

WHEN AN INDUSTRY ASSOCIATION BECOMES A BUSINESS

Commercialising the business activities of an Industry Association

Four Bells Lead: David Bell

Assignment Duration: 4 years

Executive Overview:

Over a period of 4 years, by working with the leadership team of a large finance sector industry association, we segmented and separated the burgeoning training and accreditation business that had been grown to support Association members but had expanded to provide equivalent services to other industry associations as a commercial endeavour.

A new wholly owned commercial entity was established with a mandate to protect association members from commercial risk and meet the reporting and taxation obligations of a for profit enterprise.

The Story:

As an association representing the self-regulated financial markets and its participants, one of its key roles was for training and accreditation of its members. The infrastructure necessary to carry out, monitor and manage this industry accreditation was both substantial and expensive – but necessary in order to maintain the self-regulates status of the markets.

The growth of the association office and training team was accelerating, and it was recognised that the problem being solved for their member companies could also be applied to other associations in order to gain best use of periodical surplus capacity within the team. The then serving Chairman of the industry association approached us to review their association practices and advise on best ways forward as the association considered its growing cost of compliance.

We undertook an initial evaluation and concluded that while a major part of their activities comprised mutually derived incomes (and were therefore not taxable) there was an element of the business activity undertaken for other than the association members, therefore being non-mutual and classified and commercial activities attracting taxable incomes.

Further, we determined that without the protection of a limited liability company undertaking this income producing activity, the association directors (all of whom were holding their roles on a pro bono basis on behalf of their companies) were opening themselves up to direct and personal liabilities.

Our solution was to establish a properly constructed limited liability services company into which all the financially derived activities of the group were placed. On establishment of this entity, David Bell was appointed inaugural Chairman (a role he held for the following 4 years) and a properly constructed Board and governance process was put in place. The previous association staff and management were transferred into the new Pty Ltd company and the business was set up to run as a commercial endeavour.

The result was that the cost to the association of maintaining their continuing education, training and accreditation activities was significantly offset by the company's now planned

and budgeted commercial enterprise in providing similar training and accreditation across a range of other sector associations.

The business was managed and grown to an eight-figure annual revenue business, generating significant cost offset to the finance sector association in the maintenance of their own accreditation objectives, meeting all reporting, governance and taxation obligations whilst providing the Association leadership with appropriate protection from liabilities arising from a previously more casual approach which had evolved in earlier days.

At the bedding down of the third full year of the Association's services business, and with clear governance, delegations, budgeting and planning now in place the business was stable and well managed and Four Bells assignment was completed.

The services company supporting the association in question remains today and fulfils an important ongoing role for the association's marketplace.