

## International Board of Directors Position Paper

### IAAP – Budgets, Dues and the Financial Future of IAAP

The IAAP International Board of Directors is asking chapter and division delegates to support a significant dues increase at this year's Annual Meeting in Minneapolis. **The dues increase will not be phased in until January 1, 2010.** Many membership renewals will not be due until later that year when the economy is projected to begin its rebound. There will undoubtedly be concern about the amount of this increase as it is proposed at \$25 across all dues categories. Before you make your decision regarding this proposal, please review the following information. It has been carefully compiled to include comparative financial information and to highlight other facts that demonstrate the need for this increase.

#### Background

##### Associations Like IAAP are Facing Choices

Given the economic stress across North America and the rest of the world, many associations like IAAP are facing the question: "Will members and their employers still value memberships in professional societies?" Like all associations, IAAP is concerned about the economic well-being of its members — administrative professionals. Curtailed HR budgets and corporate downsizing have left many uncertain about their own future employment let alone their ability to remain part of an association like IAAP.

One thing is certain: to remain relevant and successful, associations must demonstrate and communicate their value both to members and their employers. Because of the networks, education and leadership development that associations provide, IAAP remains a good investment. For instance, leads on new job opportunities for quality positions are far more likely to occur through these networks than through the traditional means of classifieds or online job boards. An investment in membership dues can be considered an investment in one's professional development and career security should a member be impacted. For a complete list of IAAP benefits and services, please go here: <http://www.iaap-hq.org/join/>.

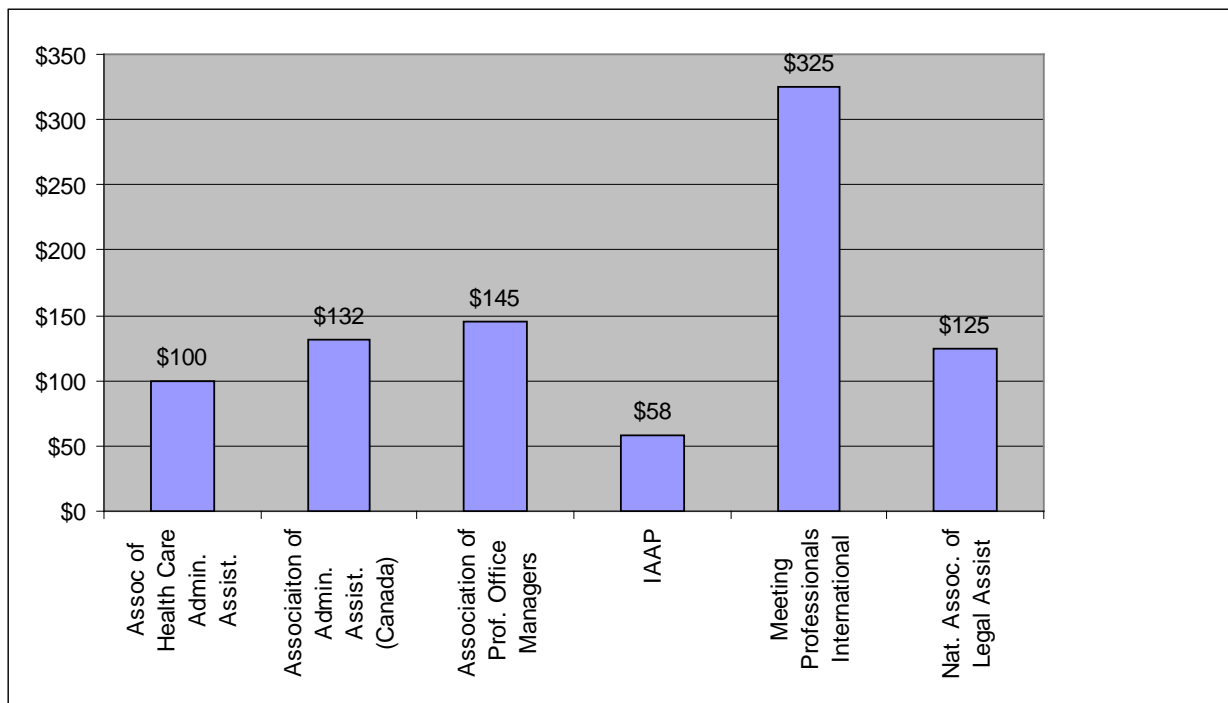
#### The Present

##### A. IAAP's Viability in an Uncertain Economy

Members want to know how IAAP should be positioned and what the International Board is doing to help the association survive the current economic downturn. During IAAP's recent budget development for the 2009-2010 fiscal year (beginning July 1, 2009), multiple cost saving measures were identified and approved by the International Board of Directors. These include printing/postage savings of nearly \$100,000, which is also consistent with our eco-friendly efforts. Other savings were found in travel, meetings and salary budgets.

IAAP has been operating within a fairly lean structure of resources including staff for some time. IAAP's vast chapter and division structure creates a significant number of customer service transactions for the headquarters office.

