broader issues already discussed: the need to seek operational efficiencies which downsizing and technological advances can enhance, and the need to cut costs where possible which outsourcing can accomplish through lower long-term costs for employee benefits. At the same time that associations are outsourcing some of their activities, the overall staff turnover rate has declined by 2 percentage points since the 1991 P&P study (12% compared to 14%).

Downsizing and outsourcing have had [an effect] on organisational staffing arrangements. For those organisations whose staffs are smaller than they were five years ago and who *do* outsource some activities, the median staff turnover rate is more than three times higher than those organisations that have not outsourced. This circumstance could mean that those organisations that outsource have laid off staff during that period, whereas the ones that have not outsourced have either dropped activities or reassigned them to remaining staff.

The same parallels are true for these organisations with smaller staffs where outsourcing has increased during the past five years. The exception is the higher staff turnover rate for those organisations that haven't increased out-sourcing, even though the overall staff size has decreased. It could be that those employees are being over-extended with reassigned duties and are leaving those organisations, or that some organisations are in decline and losing staff (either through lay-offs or departures) without farming out their duties through outsourcing.

The staff turnover rates are lower among organisations that outsource less and have not reduced overall staff size in the past five years.

Changed Work Arrangements

As in the 1991 edition of P&P, the length of the work week continues to be 40 hours for the largest proportion of participants (48% and 42% in 1991). New data were collected on alternative work arrangements, outside of more traditional nine-to-five, work-at-the-office policies. A large majority (91%) of participating organisations offer flex-time and many offer flexible work options, such as telecommuting (23% now offer it and 12% are considering it) in which most (81%) allow employees to work at home occasionally. These types of flexible arrangements are direct beneficiaries of improved technologies that allow electronic communication with the office; in fact, creating a "portable" office at an employee's home. The table below summarises some of these trends.

Types of Work Options	Percentage That Applies
Typical Work Week	
40 hours	48%
37 1/2 hours	30%
35 hours	19%
Flex-time	61%
Different start/quit times	91%
4-day work weeks	12%
Part-time work	57%
Associations considering it	5%
Telecommuting	23%
Associations considering it	12%
Employees work at home occasionally	81%
Association furnishes equipment for home use	42%
use	11%
Job Sharing	6%
Associations considering it	

Employee Benefits

In general, what have become fairly standard benefit packages, including health, life, and disability insurance, retirement plans, and paid sick and annual leave have also become costly to the point that associations are enacting alternative ways to provide them.

Some cost-cutting measures include increased offering of Health Maintenance Organisations (HMOs), increased deductibles for health insurance (from ASAE's *Association Executive Compensation Study*), increased co-payments for covered services, increased employee contribution, and so forth.

As mentioned above, about two-thirds (68%) of responding organisations now outsource some of their activities, which, among other ramifications, can reduce long-term costs for employee benefits. The table below summarises some of the key benefits that associations include in benefits packages to employees. Comparisons are provided between the current study and most recent edition in 1991.

Key Employee Benefits

Benefit	1995 P & P	1991 P & P
Average number of holidays	9 days	9 days
Section 125 Plans	17%	12%
401 (k) Plan	14%	13%
403 (b) Plan	13%	7%
Tuition assistance	31%	38%
Health insurance	95%	96%
Retirement Plans		
Defined Benefit	23%	19%
Defined Contribution	68%	47%

Changing Nature of Governance

Mirroring some of the trends discussed earlier, associations are modifying some of their governance practices to adapt to increased demands on volunteers' time, to streamline operations, and to adapt governance procedures to changing times.

Organisations plan to reduce the number of committees and meetings needed by increasing the use of conference calls. Nearly three-quarters of responding organisations (72%) provide directors and officers liability insurance to volunteer leaders, and slightly more associations provide all expenses for the chief elected officer to attend annual, board, and committee meetings.

