

Version 2

ASSOCIATIONS, COMPLIANCE AND INCORPORATION

The Challenges

Managing a professional college, institution, society or association has many challenges; the revenue cost squeeze; increasing costs of meeting and publishing; attracting and encouraging commitment from members; maintaining professional standards and competency certification, as well as the continuing search for real professional relevance, today and in an evolving society.

The Institute of Industrial Engineers has made some progress using the website www.iie.com.au as a vehicle for general and member information, technical information, networking and for the administration of the Institute.

While professional bodies will continue to find ways to address these challenges, they will also need to improve corporate compliance and establish appropriate corporate behaviour. Failures in these areas may bring the organization and its officers [including volunteers] into serious disrepute.

Structure

Around the world, some professional colleges fiercely guard their professional standards and are gatekeepers to aspiring practitioners who they license to practise, perhaps in accordance with legislation. This approach is now being questioned because the college can control the number of practitioners and influence the fees they charge. These behaviours may be at odds with competition and trade practises legislation.

Other organizations certify competency based on the notion that their practitioners' clients find certification to be of value. It is consequently of value for the practitioner who pays for certification as well as the opportunity for learning, accessing technical information and networking.

In these different arrangements who owns the entity? Is it the council? Perhaps the managers are effectively the owners? Are the members the owners of the association or are they its customers?

The answers are implied by both the structure and behaviour of the body. Some of the existing arrangements that have evolved over the organisation's lifetime may not stand up to the more recent standards of corporate compliance.

Purpose

Professional associations should exist to benefit their members' careers by enhancing their competency; to supply the community with sufficient continuing competent practitioners and to protect the community from malpractice and incompetent practitioners.

The Corporation Model

In Australia, one appropriate model is to form a company limited by members' guarantee; gain relief from income tax and to ensure donations made to the not-for-profit corporation are tax deductible for the donor. This requires a conforming constitution, adherence to corporation regulations and for the directors to act in accordance with company law and the constitution, particularly in authorising policies and expenditures.

This structure reinforces the members' position as owners of their organisation and the directors as the elected representatives of all the members. This requires the directors to be competent as directors and to always act in the best interests of the all the members as a whole. The corporate regulations ensure that the directors are responsible for proper standards of reporting, transparency and financial control.

An appropriate Constitution ensures that the corporation complies with regulations and defines the corporation's powers and obligations and the benefits, powers and obligations of the members. Where professional standards are established, membership of the corporation may also oblige each individual member to conform to a code of ethics or conduct. The association's Constitution and the Code of Behaviour form the basis of the members' professionalism.

The costs of this compliance are high for small organisations. Annual fees for accounting, auditing, lodgement, as well as the cost of the AGM, may well amount to around \$9,000. This does not include the time of staff and directors who in small organisations are usually unpaid volunteers. Directors and Officers insurance is usually necessary, this may cost from \$2,000 to \$4,000. Professional Indemnity Insurance may not be necessary if the corporation does not give professional advice or undertake consultancies.

The cost for a small association may be something like:-

	\$ per annum
ASIC fees and registration costs	500
Accounting	1,300
Audit	800
Membership services	900
[Mail out invoices, collect payment, send out notices of Meeting]	
Annual General Meeting	5,000
(Airfare and accommodation costs for one day Meeting for 10 National delegates)	

Actual costs will vary for each association. Many associations will incur some of these expenses whether they are incorporated or not. The national meeting of delegates for the AGM can be arranged in conjunction with other activities. Some of the services listed may be provided by volunteers or sponsoring organisations at no charge.

While the corporate structure appears to be the most appropriate, it may be worthwhile for professional bodies to cooperate to reduce costs, to share costs and to represent to government the need to strip some costs from the system. While it is unlikely that the regulators intend to impose cost burdens on professional associations, they should be reminded from time to time that, though voluntary professional associations welcome proper regimes, they are minnows swimming among larger corporate fish.

Society will continue to require high standards of behaviour from professionals and their corporate bodies such as Institutions, Colleges, and Associations. The structure and management of professional associations should respond to these needs.

As a response to the changing global product acquisition, associations of productivity professionals should work to become effective and relevant to the changes that are necessary. Their impact could be improved by amalgamation, co-operation and alliancing across the artificial boundaries between the practical disciplines including human relations; operation and manufacturing management; production engineering; industrial engineering; maintenance engineering; safety and quality.