Most associations with 28,000 members have a much larger budget than IAAP because their dues are considerably higher. Because of IAAP's low dues, we are operating with **significantly fewer resources, and as a result, less staff** compared to other associations with a similar size membership base. Although there is a wide range of dues amounts charged, with many associations charging more than \$250, the average dues for individual professional societies is about \$150. Even similar support-based personnel associations like IAAP charge significantly more.



\* Association of Admin. Assistants (Canada) dues are inclusive of branch (chapter) dues

\* Meeting Professionals International dues are inclusive of chapter dues

## B. IAAP as a Dues-Driven Organization

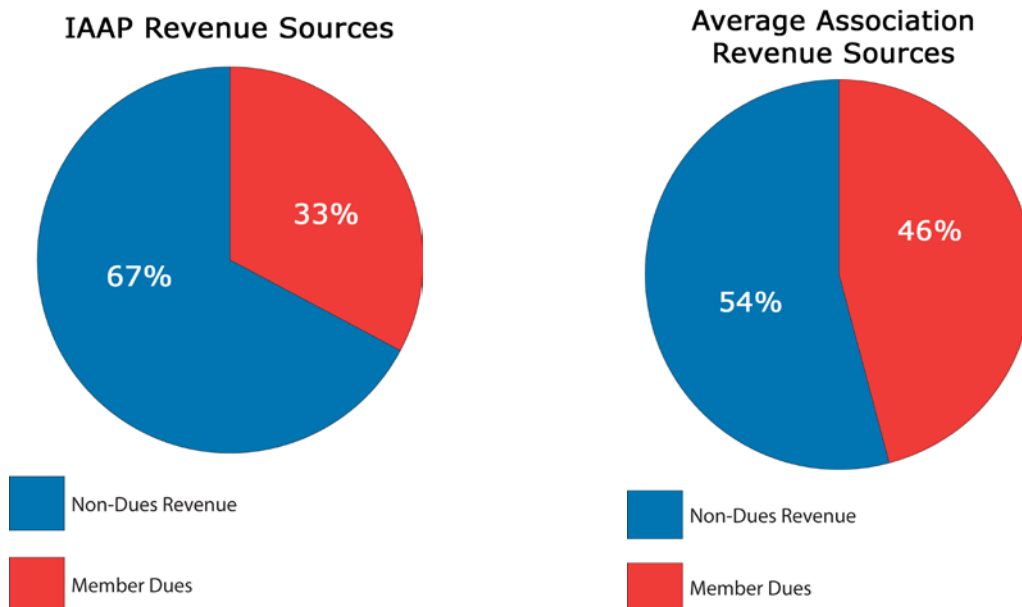
Membership dues can become an emotional issue for any association. IAAP has its roots in a philosophy of keeping our dues at the most affordable cost possible, thus being mindful of member income levels. Increasing the dues could mean the potential of placing a hardship on a fellow member. However, from a business perspective, this type of approach can and will cause stress on the association.

For some time now, the International Board and headquarters staff have struggled to meet budgets and try to build a minimal level of reserves to use should a serious

downturn in association funds occur. There has been a continued effort to balance the frugal nature of our organization with a growing demand for services and a necessity to keep pace with the cost of technology and other business requirements.

The dues paid to IAAP represent about 33 percent of the total revenues collected by our association. This means that 67 percent of revenues are derived from non-dues sources including program fees, sponsor support and advertising and other miscellaneous areas.

How does IAAP compare to other associations in terms of the percentage of dues support? The American Society of Association Executives (ASAE) conducts research and publishes findings in their *Operating Ratio Report*. The average of this ratio, comparing dues revenue to total revenue, has been consistent at about 46 percent for several years. At 33 percent, IAAP is well below the average for most associations. Much more of IAAP's revenue is derived from non-dues sources as illustrated below.



At first glance, this statistic may lead one to believe that this might be a good thing. However, a closer examination shows that the dependence on non-dues revenue can have significant negative impacts on an association. For instance, magazine advertising and other sponsorship support amounts to about 15 percent of IAAP's total revenue with a similar percentage coming from our certification program. If a sudden drop in either of these areas is realized, the effects to the association will be fiscally devastating. Dues, on the other hand, tend to fluctuate more slowly and provide a more stable revenue stream. The more IAAP is dependent on non-dues revenue, the less stable the overall finances tend to become. IAAP is already experiencing a downturn in its sponsorship packages offered to those companies within the office supply industry. Signed sponsorship package contracts are down 40 percent as compared to last year at this time.

**Fact #1: In order to maintain consistent quality of services for the association, dues must be increased to achieve a balanced revenue source. IAAP needs a higher percentage of dues revenue to provide fiscal stability.**

### **C. Operating Reserves Are Vital**

Years of operating on the budgetary edge has led to the erosion of IAAP's operating reserves, or net assets. This fiscal year, the Delegates at the 2008 Convention passed the chapter online join resolution, which required IAAP to make this service available to all chapters by January 1, 2009. The database programming expense alone required for this entire unbudgeted project will be approximately \$50,000 and has already required staff time of more than 1800 hours. In addition, the reprogramming of our database has had unforeseen consequences and disabled our previously developed member leadership reports. IAAP will need to spend a further amount of approximately \$60,000 to get these reports back in line. These unbudgeted expenses have further depleted IAAP's cash reserves.