Associate (Vendor) Members and Governance

It is perhaps partly in reference to the UBIT (unrelated business income taxation) issue that considerably more associations allow associate (vendor) members to hold office now than in the 1991 edition of the P&P study (74% compared to 34%); that associate (vendor) members have voting rights in 40% of participating organisations; that 21% of them have different term limits from other members and that 59% limit the number of associate (vendor) members from the same company. A potential future issue may be scrutiny of the fact that nearly a third (29%) of participating organisations' associate (vendor) members pay higher dues, and more than two thirds (68% have different rights and benefits than other association members.

Functioning in a Changing Tax and Legislative Landscape

Income from dues continues to fall (46%, compared to 50% in 1991).

ASAE's operating Ratio Report (ORR), ninth edition, noted a steady decline in dues income since the early 1980s. Factors contributing to the decline include: competition from other membership organisations, tighter budgets for employee memberships in other organisations, slightly declining membership retention rates (87% compared to 89% in 1991), and non-deductibility of associate (vendor) member dues.

To provide the same or greater levels of member services and benefits, associations must seek revenues from other sources. The ORR cited the top nondues income activities as meetings, educational programmes and periodical income. The rise in nondues revenue has in turn sparked heightened IRS attention toward investigating and collecting tax on unrelated business income (UBI). Because associations must carefully balance the proportion of revenue from nondues activities that are not directly related to their original tax-exempt purpose in order not to trigger UBIT, many associations are forming for-profit subsidiaries for these unrelated activities.

Unrelated Business Income Tax (UBIT) Activities

According to respondents in the report 41% of the organisations treat income from sponsored services (ie endorsed products and services) as UBIT, more so among individual membership organisations than trade organisations. Similarly in the *Publications* section 47% of the organisations with advertising income pay UBIT. Related to this last finding, advertising income was at issue for the largest number of IRS audits of responding associations. Advertising income was the issue most investigated in IRS audits in the 1991 edition of the P&P as well.

IRS regulations still in the proposal stage would tax certain income from corporate sponsorship of association events if it can be determined that the sponsorship represents a payment for advertising, which constitutes unrelated business taxable income. In *ASAE's 1995 Meeting Trends*, for example, respondents stated that they receive a median of \$17,000 in sponsoring income for annual meetings alone. This may well become a more significant area of investigation for association UBIT activities (it now ranks only 7th among respondents) once the proposal is finalised.

UBIT Paid on Associate (Vendor) Member Dues

There has been considerable legal activity relating to associate (vendor) members of associations. At issue has been the definition of an associate (vendor) member, that is, whether they are fully participating members, receiving the same services as other members for the same price as other membership categories, whether the dues that these members pay are tax-deductible, and whether associations must claim any of this income as unrelated business income. Obviously, this issue is of major importance to associations, since nearly half (49%) of the survey participants have associate (vendor) members. The potential for revenue loss could be substantial since UBIT could be levied

if associate (vendor) members are considered not to be "fully participating" members of an association. See "Associate" (Vendor) Members and Governance," above.

Sixteen percent (16%) of responding organisations currently pay UBIT on dues income with an estimated median annual liability of \$2,000. Associations with associate (vendor) members are more likely to pay UBIT on member dues (19% vs. 13%) than those organisations without an associate (vendor) membership category. Evidently, however, other membership types also generate UBIT since 13% of the respondents without vendor members also pay UBIT on this income.

Cost Allocation and UBIT

Closely related to the issue of UBIT is cost allocation and how organisations account for project/programme expenses. Failure to allocate costs completely or correctly can result in increased taxes for the organisation on unrelated business income. Six new tables in P&P cover various aspects of cost allocation: overhead, direct/indirect expenses, labour and so on. Questions about cost allocation practices were not asked in the last edition of P&P, so comparisons are not possible. The table below highlights these practices.

Cost Allocation Practices in Associations

Type of Allocation	% of Assns That Allocate
Occupancy expense to programmes or functions	39%
Direct expenses to programmes or functions	78%
Labour costs to programmes or functions	57%
Labour costs to overhead/general and administrative	67%
Indirect expenses (overhead)/general and administrative to programmes or functions	50%
Average percentage of operating expenses that is indirect (overhead)/general and administrative	31%

Meetings & Taxes: UBIT, and Sales, Use and Bed Taxes

Perhaps as reflection of the importance of meeting revenue, associations are having more and larger meetings, a trend that is paralleled in *Meeting Trends*. During the next 3-5 years, 13% of participating associations plan to hold meetings outside the United States.

A number of legal issues affecting associations' ability to raise revenues from meetings (associations' second largest revenue producer) include music licensing, royalty payments, UBIT, local use taxes, and the Americans with Disabilities Act (ADA). In ASAE's 1995 *Meeting Trends* report, nearly 30% of participating associations reported

having to pay royalties for music played at their annual meetings (median amount paid was \$250), 11% of which was for music played by exhibitors. Between 5.5% and 7% of the respondents in that study pay unrelated business income tax (UBIT) on meeting revenues, and nearly 60% of them pay state or local sales taxes on meetings expenses.

These increasing expenses will continue to have a direct bearing on association revenues from meetings and conventions. According to AEAE's 1994 publication the *Operating Ratio Report*, expenses for meetings rank second highest of all expense areas in associations (behind executive and administrative expenses). Continued increases could have significant impact on associations' ability to generate operating revenue for their organisations.

Lobby Tax

The new lobby tax law represents a major new expense area for associations. As a result of greater governmental and public scrutiny, associations are now required either to notify their members of the proportions of their dues that are not tax-deductible (ie, the proportion of the association's dues related to lobbying) or pay a proxy tax on that proportion directly to the IRS. More than half (54%) of the study participants report being subject to this new tax, more than half of which are trade organisations.

The great majority of these organisations (85%) notify their members of the portion of the dues they pay that is nondeductible. Among participants in the study, the median percentage that is nondeductible is 12% (10% median for individual membership organisations and 14% for trades). These proportions roughly parallel the proportion of those organisations' budgets devoted to lobbying. For those associations subject to the lobby tax, the majority of them (91%) have not reduced their lobby activities as a result of having to pay the tax.

Grassroots Lobbying Efforts

A solid majority of responding organisations (69%) have the capability to launch grassroots political activity for the general membership and more than a third of them with chapters conduct grassroots with their members. Grassroots activities involve alerting members about an issue and having them contact their legislators directly, since legislators more easily grant access and listen to constituents' views. Another key reason that grassroots activity is increasing relates to the Lobbying Disclosure Act of 1995 which requires that lobbyists be registered. The Act does not require, however, that grassroots efforts be disclosed.

Data of grassroots activities were not collected in the 1991 P&P study, but the general trend of developing grassroots political programmes to involve association members in political issues is on the rise. More associations are bring grassroots efforts in-house and becoming more sophisticated technologically in their techniques for accomplishing it.

Core Government Affairs Activities

Aside from some of the activities related to the legislative issues already mentioned, the P&P study continues to monitor associations' core government affairs functions, including a legislative monitoring, lobbying, member education, fundraising for political issues, and so forth. As in nearly all other areas of association management, advances in technology have facilitated the speed with which associations can disseminate information and organise responses to various issues. Half of responding organisations now use some type of fax technology to communicate with their members, and 6% use the Internet for this purpose. In addition, more than a third of respondents' government relations activities are directly supported by internal computer systems.

While nearly two-thirds of participating associations engage in lobbying (60%), roughly one-third are involved in grassroots political programmes with chapters. This might help explain why, along with improved technology, fewer associations are headquartered in Washington, DC (17%), and even fewer maintain an office in Washington (9% compared to 14% in 1991).

Political action committees (PACS) are operated by about the same proportions (roughly a third), which may not be surprising since legislation has been introduced since the last edition that would eliminate PACs altogether. Nevertheless, most PAC funds solicited continue to be for state elections, with federal elections the next most solicited. Key association government relations functions are summarised in the table below.