During the year, the amount of IAAP's cash reserves varies from a high point shortly before convention (due to the collection of convention registrations) to a low point in late December, when the least amount of revenues are received. This year, IAAP delayed the payment of more than one large invoice in December due to a low level of cash reserves. Like any business, IAAP does not want to be in a position that requires payment delays or the utilization of short-term loans to remain solvent. An unexpected expense like the chapter online join project should not have had a serious economic impact on our association.

Lack of reserves impairs IAAP's ability to consider new initiatives requiring budgetary outlays or to withstand a considerable downturn in revenues or an unforeseen event, such as a cancellation of a major conference or convention. IAAP's reserves are about \$400,000 below the minimum 25 percent of annual expenditures as recommended by ASAE. Many associations build up to 50 percent of a year's budget as net reserves.

**Fact #2: To ensure its long-term viability, IAAP must raise its reserves to an appropriate level. With the fluctuations in non-dues revenue, the only way to do this is to increase IAAP's dues revenue, as a percentage of its operating budget, to a higher level.**

### **The Future**

#### **Future Needs and Investment**

There are new technology advances being introduced on a regular basis that could be of benefit to IAAP and our members. A progressive organization wants to be able to take advantage of those opportunities promptly. Several for-profit organizations have launched efforts that directly compete with IAAP. If IAAP wants to remain competitive

as the leading association for career-minded administrative professionals, then acquiring and adapting new technology is vital.

Considerable repairs and renovations will need to be made to IAAP's Headquarters offices over the next five years to maintain its value since it was built 30 years ago. Many of the needed maintenance and refurbishing projects have been delayed due to lack of funds over the past 10 years.

Failure to invest in any organization or business can result in the inability to remain a viable player in the marketplace. Recently, the CEO of Intel, Paul Otellini, announced they were investing \$7 billion in their semiconductor production efforts in spite of the downturn in the economy. Otellini noted in an interview that consumers and businesses will need to buy better computers to keep pace with the introduction of other new technology. This trend will be enhanced as the economy rebounds. Likewise, IAAP will need to provide an infrastructure capable of serving a wide range of administrative professionals who deal with multiple changes in the workforce and the way business is conducted in the world economy.

**Fact #3: IAAP must invest in its own infrastructure to remain competitive with for-profit organizations and to ensure that it can be the destination for administrative professionals. With a pared-down budget and diminished operating reserves, this is impossible.**

## The Reality

### How Did We Get Here

The reality of the current financial situation can be attributed to many things:

- Our association-wide culture of looking to the end of fiscal years rather than to the future of our association.
- Our organization's failure to provide a strategic framework to institute long-term financial stability.
- An association overly concerned about the ability of its members to pay, to the exclusion of the association's overall financial well-being.
- An institutional mindset of thinking small when our organization has the ability to become large and remarkable.

Chapters and divisions are where almost all IAAP leaders have gained their financial experience with associations. As a result, leaders in IAAP have evaluated resources and reserves with a mindset of thousands of dollars instead of hundreds of thousands of dollars by comparing chapters or divisions to the International operations.

In 2002, a dues increase of **three dollars** was defeated by the delegates at the Nashville convention even though it had been three years since dues had been raised. **In the last 10 years our dues have increased by only \$10.** The current global

financial situation should not be an impediment in making corrections to help solidify IAAP's finances. In fact, the current financial climate only serves to highlight what a tenuous position we are in.

## **IAAP Supports its Members and Elevates Our Profession**

More pressing than IAAP's current fiscal constraints is the intangible need to support a progressive organization that represents our profession and does so with a level of quality you expect. Our association has a proud and rich heritage of providing collaborative networking, educational opportunities and leadership development to a vast and diverse group of individuals.

Administrative professionals have been stereotyped in the past as focusing on details without an awareness of the big picture. As a whole, IAAP has helped admins to rise above stereotypes and elevate our status, not through any organized labor effort, but by providing opportunities to improve ourselves through education, skill building and just plain hard work. In one area, however, **IAAP has lived down to the stereotype of not seeing the big picture: we have failed to adequately fund the association that has given us so much.** By ensuring that our association has adequate resources to improve the careers of members and to communicate and remind employers of an admin's value, we can ensure the preservation of the pride we all have in our profession. IAAP is still the largest association in the world that represents administrative professionals. IAAP continues to be one of the best investments we can make, not only for the future of each individual administrative professional member, but as an investment in the future of the profession itself.

**We ask that the focus remain on the facts: IAAP simply does not have funds adequate to build its reserves, withstand challenging times, maintain its infrastructure and provide cutting-edge services to its members. Please support this proposal and ensure that IAAP will continue to enhance the success of career- minded administrative professionals for years to come.**

### IAAP International Board of Directors

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