Grassroots Activities	% That Applies
Grassroots capability for general membership	69%
Grassroots programmes with chapters	36%
Operate a Political Action Committee	32%
Engage in direct lobbying of regulatory or executive agencies or elected officials	60%
As part of international federation, engages in government affairs outside the US	4%

Rising Postal Rates and Changing Regulations

Overall postal costs have risen since the 1991 P&P study as a result of US Postal Service (USPS) increases in rates and restrictions on nonprofit and other mail classes. Major USPS changes focus on incentive for mailers that would increase the use of barcoding, zip+4 addresses, pre-sorting and automated mailing operations. In addition, the USPS had issued rules affecting the amount of advertising in third-class nonprofit mail, unless it qualifies as a periodical. These changes have had significant impact on the way that associations plan and produce their periodicals and general mailings. One-quarter of participating organisations now routinely use bar coding, a relatively new

technology, in their mailings to reduce costs and increase accuracy of delivery. For two-thirds of participating organisations, other anticipated responses to these changes include increased faxing (45%), zip+4 mailings, and few mailings (20%). Savings in these areas are probably as much due to increased postal rates as to the advances in technology that make them possible.

CONCLUSION

In this complex environment in which association executives must operate, they need access to as many reliable management tools as possible to help them make the critical decisions about the organisation's operations. ASAE's *Policies & Procedures in Association Management* can be a powerful tool for benchmarking an association's internal and external operations.

In order to make the best use of tools such as these, however, association executives must know the competition, stay abreast of technological innovations, and use association resources carefully. These imperatives are not likely to become any less demanding in the years ahead. In fact, they will almost certainly intensify as technology and competition continues to grow.

Tracy Casteuble
Associate Director
ASAE Research and Information

APPENDIX 3 - The Canadian Lobbyists' Registration Act

It is helpful to note briefly the Canadian equivalent of the Lobbying Disclosure Act. This brief description of the Lobbyists' Registration Act, as revised in 1995, is taken from the industry Canada publication 'A Guide to Registration' (published on 31 January 1996). The Lobbyists' Registration Act was originally enacted in 1988. It was amended in 1995 to strengthen the disclosure requirements. Separately, it provides for the development of a code of conduct for lobbyists.

The four principles are set out in the preamble to the Act -

- (a) Free and open access to government is an important matter of public interest.
- (b) Lobbying public office holder is a legitimate activity.
- (c) It is desirable that public office holders and the public be able to know who is attempting to influence government.
- (d) The system for the registration of paid lobbyists should not impede free and open access to government.

All information collected under the Act and subsequent regulations is a matter of public record and can be searched by online direct electronic access.

The Act provides for three different categories of lobbyists. Consultant lobbyists are individuals who lobby for clients on a fee basis. In-house lobbyists (corporate) are those who, as part of their duties, lobby for an employer who carries out commercial activities for financial gain. In-house lobbyists (organisations), broadly speaking, are trade associations.

In the case of in-house lobbyists (organisations), the senior officer of the association must complete the registration form. Employees where lobbying duties constitute more than 20% of their total duties, must be listed on the form. The following information must be disclosed -

- (a) Name and position title of the senior officer.
- (b) Name and business address of the organisation.
- (c) Names of employees who lobby.
- (d) A general description of the organisation's business activities and membership.
- (e) Subject matter including specific legislative proposals, bills or resolutions, regulations, policies etc.
- (f) Name of each department or other government or institution lobbied.

(g) Source and amount of any government funding received by the organisation.

(h) Communication techniques used, including grass roots lobbying.

Reports must be filed on a six monthly basis, reporting on lobbying activities in the previous six months and planned activities for the next six months.

APPENDIX 4 - Initial registration and semi-annual forms required under Lobbying Disclosure Act

APPENDIX 5 - The ASAE World Wide Web Site

APPENDIX 6 – Home pages on world wide web of selected associations

[Appendices not included in electronic version]